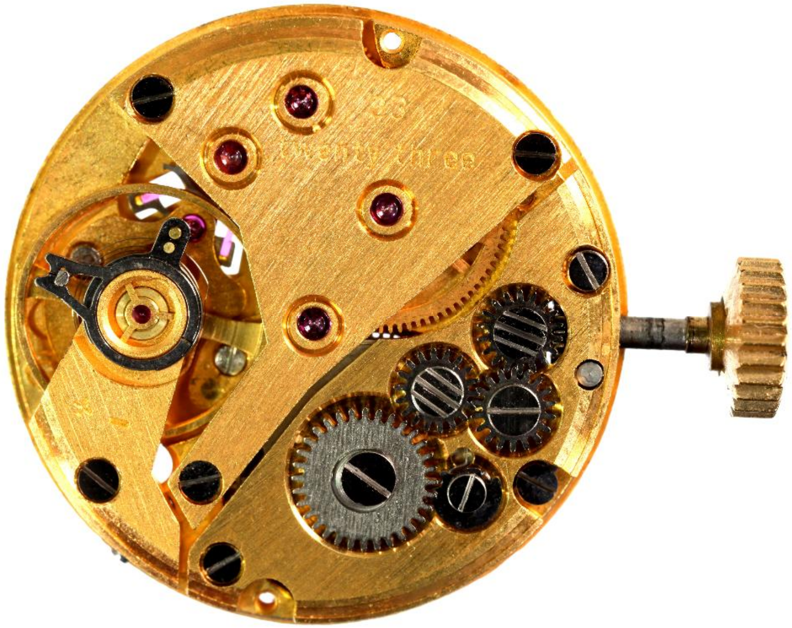

The IASB signs off its proposed amendments to IFRS 17

The amendment process will move soon to consultation and TRG holds possibly its last meeting

Francesco Nagari, Deloitte Global IFRS Insurance Leader | 25 April 2019

Agenda

- Highlights of the TRG meeting on 4 April 2019 and IASB meeting on 9 April 2019
- Detailed analysis of the TRG & IASB discussions and decisions reached
- Next steps

Highlights of the TRG meeting on 4 April and IASB meeting on 9 April 2019

- The TRG for IFRS 17 Insurance Contracts met on 4 April 2019 to discuss about **investment components within an insurance contract.** The debate highlighted a number of areas where TRG members had different views on the accounting requirements for investment components.

- **43 out of 46 submissions were rejected** mainly on the grounds that the questions can be answered with the current standard or do not meet the submission criteria. The IASB has committed to capture the TRG outcomes in a way that will be permanently accessible to preparers and users. The timing for this and the format it would take will be announced in due course.

- On 9 April 2019, the IASB considered as a whole the amendments to IFRS 17 that the Board has tentatively decided to propose by reassessing each of the proposed amendments against the criteria the Board set in October 2018 and considering the likely effects of the proposed amendments to IFRS 17.

- The Staff concluded that **none of the amendments** either unduly disrupts implementation, or where there could be disruption, that the potential disruption is justified given the stakeholder feedback. The Staff also performed a **cost-benefit analysis** for all amendments and concluded that for each of the amendments the cost of implementing the amendment is justified in light of the benefits the amendment will bring.

- The IASB addressed also the due process steps and **approved the balloting** of an Exposure Draft to **amend** IFRS 17.

- The IASB discussed and approved **5 sweep issues**, addressing additional stakeholders concerns which have arisen in the project on the amendments to IFRS 17. Finally, the IASB approved **7 amendments** to be included in the Exposure Draft that will be published in June 2019.

Investment components within an insurance contract

Determining whether an insurance contract includes an investment component

- The Staff observed that the definition of an investment component refers to a payment that is required 'even if an insured event does not occur'. The IASB:
  (a) **decided** that an investment component should be defined as the amount that the contract requires the entity to repay to a policyholder **in all circumstances**, regardless of whether the insured event occurs; and
  (b) **rejected** defining the investment component as 'the amount that the contract requires the entity to repay to a policyholder when an insured event **does not occur**'.

