

STAFF PAPER

May 2019

IASB® meeting

Project	Amendments to IFRS 17 <i>Insurance Contracts</i>		
Paper topic	Cover note		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

Introduction

1. In April 2019, the International Accounting Standards Board (Board) gave permission for the staff to begin the balloting process for an Exposure Draft of proposed amendments to IFRS 17 *Insurance Contracts*. That Exposure Draft will propose 12 targeted amendments to IFRS 17 in eight areas.
2. At this meeting, the staff conclude the planned deliberations before the Exposure Draft is issued. The topics for this meeting comprise:
 - (a) An update on the discussions of the **Transition Resource Group for IFRS 17 *Insurance Contracts* (TRG)** meeting, held on 4 April 2019:
 - (i) Agenda Paper 2A *Summary of the Transition Resource Group for IFRS 17 Insurance Contracts meeting held on 4 April 2019*; and
 - (ii) Agenda Paper 2B *Transition Resource Group for IFRS 17 submissions log as at 22 March 2019*.
 - (b) **Additional technical issues** for the Board to consider before finalising the Exposure Draft that:
 - (i) are consequential to issues that the Board has previously discussed; and
 - (ii) have been identified through stakeholder feedback, TRG discussions or when drafting the Exposure Draft, as discussed in Agenda Paper 2C *Sweep issues*.

- (c) The **comment period for the forthcoming Exposure Draft**, discussed in Agenda Paper 2D *Comment period for Exposure Draft Amendments to IFRS 17*.

Summary of staff recommendations

- 3. In Agenda Paper 2C, the staff recommend the Board:
 - (a) revise its tentative decision to establish in IFRS 17 that an investment-return service exists only when an insurance contract includes an investment component, to instead specify that an investment-return service exists in specified circumstances, sometimes without an investment component;
 - (b) amend paragraph 103 of IFRS 17 to clarify that, in the reconciliation from the opening to the closing balance of the insurance contract liabilities, an entity need not disclose refunds of premiums separately; and
 - (c) amend paragraph B123(a) of IFRS 17 to clarify that changes resulting from cash flows of amounts lent to customers and waivers of amounts lent to customers are excluded from insurance revenue.
- 4. The staff also recommend the Board not amend IFRS 17 or the Basis for Conclusions on IFRS 17 regarding the considerations for mutual entities issuing insurance contracts.
- 5. In Agenda Paper 2D, the staff recommend the Board set a comment period of 90 days for the Exposure Draft of proposed amendments to IFRS 17, following approval from the Due Process Oversight Committee on 23 April 2019.

Next steps

- 6. The staff expect that the Exposure Draft of proposed amendments to IFRS 17 will be published at the end of June 2019.
- 7. At present, no further TRG meetings are scheduled. A TRG meeting may be scheduled in the future depending on the nature of any new submissions and whether discussion of those submissions would provide helpful education to stakeholders at this stage of implementing IFRS 17, without disrupting implementation processes under way.

STAFF PAPER

May 2019

IASB® Meeting

Project	Insurance Contracts		
Paper topic	Summary of the Transition Resource Group for IFRS 17 <i>Insurance Contracts</i> meeting held on 4 April 2019		
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Summary of the Transition Resource Group for IFRS 17 *Insurance Contracts* meeting held on 4 April 2019

1. The Transition Resource Group for IFRS 17 *Insurance Contracts* (TRG) held a meeting on 4 April 2019 at the London office of the IFRS Foundation. These notes summarise the discussions.
2. Agenda Paper 2A for the May 2019 meeting of the International Accounting Standards Board (Board) provides the Board with a copy of this summary.
3. The discussions at the TRG meetings are based on the agenda papers that provide an accounting analysis of implementation questions submitted to the TRG. These agenda papers provide a basis for TRG members, as industry experts involved in IFRS 17 implementation, to understand the implementation questions raised and share their views on the accounting analysis. Although the analysis in an agenda paper may be relevant to other fact patterns, all relevant facts and circumstances of a particular fact pattern need to be evaluated when applying IFRS 17.
4. TRG members discussed investment components within an insurance contract and received a report on other questions submitted.

Investment components within an insurance contract (Agenda Paper 1)

5. Agenda Paper 1 addresses submissions about investment components as defined in IFRS 17. The submissions question how to:
 - (a) determine whether an insurance contract includes an investment component;
 - (b) assess whether an investment component is distinct; and
 - (c) determine the amount of an investment component.

6. The paper analyses the requirements of IFRS 17 relevant to those questions and uses some examples of insurance contracts to illustrate the analysis provided.

7. TRG members discussed the analysis in Agenda Paper 1 about determining whether an insurance contract includes an investment component and observed that:
 - (a) an investment component is defined in Appendix A of IFRS 17 as the amounts that an insurance contract requires the entity to repay to a policyholder even if an insured event does not occur. Paragraph BC34 of the Basis for Conclusions on IFRS 17 explains that an investment component is an amount that is paid to the policyholder *in all circumstances*. The staff noted the recommendation in Agenda Paper 2D *Annual improvements* for the April 2019 Board meeting that the Board propose an annual improvement to that definition to better reflect the Board's intention and to include explicitly the requirement that an investment component is the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances.

 - (b) to determine whether an insurance contract includes an investment component, an entity assesses whether the contract requires the entity to repay amounts in all circumstances. In this assessment an entity considers the following factors:
 - (i) whether scenarios in which no payments are made have commercial substance; and

- (ii) if there are circumstances in which a payment could be determined to be zero, what the terms of the contract indicate about that payment of zero.

8. TRG members also observed that it would be helpful to clarify the definition of an investment component in IFRS 17 to explicitly include the requirement that amounts be repaid to the policyholder in all circumstances. However, some TRG members observed that a clarification of the definition is not needed and could be disruptive.

April 2019 Board meeting

Agenda Paper 2D *Annual improvements* for the April 2019 Board meeting included a recommendation that the Board amend IFRS 17 to clarify the definition of an investment component. The Board noted the feedback from the TRG discussion described in Agenda Paper 2E *Supplement to Agenda Paper 2D Annual improvements—feedback from the TRG meeting held on 4 April 2019* for that meeting.

9. TRG members discussed the analysis in Agenda Paper 1 about assessing whether an investment component is distinct and observed that an investment component within an insurance contract is not distinct if the investment component and the insurance component are highly interrelated—ie when:
- (a) it is not possible to measure one component without considering the other. This could be the case when the contract requires the entity to make payments for which either the amount or the timing depend on the insured event.
 - (b) the policyholder cannot benefit from one component if the other is not present. The lapse or maturity of one component causing the lapse or maturity of the other component is sufficient to conclude that the two components are highly interrelated. For example, the lapse of the insurance component causing the lapse of the investment component is sufficient to conclude that the two components are highly interrelated, even if the lapse of the investment component does not cause the lapse of the insurance component. A contractual term preventing the policyholder from cancelling the

investment component or the insurance component or both may indicate that the policyholder cannot benefit from one component without the other.

10. TRG members also observed that the hurdle for separation of investment components from an insurance contract is high.
11. TRG members discussed the analysis in Agenda Paper 1 about determining the amount of an investment component and observed that:
 - (a) an entity identifies amounts of a non-distinct investment component only when insurance revenue and incurred claims are recognised.
 - (b) IFRS 17 does not specify how to determine those amounts.
 - (c) in some cases, it may be reasonable to determine the amount of the investment component that an entity is required to exclude from insurance revenue and insurance service expenses using the explicit amount identified by the contractual terms. For example, the amounts of a non-distinct investment component can be identified as an explicit surrender amount or explicit guaranteed payments.
 - (d) in other cases, it may be appropriate to determine the amount of the investment component that an entity is required to exclude from insurance revenue and insurance service expenses on a present value basis at the time of making the determination. For example, in an uncancellable contract that requires an entity to pay the policyholder an amount when the policyholder dies or reaches the age of 80, using the present value of the payments the contract requires the entity to make at the age of 80 would result in a reasonable outcome because death in early periods of coverage would reflect a higher insurance claim than in later periods.

12. TRG members also observed that:
- (a) if an entity uses an explicit surrender amount for determining the amounts to be excluded from insurance revenue and insurance service expenses, it is not required to determine whether a part of that amount reflects a premium refund. TRG members noted that both an investment component and a premium refund will be excluded from the revenue and expenses recognised for the contract in these circumstances.
 - (b) paragraph 103 of IFRS 17 requires an entity to separately disclose—in the reconciliation from the opening to the closing balance of the insurance contract liability—investment components excluded from insurance revenue and insurance service expenses. TRG members noted that the disclosure requirement refers only to investment components and does not include premium refunds. They observed that it may be helpful to consider whether a consequential amendment should be proposed to this disclosure requirement.

Reporting on other questions submitted (Agenda Paper 2)

13. Agenda Paper 2 considers submissions to the TRG that:
- (a) can be answered applying only the words in IFRS 17;
 - (b) do not meet the submission criteria; or
 - (c) are being considered through a process other than a TRG discussion (such as a proposed annual improvement).
14. TRG members made the following observations:
- (a) *S92 Policyholder dividends*
- Agenda Paper 2 notes that changes in fulfilment cash flows that result from changes in underlying items should be treated for the purposes of IFRS 17 as changes in investments and therefore as changes in assumptions that relate to financial risk, irrespective of the type of underlying items. As such, applying paragraph 87 of IFRS 17, the changes are included in insurance finance income or expenses. Agenda Paper 2 also notes that the staff will consider

whether this needs to be clarified through an annual improvement in the forthcoming Exposure Draft of proposed amendments to IFRS 17.

