

Insurance contracts

Instructions for performing the field work

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Introduction

1. Thank you for taking part in fieldwork for the proposals in the 2013 Exposure Draft *Insurance Contracts* (the ‘2013 Exposure Draft’). Fieldwork is an important part of the IASB’s due process and will supplement the information that the IASB receives through its other outreach activities and formal comment letter process.
2. The IASB published the 2013 Exposure Draft with a 120-day comment period, which ends on 25 October 2013. The 2013 Exposure Draft proposes that an entity should measure insurance contracts using a current value approach, which incorporates all of the available information in a way that is consistent with observable market information. Many of the proposed requirements in the 2013 Exposure Draft are similar to the previous proposals in the 2010 Exposure Draft *Insurance Contracts* (the ‘2010 Exposure Draft’).
3. However, after considering the feedback on the 2010 Exposure Draft, the IASB has revised various aspects of its proposals that are set out in the 2013 Exposure Draft, on the accounting for insurance contracts, to:
 - (a) refine the measurement proposals to propose:
 - (i) that an entity should recognise any change in estimates relating to future profits to be earned for insurance coverage under an insurance contract over the period in which that profit is earned (see paragraphs 30–31, B68, BC26–BC41 and IE9–IE11); and
 - (ii) a measurement and presentation exception to reflect situations in which there can be no economic mismatch between the insurance contract and assets backing that contract (see paragraphs 33–34, 66, B83–B87, BC42–BC71 and IE23–IE25).
 - (b) develop the presentation proposals to propose:

- (i) to align the presentation of revenue with that required for other contracts with customers by other IFRSs (see paragraphs 56–59, B88–B91, BC73–BC116 and IE12–IE18); and
 - (ii) to present interest expense from insurance contracts in a way that enables an amortised cost-based expense to be presented in profit or loss and a current-value-based balance sheet to be presented (see paragraphs 60–68 and BC117–BC159).
 - (c) amend the transition approach to propose simplifications to maximise the use of objective data and to improve comparability for contracts originated before and after application of the proposals (see paragraphs C1–C13, BC160–BC191 and IE26–IE29).
4. The 2013 Exposure Draft is available on the IASB’s website and should be used as the main reference document for the requirements to be applied during the fieldwork.¹

Objective of the fieldwork

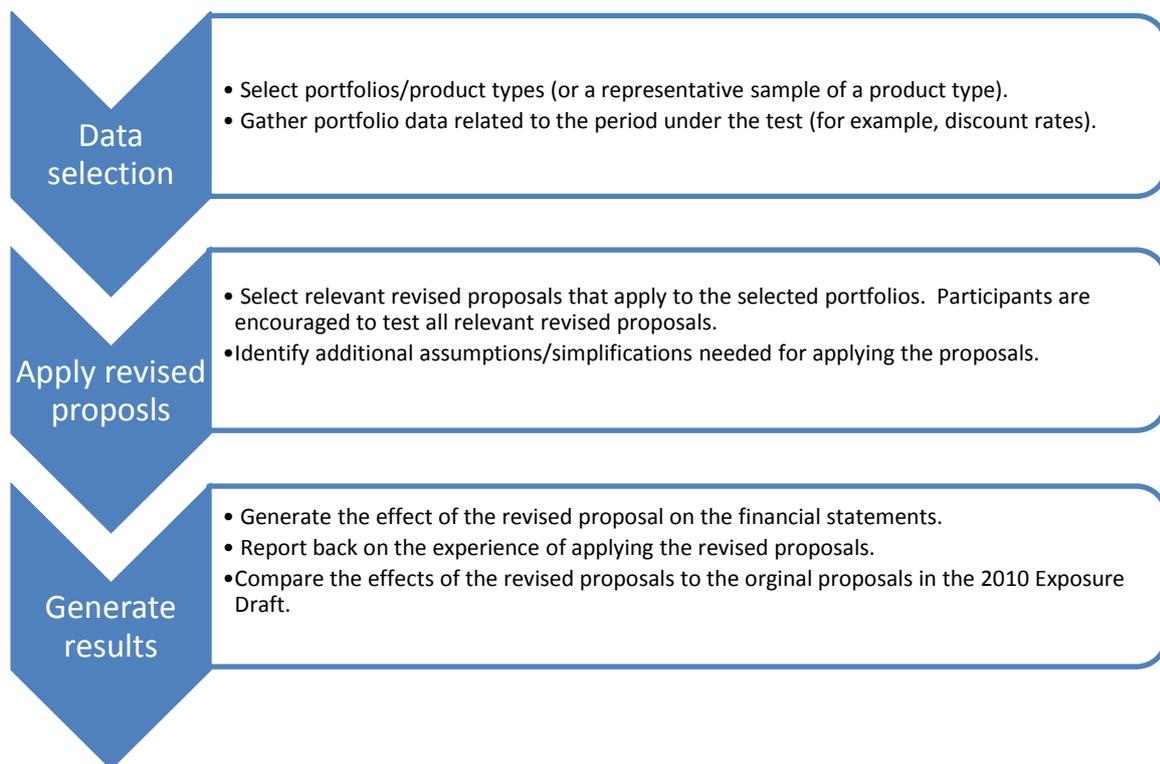
5. The fieldwork is being conducted through the majority of the major regions. The objective of the fieldwork is to determine whether the proposals in the 2013 Exposure Draft would result in a more faithful representation and more relevant and timely information about insurance contracts compared to the proposals in the 2010 Exposure Draft. It is also designed to provide an understanding of how the revised proposals may be implemented and to provide some information about the impact of the proposals on the amounts reported in the financial statements. That information will assist the IASB to better assess:
- (a) how the revised proposals would operate in practice;
 - (b) the cost and operational challenges associated with the revised proposals compared to the original proposals in the 2010 Exposure Draft; and
 - (c) how the revised proposals will help entities that issue insurance contracts to communicate with users of financial statements.