Assessing whether an investment component is distinct

- The Staff observed that an investment component with equivalent terms must reflect all the terms of the investment component within the contract. A financial instrument paying fixed amounts for a defined period of time starting from inception would be available on the market where the entity operates.

- It is unlikely though to have equivalent terms to an investment component within an insurance contract for which the timing of the payment depends on the death of the policyholder.

Determining the amount of an investment component

- The amounts that would be payable if no insurance event had occurred are determined on a present value basis, and the Staff considered that it would therefore be consistent with paragraph B21 of IFRS 17 to determine the investment component on a present value basis too.

Reporting on other questions submitted

Key rejections under criteria (a) – Can be answered applying only the words in IFRS 17

Log#	Topic	Question	Response
S115	Definition of insurance contracts with direct participation features- applying paragraph B101(b) of IFRS 17	**Should the share of the fair value returns be calculated net of charges paid to receive the mortality cover?**	A determination based on any calculation other than a calculation of the policyholder's share in the gross fair value returns on the underlying items would be inconsistent with the requirements of IFRS 17. **Paragraph B101(c) of IFRS 17** requires that the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. For the purposes of this condition an entity considers changes in any amounts to be paid to the policyholder regardless of whether they have been paid from the underlying items or not.

Reporting on other questions submitted

Key rejections under criteria (a) – Can be answered applying only the words in IFRS 17

Log#	Topic	Question	Response
S118	Consideration of reinsurance in the risk adjustment for non-financial risk	**Should the effect of reinsurance be considered in calculating the risk adjustment for non-financial risk for contracts that have been reinsured?**	The risk adjustment for non-financial risk of a reinsurance contract held could not be nil, unless: (a) the entity considers reinsurance when determining the compensation it requires for bearing non-financial risk related to underlying insurance contracts; and (b) the cost of acquiring the reinsurance is equal or less than the expected recoveries.
S119	Risk of non-performance of the issuer of a reinsurance contract held	**The submission questions whether these risks are identified as financial or non-financial risks and the impact this determination has on the measurement of reinsurance contracts held when determining the risk being transferred applying paragraph 64 of IFRS 17.**	The risk adjustment for non-financial risk of a reinsurance contract held reflects only the risks that the cedant transfers to the reinsurer. Paragraph 67 of IFRS 17 requires that changes in the fulfilment cash flows related to the risk of non-performance do not adjust the CSM, therefore an entity recognises them in profit or loss. **This treatment is consistent with the accounting treatment for financial risks.**

Reporting on other questions submitted

Key rejections under criteria (c) - Questions that are being considered through a process other than a TRG discussion

Log#	Topic	Question	Response
S101, S120 & S124	Changes in the risk adjustment for non-financial risk due to time value of money and financial risk	S101: **Should the portion of a change in the risk adjustment for non-financial risk due to the impacts of the time value of money and financial risk be excluded from the change in the risk adjustment for non-financial risk that relates to future service which adjusts the CSM?** Assuming the answer to this question is yes, S101, S120 and S124 question the discount rate (locked-in rate or current rate) that would be used to adjust the CSM. The submissions also consider the interaction with paragraph 81 of IFRS 17.	The Staff will clarify as an annual improvement in the forthcoming Exposure Draft that the choice made in applying paragraph 81 of IFRS 17 would result in different adjustments made to the CSM under paragraph B96 of IFRS 17. If an entity applies the choice in paragraph 81 of IFRS 17, the adjustment to the CSM will be consistent with adjusting the CSM for changes in estimates of present value of future cash flows applying paragraph B96(b) of IFRS 17.