TRG members observed that, consistent with the general model in IFRS 17, changes arising from underlying items should not adjust the contractual service margin for insurance contracts without direct participation features and therefore they support a clarification through an annual improvement in the forthcoming Exposure Draft. Two TRG members expressed the view that presenting changes resulting from changes in non-financial assumptions related to underlying items as part of the insurance service result—rather than the insurance finance income or expenses as clarified by the proposed amendment to IFRS 17—would provide more useful information to users of financial statements.

One TRG member also questioned whether treating all changes in underlying items as arising from financial risk for the purpose of IFRS 17 would affect other requirements in the variable fee approach, for example, applying the risk mitigation option.

April 2019 Board meeting

Agenda Paper 2D *Annual improvements* for the April 2019 Board meeting included a recommendation that the Board amend IFRS 17 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 Board noted the feedback from the TRG discussion described in Agenda Paper 2E *Supplement to Agenda Paper 2D Annual improvements—feedback from the TRG meeting held on 4 April 2019* for that meeting.

- (b) *S101, S120 & S124 Changes in the risk adjustment for non-financial risk due to time value of money and financial risk*

Agenda Paper 2 notes that the staff plan to clarify as an annual improvement in the forthcoming Exposure Draft that the choice made applying paragraph 81 of IFRS 17 would result in different adjustments to the contractual service margin. One TRG member reads the choice provided in paragraph 81 of IFRS 17 as a choice that is limited to presentation requirements only and would not have expected it should affect the measurement of the contractual service margin.

April 2019 Board meeting

Agenda Paper 2D *Annual improvements* for the April 2019 Board meeting included a recommendation that the Board amend IFRS 17 to address disaggregation of changes in the risk adjustment for non-financial risk. The Board noted the feedback from the TRG discussion described in Agenda Paper 2E *Supplement to Agenda Paper 2D Annual improvements—feedback from the TRG meeting held on 4 April 2019* for that meeting.

- (c) *S115 Definition of insurance contracts with direct participation features—mortality cover*

S115 includes an example of an insurance contract that gives the policyholder the returns on underlying items, after deducting an annual management fee determined as a percentage of the fair value of the underlying items. The staff clarified that, in this example, a fixed annual charge for mortality cover reduces the underlying items at the start of each year. A TRG member observed that a distinguishing circumstance in the example is that the premium for mortality cover is fixed rather than varying with the fair value of the underlying items. The staff confirmed that the analysis in Agenda Paper 2 is based on the mortality charge being a fixed amount and that analysis might differ had the charge varied with the fair value of the underlying items. TRG members observed that when determining whether an insurance contract is in the scope of the variable fee approach (insurance contract with direct

participation features), in some circumstances, it may be necessary to consider the way a charge is determined, rather than the way it is labelled in the contract, to identify what the charge represents.

(d) *S118 Consideration of reinsurance in the risk adjustment for non-financial risk*

TRG members observed that if an entity considers reinsurance when determining the compensation it requires for bearing non-financial risk, the effect of the reinsurance would be reflected in the risk adjustment for non-financial risk of the underlying insurance contracts. The effect of the reinsurance includes the cost of the reinsurance as well as the benefits.

TRG members also observed that the measurement of the risk adjustment for non-financial risk of a reinsurance contract held is the amount of risk transferred to the reinsurer.

(e) *S122 Changes in fulfilment cash flows as a result of inflation*

Agenda Paper 2 notes that amounts that an entity expects to change with an index are considered to be an assumption that relates to financial risks, even if they are not contractually linked to a specified index (for example, a TRG member mentioned that some entities use inflation indices to anticipate their future expense for salaries, which increases over time). Before reading Agenda Paper 2, some TRG members had read ‘assumptions about inflation based on an index or prices or rates...’ in paragraph B128 of IFRS 17 as applying only when that basis is specified in the terms of the insurance contract.

Next steps

15. From February 2018 to April 2019 there have been four TRG meetings covering all 127 submissions up to April 2019. The TRG Chair noted that:
- (a) many submissions for the last two TRG meetings cover mechanical or narrow aspects of the requirements in IFRS 17 or include specific fact patterns as many entities are now at an advanced stage of IFRS 17 implementation.
 - (b) at present, no further TRG meetings are scheduled. Stakeholders can continue to submit implementation questions that meet the submissions criteria to the TRG as those questions arise. A TRG meeting may be scheduled in the future depending on the nature of any new submissions and whether discussion of those submissions would provide helpful education to stakeholders at this stage of implementing IFRS 17, without disrupting implementation processes under way.
 - (c) comments or questions relating to the forthcoming Exposure Draft of proposed amendments to IFRS 17 should be included in comment letters to that Exposure Draft.

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S01	18-Dec-17	Determining the quantity of benefits for identifying coverage units	The submission asks what the definition of "quantity of benefits" in paragraph B119(a) of IFRS 17 is for use in determining the amortisation pattern of the contractual service margin.	February 2018	AP05	No further discussion planned at this time
				May 2018	AP05	
S02	18-Dec-17	Separation of insurance components of a single contract	The submission noted that insurers may combine different types of products or coverages that have different risks into one insurance contract. The submission asks if it is permitted to separate insurance components from the host insurance contract and measure the components separately.	February 2018	AP01	No further discussion planned at this time
S03	18-Dec-17	Presentation of groups of insurance contracts in the statement of financial position	The submission asks whether the requirement in paragraph 78 of IFRS 17 to present separately in the statement of financial position groups of insurance contracts that are assets and groups of insurance contracts that are liabilities is appropriate and whether presentation at a portfolio level would be more appropriate considering groups share similar risks and are managed together. The submission notes that as a result of implementation of paragraph 78 of IFRS 17 preparers will provide information which will not add value to the users of the financial statements and will be produced at significant cost for preparers on and after transition.	February 2018	AP07	No further discussion planned at this time
				May 2018	AP06	
S04	18-Dec-17	Subsequent treatment of contracts acquired in their settlement period	The submission asks how insurance revenue and insurance service expenses should be presented for insurance contracts acquired in conjunction with a business combination or similar acquisition in their settlement period. More specifically, whether revenue would reflect the entire expected claims or not.	February 2018	AP07	No further discussion planned at this time
				May 2018	AP06	
S05	21-Dec-17	Insurance acquisition cash flows when using fair value transition	The submission asks if and how insurance acquisition cash flows that occurred prior to the IFRS 17 transition date are determined if the fair value approach to transition is applied. The submission notes that to do this would be burdensome and largely impracticable and so requests that if IFRS 17 does require these past cash flows to be determined, that an amendment is made to the Standard to change that requirement.	February 2018	AP06	No further discussion planned at this time
S06	22-Dec-17	Business combinations on transition - classification date	The submission asks what the relevant date is for determining whether contracts acquired in previous business combinations are classified as insurance contracts when an entity transitions to IFRS 17 retrospectively. The submission notes that there is an inconsistency in the requirements of the Standard and the intention of the Board set out in Agenda Paper 2C of the February 2017 Board meeting.	February 2018	AP07	No further discussion planned at this time
S07	22-Dec-17	Insurance acquisition cash flows paid on an initially written contract	The submission asks whether all insurance acquisition cash flows are allocated to the initial contract issued if they are partly associated with future renewals.	February 2018	AP04	No further discussion planned at this time
S08	02-Jan-18	Insurance acquisition cash flows when using fair value transition	The submission asks whether when applying the fair value transition approach insurance acquisition cash flows should be considered.	February 2018	AP06	No further discussion planned at this time
S09	02-Jan-18	Allocating the contractual service margin at the end of a period to coverage units	The submission questions how to allocate the contractual service margin to coverage units provided in the current period and expected to be provided in the future applying paragraph B119(b) of IFRS 17.	February 2018	AP07	No further discussion planned at this time
S10	02-Jan-18	Classification of contracts acquired in a business combination	The submission notes that according to the consequential amendments to IFRS 3 <i>Business Combinations</i> , classification of contracts acquired in a business combination transaction is based on the terms and conditions at the transaction date. The submission acknowledges that this could result in different contract classifications for an acquirer and an acquiree. The submission states that this will result in onerous system implications and various consolidation complexities.	February 2018	AP07	No further discussion planned at this time
S11	02-Jan-18	Contract boundary	The submission questions how entities should interpret the phrase "practical ability to reassess the risks" of a policyholder or a portfolio of insurance contracts when assessing the boundary of an insurance contract.	May 2018	AP03	No further discussion planned at this time

