Amendments to IFRS 17

Insurance Contracts

25 June 2020

Introducing the amendments
Introduction

- Timeline
- Purpose of the amendments to IFRS 17
- Overview of the amendments to IFRS 17
- Materials published in June 2020
- What’s next
- Appendix: educational materials
Before we start

The views expressed are those of the presenters, not necessarily those of the International Accounting Standards Board or the IFRS Foundation

The slides used in this presentation are available for download on the IFRS Foundation website: https://www.ifrs.org/projects/work-plan/amendments-to-ifrs-17/
Timeline

- **May 2017**: IFRS 17 issued
- **June–Sept 2019**: Proposed amendments to IFRS 17 open for comments
- **Oct 2019–May 2020**: Board’s discussions considering comments on proposed amendments
- **June 2020**: Amendments to IFRS 17 issued (*)
- **January 2023**: IFRS 17 is effective

(*): The package of amendments issued in June 2020 also includes one amendment to IFRS 4 Insurance Contracts regarding the extension of the temporary exemption from applying IFRS 9 Financial Instruments

IASB support for IFRS 17 implementation
Why has the Board amended IFRS 17?

To aid companies implementing the new requirements in IFRS 17

The targeted amendments

1. reduce IFRS 17 costs for companies
2. make the results of applying IFRS 17 easier to explain for companies
3. ease transition to IFRS 17

address many of the concerns and challenges raised by companies implementing IFRS 17
The criteria set by the Board

• Amending a recently issued Standard carries a risk of disrupting implementation under way
• Need to
  – demonstrate an amendment is justified
  – consider only amendments that meet the following criteria

- Avoid unduly disruption of implementation under way
- Avoid significant loss of useful information for investors
- Relevance and faithful representation
- Comparability
- Consistency
- Understandability / Complexity
What are the implications?

The fundamental principles of IFRS 17 do not change

The improvements introduced by IFRS 17 are unaffected

More useful and transparent information
- Current assumptions regularly updated
- Options and guarantees fully reflected
- Discount rates reflect characteristics of the insurance liability

Consistent recognition of revenue and profits for insurance contract services
- Revenue recognition more consistent with other IFRS Standards / other industries
- Profits recognised as services are provided
- Additional metrics to evaluate performance
# Overview of the amendments to IFRS 17

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<th>How?</th>
<th>What?</th>
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<td>To reduce costs</td>
<td>• By simplifying some requirements</td>
<td>• Contracts to which IFRS 17 applies</td>
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<td>• Balance sheet presentation</td>
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<td>• The effect of previous interim reports</td>
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<tr>
<td>To make results easier to explain</td>
<td>• By revising some requirements generating results difficult to explain in some circumstances</td>
<td>• Acquisition costs</td>
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<td>• Profit recognition</td>
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<td>• Use of the risk mitigation option</td>
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<td>To ease transition</td>
<td>• By extending the implementation period</td>
<td>• Effective date of IFRS 17, temporary exemption from IFRS 9</td>
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<td></td>
<td>• By providing additional transition reliefs</td>
<td>• Contracts acquired before transition, risk mitigation option at transition, investment contracts with DPF</td>
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The Project Summary provides an overview of the targeted amendments to IFRS 17 issued in June 2020.

The Feedback Statement summarises how the Board responded to feedback on proposals that led to the amendments.

Free access to the document on www.ifrs.org: https://www.ifrs.org/projects/work-plan/amendments-to-ifrs-17/#supporting-material
Amendments to IFRS 17 booklet

- Amendments to the requirements in IFRS 17
- New paragraphs to be added to the Basis for Conclusions on IFRS 17
- Amendments to the Illustrative Examples on IFRS 17
- Consequential amendments to the requirements in other IFRS Standards
Amendments to IFRS 4 booklet

- Amendment to the expiry date for the temporary exemption
- New paragraphs to be added to the Basis for Conclusions on IFRS 4
What’s next

It is time to focus on implementation

Educational webcast on amendments to IFRS 17
# 2017-2018 series of IFRS 17 webinars/webcasts

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Summary of the IFRS 17 accounting model in one page
Examples

1 | Premium allocation approach—comparison to existing accounting practice

2 | Reinsurance contracts held—proportionate reinsurance coverage

IFRS 17 pocket guide on reinsurance contracts held

IFRS 17 and mutual entities

Contracts issued by a mutual entity:
- Contracts that do not provide policyholders with a residual interest in the mutual entity (non-conventional insurance contracts).
- Contracts that provide policyholders with a residual interest in the mutual entity (conventional insurance contracts).

What is a mutual entity? Slides 3–4

Accounting

Could a mutual entity have equity? Slides 11–12

Impact on equity

Slides 5–10
Supporting materials for investors

**IFRS 17 for investors**
How does IFRS 17 work and what does it mean for investors?

Available on IFRS Foundation website and on IFRS Foundation YouTube channel

**The Essentials for investors**—translates existing terminology and metrics into the language of IFRS 17

**Investor Perspectives: Accounting to reflect economics**—why the unit of account matters to investors

**Investor Perspectives: Proposed amendments to IFRS 17**—making it easier for insurers to explain their results
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