

**CONFERENCE CALL OF THE ACCOUNTING REGULATORY COMMITTEE  
(ARC)**

**29 APRIL 2020**

**ENDORSEMENT ADVICE ON IFRS 17 – INSURANCE CONTRACTS**

This non-paper has been drafted for the sole purpose of initiating a discussion within the ARC about the forthcoming IASB exposure draft “Amendments to IFRS 17 *Insurance Contracts*” and the consequences for its endorsement.

This non-paper does not bind the Commission services to continue the analysis or to initiate any type of action on this matter.

**Background**

After its public consultation on the proposed amendments to IFRS 17 *Insurance Contracts*, the IASB started to consider the feedback from stakeholders on the proposed amendments. At its March meeting, the IASB decided to defer the mandatory application date of IFRS 17 from 1 January 2021 to 1 January 2023 and to extend the optional deferral of IFRS 9 for predominant insurers until the same date. The IASB also decided to separate this extension from the amendments to IFRS 17. ~~An The~~ early application option of IFRS 17 ~~remains is no longer proposed by the IASB~~. The IASB still intends to issue the amendments to IFRS 17 in June 2020.

At the conference call on 29 April we will seek the views from ARC Members on the ongoing IASB deliberations, in particular on the issue of **the requirements on the level of aggregation** (annual cohorts).

The IASB discussed this topic in detail at its February meeting and decided to keep the annual cohorts requirement in IFRS 17 unchanged. IFRS 17 requires an entity to recognise and measure groups of insurance contracts. One part of this requirement is to subdivide the groups of insurance contracts based on issuing periods of no longer than 12 months (annual cohorts).

Some preparers are concerned about an unbalanced benefit-cost ratio. The IASB also recognised that there could be cases where the implementation costs would be significant whilst the relevance of the information would be questionable from an economic point of view.<sup>1</sup> This is in particular the case for life insurance contracts with intergenerational mutualisation where it would result in an artificial redistribution of profits in annual cohorts.

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<sup>1</sup> <https://cdn.iasb.org/-/media/feature/meetings/2020/february/iasb/ap2b-amendments-to-ifs.pdf>

**Disclaimer:** This paper is a working document for the sole purpose of informing discussions with Members of the ARC. Statements and opinions given in this paper are tentative and do not necessarily represent the correct interpretation of current and forthcoming EU legislation. According to the Treaty on the Functioning of the EU, the Court of Justice has the sole jurisdiction to interpret the acts of the institutions of the Union.

After an in-depth analysis, the IASB concluded that it was not possible to provide an exemption without the use of ‘bright lines’ and without developing a particularly complex set of criteria.

On 24 March 2020, EFRAG sent a letter to the IASB requesting to incorporate a solution for the annual cohort requirement in the final amendments, because the resulting information would not be aligned with the economic characteristics of the European insurance market and the required cost/benefits trade-off would not be met.<sup>2</sup>

<b>What are the views of ARC Members on the IASB's decision on this issue?</b>
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<sup>2</sup> <http://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/Letter+to+IASB+Board+-+IFRS+17+-+24+March+2020.pdf>

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