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S12	02-Jan-18	Coverage units	The submission asks whether coverage units, and the corresponding quantity of coverage provided by contracts, should be defined in terms of insurance coverage and insurance benefits only or in terms of all contract benefits including investment components.	May 2018	AP05	No further discussion planned at this time
S13	02-Jan-18	Modifications to retrospective application	This submission is about applying the full retrospective approach to transition. The submission asks what modifications are permitted when applying IFRS 17 retrospectively. Specifically, the submission questions whether reasonable approximations are permitted when applying IFRS 17 retrospectively or whether the existence of specified modifications in the modified retrospective approach suggests that other modifications should not be used when applying IFRS 17 retrospectively.	May 2018	AP07	No further discussion planned at this time
S14	02-Jan-18	Projected returns on assets	The submission asks whether 'risk neutral' or 'real world' scenarios should be used for stochastic modelling techniques to project future returns on assets, applying paragraph B48 of IFRS 17. The submission describes a 'real world' approach to be based on an assumed distribution of scenarios that is intended to reflect realistic assumptions about actual future asset returns. The submission describes a 'risk neutral' approach to be based on an assumed distribution of scenarios that is not intended to reflect realistic assumptions about actual future asset returns. Instead, there is an underlying assumption that, on average, all assets earn the same risk-free return, with a range of scenarios analysed reflecting the assumed volatility of returns for an asset class consistent with volatility implied by option prices.	May 2018	AP07	No further discussion planned at this time
S15	02-Jan-18	Boundary of reinsurance contracts held	The submission questions how to read paragraph 34 of IFRS 17 regarding the boundary of an insurance contract with respect to reinsurance contracts held.	February 2018	AP03	No further discussion planned at this time
S16	02-Jan-18	Discount rate to be used to adjust the contractual service margin of reinsurance contracts held	The submission asks what discount rate is used to adjust the contractual service margin of reinsurance contracts held applying paragraph 66(c) of IFRS 17.	February 2018	AP07	No further discussion planned at this time
S17	02-Jan-18	Using consistent assumptions for the measurement of reinsurance contracts held and the underlying insurance contracts	The submission notes that paragraph 63 of IFRS 17 requires the use of assumptions for the measurement of the estimates of the present value of the future cash flows for a group of reinsurance contracts held that are consistent with those used to measure the underlying insurance contracts. The submission questions whether this means that the use of an identical discount rate is required.	February 2018	AP07	No further discussion planned at this time
S18	02-Jan-18	Boundary of reinsurance contracts held - future cessions	The submission asks whether future cash flows for reinsurance contracts held should include cash flows related to the ceding of assumed future sales of insurance contracts issued. The submission notes that if this is required, the implementation would lead to development of assumptions not currently used in practice and auditors would be challenged with evaluating the appropriateness of such assumptions.	February 2018	AP03	No further discussion planned at this time
S19	02-Jan-18	Reinsurance contracts held - treaty vs cession	The submission asks, for purposes of establishing the unit of account for reinsurance contracts held, whether a "contract" should be defined as an individual treaty (i.e. legal agreement) or as an individual cession (i.e. the reinsurance coverage provided for an individual insurance contract issued).	February 2018	AP01	No further discussion planned at this time
S20	02-Jan-18	Grouping contracts using the modified retrospective approach to transition	The submission notes that applying the modified retrospective approach to transition, paragraphs C8 and C10 of IFRS 17 require that groups of insurance contracts do not include contracts issued more than one year apart if the entity has reasonable and supportable information to do that. The submission questions whether the wording in paragraph BC392 of Basis for Conclusions on IFRS 17 and example 17 in Illustrative Examples on IFRS 17 might suggest otherwise.	February 2018	AP07	No further discussion planned at this time
S21	02-Jan-18	Mutual entities	The submission asks how paragraph BC265 of Basis for Conclusions on IFRS 17 should be applied when the residual interest of the mutual entity is due to policyholders through a vehicle other than the insurance contract they hold.	September 2018	AP11	No further discussion planned at this time
S22	02-Jan-18	Boundary of contracts with annual repricing mechanisms	The submission asks how to interpret the term "contract boundary" described in paragraph 34 of IFRS 17 in the context of contracts with annual repricing mechanisms.	February 2018	AP02	No further discussion planned at this time

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S23	02-Jan-18	Premiums received applying the premium allocation approach	The submission questions what is meant by “premiums, if any, received” in paragraphs 55(a)(i) and 55(b)(i) of IFRS 17 with respect to the measurement of the liability for remaining coverage applying the premium allocation approach. The submission considers three interpretations. The first based on a literal reading of the standard refers to premiums actually received. The other interpretations are broader and include premiums due and premiums expected.	February 2018	AP07	No further discussion planned at this time
				May 2018	AP06	
S24	02-Jan-18	Discount rates applied to the contractual service margin for contracts without direct participation features	The submission outlines the differing discount rates to be used for initial measurement (B72(a)) and subsequent measurement (B72(b)) of insurance contracts without direct participating features. The submission considers that this will result in diversity between insurance revenue recognised for insurance contracts without direct participating features but that have some asset dependent cash flows and for insurance contracts with direct participation features accounted for applying the variable fee approach.	February 2018	AP07	No further discussion planned at this time
S25	02-Jan-18	Investment components	The submission notes that paragraph B96 of IFRS 17 requires the carrying amount of the contractual service margin to be adjusted for a difference in the investment component as a result of the acceleration or delay of repayment. The submission questions whether this is appropriate because a result of this requirement is that the contractual service margin will be adjusted for changes solely in timing of payments. The submission considers that this appears to conflict with the principle underpinning insurance revenue set out in paragraph B120. The submission also provides examples of an alternative approach.	February 2018	AP07	No further discussion planned at this time
S26	02-Jan-18	Variable fee approach when the return is shared based on amortised cost measurement of the underlying items	The submission questions whether contracts where the return is based on an amortised cost measurement of the underlying items would fail the definition of insurance contract with direct participation features.	February 2018	AP07	No further discussion planned at this time
S27	16-Jan-18	Premiums received applying the premium allocation approach	The submission states that paragraphs 55(a)(i) and 55(b)(i) of IFRS 17 appear to preclude the recognition of future premiums already invoiced but not yet paid and future premiums not yet invoiced in the measurement of the liability for remaining coverage applying the premium allocation approach. The submission asks whether this interpretation is correct and states that some preparers are looking to interpret the requirements of IFRS 17 to permit the inclusion of premiums receivable because they consider it would provide more transparent information and because of practical difficulties and costs in identifying premiums received on a group of insurance contracts basis. The submission requests that the Board amends IFRS 17 to allow the recognition of premiums receivable when measuring the liability for remaining coverage applying the premium allocation approach. The submission requests that, if the Board does not amend IFRS 17, further examples and guidance of applying this treatment are provided.	May 2018	AP06	No further discussion planned at this time
S28	12-Feb-18	Insurance contracts with direct participation features - adjustments to the contractual service margin	The submission states that within IFRS 17 there are two different definitions of the adjustments to the contractual service margin for insurance contracts with direct participation features. The submission considers these two different definitions to result in different mathematical outcomes. Specifically, the submission compares: (a) Paragraph 45(b) of IFRS 17 'the entity's share of the change in the fair value of the underlying items'; and, (b) Paragraph B112 of IFRS 17 'changes in the entity's share of the fair value of the underlying items'.	May 2018	AP07	No further discussion planned at this time
S29	20-Mar-18	Discount rates applied in the allocation of insurance finance income or expenses	The submission considers the discount rate used to determine the amount of the insurance finance income or expenses to be included in profit or loss if an entity chooses to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. Specifically, the submission considers paragraph B72(e)(i) of IFRS 17 for a group of insurance contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to policyholders. The submission asks whether an entity should use an effective yield rate or a yield curve.	May 2018	AP07	No further discussion planned at this time

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S30	21-Mar-18	Determining the coverage period and allocating the CSM for contracts where there is no absolute limit for the coverage period	The submission refers to situations whereby the coverage period is indeterminable or not reliably estimable because the underlying claims can have payments over decades, with no limit on when claims can be made. For example, asbestos claims were still being made in 2017 that triggered coverage on 1950s commercial liability policies in the U.S. Another example is when claims in their settlement period acquired via a business combination. The submission asks how the contractual service margin should be allocated if this is the case.	May 2018	AP05	No further discussion planned at this time
S31	21-Mar-18	Reinsurance contracts issued - accounting for commissions	The submission asks, for reinsurance contracts issued, whether some specific common features such as commissions should be accounted for as separate or net cash flows.	September 2018	AP03	No further discussion planned at this time
S32	21-Mar-18	Issued adverse loss cover and contracts acquired in their settlement period	The submission states that for issued adverse loss cover and contracts acquired in their settlement period, it is not clear how the liability for remaining coverage will be reduced because service has been provided. The submission asks when claims are incurred for these contracts. The submission also asks, for contracts acquired in their settlement period, what subsequent treatment should be applied if the liability for remaining coverage is determined to have nil contractual service margin at initial recognition (ie insurance contracts are measured at zero with nil contractual service margin) and estimates of future cash outflows decrease subsequently.	May 2018	AP07	No further discussion planned at this time
S33	21-Mar-18	Scope of IFRS 17	The submission asks whether IFRS 17 would apply to six examples of contracts typically issued by non-insurance entities. Those examples can be grouped in the following three categories: (a) loan contracts that may waive some or all of the payments due under the contract; (b) service contracts including a form of EBITDA guarantee; and (c) credit card contracts providing coverage for a supplier failure.	September 2018	AP11	No further discussion planned at this time
S34	21-Mar-18	Contract boundary - more than one type of coverage	The submission asks how the boundary should be determined for contracts that contain multiple coverages, each of which would have a different boundary if sold on a stand-alone basis.	May 2018	AP03	No further discussion planned at this time
S35	21-Mar-18	Level of aggregation - no significant possibility of becoming onerous	The submission asks how 'no significant possibility' should be interpreted as set out in paragraph 16(b) of IFRS 17. The submission expresses a view that one possible interpretation is by analogy to the concept of significant insurance risk in paragraphs B17-B23 of IFRS 17.	May 2018	AP07	No further discussion planned at this time
S36	21-Mar-18	Contracts with optional additions	The submission asks how an option to add coverage to an existing coverage on terms that are not guaranteed should be accounted for. Specifically, the submission considers whether or not cash flows associated with these options are within the boundary of the existing contract.	May 2018	AP03	No further discussion planned at this time
S37	21-Mar-18	Projecting economic conditions	The submission asks whether an entity's estimate of future economic conditions is ever required to estimate future cash flows. Specifically, the submission considers the estimates of non-market variables that correlate to market variables applying paragraph B53 of IFRS 17. The submission considers scenarios using either a risk-neutral approach or an approach based on the entity's actual expectations.	May 2018	AP07	No further discussion planned at this time
S38	21-Mar-18	Reflecting minimum guarantees	The submission asks whether paragraph B76 of IFRS 17 restricts how minimum guarantees are reflected in the present value of future cash flows. Specifically, the submission asks if it is required that the minimum guarantees are reflected through adjusting the discount rate (and not through adjustments to the cash flows).	May 2018	AP07	No further discussion planned at this time
S39	21-Mar-18	Boundary of reinsurance contracts held with repricing mechanisms	The submission asks how the boundary of a reinsurance contract held should be determined when the reinsurer has the right to reprice remaining coverage prospectively. In the fact pattern provided in the submission the reinsurer can choose: (a) not to exercise the right to reprice. In this case, the entity (the holder of the contract) is committed to continue paying premiums to the reinsurer; or (b) to exercise the right to reprice. In this case, the entity has the right to terminate coverage.	May 2018	AP04	No further discussion planned at this time
S40	21-Mar-18	Discount rate for reinsurance contracts held	The submission questions what discount rate should be used to measure the present value of future cash flows of a reinsurance contract held if the liquidity characteristics of the underlying contracts are different from those of the reinsurance contract held.	May 2018	AP07	No further discussion planned at this time

