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IFRS 17 Insurance Contracts Cover Note

Objective

- 1 The objective of this session is to discuss:
 - (a) The relation between IFRS 17 and Solvency II;
 - (b) The impact of IFRS 17 on SME's that are insurers; and
 - (c) The relation between IFRS 17 and IFRS 15.
- 2 Subsequent to the 8 January EFRAG TEG discussions:
 - (a) The agenda paper 06-02 on IFRS 17 and Solvency II has been updated;
 - (b) There are no changes to agenda paper 06-03, on the impact of IFRS 17 on SME's, as it was not discussed at the EFRAG TEG meeting; and
 - (c) There are no changes to agenda paper 06-04, on the relation between IFRS 17 and IFRS 15, as EFRAG TEG agreed with the text.
- 3 Key messages from the 8 January EFRAG TEG discussions are uploaded as agenda paper 06-05.
- 4 Below is a summary of the EFRAG Board discussions on 18 December.

EFRAG Board meeting on 18 December on IFRS 17

- 5 The EFRAG Board discussed decision documents, to support the future endorsement advice of IFRS 17. These decision documents related to the economic study, the user outreaches and the limited update for the case studies.
- 6 In addition, an update was provided to the EFRAG Board of the activities done by the EFRAG Secretariat, the EFRAG IAWG and EFRAG TEG since the last EFRAG Board meeting on 13 November.
- 7 Below is a summary of the EFRAG Board's discussions.
- 8 The EFRAG Board discussed the decision documents in relation to user outreach, limited update of the case study and the economic study in preparing for the endorsement advice of IFRS 17.
- 9 The EFRAG Board validated that no further user outreach was necessary.
- 10 With regard to the limited update of the case study EFRAG Board members agreed with the approach taken to validate the questionnaire with the industry and to ask mainly for qualitative inputs with exception from the cost and benefits section where quantitative questions are part of the case study.
- 11 With regard to the economic study EFRAG Board members asked the EFRAG Secretariat to contact the consultants that wrote the initial report with the request to

revise the wording. In particular the document should be updated to verify whether the views of the industry have changed taking into account the proposed Amendments to IFRS 17; to take into account the latest statistical data that are available as of today; to assess whether the conclusions would be different if we had to consider the persisting negative interest rate environment. It was suggested to rely on material that has been (or will soon be) published by EIOPA.

- 12 It was noted that not all of the updates could be done already now (in particular measuring to which extent the views of the industry have changed), nevertheless EFRAG Board members found it useful to start the work already in order to fit the work into the timetable of delivering the DEA.
- 13 The EFRAG Board also discussed whether hedge accounting in IFRS 9 can be used for insurance liabilities (and underlying risk components). The EFRAG Board acknowledged that the EFRAG Secretariat is currently doing further work with individual insurance companies. However, the EFRAG Board asked to involve the audit profession and the IASB in order to hear from them to which extent IFRS 9 hedge accounting can be applied for insurance liabilities (and underlying risk components).

Agenda Papers

- 14 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 06-02A – Relation between IFRS 17 and Solvency II – marked-up subsequent to EFRAG TEG discussions on 8 January;
 - (b) Agenda paper 06-02B – Relation between IFRS 17 and Solvency II – clean version;
 - (c) Agenda paper 06-03 – Impact of IFRS 17 on SME's that are insurers;
 - (d) Agenda paper 06-04 – Relation between IFRS 17 and IFRS 15; and
 - (e) Agenda paper 06-05 – Key messages from 8 January EFRAG TEG webcast meeting.