

IFRS 17: update on recent developments

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Sue Lloyd, IASB Vice-Chair
International Accounting Standards Board

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Topics for today

Overview of the global developments

IASB support for IFRS 17 implementation

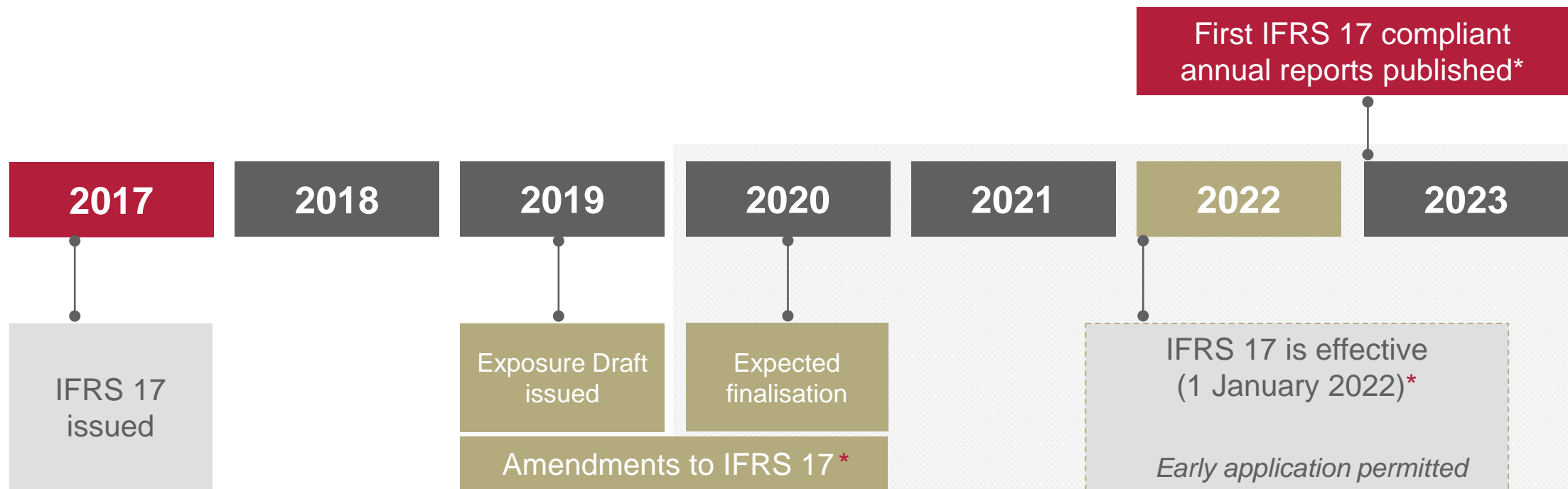
Feedback on proposed amendments to IFRS 17

Next steps

Overview of the global developments

Status of IFRS 17 adoption

IFRS 17 timeline



IASB support for IFRS 17 implementation

* IASB is considering feedback on proposed deferral of effective date to 2022 and other proposed amendments

Implementation progress to date

Implementation stage	<ul style="list-style-type: none">• Many larger entities started implementation when IFRS 17 was issued• Smaller entities started implementation later• Larger entities typically have developed internal system solutions• Smaller entities typically rely on external system solutions
Implementation challenges	<ul style="list-style-type: none">• IASB provided implementation support since 2017 and proposed narrow scope amendments in 2019 to ease implementation, including a one year deferral of effective date to 2022
Effective date	<ul style="list-style-type: none">• IASB is considering feedback on proposed deferral of effective date to 2022 and other proposed amendments
Worldwide adoption	<ul style="list-style-type: none">• Many jurisdictions have already endorsed IFRS 17• Endorsement is in progress in other jurisdictions

Endorsement of IFRS 17 so far

Endorsed



Australia



New Zealand



Canada



Hong Kong



Singapore



South Africa



Malaysia



Switzerland



Russia



Philippines[^]