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S41	21-Mar-18	Coverage units for reinsurance contracts held	The submission asks whether, for reinsurance contracts held, coverage units are determined based on the services provided by the reinsurer or the coverage units of the underlying insurance contracts.	May 2018	AP07	No further discussion planned at this time
S42	21-Mar-18	Risk of non-performance of the issuer of a reinsurance contract held	The submission asks whether, for reinsurance contracts held, the risk of non-performance of the issuer of the reinsurance contracts is considered within the estimates of the present value of future cash flows or the risk adjustment for non-financial risk.	May 2018	AP07	No further discussion planned at this time
S43	21-Mar-18	Risks considered in assessing contract boundary	The submission asks what risks should be considered when applying paragraph 34(b) of IFRS 17 regarding cash flows within the boundary of an insurance contract.	May 2018	AP03	No further discussion planned at this time
S44	21-Mar-18	Contracts in a group with varying quantity of benefit	The submission asks how coverage units should be allocated if a group of insurance contracts consists of insurance contracts with various quantities of benefits.	May 2018	AP05	No further discussion planned at this time
S45	21-Mar-18	Accounting for insurance contracts issued by mutual entities	The submission asks whether a contractual service margin should be recognised for participating insurance contracts and non-participating insurance contracts issued by a mutual entity.	September 2018	AP11	No further discussion planned at this time
S46	21-Mar-18	Determining the risk adjustment for non-financial risk in a group of entities	The submission asks at which level the risk adjustment for non-financial risk is required to be determined: (a) in the individual financial statements of entities that are part of a consolidated group (ie parent and subsidiary entities that issue insurance contracts); and (b) in the consolidated financial statements of the group of entities.	May 2018	AP02	No further discussion planned at this time
S47	21-Mar-18	Combining insurance contracts	The submission asks when it may be necessary to treat a set or series of insurance contracts as a whole, applying paragraph 9 of IFRS 17. Additionally, the submission also considers some scenarios of how to account for contract riders.	May 2018	AP01	No further discussion planned at this time
					AP03	
S48	21-Mar-18	Coverage units - contracts with other services	The submission asks how to apply paragraph B119 of IFRS 17 when identifying and allocate coverage units in a group of insurance contracts that provide insurance coverage and other services.	May 2018	AP05	No further discussion planned at this time
S49	23-Mar-18	Contract boundary	The submissions asks four questions on paragraphs 34(b) and B64 of IFRS 17: (a) what is meant by 'risk'? (b) are commercial considerations relevant when considering 'practical ability to reassess risk' (c) is it relevant whether an entity takes a long term view of risk when setting the pricing structure if the pricing structure is presented in a way which aligns to risks up to the reassessment date? (d) does guaranteed renewability represent a substantive right or obligation?	May 2018	AP03	No further discussion planned at this time
S50	28-May-18	Insurance risk consequent to an incurred claim	The submission describes insurance contracts that provide for ongoing payments while the policyholder is disabled. The submission asks whether the entity's obligation to pay amounts subsequent to an incurred claim should be treated as a liability for incurred claims or a liability for remaining coverage, when those amounts are subject to insurance risk.	September 2018	AP01	No further discussion planned at this time
S51	28-May-18	Significant possibility of becoming onerous	The submission notes that the use of the term 'no significant possibility' in paragraph 16(b) of IFRS 17 is grammatically incorrect and may have meant to say 'no significant probability' instead.	September 2018	AP11	No further discussion planned at this time
S52	01-Jun-18	Industry pools managed by an association	The submission describes two types of industry pools managed by an association on behalf of its members. For insurance contracts that are within either of the two industry pools described, the submission asks whether the risk adjustment for non-financial risk should be determined at either the association level or the individual member entity level sharing in the results of the pool. The submission also asks whether the risk adjustment for non-financial risk could be measured differently in the financial statements of the members when compared to the financial statements of the association.	September 2018	AP09	No further discussion planned at this time
S53	09-Jul-18	Premium experience adjustments related to current or past service	The submission asks how differences between expected premiums and actual premiums which relate to current or past service should be accounted for applying the general model. The submission also asks whether similar principles apply using the premium allocation approach.	September 2018	AP04	No further discussion planned at this time

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S54	09-Jul-18	Retrospectively rated contracts and reinstatement premiums	The submission considers applying the requirements in IFRS 17 to retrospectively rated contracts and reinstatement premiums on reinsurance contracts. The submission asks how to determine whether an amount is an investment component or whether it should be reflected in insurance revenue.	September 2018	AP03	No further discussion planned at this time
S55	09-Jul-18	Reinsurance commissions	The submission asks how fixed ceding commissions paid by the reinsurer to the cedant should be treated in the reinsurer's statement of financial performance. The submission considers whether the treatment is different for fixed commissions and commissions that are not fixed.	September 2018	AP03	No further discussion planned at this time
S56	17-Jul-18	Reporting frequency	The submission asks for the requirements in paragraph B137 of IFRS 17 to be extended to apply to monthly reporting that is prepared for internal management reporting and external regulatory reporting. The submission notes the operational issues and the complexity involved in developing systems considering the disparity in procedures between monthly closing and quarterly interim reporting.	September 2018	AP11	No further discussion planned at this time
S57	17-Jul-18	Accounting for crediting rate changes	The submission considers whether a difference between the expected and the actual crediting rate applied to a policyholder's account balance is included in insurance finance income or expense or adjusts the contractual service margin applying paragraph B96(c) of IFRS 17. The submission is focused on insurance contracts without direct participation features for which the account balance is expected to become payable in the future and ignores the effect of any discretion.	September 2018	AP11	No further discussion planned at this time
S58	17-Jul-18	Cash flows that are outside the contract boundary at initial recognition	The submission asks how contracts that have optional termination clauses that affect the contract boundary should be accounted for subsequent to initial recognition.	September 2018	AP05	No further discussion planned at this time
S59	17-Jul-18	Insurance risk consequent to an incurred claim	The submission asks what the insured event is in a contract when the defined uncertain future event exposes the entity to longevity risk related to the settlement of the claim arising from the uncertain event.	September 2018	AP01	No further discussion planned at this time
S60	18-Jul-18	Presentation of separate accounts	The submission asks, for insurance contracts that transfer most of the risks and benefits linked to asset-management to policyholders, whether the entity can disaggregate line items in the statement of financial position to present separately: (a) a single asset line item for all financial instruments that the premiums received from the policyholders have been invested in (for example, cash, loans and other securities); and (b) a separate liability line item for the portion of the insurance contract liability that is equal to the value of the single asset line item.	September 2018	AP11	No further discussion planned at this time
S61	19-Jul-18	Group insurance policies	The submission describes a group insurance policy between an entity and an association or bank under which the entity provides insurance coverage to members of the association or customers of the bank. The submission asks whether cash flows are within the boundary of an insurance contract, if those cash flows relate to periods after the entity can cancel the group insurance policy. As part of the analysis, the submission considers whether the policyholder of an insurance contract as defined by IFRS 17 is the bank/association or the customer/member.	September 2018	AP08	No further discussion planned at this time
S62	19-Jul-18	Coverage that an entity can cancel at any time	The submission considers a specific type of entity in which parties become members by purchasing an insurance contract. Members of the entity are also provided with free additional insurance coverage. The entity can cancel the free additional insurance coverage at any time. The submission asks whether cash flows related to the free additional coverage are within the boundary of the insurance contracts purchased by policyholders.	September 2018	AP11	No further discussion planned at this time
S63	19-Jul-18	Insurance risk consequent to an incurred claim	The submission asks how the insured event and coverage period should be defined for disability insurance contracts.	September 2018	AP01	No further discussion planned at this time
S64	19-Jul-18	Discounting cash flows	The submission notes that applying paragraph 59(b) of IFRS 17 for the premium allocation approach, an entity is not required to adjust future cash flows in the liability for incurred claims for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred. The submission asks why this option is limited to groups of insurance contracts applying the premium allocation approach and notes that different interpretations may be applicable for discounting liabilities for incurred claims related to groups of contracts applying the general model.	September 2018	AP11	No further discussion planned at this time

