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IFRS 17: Summary of 5 March 2020 EFRAG TEG discussions - Issues Paper

Objective

- 1 The objective of this session is to update EFRAG Board with a summary of the main discussions and conclusions of EFRAG TEG during its meeting on 5 March 2020 on IFRS 17 *Insurance Contracts*.

IFRS 17 and small insurers

- 2 One EFRAG TEG member commented that the situation of a non-insurer parent needs to be added to the text.
- 3 The basis of the discussion can be found in agenda paper 07-04: Issues paper IFRS 17 and small insurers.

Risk mitigation

- 4 One EFRAG TEG member agreed with EFRAG IAWG that this prohibition would have a negative impact on comparability, but also considered that this should form part of Appendix III as it may encourage insurers not to manage their risk in the period before adoption of IFRS 17.
- 5 It was agreed that based on evidence received up to now the issue is not prevalent, but significant in some cases.
- 6 The basis of the discussion can be found in agenda paper 07-05: Issues paper – Prohibition of applying the risk mitigation approach retrospectively on transition.

US GAAP

- 7 EFRAG TEG members agreed that given the significant and comprehensive differences between the two frameworks, a comprehensive standard in Europe that improves consistency would have an increasing chance to improve competition gaps. This is in the context of European preparers currently being in a disadvantaged position when explaining results to the market.
- 8 The basis of the discussion can be found in agenda paper 07-06: Summary of US GAAP requirements for insurance and comparison with IFRS 17.

Appendix II version 2.1 and Appendix III version 3.1

- 9 As these Appendices were discussed previously, EFRAG TEG members were requested to provide comments in writing by 13 March 2020.

Hedge accounting of insurance liabilities

- 10 This topic will be discussed at a future meeting.

IASB staff recommendations – February 2020

- 11 On the amendment to the paragraph B107, the EFRAG Secretariat will continue to liaise with the IASB staff to confirm the impact of the change and consider inclusion in Appendix II. EFRAG TEG members observed that this may significantly disrupt ongoing implementation of IFRS 17. One EFRAG TEG member considered that this may be relevant to contracts changing nature over time.
- 12 A separate paper has been prepared for the EFRAG Board – please refer to agenda paper 07-03.

Question for EFRAG Board

- 13 Does EFRAG Board have further comments or questions on this summary?