

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in 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.

## **IFRS 17 Insurance Contracts - DEA Cover Note**

### **Objective**

- 1 The objective of this session is to discuss and approve the draft endorsement advice on IFRS 17 *Insurance Contracts*, as resulting from the Amendments June 2020 (in the documents for this meeting 'IFRS 17') and to agree on its publication. In this meeting, EFRAG Board members will also be requested to decide on the length of the consultation period of the DEA.
- 2 This is the first of two EFRAG Board meetings dedicated to approve the IFRS 17 DEA. The second meeting is foreseen on 25 September 2020. An additional EFRAG TEG meeting on IFRS 17 is foreseen on 16 September 2020, in case further technical advice from EFRAG TEG is required by EFRAG Board members and to allow EFRAG TEG to consider the latest wording changes to the DEA and its appendices and annex.

### **Status of the DEA and its appendices and annex**

- 3 The package that the EFRAG Board is asked to discuss and approve ('DEA – package of documents') is composed of:
  - (a) the Cover Letter;
  - (b) Appendix I (description of the requirements in IFRS 17);
  - (c) Annex 1 (observations about the use of annual cohorts to intergenerationally-mutualised and cash-flow matched contracts that are relevant for the DEA assessment of topics usually presented in Appendices II and III);
  - (d) Appendix II (DEA assessment and conclusion about the qualitative technical characteristics of all the other requirements in IFRS 17); and
  - (e) Appendix III (DEA assessment and conclusion about European Public Good about all the other requirements in IFRS 17).
- 4 The package is the result of a long assessment, discussion and drafting process, which started in November 2019 but benefited as well from previous phases of the EFRAG due process. Contents in Appendices II, III and in Annex 1 have been progressively discussed and validated by the EFRAG Board in various meetings.
- 5 The package has been subject to a fatal-flaw process involving members and observers of EFRAG IAWG, TEG and Board.
- 6 Compared to the version discussed by EFRAG TEG on 3 September, the DEA – package of documents presented to the EFRAG Board in this session incorporates:
  - (a) drafting changes due to some additional fatal flaw comments (editorial changes and additional paragraphs related to Annex 1 – observations on the application of annual cohorts to cash-flow matched contracts);

- (b) drafting suggestions of EFRAG TEG members emerged from the discussion on 3 September.

**EFRAG TEG advice to EFRAG Board**

- 7 EFRAG TEG members discussed and voted on the IFRS 17 DEA on 3 September. They approved Annex 1 and the 3 Appendices and voted on the Cover Letter. The outcome of the EFRAG TEG vote and their supplementary advice to the EFRAG Board (in addition to the technical content of the Annex 1 and 3 Appendices that were approved) is provided in the Note from EFRAG TEG to EFRAG Board that has been provided as Agenda Paper 06-02 for this session.

**Planned next steps**

- 8 EFRAG TEG, on 16 September, will assess the changes done to the DEA - package of documents, as a result of some drafting suggestions that arrived late in the fatal-flow process, drafting suggestions proposed by EFRAG TEG members in the meeting of 3 September and possible additional drafting suggestions that the EFRAG Board will propose during this session.
- 9 EFRAG TEG, on 16 September, will be debriefed on the outcome of this EFRAG Board decision-making session and will be asked to confirm (and revise if they deem appropriate) their vote as reported in Agenda Paper 06-02, following the changes to the DEA - package of documents and the debrief from the EFRAG Board discussion in this meeting.
- 10 The EFRAG Board will meet again on 25 September for the second decision-making session, when the members will be asked to consider the last observations of EFRAG TEG on the basis of the outcome of the EFRAG TEG meeting on 16 September (if any). Finally, the EFRAG Board will be asked to vote/confirm their vote on the DEA - package of documents for issuance.

**Questions for EFRAG Board**

- 11 What does the EFRAG Board consider should be the length of the consultation period of the IFRS 17 DEA?
- 12 Does the EFRAG Board approve the draft endorsement advice on IFRS 17?

**Agenda Papers**

- 13 In addition to this cover note, agenda papers for this session are:
  - (a) Agenda paper 06-02 – EFRAG TEG advice to the EFRAG Board;
  - (b) Agenda paper 06-03 – IFRS 17 DEA – Cover letter;
  - (c) Agenda paper 06-04 – IFRS 17 DEA – Annex 1 on annual cohorts;
  - (d) Agenda paper 06-05 – IFRS 17 DEA – Appendix I;
  - (e) Agenda paper 06-06 – IFRS 17 DEA – Appendix II; and
  - (f) Agenda paper 06-07 – IFRS 17 DEA – Appendix III.