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S65	19-Jul-18	Determining discount rates using a top-down approach	The submission asks whether there is a requirement for the reference portfolio of assets to reflect the liquidity characteristics of the insurance contracts, when using a top-down approach to determine discount rates.	September 2018	AP02	No further discussion planned at this time
S66	19-Jul-18	Cash flows outside the contract boundary at initial recognition	The submission questions the interrelation between the requirements in paragraph 35 of IFRS 17 (cash flows that are outside the boundary of an insurance contract) and the requirements in paragraph B64 of IFRS 17 (reassessment of the boundary of an insurance contract at each reporting date).	September 2018	AP05	No further discussion planned at this time
S67	19-Jul-18	Reporting frequency	The submission asks, when the reporting frequency of an entity differs from the reporting frequency of its subsidiary, whether the measurement of contracts issued by the subsidiary should be the same in the entity's consolidated financial statements and the subsidiary's financial statements.	September 2018	AP11	No further discussion planned at this time
S68	19-Jul-18	Recovery of insurance acquisition cash flows	The submissions asks whether insurance acquisition cash flows and the related revenue are recognised in the statement(s) of financial performance applying paragraph B125 of IFRS 17 if those cash flows cannot be recovered from the cash flows of the portfolio of contracts.	September 2018	AP06	No further discussion planned at this time
S69	19-Jul-18	Risk mitigation and reinsurance contracts held	The submission asks why reinsurance contracts held are not considered a valid risk mitigation strategy within the context of paragraphs B115-B116 of IFRS 17 for contracts with direct participation features and recommends amending paragraph B116 of IFRS 17 accordingly.	September 2018	AP11	No further discussion planned at this time
S70	20-Jul-18	Insurance risk consequent to an incurred claim	The submission asks what an insured event is for a disability policy.	September 2018	AP01	No further discussion planned at this time
S71	20-Jul-18	Reinstatement premiums	The submission asks whether reinstatement premiums should be treated as a new contract. Specifically: a) mandatory reinstatement premiums; and b) optional reinstatement premiums. The submission also asks, if the reinstatement premiums are not treated as a new contract, whether they should be treated as part of insurance revenue or insurance service expenses.	September 2018	AP03	No further discussion planned at this time
S72	20-Jul-18	Determining discount rates using a top-down approach	The submission considers a situation in which an entity uses a top-down approach to determine discount rates for insurance contracts, uses the assets it holds as the reference portfolio and does not to adjust the yield curve of the reference portfolio for differences in liquidity between the insurance contracts and the reference portfolio of assets. The submission asks whether the effect of purchasing and selling assets during the reporting period should be reflected in the discount rates for insurance contracts.	September 2018	AP02	No further discussion planned at this time
S73	20-Jul-18	Coverage units for contracts with cash flows that vary based on returns on underlying items	The submission asks for further clarification on coverage units, discussed in Agenda Paper 5 of the May 2018 TRG meeting, specifically on determining the quantity of benefits for contracts with cash flows that vary based on the returns on underlying items that may be in the general model or the variable fee approach. The submission includes two examples: (a) a universal life contract that pays the higher of a guaranteed sum or an account balance; and (b) a deferred annuity.	September 2018	AP11	No further discussion planned at this time
S74	20-Jul-18	Annual cohorts for contracts that share in the return of a specified pool of underlying items	The submission is about annual groups of contracts that all share in the return of a specified pool of underlying items, with some of the return contractually passing from one group of policyholders to another. For those contracts, the submission asks in what circumstances measuring the contractual service margin at a higher level than an annual cohort level, such as a portfolio level, would achieve the same accounting outcome as measuring the contractual service margin at an annual cohort level applying paragraph 22 of IFRS 17.	September 2018	AP10	No further discussion planned at this time
S75	20-Jul-18	Boundary of a reinsurance contract issued	The submission asks which cash flows are within the boundary of an annual reinsurance contract issued if the reinsurer has the right to compel the cedant to pay contractually agreed premiums for 12 months and has the option to reprice the contract at 90 days' notice. If the reinsurer exercises its right to reprice the contract, the cedant can accept the new terms or terminate the contract. The submission notes that a similar example was discussed in the May 2018 TRG meeting from the perspective of the cedant and asks whether there is an expectation of a symmetrical treatment of the contract boundary between the reinsurer and the cedant.	September 2018	AP11	No further discussion planned at this time

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S76	20-Jul-18	Premium experience adjustments	The submission asks whether premium experience adjustments should be presented as part of insurance revenue or insurance service expenses.	September 2018	AP04	No further discussion planned at this time
S77	20-Jul-18	Premium experience adjustments	The submission asks whether all premium experience adjustments relate to future service and therefore adjust the contractual service margin or whether an entity is required to identify whether the experience adjustment relates to current or past service or relates to future service.	September 2018	AP04	No further discussion planned at this time
S78	20-Jul-18	Premium waivers	The submission considers an insurance contract in which the entity provides a waiver of premium provision that allows the policyholder not to pay premiums during a period of disability that has lasted for a particular length of time. The submission asks whether the risk related to the premium waiver provision is a pre-existing risk of the policyholder transferred to the entity by the contract and is therefore an insurance risk, or a new risk created by the contract applying paragraphs B11 and B21 of IFRS 17.	September 2018	AP07	No further discussion planned at this time
S79	20-Jul-18	Contract boundary and investment component	The submission considers insurance contracts with direct participation features and asks whether cash flows that relate to periods when insurance coverage is no longer provided and the policyholder bears all the risks related to the investment related services are within the boundary of the contract. The submission also asks, if the cash flows are within the boundary of the contract, whether this extends the coverage period of the contract to include the period in which the investment component exists but no insurance coverage is provided.	September 2018	AP11	No further discussion planned at this time
S80	20-Jul-18	Experience adjustments related to insurance acquisition cash flows	The submission asks whether experience adjustments can relate to insurance acquisition cash flows and how that aligns to the definition of insurance acquisition cash flows.	September 2018	AP06	No further discussion planned at this time
S81	27-Jul-18	Determining the risk adjustment for non-financial risk in a group of entities	The submission is a follow up on the discussion of this topic at the May 2018 TRG meeting. The submission considers how entities should conceptually and practically apply the risk adjustment for non-financial risk requirements to a consolidated group of entities. The submission notes that in the event that the Board is requested to review the acceptability of the two views expressed at the May 2018 TRG meeting, it is critical to have both views fully explained.	September 2018	AP11	No further discussion planned at this time
S82	15-Oct-18	Modification of an insurance contract	The submission notes discussions at the February 2018 and May 2018 TRG meetings on applying paragraph B5 of IFRS 17 to contracts acquired in their settlement period. The submission asks whether a new contract recognised as a result of a modification is accounted for similarly to contracts acquired in their settlement period applying paragraph B5 of IFRS 17. The submission additionally asks how to identify the coverage units.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S83	15-Oct-18	Disclosures and reporting frequency	The submission asks how the reconciliation of estimates of the present value of future cash flows applying paragraphs 101 and 104 of IFRS 17 for the annual reporting period should be disclosed, considering the requirements in paragraph B137 of IFRS 17 relating to interim financial statements.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S84	18-Oct-18	Investment management expenses	The submission asks: (a) in what circumstances cash flows that arise as a consequence of investment management activities are fulfilment cash flows of insurance contracts; and (b) when applying a top-down discount rate approach, whether the discount rate should be calculated net or gross of investment management expenses.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S85	18-Oct-18	Investment component—guaranteed annuity payments	The submission provides some examples of annuity contracts with guaranteed payments and asks whether: (a) those contracts include any investment component; and (b) any investment component within those contracts is distinct.	April 2019	AP01	To be discussed at the April 2019 TRG
S86	18-Oct-18	Definition of a portfolio when determining the boundary of a contract	The submission asks whether the reference to a 'portfolio of insurance contracts' in paragraph 34(b) of IFRS 17 is a 'portfolio of insurance contracts' as defined in Appendix A of IFRS 17.	April 2019	AP02	To be reported at the April 2019 TRG meeting

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S87	19-Oct-18	Assessing liquidity of insurance contracts	The submission notes that the draft of the International Actuarial Note on discount rates for IFRS 17 published by the International Actuarial Association includes a concept of 'inherent value' that should be considered to assess the liquidity of insurance contracts. The submission states that if this concept is applied, most insurance contracts would be qualified as liquid which seems to be contrary to IFRS 17 requirements. The submission asks for further guidance on how to assess the liquidity of insurance contracts.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S88	24-Oct-18	Level of aggregation—annual cohorts	The submission notes the narrow scope amendment to paragraph 28 of IFRS 17 tentatively proposed by the Board at the June 2018 Board meeting. In relation to this, the submission asks whether 'contracts issued more than one year apart' in paragraph 22 of IFRS 17 should be read as referring to the date the entity becomes party to the contract or the date that a contract meets the criteria for recognition in paragraph 25 of IFRS 17.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S89	24-Oct-18	Application of IFRS 17 to Takaful operations and models	The submission notes that many Takaful models exist globally and describes a number of those basic models. The submission asks how the different requirements of IFRS 17 should be applied without interfering with the Islamic structure of the Takaful model which they regard as different from conventional insurance. The submission also asks whether the element of mutuality of a Takaful company qualifies it to follow a mutual entity, in part or in whole, for the different Takaful models.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S90	25-Oct-18	Investment component—guaranteed annuity payments	The submission provides some examples of annuity contracts with guaranteed payments and asks whether: (a) those contracts include any investment component; and (b) any investment component within those contracts is distinct.	April 2019	AP01	To be discussed at the April 2019 TRG
S91	25-Oct-18	Top-down discount rate—subsequent measurement	The submission is related to Agenda Paper 2 discussed at the September 2018 TRG meeting. The submission asks for TRG members views on whether it would be appropriate applying the top-down discount rate approach to determine discount rates: (a) at initial recognition of each group, using the target asset mix that the entity plans to invest in for that group as the reference portfolio of assets; and (b) subsequently, using the actual asset mix covering all underwriting years as the reference portfolio of assets.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S92	26-Oct-18	Policyholder dividends	The submission is about policyholder dividends for specific contracts accounted for applying the general model. The submission describes a fact pattern in which policyholder dividends are based on the profit of the entity. The profit comprises gains and losses from different sources (insurance results, investment performance and operations). The submission asks: (a) whether changes in policyholder dividend cash flows should be classified and accounted for separately for each source of underlying profit; (b) whether the total ultimate amount of policyholder dividends determined in a period should be classified as a liability for incurred claims even if there is still uncertainty on timing and amount of dividend payments to individual policyholders; and (c) how to account for the effect of law and regulation on expected policyholder dividends.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S93	26-Oct-18	Weighted average discount rates	The submission is about applying paragraphs 28 and B73 of IFRS 17. The submission notes that a difference may arise between the following: (a) the current discount rate used to measure the fulfilment cash flows of each contract when it joins the group of insurance contracts applying paragraph B72(a) of IFRS 17; and (b) the weighted average discount rates used at initial recognition of the group of insurance contracts, as described in paragraphs B72(b)-B72(e), applying paragraph B73 of IFRS 17. The submission asks how to account for this difference and whether it will adjust the contractual service margin or be recognised as insurance finance income or expenses.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S94	26-Oct-18	Definition of an investment contract with discretionary participation features	The submission describes an investment contract in a specific jurisdiction that is linked to a crediting rate. The submissions ask whether the product meets the third criteria of the definition of an investment contract with discretionary participation features in IFRS 17, given that paragraph BC162 of the Basis for Conclusions on IFRS 4 <i>Insurance Contracts</i> noted that the definition does not capture unconstrained contractual discretion to set a crediting rate that is used to credit interest or other returns to policyholders.	April 2019	AP02	To be reported at the April 2019 TRG meeting

