

IFRS 17 – Outcome of the IASB re-deliberations

EFRAG Board

17 March 2020

Paper 07-03



European Financial Reporting Advisory Group

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PURPOSE OF THIS PAPER

- The IASB is completing in the March meeting its deliberation process for IFRS 17. We expect the standard to be issued in June, consistently with the initial IASB project plan.
- Approaching the conclusion of the deliberation, the purpose of this session is to provide the EFRAG Board with an overview of the IASB deliberation and how do they compare with EFRA recommendations as per the Comment Letter issued the 24 September 2019.



THE IASB RE-DELIBERATION PROCESS

TIMETABLE FOR IASB RE- DELIBERATIONS

- October 2019: the IASB staff presented feedback from Outreach
- November 2019: the IASB identified the scope of the re-deliberations
- From December 2019 to February 2020: re-deliberate on contents
- 16/20 2020: re-deliberate on effective date
- By Mid-2020: finalise resulting amendments

CRITERIA TO BE APPLIED

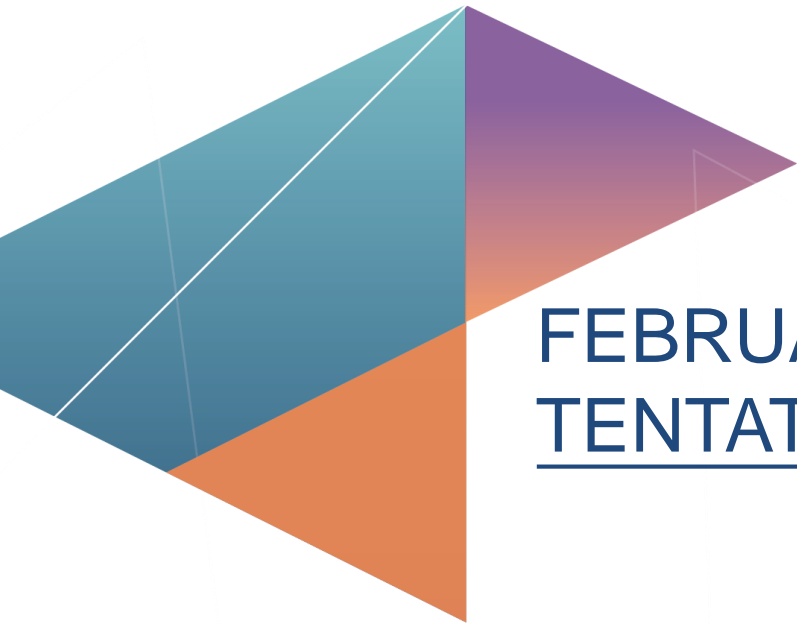
- IFRS 17 urgently needed, so amendments must not
 - change fundamental principles
 - unduly disrupt implementation underway
 - further delay effective date
- Limit the number and scope of exceptions, to limit the risk of changing the fundamental principles of a standard



MARCH 2020 IASB RE-DELIBERATIONS

MARCH 2020 RE-DELIBERATIONS – IASB TO MEET THIS WEEK

IASB Staff proposals (to be discussed 16/20 March)	EFRAG's position in comment letter
<p>Effective date on IFRS 17 Defer the effective date of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023</p>	<ul style="list-style-type: none"> Considered 1 January 2023 as realistic effective date, with early application permitted <p style="text-align: right;">✓</p>
<p>Same effective date IFRS 9 and 17 Extend the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023</p>	<ul style="list-style-type: none"> Same effective date for IFRS 17 and IFRS 9 <p style="text-align: right;">✓</p>
<p>IFRS 9 deferral of effective date needed urgently Amendment to IFRS 4—reflecting the extension of the fixed expiry date for the temporary exemption from applying IFRS 9—is balloted separately from the Amendments to IFRS 17 (including consequential amendments to other IFRS Standards)</p>	<ul style="list-style-type: none"> Amendments to IFRS 4 need to be published as early as possible for timely endorsement before expiry date of temporary exemption <p style="text-align: right;">✓</p>




FEBRUARY 2020 IASB TENTATIVE DECISIONS

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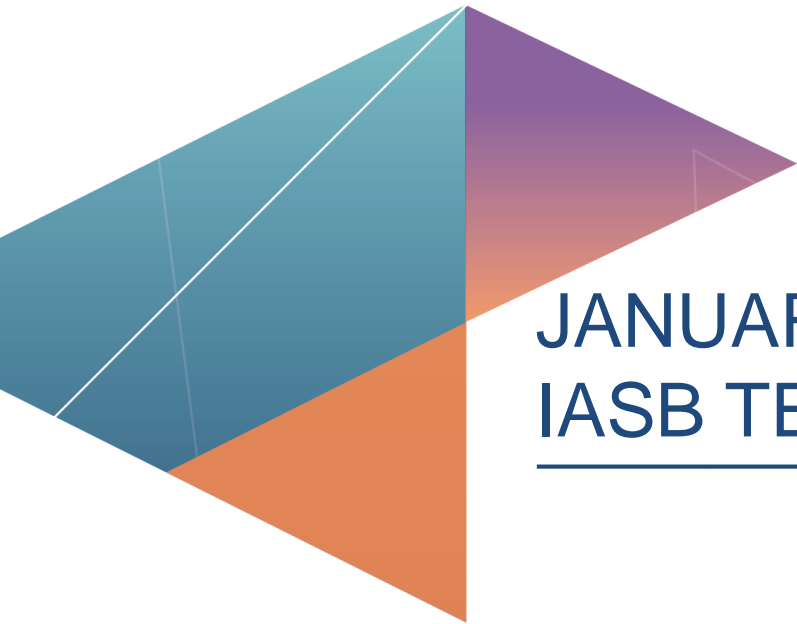
IASB considered	EFRAG's position in comment letter	Extent of alignment with EFRAG FCL
<p>CSM attributable to investment services – coverage units for contracts without direct participation features</p>	<ul style="list-style-type: none"> • IASB should reconsider the definition of investment return service • Disclosure on expected recognition of CSM to P&L provides useful information to users but will provide users with a partial picture of the future performance. 	<p style="text-align: center;">✓</p>
<p>Level of aggregation - annual cohorts for insurance contracts with intergenerational sharing of risks between policyholders</p> <ul style="list-style-type: none"> • IASB retained unchanged the annual cohort requirements 	<ul style="list-style-type: none"> • EFRAG agreed with the IASB reporting objectives of level of aggregation • Cost/benefit issue for contracts with characteristics in B67-B71 of IFRS 17 that have 'substantial' sharing of risks • In some jurisdictions issue relates to GM including contracts without B67-B71 characteristics but have cash flow matching techniques 	<p style="text-align: center;">X</p>