Feedback from TRG meeting held on 4 April 2019

Amendment	TRG Feedback
Amendment to clarify the definition of an investment component	• The feedback from the TRG reinforced the Staff view **that it is important to clarify when an investment component exists**, so there is more consistent understanding of the defined term. • The feedback from the TRG indicated **that there is confusion** and the possibility of diversity in practice over the existence of investment components. • For the purpose of measuring revenue and expenses, a separate analysis of **the amounts of an investment component and refund of premium is not needed.** • The Staff will consider **whether a consequential amendment should be proposed to the requirement** for a separate disclosure of the investment component.
Amendment to address disaggregation of changes in the risk adjustment for non-financial risk	• One TRG member observed that he thinks the option over the disaggregation of changes in the risk adjustment for non-financial risk relates only to presentation. He thought that **IFRS 17 prohibits disaggregation for measurement purposes.** • Hence, he thought **paragraph B96(d) of IFRS 17** should not be amended to treat changes caused by the time value of money and financial risk differently from other changes, even if they are disaggregated for presentation purposes. He thought a **presentation choice should not change the measurement of insurance contracts.** • The Staff recommendation would simply and explicitly extend those requirements to such changes that have been **disaggregated from the risk adjustment for non-financial risk**. The Staff regard this as filling a gap in IFRS 17 rather than changing it.

Feedback from TRG meeting held on 4 April 2019

Amendment	TRG Feedback
Amendment to clarify that changes in the measurement of a group of insurance contracts caused by changes in underlying items should be treated as changes related to the time value of money or assumptions that relate to financial risk	• The recommended amendment clarifies the definition of **insurance finance income or expenses (IFIE)** to achieve the Board's intention. • TRG members generally agreed that such changes in the measurement of the insurance contracts without direct participation features should not adjust the CSM, i.e. such changes **should be treated in the same way as IFIE**. However, they did not agree with the presentation of such changes as **IFIE**. • One TRG member also questioned whether there could be unintended consequences of treating the changes in the participating contracts as IFIE. • The Staff reiterated that the effect of **changes in underlying items on the measurement of insurance contracts** should be regarded as financial effects impacting the policyholders' participation.

Overview of the amendments to IFRS 17

1—Additional optional scope exclusion for loan contracts that transfer significant insurance risk and related transition requirements

Amendment tentatively decided by the Board	
Amendment of the scope of IFRS 17 and IFRS 9 *Financial Instruments* **for insurance contracts that provide insurance coverage only for the settlement of the policyholder's obligation created by the contract** to enable entities issuing such contracts to account for those contracts applying either IFRS 17 or IFRS 9. Amendment of the transition requirements in IFRS 9 for such contracts, if an entity: **(a) elects to apply the requirements in IFRS 9** to a portfolio of such contracts; and **(b) has applied IFRS 9** before it initially applies IFRS 17.	
(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
The amendment is **not expected to result in a significant loss of useful information** for users of financial statements.	The amendment **is not expected to unduly disrupt implementation processes** already under way or risk undue delays in the effective date of IFRS 17.
Financial statement effects	**Cost-benefit analysis**
No change for the entities that would elect to apply IFRS 17 to such contracts.	The amendment **is expected to reduce IFRS 17 implementation costs** for entities that that do not typically issue other contracts within the scope of IFRS 17. Those entities would not need to implement IFRS 17 because they could apply IFRS 9 to such contracts.

Overview of the amendments to IFRS 17

2—Additional scope exclusion for credit card contracts that provide insurance coverage

Amendment tentatively decided by the Board	
Amendment of the scope of IFRS 17 **to exclude from the scope of the Standard credit card contracts that provide insurance coverage** for which the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.	
(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
The amendment is **not expected to result in a significant loss of useful information** for users of financial statements.	The amendment **is not expected to unduly disrupt implementation processes** already under way or risk undue delays in the effective date of IFRS 17.
Financial statement effects	**Cost-benefit analysis**
Entities issuing credit card contracts that provide insurance coverage that would be excluded from the scope of IFRS 17 **are expected to apply other relevant IFRS pronouncements** to such contracts.	Accounting for such contracts in the same way as credit card contracts that do not provide insurance coverage **is expected to provide comparable information** for the users of financial statements for the entities that issue credit card contracts.