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S95	26-Oct-18	Definition of an investment contract with discretionary participation features	Same question as S94.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S96	26-Oct-18	Definition of an insurance contract and contract boundary	The submission asks whether the contract boundary requirements in paragraphs 33–35 of IFRS 17 apply to the assessment of whether a contract meets the definition of an insurance contract, or whether they apply only to the measurement of contracts that have already been determined to meet the definition of an insurance contract.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S97	26-Oct-18	Payments to policyholders	The submission asks whether an insured event refers only to an event that gives rise to significant insurance risk. The submission also asks how payments to policyholders that are contingent on events other than those that give rise to significant insurance risk are treated.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S98	26-Oct-18	Exercising an option included within the contract	The submission asks how the exercise of an option to convert a contract to a different type of contract should be treated. For example, an insurance contract that can be converted to an annuity contract. Another example is a term life contract (similar in nature to contracts that are accounted applying the general model) that can be converted to a permanent life contract (similar in nature to contracts that are accounted for applying the variable fee approach).	April 2019	AP02	To be reported at the April 2019 TRG meeting
S99	26-Oct-18	Expenses incurred managing financial risks associated with insurance contracts	The submission: (a) asks in what circumstances cash flows that arise as a consequence of investment management activities are fulfilment cash flows of insurance contracts; and (b) provides examples of the expense of managing a portfolio of assets on which credited returns are based, the expense of hedging the financial risks associated with an option embedded in an insurance contract, and the expense of an asset-liability management function.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S100	26-Oct-18	Payments to policyholders	The submission asks whether all payments to policyholders are claims, repayment of premiums, or repayment of an investment component. The submission considers a number of examples.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S101	26-Oct-18	Changes in the risk adjustment for non-financial risk due to time value of money and financial risk	The submission asks whether 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 should be excluded from the change in the risk adjustment for non-financial risk that relates to future service which adjusts the contractual service margin. Assuming the answer to this question is yes, the submission questions the discount rate (locked-in rate or current rate) that would be used to adjust the contractual service margin. The submission also considers the interaction with paragraph 81 of IFRS 17.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S102	26-Oct-18	Accumulated OCI	The submission is about contracts measured applying the general model when an entity makes an accounting policy choice to disaggregate insurance finance income or expenses between profit or loss and OCI. The submission asks whether accumulated OCI on insurance contracts should be reclassified to profit or loss when experience does not unfold as expected, and if so, how.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S103	26-Oct-18	Recovery of insurance acquisition cash flows	The submission relates to Agenda Paper 06 discussed at the September 2018 TRG meeting. The submission asks how unrecoverable insurance acquisition cash flows incurred in a reporting period prior to initial recognition of the related group of insurance contracts should be treated.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S104	08-Jan-19	Adjusting the loss component for changes in the risk adjustment for non-financial risk	The submission questions whether changes in the risk adjustment for non-financial risk that relate to future service adjust the loss component, noting that paragraphs 48(a) and 50(b) of IFRS 17 refer to changes in the fulfilment cash flows arising from changes in estimates of future cash flows.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S105	08-Feb-19	Discretionary cash flows	The submission provides an example of a contract for which the entity exercises its discretion and pays cash flows at an amount different to the amount that is based on its commitment under the contract, applying different spread on assets return, without changing its commitment. The submission asks how such a difference should be treated.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S106	08-Feb-19	Reassessing portfolios	The submission describes a situation in which portfolios of insurance contracts change due to the manner in which the entity manages its contracts and questions the impact of such a change on the group unit of account or the application of the option to disaggregate insurance finance income or expenses between profit or loss and OCI.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S107	08-Feb-19	Definition of an insurance contract and contract boundary	The submission questions how a contract which transfers insurance risk after a period of time, as discussed in paragraph B24 of IFRS 17, should be classified.	April 2019	AP02	To be reported at the April 2019 TRG meeting

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S108	08-Feb-19	Acquisition cash flows related to reinsurance contracts held	The submission questions whether the proposed amendment to paragraph 27 of IFRS 17, as tentatively decided by the Board at its June 2018 meeting, results in contradiction to paragraph 65(a) of IFRS 17. The submission observes that the proposed amendment suggests that an entity is prohibited from recognising an asset or liability for acquisition cash flows with respect to reinsurance contracts held.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S109	08-Feb-19	Group insurance policies—retrospective rating agreements	The submission includes a follow up question to a submission discussed in Agenda Paper 8 of the September 2018 TRG meeting regarding group insurance policies and Agenda Paper 3 of the September 2018 TRG meeting about commissions and reinstatement premiums. The submission questions whether a payment under a retrospective rating agreement that would be considered a premium refund if it was paid to the policyholders, would still be considered as such if it is paid to the association or bank. Alternatively, the submission questions whether this amount is a commission expense paid for the right to sell insurance contracts to members of the association or customers of the bank .	April 2019	AP02	To be reported at the April 2019 TRG meeting
S110	08-Feb-19	Uncertainty related to exercising discretion	The submission questions whether the risk adjustment for non-financial risk takes into account uncertainty related to how management will apply discretion.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S111	11-Feb-19	Accounting for the reinstatement of a lapsed contract	The submission describes a contract with a feature that provides a policyholder of a contract that lapsed an option to reinstate the contract within a contractually specified period. The submitter considers the liability related to contract's reinstatement as an insurance liability and questions its classification as liability for remaining coverage or liability for incurred claims and the accounting for experience adjustments related to reinstatement of contracts.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S112	11-Feb-19	Determining whether an insurance contract includes an investment component	The submission provides two examples of insurance contracts (referred to as a 'pure protection insurance contract' and an 'annuity contract') and asks whether those contracts include an investment component.	April 2019	AP01	To be discussed at the April 2019 TRG
S113	13-Feb-19	Consistency in disaggregating changes in the risk adjustment for non-financial risk	The submission questions whether the choice included in paragraph 81 of IFRS 17 is required to be applied consistently in an entity.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S114	14-Feb-19	Changes in the fair value of underlying items applying the VFA	The submission describes a fact pattern of a participating contract that share returns with policyholders by paying dividends. Applying the variable fee approach, the submission questions the measure of the change related to non-economic experience. The submission asks whether it is a statutory basis used to determine dividends, an IFRS measure or a fair value measurement. The submission further considers the application of the option to disaggregate insurance finance income or expense between profit or loss and OCI and whether it is limited to financial income or expenses on underlying items held or any income or expense on underlying items held.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S115	14-Feb-19	Definition of insurance contracts with direct participation features—applying paragraph B101(b) of IFRS 17	The submission describes a unit linked insurance contract for which the entity charges an asset management fee determined as a percentage of the fair value of the underlying items at the end of each period and a premium for mortality cover by reducing the underlying items at the beginning of each period. The submission questions the application of paragraph B101(b) of IFRS 17 in determining whether a contract meets the definition of an insurance contract with direct participation features.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S116	15-Feb-19	Applying paragraph 66(c)(ii) of IFRS 17 for reinsurance contracts held	The submission discussed two fact patterns. The first fact pattern describes circumstances in which only some of the contracts in a group of underlying contracts are covered by a proportional reinsurance contract. The submission questions how to determine the amount to be recognised in profit or loss for reinsurance contracts held applying paragraph 66(c)(ii) of IFRS 17. The second fact pattern describes circumstances in which the underlying insurance contracts, expected profitable, have not been recognised but cash flows related to them are included in the measurement of the reinsurance contract held. Following initial recognition of the reinsurance contracts held, the underlying contracts were issued as onerous contracts. The submission questions how to determine the amount to be recognised in profit or loss for reinsurance contracts held applying paragraph 66(c)(ii) of IFRS 17.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S117	15-Feb-19	Premium waiver presentation in profit or loss	The submission questions whether an entity should exclude from revenue premiums waived as a result of an insured event or should account for them as part of insurance service expense (an incurred claim).	April 2019	AP02	To be reported at the April 2019 TRG meeting

