

STAFF PAPER

April 2019

IASB[®] meeting

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| Project | Amendments to IFRS 17 <i>Insurance Contracts</i> | | |
| Paper topic | Due process steps and permission for balloting | | |
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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. This paper:
 - (a) asks the International Accounting Standards Board (Board) to confirm its tentative decisions from the November 2018 meeting relating to the mandatory effective date of IFRS 17 *Insurance Contracts* and the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9 *Financial Instruments*.
 - (b) seeks the Board's permission for the staff to begin the balloting process for an Exposure Draft to amend IFRS 17; and
 - (c) asks if, at this stage, any Board member plans to dissent from the proposals in the Exposure Draft.

Mandatory effective dates

2. At its November 2018 meeting, the Board noted plans to consider whether to explore amendments to IFRS 17 and set criteria for assessing any such potential amendments. In the light of those criteria, the Board tentatively decided that:
 - (a) the mandatory effective date of IFRS 17 should be deferred by one year, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022; and

- (b) consequently, the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 should be amended so that all entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2022.
3. In making these decisions, the Board noted that any uncertainty that might arise because it is considering amendments to IFRS 17, together with the significant and pervasive change that IFRS 17 will cause for many entities that issue insurance contracts, represent exceptional circumstances surrounding the implementation of IFRS 17. Nonetheless, the Board noted that its criteria that any amendment should not unduly disrupt implementation already under way, or risk undue delays in the effective of IFRS 17, would allow it to limit the deferral to one year, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022. At the same time, the Board concluded there would be benefit in extending the cost relief that it provided to some entities when it permitted a temporary exemption from applying IFRS 9, provided that the extension would be no more than one additional year. The Board noted that limiting a deferral to one year would also minimise disruption to entities that are furthest advanced in implementation.
4. The Board has now substantially concluded its deliberations of proposed amendments to IFRS 17. Agenda paper 2A *Overview of the amendments to IFRS 17* considers as a whole the Board's tentative decisions to propose amendments to IFRS 17, evaluates each of the proposed amendments against the criteria the Board set in October 2018 and considers the likely effects of the proposed amendments to IFRS 17.
5. In the staff view, the proposed amendments as a whole meet the criteria the Board set in October 2018, and therefore recommend that Board confirm its decisions in paragraph 2 of this paper.

Question 1 for Board members

1. Do you confirm the November 2018 tentative decisions that:
 - (a) the Board should defer the mandatory effective date of IFRS 17 by one year, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022; and
 - (b) the Board should amend the fixed expiry date for the temporary exemption to IFRS 9 in IFRS 4 so that all entities must apply IFRS 9 for annual periods beginning on or after 1 January 2022?

Permission to begin the balloting process and possible dissents

6. Appendix A to this paper sets out a summary of the due process steps taken in developing the proposed amendments to IFRS 17. This appendix demonstrates that the required due process steps to date, and some of the optional steps, for the publication of the proposed amendments have been completed. The remaining due process steps will be completed before publication of the Exposure Draft. The staff note that the proposed amendments are narrow in scope and intend to ease implementation for entities implementing IFRS 17. Consequently, the staff believe that the due process steps undertaken are commensurate with the nature of the amendments, which are summarised in Agenda Paper 2A.
7. Therefore, the staff request permission to start the balloting process.
8. In accordance with paragraph 6.9 of the Due Process Handbook, the staff are asking whether any Board member intends to dissent from the proposed amendments to IFRS 17.

Questions 2 and 3 for Board members

2. **Permission to ballot:** is the Board satisfied that it has complied with the applicable due process steps and that it should begin the balloting process for the Exposure Draft?
3. **Dissents:** does any Board member intend to dissent from the publication of the Exposure Draft?

Appendix A—Due process steps taken in the development of the Exposure Draft of amendments to IFRS 17

| <i>Step</i> | <i>Actions</i> |
|---|---|
| Board meetings held in public, with papers available for observers. All decisions are made in public session. | The Board discussed proposed amendments to IFRS 17 between October 2018 and March 2019. Details are available on the website. Agenda Papers for meetings have all been posted in a timely fashion and there were no late posting of Agenda Papers to be reported to the Due Process Oversight Committee (DPOC). |
| Consultation with the Trustees and the IFRS Advisory Council. | The Trustees were informed about the proposed amendments to IFRS 17 as part of the regular reporting to them (October 2018 and January 2019). The IFRS Advisory Council was informed about the proposed amendments to IFRS 17 at its meeting in March 2019. |
| Consultative groups used, if formed. | Although we have not established a consultative group, many of the implementation topics were discussed by the Transition Resource Group (TRG) for IFRS 17. The members of the TRG include financial statement preparers and auditors with both practical and direct knowledge of implementing IFRS 17. TRG members work in different countries and regions. The Board sought the advice of the Accounting Standards Advisory Forum (ASAF) on most topics the Board was considering for possible amendments to IFRS 17 at the ASAF meeting in December 2018. |
| Outreach meetings with a broad range of stakeholders, with special effort to consult investors. | Since IFRS 17 was issued, the Board has undertaken a comprehensive programme of stakeholder engagement to help it understand the practical challenges of implementing IFRS 17 and identify possible ways the Board could ease the burden of transition. In addition, the Board established the TRG for IFRS 17. The staff have performed targeted outreach with users of financial statements on the proposal to amend the presentation requirements in the Standard. |
| Webcasts and podcasts to provide interested parties with high-level updates or other useful information about specific projects. | Staff and Board members have published podcasts after each Board meeting on the website to provide a high-level update on the discussion at each Board meeting. |

| Step | Actions |
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| Analysis of the likely effects of the forthcoming Standard or major amendment, for example, initial costs or ongoing associated costs. | Agenda paper 2A considers the effects of the proposed amendments. The staff have assessed the likely effects of the proposed amendments as reducing the costs of implementing IFRS 17 without an unacceptable loss of the usefulness of information that entities will provide. A description of the expected effects will be included in the Basis for Conclusions on the Exposure Draft. |
| Due process steps reviewed by the IASB. | This paper asks the Board to review the due process steps and whether the Board is satisfied that it has complied with the applicable due process steps. |
| The ED has an appropriate comment period. | The staff plan to seek approval from the DPOC for a shortened comment period. The Board is expected to decide the comment period at its meeting in May 2019. |
| Drafting | |
| Drafting quality assurance steps are adequate. | The translations, taxonomy and editorial teams will review drafts during the balloting process. |
| Publication | |
| ED published. | The Exposure Draft will be made available on the IFRS Foundation website when published. |
| Press release to announce publication of ED. | A press release and other communications materials will be published with the Exposure Draft. |
| Snapshot document to explain the rationale and basic concepts included in the ED. | |