FEBRUARY 2020 IASB TENTATIVE DECISIONS

IASB considered	EFRAG's position in comment letter	Extent of alignment with EFRAG FCL
Risk mitigation option – non derivatives financial instruments at FVTPL	<ul style="list-style-type: none">Financial instruments at FVPL should also be eligible for risk mitigation	
Minor amendments	<ul style="list-style-type: none">EFRAG did not form a view, at this stage, on the topics	No EFRAG recommendations

FEBRUARY 2020 IASB TENTATIVE DECISIONS

IASB to consider further	EFRAG's position in comment letter	Extent of alignment with EFRAG FCL
Additional specific transition modifications and reliefs	<ul style="list-style-type: none"> Recommended the IASB to confirm that use of estimates, including those needed to approximate missing information, is allowed Suggested IASB to clarify that 'reasonable and supportable' criterion does not change judgement required in IAS 8 Additional relief requested for the fair value approach where there is an option to set the accumulated OCI balance on insurance liabilities to nil on transition. 	<p>✓ for use of estimates and judgement required in IAS 8</p> <p>X for the accumulated OCI balance</p>
Other topics raised by respondents to the Exposure Draft	No EFRAG recommendations	No EFRAG recommendations



JANUARY 2020 IASB TENTATIVE DECISIONS

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IASB considered	EFRAG's position in comment letter	Extent of alignment with EFRAG FCL
Scope exclusion for some credit card contracts	<ul style="list-style-type: none"> • Agreed to exclude credit cards that meet definition of insurance contract • Concerned that debit cards not excluded 	<p>✓ Scope of credit cards and debit cards to be excluded from IFRS 17</p> <p>Separation of components not mentioned in EFRAG FCL</p>
Transition - the prohibition from applying the risk mitigation option retrospectively	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	X

JANUARY 2020 IASB TENTATIVE DECISIONS

IASB considered	EFRAG's position in comment letter	Extent of alignment with EFRAG FCL
Business combinations - contracts acquired in their settlement <ul style="list-style-type: none"> 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 	No EFRAG recommendations	No EFRAG recommendations
Interim financial statements	Recommended the IASB to consider eliminating para B137 of IFRS 17 or making its application optional as it is not a simplification	✓
Asset for insurance acquisition cash flows - transition and business combinations	No EFRAG recommendations	No EFRAG recommendations



DECEMBER 2019
IASB TENTATIVE DECISIONS

DECEMBER 2019 IASB TENTATIVE DECISIONS

IASB confirmed	Extent of alignment with EFRAG FCL
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)	✓
Expected recovery of insurance acquisition cash flows	✓
Reinsurance contracts held – recovery of losses	✓

IFRS 17 – IASB UPDATE – NEXT STEPS

Proposed timeline for balloting and publication (IASB Staff papers March 2020)

The IASB Staff proposes that:

- the IASB Board should not re-expose the amendments to IFRS 17
- the balloting process of Amendments to IFRS 17 will commence in March 2020, with the final amendments planned to be issued in the **second quarter of 2020**
- amendment to IFRS 4—reflecting the extension of the fixed expiry date for the temporary exemption from applying IFRS 9—is balloted separately from the Amendments to IFRS 17 (including consequential amendments to other IFRS Standards).

If the IASB will follow these recommendations, a separate fast-track endorsement procedure would be performed with reference to the postponement of IFRS 9 effective date.

- EFRAG to issue the DEA on IFRS 4 Amendment (IFRS 9 FTA) as soon as feasible after the issuance of this separate IASB due process document. Entities will need to apply this Amendment by January 2021.

QUESTIONS TO EFRAG BOARD

- Do EFRAG Board members have comments on the contents of this presentation?
- Do EFRAG Board members agree that EFRAG starts the preparation of the draft endorsement advice for the Amendments to IFRS 4 (**postponement of effective date of IFRS 9**) so to be able to issue it as soon as the Amendments are issued by the IASB? Do EFRAG Board members agree to adopt a fast-track procedure (including written approval by the EFRAG Board and shortened comment period) if needed in order to allow the completion of the endorsement process in time for January 2021?
- Do EFRAG Board members anticipate, at this stage, the need to adjust the EFRAG project plan for the endorsement activities of IFRS 17?



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THANK YOU

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