Log #	Submission date	Topic	Question	TRG meeting	TRG paper reference	Current status
S118	15-Feb-19	Consideration of reinsurance in the risk adjustment for non-financial risk	The submission questions whether the effect of reinsurance should be considered in calculating the risk adjustment for non-financial risk for contracts that have been reinsured. The submission further provides an example illustrating two alternative approaches in determining such effect.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S119	15-Feb-19	Risk of non-performance of the issuer of a reinsurance contract held	The submission explains that non-performance risk of a reinsurer may incorporate different risks such as insolvency risk and the risks related to disputes and further negotiations. 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.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S120	15-Feb-19	Discount rates used to adjust the CSM for changes in the risk adjustment for non-financial risk	The submission questions the discount rate (locked-in rate or current rate) that would be used to measure changes in the risk adjustment for non-financial risk that adjust the contractual service margin for insurance contracts without direct participation features.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S121	15-Feb-19	Interest accretion on insurance acquisition cash flows	The submission questions whether IFRS 17 requires or permits an entity to accrete interest on the amount of acquisition cash flows paid for determining the insurance revenue and insurance services expenses applying paragraph B125.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S122	15-Feb-19	Changes in fulfilment cash flows as a result of inflation	The submission questions whether changes in fulfilment cash flows as a result of changes in inflation assumptions are treated as changes in non-financial risk (and adjust the CSM) or changes in financial risk for contracts measured under the general model.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S123	15-Feb-19	Reassessment of premium allocation approach eligibility and election	The submission questions whether an entity is required or permitted to reassess a contract's eligibility for the premium allocation approach and as a result to revoke its election to apply the approach. The submission further asks how such a transition from the premium allocation approach to the general model should be treated.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S124	15-Feb-19	Discount rates used to adjust the CSM for changes in the risk adjustment	The submission questions the discount rate (locked-in rate or current rate) that would be used to measure changes in the risk adjustment for non-financial risk that adjust the contractual service margin for insurance contracts without direct participation features.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S125	15-Feb-19	Experience adjustments arising from premiums received for onerous groups of insurance contracts	The submission questions the accounting sequence of reversing a loss component in a financial period with premium experience adjustments that relate to future service and a change in cash flows that is consequential to those adjustments. The submission includes an example illustrating a premium experience adjustment related to future service that on its own would increase the loss component, and a change in the fulfilment cash flows related to future service that on its own would decrease the loss component, while taken together they decrease the loss component. The submission then considers whether a gross disclosure should be provided applying paragraphs 103(b) and 104(a) of IFRS 17.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S126	15-Feb-19	A policyholder's right to reinstate a contract after it lapses	The submission describes two specific fact patterns of health insurance contracts for which the policyholder has a right to terminate a contract, which results in its lapse, and a right to reinstate the contract. The submission questions the cash flows within the boundary of each type of contract and whether the contracts are derecognised when they lapse.	April 2019	AP02	To be reported at the April 2019 TRG meeting
S127	11-Mar-19	Fair value of insurance contracts	The submission questions whether in applying the fair value approach to transition, fair value should reflect the non-performance risk of the entity.	April 2019	AP02	To be reported at the April 2019 TRG meeting

STAFF PAPER

May 2019

IASB[®] meeting

Project	Amendments to IFRS 17 <i>Insurance Contracts</i>		
Paper topic	Sweep issues		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS[®] Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB[®] *Update*.

Purpose

1. This paper discusses issues for the International Accounting Standards Board (Board) to consider before finalising the Exposure Draft of proposed amendments to IFRS 17 *Insurance Contracts* that:
 - (a) are consequential to issues that the Board has previously discussed; and
 - (b) have been identified through stakeholder feedback, Transition Resource Group for IFRS 17 (TRG) discussions or when drafting the Exposure Draft.

Summary of staff recommendations

2. The staff recommend the Board:
 - (a) revise its tentative decision to establish in IFRS 17 that an investment-return service exists only when an insurance contract includes an investment component, to instead specify that an investment-return service exists in specified circumstances, sometimes without an investment component (paragraphs 4–14 of this paper);
 - (b) amend paragraph 103 of IFRS 17 to clarify that, in the reconciliation from the opening to the closing balance of the insurance contract liabilities, an

entity need not disclose refunds of premiums separately (paragraphs 15–18 of this paper); and

- (c) amend paragraph B123(a) of IFRS 17 to clarify that changes resulting from cash flows of amounts lent to customers and waivers of amounts lent to customers are excluded from insurance revenue (paragraphs 19–20 of this paper).

3. The staff recommend the Board not amend IFRS 17 or the Basis for Conclusions on IFRS 17 regarding the considerations for mutual entities issuing insurance contracts (paragraphs 21–27 of this paper).

Staff analysis

A—Investment-return service

4. At its January 2019 meeting, the Board tentatively decided to amend IFRS 17 so that in the general model the contractual service margin is recognised in profit or loss on the basis of coverage units that are determined by considering both insurance coverage and investment-return service, if any. The Board also tentatively decided to establish that an investment-return service can exist only when an insurance contract includes an investment component.
5. Following discussions at the TRG meeting in April 2019 and subsequent questions from stakeholders, the staff have developed analysis that indicates that an investment-return service might be provided in insurance contracts that do not include an investment component. As a result, the staff think that an investment-return service might be provided in some insurance contracts during the period in which a policyholder has a right to withdraw amounts from the entity. By a right to withdraw amounts from the entity, the staff include policyholders’ rights to a surrender value or premium refund on cancelling the policy and rights to transfer an amount to another insurance provider. A policyholder might have such a right without the insurance contract including an investment component.
6. Consider an example of a deferred annuity contract under which premiums are paid upfront. The premiums earn a return during the accumulation phase and the accumulated amount can be converted into an annuity at a fixed conversion rate at

a future date. The accumulation phase could be a substantial number of years. During the accumulation phase the policyholder has the right to transfer the accumulated amount to another annuity provider or to receive the accumulated amount if he dies. After conversion into an annuity, there is no period of guaranteed payments—ie if the policyholder dies after conversion but before the first annuity payment, he receives nothing.

7. In the paper for the January 2019 Board meeting,¹ the staff analysis indicated that such a contract does not include an investment component and so could not be regarded as providing an investment-return service.
8. Some stakeholders disagree with that analysis and think an entity can provide an investment-return service in the accumulation phase in such contracts. The staff analysis in this paper supports that view—although there is no investment component, the policyholder has a right during the accumulation phase to withdraw an amount from the entity that includes an investment return.²
9. The staff observe that a right for the policyholder to withdraw money exists in many insurance contracts. Consider, for example, a car insurance contract with a premium paid at the start of the coverage period when the policyholder is able to cancel during the coverage period and receive back a pro-rata portion of the premium.
10. The staff also observe such a right for the policyholder to withdraw money (or to transfer an amount to another party) seems to indicate the entity is providing an investment-return service in the deferred annuity contracts. However, the same right in a car insurance contract does not seem to indicate the entity is providing such a service.
11. One question the Board considered when it discussed investment-return service at its January 2019 meeting was whether it was possible to provide criteria for when

¹ Agenda Paper 2E *Recognition of the contractual service margin in profit or loss in the general model* for the January 2019 Board meeting.

² The analysis in paragraph 8 of this paper differs from that in Agenda Paper 1 *Investment components within an insurance contract* for the April 2019 TRG meeting. The analysis in that paper for the TRG meeting led to the same conclusion that an investment-return service might be provided by such contracts, but based that conclusion on the identification of an investment component in such a contract. The staff no longer support that identification of an investment component because the staff do not think it is possible to distinguish between policyholder's right in the deferred annuity contract described in paragraph 6 of this paper and the policyholder's right in the car insurance contract described in paragraph 9 of this paper.

such a service might exist, other than linking it to the existence of an investment component, for example that the promised return had to be a variable return rather than a fixed amount. The Board concluded that it would be difficult to identify criteria for when an investment-return service exists, or to develop an objective that is clear and applicable in all circumstances. Using the existence of an investment component as a necessary, albeit not sufficient, threshold was thought to be a reasonable approach while practice develops.

12. In contrast, the staff think that if the Board accepts that an investment-return service could exist when a policyholder has a right to withdraw money from the entity, even when an investment component does not exist, it would be necessary to provide some criteria for when such a service exists. As explained in paragraph 9 of this paper, there are many insurance contracts in which policyholders have such rights, not all of which provide investment-return service. This makes it more important to set some criteria for when an investment-return service exists.
13. The staff have therefore tried to identify features that characterise such a service. The staff think that IFRS 17 should specify that an investment-return service exists if, and only if:
 - (a) there is an investment component, or the policyholder has a right to withdraw an amount;
 - (b) the investment component or amount the policyholder has a right to withdraw is expected to include a positive investment return; and
 - (c) the entity expects to perform investment activity to generate that positive investment return.
14. Accordingly, the staff recommend the Board revise its tentative decision to establish in IFRS 17 that an investment-return service exists only when an insurance contract includes an investment component, to instead specify that an investment-return service exists in specified circumstances, sometimes without an investment component.

B—Amendment to clarify that an entity need not separately disclose refunds of premiums

15. Paragraph 100 of IFRS 17 requires disclosure of a reconciliation from the opening to the closing balances of the insurance contract liability. Paragraph 103 of IFRS 17 requires an entity to separately disclose—in that reconciliation—investment components excluded from insurance revenue and insurance service expenses. The requirements in those paragraphs of IFRS 17 enable users of financial statements to analyse information about the insurance service result, including information about the determination of insurance revenue and the linkage between amounts in the statement of financial position and the statement of financial performance. Insurance revenue can be analysed as the total of the changes in the liability for remaining coverage in the period that relate to coverage or other services for which the entity expects to receive consideration.
16. TRG discussions highlighted different concerns arising from different types of insurance contracts:
- (a) TRG discussions indicated that some stakeholders wondered whether the possibility of the policyholder ceasing coverage during the coverage period and receiving a refund of premiums was an investment component. Hence, those stakeholders thought entities might have to exclude some amounts from claims when they occur. At its April 2019 meeting, the Board tentatively decided to amend IFRS 17 to clarify the definition of an investment component in Appendix A of IFRS 17, by stating that an investment component is the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances. This proposed amendment would resolve the confusion for these contracts.
 - (b) for insurance contracts that include investment components, TRG discussions indicated concerns that the proposed amendment discussed in paragraph 16(a) of this paper requires an entity to separate the amount payable when a claim occurs into:
 - (i) the amount that would have been paid if the policyholder cancelled the contract (a refund of premiums);

- (ii) the amount that would have been paid if the policyholder did not cancel the contract or make a claim (an investment component); and
- (iii) the remainder (the insurance service expense).

The staff observed that the amounts described in paragraph 16(b)(i) and (ii) of this paper are treated in the same way, except for the separate disclosure required for the investment component.