In process



South Korea



China^{*}



European Union

This is not a complete list of endorsement activities in all IFRS jurisdictions

**Note: China is in the process of full convergence with IFRS 17*

[^]Note: Philippines set 2023 as effective date

IASB implementation support for IFRS 17

Many tools to help

IASB support for IFRS 17 implementation

A comprehensive programme of stakeholder engagement and implementation support

 <p>Webinars</p>	 <p>Articles and other materials</p>	 <p>Conferences</p>	 <p>Transition Resource Group (TRG)</p> <p>4 meetings</p> <p>127 questions</p>
<p>Education for</p> <ul style="list-style-type: none">• investors• regulators• standard-setters• preparers  <p>Over 100 meetings with investors</p>		<p>Informal technical discussion with</p> <ul style="list-style-type: none">• regulators• standard-setters• preparers• auditors  <p>Over 300 meetings with stakeholders</p>	

The Exposure Draft

12 targeted amendments in 8 areas

1 Additional scope exclusions

Loans
Credit cards

2 Allocation of acquisition costs to expected contract renewals

3 Attribution of profit to service relating to investment activities

4 Reduced accounting mismatches for reinsurance

5 Simplified balance sheet presentation

6 Extension of the risk mitigation option

7 Deferral of the effective date by one year

IFRS 17
IFRS 9

8 Additional transition reliefs

Business combinations
Risk mitigation—transition date
Risk mitigation—fair value approach

Aid implementation

- The targeted amendments
 - ❑ are narrow in scope but provide meaningful support and address a number of concerns raised by insurers
 - ❑ will ease IFRS 17 implementation, without unduly disrupting implementation
 - ❑ will make it easier for insurers to explain the results of applying IFRS 17

Maintain IFRS 17 improvements

- The targeted amendments
 - ❑ do not change the fundamental principles of the Standard
 - ❑ will not result in a significant loss of useful information for investors
 - ❑ refine the requirements for some topics, in the light of insurers' experience in implementation

Feedback on proposed amendments to IFRS 17

Outreach and comment letters

Overall feedback on the Exposure Draft

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Overall support that IASB has considered concerns and implementation challenges raised since IFRS 17 was issued and proposed targeted amendments to IFRS 17

Some stakeholders think IASB should extend the scope of some of the proposed amendments

Some stakeholders commented on

- some areas IASB considered and for which amendments to IFRS 17 were not proposed in the Exposure Draft
- new implementation challenges specific to transactions / jurisdictions



Outreach
July - September

70 meetings in
14 jurisdictions



121
comment letters

1 Additional scope exclusions

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Proposed amendment



- Two additional scope exclusions
- Requirement to apply IFRS 9 to some **credit cards** that meet the definition of an insurance contract
 - for example, credit cards that provide insurance coverage for free
- Option to apply IFRS 9 or IFRS 17 to some **loans** that meet the definition of an insurance contract
 - for example, loans with death waivers

Supporting arguments

- ✓ General agreement that the proposed scope exclusions would reduce implementation costs

Findings and suggestions

- ✗ Request to extend to other banking products
- ✗ Concerns that when the insurance is contractual the credit cards may not meet SPPI in IFRS 9

Allocation of acquisition costs to 2 expected contract renewals

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Proposed amendment

- **Allocation** of part of the insurance acquisition cash flows to expected contract renewals
- Recognition of those cash flows as an **asset** until the company recognises renewals
- Assessment of the **recoverability** of the asset at each reporting date
- **Disclosures**
 - reconciliation of asset changes
 - expected timing of recognition of renewals

Supporting arguments

- ✓ General agreement that the proposed amendment would help entities explain their results

Findings and suggestions

- ✗ Concerns about complexity and increase in ongoing costs of applying IFRS 17
- ✗ Request for more guidance

3 Attribution of profit to service relating to investment activities



Proposed amendment

- Recognition of the contractual service margin **both** when insurance **coverage** and any **services** relating to investment activities are provided over time
- **Disclosures**
 - timing of expected recognition in profit or loss of remaining contractual service margin
 - judgement used to determine the profit generated by any service relating to investment activities, in addition to the insurance coverage

