

IFRS®17 amendments - Redeliberations begin



12 December 2019



Ms Mary H Trussell
KPMG AG
Wirtschaftsprüfungsgesellschaft

“There was significant progress made during the December meeting, with clarity provided to the insurance industry in eight areas. It is particularly exciting to see the reinsurance deliberations come to a close, so preparers can now move forward in this area.”

Mary Trussell
KPMG's Global Lead,
Insurance Accounting Change

The Board kicks off redeliberations by discussing two topics of wide application

Highlights

- Reinsurance on onerous contracts amendment extended to all reinsurance held
- Expected recovery of insurance acquisition cash flows confirmed
- Effective date to be discussed later in redeliberation process
- Next steps

Standard setter extends reinsurance relief on initial recognition of onerous contracts to any type of reinsurance held

We now have more clarity over two further proposed amendments to the new insurance standard, IFRS 17 *Insurance Contracts*.

- **Reinsurance contracts held – recovery of losses on initial recognition of onerous contracts.** This amendment has been expanded to any type of reinsurance contracts held. Read our [article](#) to find out more.
- **Expected recovery of insurance acquisition cash flows.** This amendment has been confirmed as proposed in the exposure draft (ED), with transition considerations to be discussed at a future meeting.

At its December meeting, the International Accounting Standards Board (the Board) progressed its redeliberation plan by confirming these two topics, as well as finalising, as drafted in the ED, the six amendments proposed at its [November meeting](#) which did not require substantive redeliberation.

For clarity, the Board highlighted a few specific areas related to the confirmed amendments on the expected recovery of insurance acquisition cash flows.

- When allocating insurance acquisition cash flows on a systematic and rational basis, the underlying assumptions should be updated every reporting period, but not the methodology itself.
- The Board will not prescribe how to apply a 'systematic and rational' basis, but a method based on expected recoveries would align with the required impairment test for the asset for insurance acquisition cash flows.
- Two impairment tests will be required: one at group level and one specific to insurance acquisition cash flows allocated to expected contract renewals.



Joachim Kölschbach
KPMG AG
Wirtschaftsprüfungsgesellschaft

Eleven topics now remain for the Board to address over the next two months.

Amendments confirmed	Remaining topics for further consideration by the Board
<ul style="list-style-type: none"> – Scope exclusion for loans – Contractual service margin attributable to investment services <ul style="list-style-type: none"> – 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 reliefs for business combinations – Transition reliefs for the risk mitigation option – application from the transition date and the option to apply the fair value approach – Expected recovery of insurance acquisition cash flows – Reinsurance contracts held – recovery of losses 	<ul style="list-style-type: none"> – Proposed scope exclusion for credit cards – Proposed amendment for contractual service margin attributable to investment services – coverage units for insurance contracts without direct participation features, disclosures and terminology – 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 <i>Financial Instruments</i> temporary exemption in IFRS 4 <i>Insurance Contracts</i> – 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 – 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	
<ul style="list-style-type: none"> – Accounting treatment of policyholder taxes – Application of the requirements in IFRS 17.B113(b) for insurance contracts to which the variable fee approach applies to cash flows that do not vary based on the returns on underlying items – Contracts that change in nature over time 	

As we noted last month, it is important that preparers move forward swiftly in the areas that are being confirmed by the Board, particularly those amendments that require systems developments and revised processes, such as insurance acquisition cash flows and the allocation of the CSM for contracts with direct participation features.

Next steps

The proposed amendments to be confirmed and topics to be considered further are expected to be discussed by the Board in its next two meetings – i.e. up to February 2020.

The effective date and extension of the IFRS 9 temporary exemption in IFRS 4 is expected to be discussed closer to the end of the redeliberations – i.e. in 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 (TRG) for Insurance Contracts 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.

Publication name: *IFRS 17 amendments – Redeliberations begin*

Publication date: December 2019

© 2019 KPMG IFRG Limited, a UK company, limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

KPMG International Standards Group is part of KPMG IFRG Limited.

KPMG International Cooperative ('KPMG International') is a Swiss entity that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no audit or other client services. Such services are provided solely by member firms of KPMG International (including sublicensees and subsidiaries) in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any other member firm, nor does KPMG International have any such authority to obligate or bind KPMG International or any other member firm, nor does KPMG International have any such authority to obligate or bind any member firm, in any manner whatsoever.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

This publication contains copyright © material and trademarks of the IFRS® Foundation. All rights reserved. Reproduced by KPMG IFRG Limited with the permission of the IFRS Foundation. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit www.ifrs.org

Disclaimer: To the extent permitted by applicable law the Board and the IFRS Foundation expressly disclaims all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise (including, but not limited to, liability for any negligent act or omission) to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.