Overview of the amendments to IFRS 17

3—Insurance acquisition cash flows relating to expected contract renewals and related disclosure requirements

Amendment tentatively decided by the Board
Amendment to require an entity to: (a) **allocate insurance acquisition cash flows** to related contract renewals; (b) **recognise those cash flows as an asset** until the entity recognises contract renewals; and (c) **assess the recoverability of the asset** each reporting period until the renewed contracts is recognised Amendment of the disclosure requirements to require an entity to provide: (a) **a reconciliation of the asset** at the beginning and the end of the reporting period (b) **quantitative disclosure** of the expected timing of the allocation of these acquisition cash flows

(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
Some believe that the amendment could provide additional useful information for users of financial statements about expected contract renewals.	The amendment **is not expected to unduly disrupt implementation processes** already under way or risk undue delays in the effective date of IFRS 17.

Financial statement effects	**Cost-benefit analysis**
The continuing recognition of insurance acquisition cash flows allocated to expected contract renewals as an asset is expected **to reduce the number of insurance contracts** that are determined to be onerous at initial recognition and **to increase the size and duration of the asset recognised** for those cash flows.	The requirement to assess the recoverability of the asset, based on the fulfilment cash flows of the related contracts, on a group of insurance contracts basis, **is expected to increase ongoing costs of IFRS 17.**

Overview of the amendments to IFRS 17

4—CSM allocation relating to investment components and related disclosure requirements

Amendment tentatively decided by the Board
Amendment to: (a) **clarify that the definition of the coverage period** for insurance contracts with direct participation features (b) **require an entity to allocate the CSM** for insurance contracts without direct participation features Amendment of the disclosure requirements to require an entity to provide: (a) **quantitative disclosure** of the expected recognition in profit or loss of the CSM remaining at the end of the reporting period; and (b) **specific disclosure** of the approach to assessing the relative weighting of the benefits provided by insurance coverage and **investment-related services** or **investment-return services**.

(a) Avoid significant loss of useful information for users of financial statements	(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17
The accompanying amendment to the disclosure requirements **is intended to enhance the usefulness of information** for users of financial statements.	The amendment **might disrupt implementation processes** already under way. However, on balance, the potential disruption is expected to be justified.
Financial statement effects	**Cost-benefit analysis**
The pattern of recognition of CSM for different insurance contracts and between different entities **can vary significantly**.	The amendment **might disrupt implementation processes** already under way and therefore **increase implementation costs**.

Overview of the amendments to IFRS 17

5—Extension of the risk mitigation option

Amendment tentatively decided by the Board	
Amendment to permit an entity **to apply the risk mitigation option for insurance contracts with direct participation features** when the entity uses **reinsurance contracts held to mitigate financial risks.**	
(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
The amendment is an expansion of the option that already exists in IFRS 17. **Some suggest that the amendment would permit an entity to better reflect its risk management activities.**	The expanded option **is not expected to unduly disrupt implementation processes** already under way or risk undue delays in the effective date of IFRS 17.
Financial statement effects	**Cost-benefit analysis**
Entities that use reinsurance contracts to mitigate financial risks are expected **to use the risk mitigation option to recognise changes in underlying insurance contracts** in profit or loss, rather than as adjustments to the CSM, to offset the changes in the reinsurance contracts held.	The **extension of the risk mitigation option is expected to reduce accounting mismatches** and therefore the complexity for users of financial statements in understanding the accounting. The extension of the option **is not expected to unduly increase implementation costs** for entities because it is optional.

