

# IASB's ED: Amendments to IFRS 17

## MONITORING OF THE IASB REDELIBERATIONS

EFRAG TEG meeting 5 December 2019

Paper 04-08



**EF**FRAG

European Financial Reporting Advisory Group

# DISCLAIMER

---

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

# THE IASB RE-DELIBERATION PROCESS

---

## TIMETABLE FOR IASB DELIBERATIONS

- October: the IASB staff presented feedback from Outreach
- November: the IASB identified the scope of the re-deliberations
- From December to February: re-deliberate
- February to Mid-2020: finalise resulting amendments

## CRITERIA TO BE APPLIED

- IFRS 17 urgently needed, so amendments must not
  - change fundamental principles
  - unduly disrupt implementation underway
  - further delay effective date
- Limit the number and scope of exceptions, to limit the risk of changing the fundamental principles of a standard

*Whether and to what extent the IASB will finally decide to further amend the standard on a specific topic will only be known after the relative deliberation. The fact that the IASB staff proposes to amend the standard doesn't imply that the IASB will do it.*

# OUT OF SCOPE OF RE-DELIBERATIONS

## LIST OF TOPICS FOR WHICH THE IASB WILL CONFIRM REQUIREMENTS IN THE ED

IASB confirms	EFRAG's position in comment letter
Scope exclusions for loans	✓
CSM – coverage units for contracts with direct participation features	✓
Presentation in SFP – portfolio level	✓
Risk mitigation option for reinsurance contracts held	✓
Transition relief for business combination	✓
Transition relief for risk mitigation option (prospective application and option to apply fair value approach)	? – Is a step in the right direction but retrospective application preferred. If retrospective application accepted, option to apply fair value approach not necessary



# OUT OF SCOPE OF RE-DELIBERATIONS

## LIST OF TOPICS FOR WHICH THE IASB WILL **NOT** CONSIDER FURTHER THE FEEDBACK FROM RESPONDENTS

- Presentation SFP – premiums receivables and claims payable
- Risk mitigation option for insurance contracts without direct participation features
- Effective date – comparatives under IFRS 17
- Annual cohorts for all insurance contracts **other than** some specific contracts
- Cash flows in the boundary of a reinsurance contract held
- Subjectivity in determining discount rates and the risk adjustment for non-financial risk
- Risk adjustment in a consolidated group of entities
- Discount rate used to determine adjustments to CSM
- OCI option for insurance finance income or expenses
- Business combinations - classification of contracts acquired
- Scope of VFA - reinsurance contracts held and reinsurance contracts issued
- Mutual entities issuing insurance contracts
- Transition - general optionality and flexibility in the modified retrospective approach
- Transition - reliefs in the full retrospective approach



## IN SCOPE OF RE-DELIBERATIONS (1/4)

### THE IASB STAFF TO CONSIDER FURTHER FEEDBACK FROM RESPONDENTS

IASB to consider further	EFRAG's position in comment letter
Scope exclusion for credit cards	<ul style="list-style-type: none"><li>• Agreed to exclude credit cards that meet definition of insurance contract</li><li>• Concerned that debit cards not excluded</li></ul>
Expected recovery of insurance acquisition cash flows	<ul style="list-style-type: none"><li>• Agreed with the ED proposals</li></ul>
CSM attributable to investment services – coverage units for contracts without direct participation features, disclosures and terminology	<ul style="list-style-type: none"><li>• IASB should reconsider the definition of investment return service</li><li>• Disclosure on expected recognition of CSM to P&amp;L only provides users with a partial picture of future performance</li></ul>
Reinsurance contracts held - recovery of losses	<ul style="list-style-type: none"><li>• Welcomed the proposals</li><li>• Definition of 'proportionate' should be revisited for inclusion of reinsurance contracts based on economic substance</li></ul>



## IN SCOPE OF RE-DELIBERATIONS (2/4)

### THE IASB STAFF TO CONSIDER FURTHER FEEDBACK FROM RESPONDENTS

IASB to consider further	EFRAG's position in comment letter
Risk mitigation option – non derivatives financial instruments at FVTPL	<ul style="list-style-type: none"><li>Financial instruments at FVPL should also be eligible for risk mitigation</li></ul>
Effective date on IFRS 17	<ul style="list-style-type: none"><li>Considered 1 January 2023 as realistic effective date, with early application permitted.</li></ul>
Temporary exemption of IFRS 9	<ul style="list-style-type: none"><li>Amendments to IFRS 4 need to be published as early as possible for timely endorsement before expiry date of temporary exemption</li></ul>
Transition - retrospective application of the risk mitigation option	<ul style="list-style-type: none"><li>Retrospective application would provide more relevant information if entities able to prove that a risk mitigation strategy was in place at inception of risk mitigation activity</li></ul>



## IN SCOPE OF RE-DELIBERATIONS (3/4)

### THE IASB STAFF TO CONSIDER FURTHER FEEDBACK FROM RESPONDENTS

IASB to consider further	EFRAG's position in comment letter
Minor amendments	<ul style="list-style-type: none"><li>• EFRAG was informed of topics that may potentially need to be addressed and listed them in the comment letter</li><li>• EFRAG did not form a view, at this stage, on the topics.</li></ul>
Annual cohorts for some specific insurance contracts	<ul style="list-style-type: none"><li>• EFRAG agreed with the IASB reporting objectives of level of aggregation</li><li>• Cost/benefit issue for contracts with characteristics in B67-B71 of IFRS 17 that have 'substantial' sharing of risks</li><li>• In some jurisdictions issue relates to GM including contracts without B67-B71 characteristics but have cash flow matching techniques</li></ul>





# IN SCOPE OF RE-DELIBERATIONS (4/4)

## THE IASB STAFF TO CONSIDER FURTHER FEEDBACK FROM RESPONDENTS

IASB to consider further	EFRAG's position in comment letter
<p>Business combinations – contracts acquired in their settlement period</p> <ul style="list-style-type: none"><li>• An entity has to classify a liability for settlement of claims as a liability for remaining coverage if the entity acquired the insurance contract during the settlement period of the claims</li></ul>	<ul style="list-style-type: none"><li>• Not mentioned</li></ul>
<p>Interim financial statements</p>	<ul style="list-style-type: none"><li>• Recommended the IASB to consider eliminating para B137 of IFRS 17 or making its application optional as it is not a simplification</li></ul>
<p>Additional specific transition modifications and reliefs</p>	<ul style="list-style-type: none"><li>• Recommended the IASB to confirm that use of estimates, including those needed to approximate missing information, is allowed</li><li>• Suggested IASB to clarify that 'reasonable and supportable' criterion does not change judgement required in IAS 8</li></ul>





EFRAG receives financial support of the European Union - DG Financial Stability, Financial Services and Capital Markets Union. The contents of this presentation is the sole responsibility of EFRAG and can under no circumstances be regarded as reflecting the position of the European Union.

THANK YOU

EFRAG  
Aisbl - ivzw  
35 Square de Meeüs  
B-1000 Brussel  
Tel. +32 (0)2 210 44 00  
[www.efrag.org](http://www.efrag.org)

