



Summary of IASB Board papers – 22-23 January 2019

14 January 2019

Summary of IASB staff recommendations

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Insurance acquisition cash flows for renewals outside the contract boundary (Agenda Paper 2A)	<p>The staff recommend the Board amend IFRS 17 to require an entity to:</p> <ul style="list-style-type: none"> • Allocate to any anticipated contract renewals part of the insurance acquisition cash flows directly attributable to newly issued contracts; • Recognise the insurance acquisition cash flows allocated to anticipated contract renewals as an asset applying paragraph 27 of IFRS 17 until the renewed contracts are recognised; • Assess the recoverability of the asset recognised according to paragraph 27 of IFRS 17 each period before the related contracts are recognised. The recoverability assessment would be based on the expected fulfilment cash flows of the related group of contracts; • Recognise a loss in profit or loss for any unrecoverable carrying amounts of the asset recognised by applying paragraph 27 of IFRS 17; and • Recognise in profit or loss the reversal of some or all of any such loss previously recognised when the impairment conditions no longer exist or have improved.
Reinsurance contracts held (Agenda Papers 2B-2D)	<p>The staff recommend the Board amend IFRS 17 to:</p> <ul style="list-style-type: none"> • Expand the scope of the exception in paragraph 66(c)(ii) of IFRS 17 to require an entity to recognise a gain in profit or loss when the entity recognises losses on onerous underlying insurance contracts, to the extent that a reinsurance contract held covers the losses of each contract on a proportionate basis; and • Require an entity to apply the expanded exception when the entity measures contracts applying the premium allocation approach (PAA); • To expand the scope of the risk mitigation exception for insurance contracts with direct participation features in paragraph B115 of IFRS 17 so that the exception applies when an entity uses a derivative or a reinsurance contract held to mitigate financial risk, to the extent that the entity meets the conditions in paragraph B116 of IFRS 17.

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<p>Recognition of the contractual service margin in profit or loss in the general model (Agenda paper 2E)</p>	<p>The staff recommend the Board amend IFRS 17:</p> <ul style="list-style-type: none"> • So that in the general model the contractual service margin is allocated on the basis of coverage units that are determined by considering both insurance coverage and any investment return service; • To establish that an investment return service exists only when an insurance contract includes an investment component; • To require an entity to use judgement applied consistently in deciding whether to include an investment return service when determining coverage units, and not provide an objective or criteria for that determination; • To establish that the period of investment return services should be regarded as ending when the entity has made all investment component payments to the policyholder of the contract, i.e. not including payments to future policyholders; • To require the assessments of the relative weighting of the benefits provided by insurance coverage and investment return services and their pattern of delivery to be made on a systematic and rational basis; and • To establish that the one-year eligibility criterion for the PAA should be assessed by considering insurance coverage and an investment return service, if any. <p>The staff also recommend the Board:</p> <ul style="list-style-type: none"> • Confirm that, applying IFRS 17, cash flows relating to fulfilling the investment return service are included in the measurement of the insurance contract; and • Does not change the requirements of IFRS 17 relating to which changes in fulfilment cash flows adjust the contractual service margin in the general model.