Overview of the amendments to IFRS 17

6—Reinsurance contracts held when underlying contracts are onerous

Amendment tentatively decided by the Board	
Amendment to require an entity that recognises losses on onerous insurance contracts at initial recognition to also **recognise a gain on reinsurance contracts held**, to the extent that the reinsurance contracts held: (a) cover the losses of the underlying contracts on a proportionate basis; and (b) are entered into before or at the same time that the onerous underlying contracts are issued.	
(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
The amendment is **not expected to result in a significant loss of useful information** for users of financial statements.	**The amendment might disrupt implementation** for entities that have already begun to develop their systems. The disruption is expected to be justified given stakeholder feedback about the likely significant impact of the accounting mismatch.
Financial statement effects	**Cost-benefit analysis**
The accounting for the **underlying insurance contracts issued is unaffected.** The accounting for the **reinsurance contracts held would change.**	The amendment **is not expected to unduly increase ongoing costs** of IFRS 17 for entities or costs of analysis for users of financial statements.

Overview of the amendments to IFRS 17

7—Simplified presentation of insurance contracts in the statement of financial position

Amendment tentatively decided by the Board	
Amendment to require an entity **to present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts** rather than groups of insurance contracts.	
(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
Although offsetting groups in the statement of financial position would result in a loss of useful information for users of financial statements, **the presentation of insurance contracts at portfolio level** is still expected to provide **useful information** to users of financial statements.	The amendment is expected to provide significant cost relief for entities applying IFRS 17. **It is not expected to unduly disrupt implementation processes** already under way or risk undue delays in the effective date of IFRS 17.
Financial statement effects	**Cost-benefit analysis**
Requiring entities to present insurance contracts at **portfolio level rather than at group level is expected to reduce the size of insurance contracts assets** presented in the statement of financial position.	Investor outreach indicates that **the loss of useful information caused by this amendment would be acceptable.** Impact on the costs of analysis for users is not expected to be significant.

Overview of the amendments to IFRS 17

8—Deferral of the date of initial application of IFRS 17 by one year

Amendment tentatively decided by the Board	
Amendment of the mandatory effective date of IFRS 17, so that **entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022.**	
(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
The amendment **will not result in loss of useful information** for users of financial statements when IFRS 17 is applied.	Although limiting a deferral to one year is expected to minimise disruption, the amendment **may disrupt implementation processes** for entities that are furthest advanced in the implementation of IFRS 17.
Financial statement effects	**Cost-benefit analysis**
Not applicable.	Although limiting a deferral to one year is expected to minimise disruption, the amendment **is expected to increase implementation costs** for entities that are furthest advanced in the implementation of IFRS 17.

Overview of the amendments to IFRS 17

9—Deferral of the expiry date for the temporary exemption from applying IFRS 9 by one year

Amendment tentatively decided by the Board	
Amendment of the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9, so that **all entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2022.**	
(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
The significant improvements to the accounting requirements for financial instruments introduced by IFRS 9 **will be delayed by one year.**	The amendment **is not expected to unduly disrupt implementation processes** already under way because many insurance entities are expected to apply IFRS 17 and IFRS 9 at the same time.
Financial statement effects	**Cost-benefit analysis**
Not applicable.	The amendment **is expected to further delay the benefits introduced by IFRS 9** for some entities, particularly relating to the information about expected credit losses.

Overview of the amendments to IFRS 17

10—Additional transition relief for business combinations

Amendment tentatively decided by the Board	
Amendment of the transition requirements to add a **specified modification to the modified retrospective approach and a relief to the fair value transition approach** for the classification of a liability that relates to the settlement of claims incurred before an insurance contract was acquired.	
(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
Although this transition relief impairs comparability between contracts acquired in business combinations that occur before and after the date of transition, **the loss of comparability could be regarded as acceptable when balanced against the significant relief** for entities.	The amendment **is not expected to unduly disrupt implementation processes** already under way. The amendment is expected to provide additional transition relief and support implementation processes already underway.
Financial statement effects	**Cost-benefit analysis**
The amendment **is expected to reduce revenue and expenses** recognised by entities.	Permitting an entity to account for liabilities for claims settlement acquired in a business combination as a liability for incurred claims **is expected to reduce IFRS 17 implementation costs** for entities that have acquired contracts before the transition date.