17. In the staff view, in the reconciliation required by paragraph 100 of IFRS 17, the information about the insurance service result discussed in paragraph 15 of this paper, including insurance revenue recognised in the period, would be obtained if an entity presented refunds of premiums separately or together with either:
- (a) investment components (ie presentation of a single line reflecting the sum of investment components and refunds of premiums); or
 - (b) premiums received (ie presentation of a net amount of premiums received and premiums refunded).

18. Therefore, in the light of stakeholder feedback discussed in paragraph 16 of this paper, the staff recommend the Board amend paragraph 103 of IFRS 17 as set out below to clarify that, in the reconciliation from the opening to the closing balance of the insurance contract liability, an entity need not disclose refunds of premiums separately.

- 103 An entity shall separately disclose in the reconciliations required in paragraphs 100 each of the following amounts related to insurance services, if applicable:
- (a) [...]
 - (c) investment components (and refunds of premiums unless presented as part of the cash flows in the period) excluded from insurance revenue and insurance service expenses.

C—Amendment to clarify that changes resulting from cash flows of amounts lent to policyholders and waivers of amounts lent to policyholders are excluded from insurance revenue

19. Some contracts in the scope of IFRS 17 include a loan component—ie the entity lends amounts to the policyholder and expects the policyholder to repay the entity at a later date. The payment or receipt of amounts lent to and repaid by

policyholders should not give rise to insurance revenue. Paragraph B123 of IFRS 17 omits the exclusion of these amounts from the changes in the liability for remaining coverage that give rise to insurance revenue. Any waiver of a loan to a policyholder would be treated in the same way as any other claim.

20. The staff recommend the Board amend paragraph B123(a) of IFRS 17 as set out below to add this exclusion and therefore clarify that those amounts are excluded from insurance revenue.

B123 Applying IFRS 15, when an entity provides services, it derecognises the performance obligation for those services and recognises revenue. Consistently, applying IFRS 17, when an entity provides services in a period, it reduces the liability for remaining coverage for the services provided and recognises insurance revenue. The reduction in the liability for remaining coverage that gives rise to insurance revenue excludes changes in the liability that do not relate to services expected to be covered by the consideration received by the entity. Those changes are:

- (a) changes that do not relate to services provided in the period, for example:
 - (i) [...]
 - (iiA) changes that relate to loans to policyholders.

D—Mutual entities issuing insurance contracts

21. Paragraphs BC264–BC269 of the Basis for Conclusions on IFRS 17 refer to insurers that are mutual entities, in the context of explaining why the Board did not retain the ‘mirroring approach’ in the 2013 Exposure Draft Insurance Contracts only for mutual entities. In particular:

- (a) paragraph BC265 of the Basis for Conclusions on IFRS 17 explains that a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder. Thus, the fulfilment cash flows of an insurer that is a mutual entity generally include the rights of policyholders to the whole of any surplus of assets over liabilities. This means that, for an insurer that is a mutual entity, there should, in principle, normally be no equity remaining and no net comprehensive income reported in any accounting period.
- (b) paragraph BC266 of the Basis for Conclusions on IFRS 17 explains that accounting mismatches arise between the measurement of insurance

contracts and the measurement of the other net assets of an insurer that is a mutual entity. This is because the measurement of insurance contracts for an insurer that is a mutual entity incorporates information about the fair value of the other assets and liabilities of the entity, some of which are not required to be measured at fair value when applying IFRS Standards.

- (c) paragraph BC267 of the Basis for Conclusions on IFRS 17 explains that when insurance contract liabilities are measured in applying IFRS 17, insurers that are mutual entities might report liabilities greater than recognised assets in their financial statements, even though those entities are solvent for regulatory purposes and economically have no equity (rather than negative equity).

22. Some stakeholders are concerned that the explanations included in those paragraphs of the Basis for Conclusions on IFRS 17 and the educational materials developed by the staff do not adequately reflect the nature of some mutual entities and might be used as prescriptive guidance for mutual entities applying IFRS Standards while, in their view:

- (a) including fact patterns that do not apply to all mutual entities; and
- (b) using terminology that might have different interpretations in practice (for example, the concept of residual interest in a mutual entity).

23. To address their concerns, those stakeholders suggested the Board:

- (a) clarify that the considerations in the Basis for Conclusions on IFRS 17 apply only to some mutual entities; and
- (b) develop further considerations for the treatment of other types of mutual entities.

24. The staff think that it is clear that the Basis for Conclusions on IFRS 17:

- (a) accompanies, but is not part of, IFRS 17;
- (b) summarises the considerations of the Board in developing IFRS 17—ie it does not set out IFRS requirements; and

- (c) does not define terms used in IFRS 17 (terms of IFRS 17 are defined only in Appendix A of IFRS 17 which does not include a definition of a mutual entity).
25. The staff therefore recommend the Board not amend IFRS 17 or the Basis for Conclusions on IFRS 17 to clarify that the considerations in the Basis for Conclusions apply only to some mutual entities.
26. The staff note that IFRS 17:
- (a) applies to all insurance contracts (as defined in IFRS 17) throughout the duration of those contracts, regardless of the type of entity issuing the contracts; and
 - (b) does not include specific requirements by type of entity.
27. The staff recommend the Board not amend IFRS 17 to develop specific requirements for mutual entities for the reasons the Board previously decided not to do so—ie because:
- (a) the requirements of IFRS 17 are consistent with the principles in IFRS 17 to include in the fulfilment cash flows all the future cash flows that arise within the boundary of insurance contracts in a group of contracts, regardless of the timing and counterparty;
 - (b) if a mutual entity that issues an insurance contract accounted for that contract in one way and a non-mutual entity that issues the same insurance contract accounted for that contract in a different way, comparability across entities would be reduced; and
 - (c) a robust definition of a mutual entity that could be applied consistently from jurisdiction to jurisdiction would be difficult to create.

Question for Board members

Do you agree with the staff recommendations for resolving the issues identified in this paper?

STAFF PAPER

May 2019

IASB® meeting

Project	Amendments to IFRS 17 <i>Insurance Contracts</i>		
Paper topic	Comment period for Exposure Draft <i>Amendments to IFRS 17</i>		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

Purpose of this paper

1. This paper asks the International Accounting Standards Board (Board) to set a comment period of 90 days for the forthcoming Exposure Draft of proposed amendments to IFRS 17 *Insurance Contracts*.

Background

2. The Exposure Draft responds to the concerns and implementation challenges raised by stakeholders since IFRS 17 was issued in May 2017. In considering possible amendments to IFRS 17, the Board noted that:
 - (a) the application of IFRS 17 is urgent to address the many inadequacies in the wide range of insurance accounting practices used today applying IFRS 4 *Insurance Contracts*; and
 - (b) delaying the effective date of a recently issued Standard that entities are in the process of implementing risks disrupting their implementation processes.

3. The Exposure Draft will propose 12 targeted amendments to IFRS 17 in eight areas. In April 2019, the Board confirmed that these amendments:
 - (a) are needed to support entities implementing the Standard.
 - (b) do not result in significant loss of useful information relative to that which would otherwise be provided by IFRS 17 to users of financial statements. The amendments do not change the fundamental principles of the Standard.
 - (c) do not unduly disrupt implementation processes already under way or do not risk undue delays in the effective date of IFRS 17.
4. Thus, the proposed amendments are both urgent and narrow in scope.

Recommended comment period

5. In setting the comment period for the Exposure Draft, the Board needs to strike a balance between the need to:
 - (a) allow stakeholders time to consider the proposals and provide any further input to the Board; and
 - (b) finalise any amendments to IFRS 17 to provide clarity about those amendments on a timely basis.
6. In accordance with paragraph 6.7 of the Due Process Handbook, the normal comment period for Exposure Drafts, other than annual improvements, is 120 days. The staff think that a comment period of 120 days is not necessary given that:
 - (a) the amendments are targeted to specific areas of IFRS 17 and, by their nature, are narrow in scope.
 - (b) many entities, and their representative bodies, that are expected to provide comments to the targeted amendments to IFRS 17, are following the project to amend IFRS 17 very closely. The Board has continued to engage extensively with stakeholders after the issuance of the Standard. In addition, staff and Board members have kept stakeholders informed about the proposed amendments through regular podcasts and outreach.

- (c) there is a need to provide certainty about the proposed amendments to IFRS 17 to minimise any disruption created by them for both users and preparers of financial statements.
7. However, at the other end of the scale, the staff think that the minimum comment period of 30 days permitted by paragraph 6.7 of the Due Process Handbook would not provide stakeholders with sufficient time to consider the proposals. Although the targeted amendments to IFRS 17 are narrow in scope, those amendments provide meaningful change and address a number of concerns expressed by stakeholders.
 8. Consequently, the staff recommend the Board set a shortened comment period of 90 days for the Exposure Draft. A comment period of 90 days would:
 - (a) be the same as the comment period set for the Exposure Draft of the narrow-scope amendments to IFRS 15 *Revenue from Contracts with Customers* that the Board issued in July 2015. As for that Exposure Draft, a 90-day comment period would balance the need to allow sufficient time for stakeholders to respond to the targeted amendments and, yet, also provide clarity about the proposed amendments on a timely basis.
 - (b) facilitate issuing the amendments to IFRS 17 in the second quarter of 2020—including confirming the mandatory effective date of 1 January 2022—to minimise disruption to implementation.
 9. In accordance with paragraph 6.7 of the Due Process Handbook, the Board can set a comment period of less than 120 days only after consulting, and obtaining approval from, the Due Process Oversight Committee (DPOC). At its meeting on 23 April 2019, the DPOC gave approval for a shortened comment period of 90 days for the forthcoming Exposure Draft of proposed amendments to IFRS 17.

Question for Board members

Do you agree with a comment period of 90 days for the Exposure Draft of proposed amendments to IFRS 17?