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IFRS 17 Insurance Contracts DEA Cover Note

Purpose of the public session today

- 1 EFRAG TEG members will be asked to consider the changes made since their meeting on 3 September and to confirm their agreement (already expressed on 3 September) to issue the Appendices and Annex.
- 2 EFRAG TEG members will be asked to consider the changes made in the Cover Letter since their meeting on 3 September and to confirm their agreement or dissent (already expressed on 3 September) to issue the Cover Letter. This discussion will lead also to the approval of the Note from EFRAG TEG to EFRAG Board, subject to changes that EFRAG TEG members will consider appropriate.
- 3 EFRAG TEG members will be asked to provide input to the EFRAG Board on the Invitation to Comment and to agree on its issuance. The standard questionnaire has been adjusted to reflect the wording agreed by the EFRAG Board in the Cover Letter.

Structure of the DEA and its appendices and annex

- 4 The package that EFRAG TEG is asked to discuss and approve ('DEA –package of documents') is composed of:
 - (a) the Cover Letter;
 - (b) 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);
 - (c) Appendix I (description of the requirements in IFRS 17);
 - (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).

Summary of the EFRAG Board decisions on 10 September 2020

- 5 The Cover Letter was approved with updates on wording of the conclusions as well as the split on the topic of annual cohorts.
- 6 The standard questionnaire invitation to comment will be adapted to reflect the structure of the Cover Letter.
- 7 Annex 1 approved subject to wording changes and additional questions.
- 8 Appendix I, II and III were approved for issue.
- 9 Consultation period of 4 months was agreed.

- 10 The EFRAG Board decided not to include a summary of Annex 1 in the cover letter of the DEA.
- 11 Annex 1 will be reassessed for possible reincorporation into the appendices when discussing the FEA.

Summary of changes since the previous version reviewed by EFRAG TEG

- 12 The package of documents presented to EFRAG TEG in this session incorporates the following requested changes:

Cover letter

- (a) For contracts with intergenerational mutualisation and cash-flow matched contracts in the cover letter, indicating first that the other IFRS 17 requirements meet the technical criteria/are conducive to the European public good and then indicating the EFRAG Board split (pages 2/3);
- (b) Wording changes in the cover letter under the heading 'Our advice to the European Commission' (page 10);
- (c) Including other comprehensive income when mentioning volatility in profit and loss under impact of current measurement in IFRS 17 (page 5 of cover letter);
- (d) improve the wording around procyclicality in the cover letter;

Annex 1

- (e) 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);
- (f) alignment of text around the application of BC138 with the information documented on Danish insurers documents in Annex A to Annex 1 (paragraph 21 of Annex 1);
- (g) use of more neutral wording in certain cases;

Other changes

- (h) a foot note explaining the market share of the listed participants to the limited update of the case study in Appendix III;
 - (i) the invitation to comment as issued usually in this scenario; and
 - (j) editorial drafting suggestions of EFRAG TEG members from the discussion on 3 September.
- 13 The EFRAG Board also agreed to add additional questions on annual cohorts in Annex A to Annex 1 rather than include the suggestion by an EFRAG TEG member to clarify in that "this description of the contractual features in a given country does not necessarily imply that constituents in that country consider annual cohorts when applied to these features to be a source of concern when assessing the endorsement of IFRS 17".
 - 14 Proposals from EFRAG TEG that were not accepted by the EFRAG Board were as follows:
 - (a) a summary of Annex 1 to be included in the cover letter as suggested by an EFRAG TEG member as the EFRAG Board were apprehensive of entering into a debate about such a summary at this stage;
 - (b) additional reasoning around public interest by those Board members who support the annual cohort requirement.

Questions for EFRAG TEG

- 15 Do EFRAG TEG members confirm their agreement to issue Appendix I?
- 16 Do EFRAG TEG members confirm their agreement to issue Appendix II?
- 17 Do EFRAG TEG members confirm their agreement to issue Appendix III?
- 18 Do EFRAG TEG members confirm their agreement to issue Annex 1?
- 19 Do EFRAG TEG members confirm their agreement or dissent to issue the Cover Letter?
- 20 Do EFRAG TEG members that agreed to issue the Cover Letter confirm their view on annual cohorts (support/do not support)?
- 21 Do EFRAG TEG members have comments on the Note from EFRAG TEG to EFRAG Board, before its finalisation?
- 22 Do EFRAG members have comments on the Invitation to Comment? Do EFRAG TEG members agree on its issuance?

Agenda Papers

- 23 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 02-02 – Note from EFRAG TEG to the EFRAG Board;
 - (b) Agenda paper 02-03A – IFRS 17 DEA – Cover letter - clean;
 - (c) Agenda paper 02-03B – IFRS 17 DEA – Cover letter – marked-up comparing to the version provided as Agenda paper for the 3 September EFRAG TEG meeting;
 - (d) Agenda paper 02-04A – IFRS 17 DEA – Annex 1 on annual cohorts - clean;
 - (e) Agenda paper 02-04B – IFRS 17 DEA – Annex 1 on annual cohorts - marked-up comparing to the version provided as Agenda paper for the 3 September EFRAG TEG meeting;
 - (f) Agenda paper 02-05A – IFRS 17 DEA – Appendix I - clean;
 - (g) Agenda paper 02-05B – IFRS 17 DEA – Appendix I - marked-up comparing to the version provided as Agenda paper for the 3 September EFRAG TEG meeting;
 - (h) Agenda paper 02-06A – IFRS 17 DEA – Appendix II - clean;
 - (i) Agenda paper 02-06B – IFRS 17 DEA – Appendix II - marked-up comparing to the version provided as Agenda paper for the 3 September EFRAG TEG meeting;
 - (j) Agenda paper 02-07A – IFRS 17 DEA – Appendix III - clean;
 - (k) Agenda paper 02-07B – IFRS 17 DEA – Appendix III - marked-up comparing to the version provided as Agenda paper for the 3 September EFRAG TEG meeting;
 - (l) Agenda paper 02-08 - IFRS 17 Invitation to comment; and
 - (m) Agenda paper 02-09 - IFRS 17 incorporating the June 2020 Amendments¹ – for background.

¹ This paper will be removed from EFRAG's website once the Standard is endorsed and published in the Official Journal.