Supporting arguments

- ✓ General agreement that services related to investment activities need to be considered for the recognition of the contractual service margin

Findings and suggestions

- ✗ Criteria for investment-return service too narrow
- ✗ Complexity of multiple service contracts



Proposed amendment

- Recognition of a **gain** on reinsurance contracts held to the extent:
 - a company recognises losses on onerous insurance contracts at **initial recognition**
 - the reinsurance contracts
 - cover the losses of the underlying contracts on a **proportionate** basis (ie a fixed percentage of claims is recovered)
 - are entered into before or at the same time the onerous underlying contracts are issued

Supporting arguments

- ✓ Support for the direction of the amendment to reduce accounting mismatches

Findings and suggestions

- ✗ Request to extend the population of reinsurance contracts to which the proposed amendment would apply
- ✗ Concerns that the proposed amendment might be open to abuse

5 Simplified balance sheet presentation



Proposed amendment

- Presentation of insurance contract assets and insurance contract liabilities on the balance sheet determined using **portfolios** of insurance contracts rather than groups of insurance contracts

Supporting arguments

- ✓ General agreement that the proposed amendment would reduce implementation costs

Findings and suggestions

- ✗ Request for further simplification (entity level, rather than portfolio level)
- ✗ Request to present premiums receivable and claims payable separately

6 Extension of risk mitigation option



Proposed amendment

- Extension of risk mitigation option to when a company uses **reinsurance contracts held** to mitigate financial risks

Variable fee approach

Insurance contracts with direct participation features

Supporting arguments

- ✓ Overall agreement that risk mitigation option extension to reinsurance contracts would reduce accounting mismatches

Findings and suggestions

- ✗ Request to apply to all financial instruments accounted for at fair value though profit or loss used for risk mitigation

7 Deferral of effective date by one year



Proposed amendment

- One-year deferral of the effective date of **IFRS 17**
 - to provide certainty about the effective date
 - to require application of IFRS 17 as soon as possible
 - to limit the increase in workload and costs for companies that are at an advanced stage of implementation
- Extension to 2022 of the expiry date for the temporary exemption from applying **IFRS 9** (for some insurers)

Supporting arguments

- ✓ Support for deferral to 2022
- ✓ Deferral by more than one year would significantly increase implementation costs

Findings and suggestions

- ✗ Request for further deferral to 2023
- ✗ Suggestion to set different effective dates for larger entities and smaller entities

8 Additional transition reliefs

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Proposed amendment

- Liabilities for claims settlement acquired in a **business combination** before transition could be classified as ‘liability for incurred claims’ in some circumstances
- Risk mitigation option
 - possible use of the option **prospectively** from the date of transition to IFRS 17
 - possible use of the **fair value approach** for groups of contracts that would otherwise be required to be accounted for retrospectively

Supporting arguments

- ✓ General agreement that the proposed additional reliefs would reduce implementation costs

Findings and suggestions

- ✗ Request to extend business combinations relief after the date of transition
- ✗ Request to apply risk mitigation option retrospectively

Other comments received

Other comments mainly relate to the following areas of concerns

Annual cohorts



- Implementation challenges relating annual cohorts for insurance contracts with risk sharing between generations of policyholders
- Potential costly implementation and concerns around usefulness of annual cohort information for such contracts

Business combinations



- Suggestion to classify a liability for settlement of claims as a liability for incurred claims in all circumstances
- Suggestion to determine liabilities classification depending on the purpose of business combinations

Interim reporting



- Request to remove or make optional requirement not to change accounting estimates made in interim reports when applying IFRS 17 subsequently
- Different CSMs at subsidiary level and group level due to different frequency of IAS 34 interim reports

Next steps

What happens next



November Board will consider comment letter feedback and redeliberation plan



IASB will finalise amendments to IFRS 17 considering the feedback on the Exposure Draft



IASB aims to issue the final amendments in mid-2020

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