Overview of the amendments to IFRS 17

11—Additional transition relief for the date of application of the risk mitigation option

Amendment tentatively decided by the Board	
Amendment of the transition requirements in IFRS 17 to permit an entity **to apply the risk mitigation option prospectively from the IFRS 17 transition date**, provided that the entity designates its risk mitigation relationships to apply the risk mitigation option no later than the IFRS 17 transition date.	
(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
This is regarded as **improving the usefulness of information** for users of financial statements.	The amendment **is not expected to unduly disrupt implementation processes** already under way.
Financial statement effects	**Cost-benefit analysis**
Entities that opt to use **the risk mitigation option** from the date of transition to IFRS 17 will reflect the effects of risk mitigation on comparative information when first applying IFRS 17.	The application of the risk mitigation option is optional. Therefore, the amendment **is not expected to unduly increase implementation costs** for entities.

Overview of the amendments to IFRS 17

12—Additional transition relief for the application of the risk mitigation option and the use of the fair value transition approach

Amendment tentatively decided by the Board
Amendment of the transition requirements in IFRS 17 to **permit an entity to use the fair value transition approach for a group of insurance contracts with direct participating features** if, and only if, the entity: (a) can apply IFRS 17 retrospectively to the group; (b) chooses to apply the risk mitigation option to the group prospectively from the transition date; and (c) has used derivatives or reinsurance contracts held to mitigate financial risk arising from the group before the transition date.

(a) Avoid significant loss of useful information for users of financial statements	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
While the fair value approach for transition provides useful information to users of financial statements by reducing accounting mismatches, **introducing additional optionality may decrease comparability between entities** on transition.	The amendment **is not expected to unduly disrupt implementation processes** already under way.
Financial statement effects	**Cost-benefit analysis**
At the transition date, **the equity of an entity is expected to reflect previous changes in the fulfilment cash flows** due to changes in financial assumptions and changes in the fair value of the derivatives.	The amendment **is not expected to unduly increase implementation costs** for entities.

Overview of the amendments to IFRS 17

13—Annual improvements

<table>
<tr><th colspan="2">Amendment tentatively decided by the Board</th></tr>
<tr><td colspan="2">Minor amendments introduced to either clarify the wording in the Standard or to correct relatively minor unintended consequences, oversights or conflicts between existing requirements of Standards.</td></tr>
<tr><th>(a) Avoid significant loss of useful information for users of financial statements</th><th>(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17</th></tr>
<tr><td>N/A</td><td>N/A</td></tr>
<tr><th>Financial statement effects</th><th>Cost-benefit analysis</th></tr>
<tr><td colspan="2">Annual improvements are minor amendments which have been introduced to either clarify the wording in the Standard or to correct relatively minor unintended consequences, oversights or conflicts between existing requirements of Standards. The likely effects of those amendments are not expected to be significant.</td></tr>
</table>

Overview of the amendments to IFRS 17

IASB meetings held to deliberate on the amendments

	2018					2019			
	Jun	…	Oct	Nov	Dec	Jan	Feb	Mar	Apr
1-Additional optional scope exclusion for loan contracts that transfer significant risk and related transition requirements							◆	◆	
2-Additional scope exclusion for credit card contracts that provide insurance coverage								◆	
3-Insurance acquisition cash flows relating to expected contract renewals and related disclosure requirements						◆		◆	
4-CSM allocation relating to investment components and related disclosure requirements	◆					◆		◆	
5-Extension of the risk mitigation option						◆			
6-Reinsurance contracts held when underlying contracts are onerous						◆			
7-Simplified presentation of insurance contracts in the statement of financial position		…			◆				
8-Deferral of the date of initial application of IFRS 17 by one year				◆					
9-Deferral of the expiry date for the temporary exemption from applying IFRS 9 by 1 year				◆					
10-Additional transition relief for business combinations							◆		
11-Additional transition relief for the date of application of the risk mitigation option								◆	
12-Additional transition relief for the application of the risk mitigation option and the use of the fair value transition approach								◆	
13-Annual improvements	◆								◆
		…							