¹ see <http://www.ifrs.org/Current-Projects/IASB-Projects/Insurance-Contracts/Pages/Insurance-Contracts.aspx>.

6. The IASB is aware that participants are in varying stages of preparedness to implement the current proposed model. For example, some participants may have progressed further than others in terms of gathering data and developing systems and models. We are also aware that participants will be constrained by the resources and time available. The fieldwork is not intended to be as resource-intensive or as precise as a regulatory quantitative impact study, by way of comparison.
7. Although the results of the fieldwork and the responses to the questions on the application of the model will be considered in the light of those limitations, the resulting feedback will be a valuable resource to the IASB during its redeliberations on the proposals.

Executive summary of the field work process

8. The following figure sets out the major steps in the field work process.



Practical arrangements

Contact details

If you have any questions or experience any issues during the performance of the fieldwork, please contact Joanna Yeoh on +44 20 7246 6481 or at jyeoh@ifrs.org and Izabela Ruta on +44 20 7246 6957 at iruta@ifrs.org. Please contact Katherine Maybin at kmaybin@ifrs.org for the scheduling of conference calls or meetings.

Communication

Kick-off meetings

9. The project staff will arrange conference calls with individual participants prior to the commencement of the fieldwork to ensure a common understanding of the features of the fieldwork and the submissions required, and to answer any preliminary questions participants may have.

Preliminary status updates

10. A conference call halfway through the fieldwork may also be scheduled to gain an understanding of the progress to date and to resolve any questions or issues that have arisen. The project staff are available to answer questions as they arise.

Final results and close out meetings

11. The project staff will arrange conference calls with participants to discuss the preliminary results and to draw the fieldwork to a close in October.

Confidentiality

12. All fieldwork results will be treated in the strictest confidence and no data from any individual participant will be released to parties other than board members and staff of the IASB. In some cases, participant's permission will be obtained prior to allowing staff of national standard-setters and other relevant organisations to observe fieldwork meetings. A summary of the results of the fieldwork will be presented in a Staff Paper and will be discussed by the IASB in a public meeting. Any information that

we release publicly about the results of the fieldwork will not allow readers to identify data about individual participants.

Timeline

Activity	Target date
Publication of the 2013 Exposure Draft.	20 June 2013
Distribution of detailed instructions and commencement of fieldwork.	Early July 2013
Conference call with participants (provisional).	July 2013
Conference call to discuss progress to date and any issues arising (if necessary).	Late August–early September
Submission of final results.	4 October 2013
Conference calls to discuss final results.	7–18 October 2013
Comment letter deadline.	25 October 2013
Presentation of fieldwork results at an IASB meeting.	TBC

Guidelines for the fieldwork

13. This section is intended to assist participants when applying the revised proposals to the selected products/portfolios and preparing their submissions to the IASB. At the end of the fieldwork, participants will be requested to complete a questionnaire to collect:
- (a) general information on the participant’s business.
 - (b) general information on the portfolio of contracts tested, including, if applicable, information on relevant reinsurance contracts and assets included.
 - (c) for each of the revised proposals tested:
 - (i) information on how the proposals were applied and any operational difficulties encountered; and

- (ii) information on the cost and benefits of the revised proposals as compared to the proposals in the 2010 Exposure Draft.

We expect the questionnaire to be distributed by the middle of July 2013.

Scope of the fieldwork

- 14. Participants can select the number of portfolios/products they want to include in the fieldwork and can choose to include either the whole portfolio or a representative portion of a portfolio. We expect that participants will decide on the portfolios/products taking into account the resources available to them to conduct the fieldwork.
- 15. The accounting for most portfolios may be affected by more than one of the five proposals in the 2013 Exposure Draft (summarised in paragraph 3). Participants may choose to limit testing to only one of five proposals due to availability of the resources available to them. Where possible, participants are encouraged to apply all of the relevant revised proposals to the chosen portfolio and its related reinsurance contracts.
- 16. For some of the questions (for example, those on effective date and transition), it will be necessary to apply IFRSs, in particular IFRS 9 *Financial Instruments*, and any related Exposure Drafts that have yet to be finalised, to the relevant assets backing the relevant portfolio(s) of insurance contracts. Participants are requested to decide, for each of the revised proposals, whether to also include relevant reinsurance contracts and assets, taking into account their available resources.

Time horizon

- 17. The testing should, ideally, cover two reporting periods.

Assumptions and variables

- 18. One of the objectives is to understand how various entities intend to interpret and apply the revised proposals. Participants are requested to include in the submission of the fieldwork results the assumptions and the judgements made in applying the revised proposals.

19. As discussed in paragraph 6, some participants may need to make use of approximations or simplifications to the proposed model and data in order to conduct the fieldwork. This may include adjusting or modifying existing data and processes to estimate the results of applying the model. Participants are requested to include in the submission of the fieldwork results an explanation of assumptions or simplifications used, along with the reasons for selecting those chosen alternatives.