IFRS®17 – Clarity on approach to amendments

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Process confirmed for finalising amendments to the new insurance standard

Highlights

- Redeliberation plan agreed at November Board meeting
- Some additional topics will be further discussed
- Next steps – all topics to be discussed by February 2020

We now know which aspects of stakeholder feedback on the proposed amendments to the new insurance standard, IFRS 17, will be discussed over the next few months.

At its November meeting, the International Accounting Standards Board (the Board) reviewed feedback on the exposure draft (ED) *Amendments to IFRS 17* and decided on a redeliberation plan.

The plan contains four categories, as follows.

- **Proposed amendments to be confirmed by the Board at a future meeting:** these are the amendments that the Board will be asked to confirm, as worded in the ED, at a future date.
- **Topics that will not be considered further by the Board:** these are some of the topics that stakeholders commented on that were outside the questions asked by the ED.
- **Topics that will be considered further by the Board**, including topics within and outside the questions asked by the ED.
- **New concerns that may be addressed by the Board:** these include topics commented on by stakeholders that were not considered by the Board when developing the ED. These topics will be analysed by the staff before the Board decides whether any action is required to address them.

For the topics that will be considered further, the Board will decide whether to make changes at the next three Board meetings.

The Board intends to apply the same criteria as used in the development of the ED when considering topics further. The criteria aim to ensure that any amendments to IFRS 17 do not:

- change the fundamental principles of the standard, which would result in a significant loss of useful information for users;

Ms Mary H Trussell
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"We now have confirmation from the Board on areas that will not be changing in the final standard. It's time for insurers to focus on these areas and forge ahead with their implementation plans while the Board continues to work through the moving areas. For those areas of the standard where there is less clarity, insurers should try to maintain some flexibility for change in their implementation projects."

Mary Trussell
KPMG's Global Lead,
Insurance Accounting

– unduly disrupt implementation already under way; or
– further delay the effective date of IFRS 17.

Outline of redeliberation plan

The topics that are not going to change are as follows.

Category	Topics
Proposed amendments to be confirmed by the Board at a future meeting	– Scope exclusion for loans. – Contractual service margin attributable to investment services – coverage units for insurance contracts with direct participation features. – Presentation in the statement of financial position – portfolio instead of group level. – Applicability of the risk mitigation option – reinsurance contracts held. – Transition relief for business combinations. – Transition reliefs for the risk mitigation option – application from the date of transition and the option to apply the fair value approach.
Topics that will not be considered further by the Board	– Presentation in the statement of financial position – premiums receivable and claims payable. – Risk mitigation option for insurance contracts without direct participation features. – Effective date – comparative information on initial application of IFRS 17. – Level of aggregation – annual cohorts for all insurance contracts other than those with intergenerational sharing of risks between policyholders. – Cash flows in the boundary of a reinsurance contract held. – Subjectivity in determining discount rates and the risk adjustment for non-financial risk. – Risk adjustment for non-financial risk in a consolidated group of entities. – Discount rate used to determine adjustments to the contractual service margin.

Category	Topics
Topics that will not be considered further by the Board (continued)	– Other comprehensive income option for insurance finance income or expenses. – Business combinations – classification of contracts acquired. – Scope of the variable fee approach – reinsurance contracts held and reinsurance contracts issued. – Mutual entities issuing insurance contracts. – Transition – general optionality and flexibility in the modified retrospective approach. – Transition – reliefs in the full retrospective approach.

The topics that are potentially being reconsidered at the next three Board meetings are as follows.

Topics that will be considered further by the Board	– Proposed scope exclusion for credit cards. – Proposed amendment for expected recovery of insurance acquisition cash flows. – Proposed amendment for contractual service margin attributable to investment services – coverage units for insurance contracts without direct participation features, disclosures and terminology. – Proposed amendment for reinsurance contracts held – recovery of losses. – Applicability of the risk mitigation option – non-derivative financial instruments at fair value through profit or loss. – Proposed effective date of IFRS 17. – Proposed extension of the IFRS 9 *Financial Instruments* temporary exemption in IFRS 4 *Insurance Contracts*. – Transition – the prohibition from applying the risk mitigation option retrospectively. – Proposed minor amendments. – Level of aggregation – annual cohorts for insurance contracts with intergenerational sharing of risks between policyholders.

Topics that will be considered further by the Board (continued)	– Business combinations – contracts acquired in their settlement period. – Interim financial statements. – Additional specific transition modifications and reliefs.
New concerns that may be addressed by the Board	– Accounting treatment of policyholder taxes. – Application of the requirements in paragraph B113(b) of IFRS 17 to insurance contracts with cash flows that do not vary based on the returns on underlying items to which the variable fee approach applies. – Contracts that change in nature over time.

Next steps

The proposed amendments to be confirmed and topics to be considered further are expected to be discussed by the Board in the next three Board meetings – i.e. up to February 2020. The Board's objective remains to issue the final amendments to IFRS 17 in mid-2020.

You can read our coverage of the Board's proposed amendments and the Transition Resource Group for Insurance Contracts (TRG) discussions in our online magazine **Insurance – Transition to IFRS 17**.

Please watch this space for further updates and speak to your usual KPMG contact to find out more about the Board's deliberations.

Find out more

Visit **home.kpmg/ifrs17** to read all of our insights on the new insurance contracts standard. Also, our insights on insurers' progress with IFRS 17 and IFRS 9 implementation can be found on our **In it to win it** web page.

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