◆ IASB tentative decisions about possible amendments to IFRS 17

Due process steps and permission for balloting

- At its November 2018 meeting, the Board planned to consider whether to explore amendments to IFRS 17 and set criteria for assessing any such potential amendments. The Board tentatively agreed to:
  - **defer** the mandatory effective date of IFRS 17 by one year, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022; and
  - **amend** the fixed expiry date for the temporary exemption to IFRS 9 in IFRS 4 so that all entities must apply IFRS 9 for annual periods beginning on or after 1 January 2022.

- On 9 April 2019, the Board was asked to confirm its tentative decisions from the November 2018 meeting relating to the mandatory effective date of IFRS 17 and the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9. The Board **confirmed unanimously** that it wants to propose deferring the effective dates.

- The Board was asked to confirm that it wishes to proceed with an exposure draft to amend IFRS 17. The Board **confirmed unanimously** that it is satisfied that it has complied with the applicable due process steps and that it should begin the balloting process for the exposure draft.

Due process steps and permission for balloting

	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	S2 2019
Board meetings held in public, with papers available for observers.	●	●	●	●	●	●	●	●	●	●	●
Consultation with the Trustees and the IFRS Advisory Council		● Trustees			● Trustees		● IFRS Advisory Council				
Consultative groups used, if formed.	● TRG			● ASAF				● TRG			
Outreach meetings with a broad range of stakeholders											
Webcasts and podcasts	●	●	●	●	●	●	●	●	●	●	●
Analysis of the likely effects of the forthcoming Standard or major amendment								●			
Due process steps reviewed by the IASB.								●			
The ED has an appropriate comment period									●		
Drafting quality assurance steps are adequate										●	
ED published										●	
Press release to announce publication of ED										●	
Snapshot document to explain the rationale and basic concepts included in the ED.										●	

● IASB Meetings
● Trustees and IFRS Advisory Council Consultations
● Transition Resource Group (TRG) and Accounting Standards Advisory Forum (ASAF)
● Exposure Draft

Sweep issues

Issues	Staff Recommendations
1. Effective date of proposed amendments to IFRS 17	• The Staff recommended that the effective date of proposed amendments should be aligned with the effective date of IFRS 17, so that entities would be required to apply IFRS 17, and any proposed amendments, for annual periods beginning on or after 1 January 2022.
2. Applying the option to disaggregate IFIE between profit or loss and OCI <u>in the general model</u> and using derivatives to mitigate financial risks	• The Staff recommended not developing a risk mitigation option for insurance contracts accounted for applying the general model for which an entity chooses to apply the OCI option.
3. Applying the option to disaggregate IFIE between profit or loss and OCI <u>in the VFA</u> and applying the risk mitigation option	• The Staff recommended the Board not undertake any further action in this regard.
4. Reconciliations related to the liability for remaining coverage and the liability for incurred claims when cash flows are net settled	• The Staff recommended the Board not undertake any further action in this regard.
5. Restatement of comparative information when an entity initially applies IFRS 17 and IFRS 9 at the same time	• The Staff recommended the Board not undertake any further action in this regard.

- The Board members **voted unanimously in favour** of the Staff recommendations for all five issues.

Annual improvements

Amendment	Staff Analysis
Amendment to paragraph B96(c) of IFRS 17 to exclude changes relating to the time value of money and financial risk from the adjustment to the CSM	• **Paragraph B96(c) of IFRS 17** sets out requirements for the treatment of changes in an investment component in the general model. It does not require changes relating to the time value of money and financial risk to be recognised in profit or loss (or OCI), even though doing so is a clear principle of the general model. • **The recommended amendment corrects that inadvertent omission.**
Amendment to address disaggregation of changes in the risk adjustment for non-financial risk.	• **Paragraph B96(d) of IFRS 17** does not address the treatment of changes caused by the time value of money and financial risk if they are disaggregated. • **The recommended amendment corrects that inadvertent omission.**
Amendment to clarify that an entity can discontinue the use of the risk mitigation option to a group of insurance contracts only if the eligibility criteria for the group cease to apply.	• The Staff thought it is clear from Board’s discussion of the need for a risk mitigation option in IFRS 17 that the application of the risk mitigation option was intended to be aligned with the hedge accounting requirements in IFRS 9. • IFRS 9 does not allow an entity to discontinue hedge accounting unless the hedging relationship ceases to meet the qualifying criteria. • **The recommended amendment clarifies the Board’s intention.**

Annual improvements

Amendment	Staff Analysis
Amendment to clarify the definition of an investment component.	• If the policyholder surrenders the contract, a refund of premium a payment may be made. No insured event occurred. However, if the coverage is fully consumed, the policyholder would not be entitled to any refund. It was not the Board's intention that such a contract should be regarded as including an investment component. • **The recommended amendment clarifies the definition to achieve the Board's intention.**
Amendment to ensure IFRS 17 applies to investment contracts with discretionary participation features.	• **Paragraph 11(b) of IFRS 17** requires an entity to separate from a host insurance contract an investment component in specified circumstances and account for the separated investment component applying IFRS 9. However, if the separated investment component would meet the definition of an investment contract with discretionary participation features, that component should be accounted for applying IFRS 17, as are other investment contract with discretionary participation features. • **The recommended amendment achieves that accounting.**
Amendments to adjust the loss component for changes in the risk adjustment for non-financial risk.	• The determination of the loss component includes the effect of the risk adjustment for non-financial risk. However, **paragraphs 48(a) and 50(b) of IFRS 17** refer to changes in estimates of future cash flows relating to future service, thereby excluding the risk adjustment for non-financial risk from the determination. • **The recommended amendments correct this inadvertent error.**

Annual improvements

Amendment	Staff Analysis
Amendment to clarify that changes in the measurement of a group of insurance contracts caused by changes in underlying items should, for the purposes of IFRS 17, be treated as changes in investments and hence as changes related to the time value of money or assumptions that relate to financial risk.	• Changes in value of the underlying items affect the measurement of: (a) **insurance contracts with direct participation features** (b) **insurance contracts without direct participation features** • **The recommended amendment clarifies the definition of IFIE to achieve the Board's intention.**
Follow up on an annual improvement tentatively agreed by the Board in June 2018.	• Differences between **changes in the fulfilment cash flows measured at a current rate** and **adjustments to the CSM measured at the initial rate** could be more common, and achieving a cumulative amount of zero in OCI over the life of the group will be more complex. • However, the Staff observe that **these effects are a consequence of the unit of account** being the group of insurance contracts rather than the individual contract. An entity could choose to **further divide the annual cohort and thereby avoid these effects.** • The Staff therefore do not propose any changes to paragraph 22 of IFRS 17.

- The Board members **voted unanimously in favour** of the Staff recommendations for all seven amendments.

Next steps

- The Staff will now begin drafting the Exposure Draft. The comment period will be discussed at the **13-17 May 2019** IASB meeting. The Due Process Oversights Committee approved a reduced comment period of 90 days.
- The IASB has indicated that they would not plan another TRG meeting. They also made clear that the potential fifth meeting will depend on a continuous receipt of submissions from all IFRS 17 interested parties.
- The IASB Technical Plan states that the ED amending IFRS 17 will be published in June 2019.

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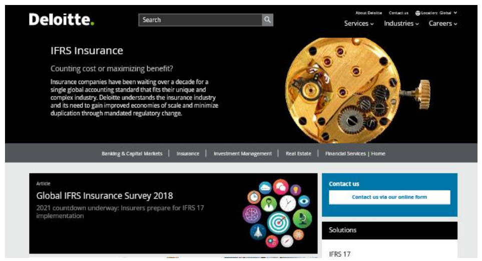

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