IFRS

STAFF PAPER

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IASB® meeting

Project	**Amendments to IFRS 17**		
Paper topic	Additional specific transition modifications and reliefs		

CONTACT(S)	Laura Kennedy	lkennedy@ifrs.org	+44 (0)20 7246 6437
	Hyejin Lee	hlee@ifrs.org	+44 (0)20 7246 6453

Purpose of the paper

1. This paper discusses staff analysis and recommendations about the feedback from respondents to the Exposure Draft *Amendments to IFRS 17* that suggested the International Accounting Standards Board (Board) add further specific modifications and reliefs to the transition requirements in IFRS 17 *Insurance Contracts*. This paper follows the tentative decision of the Board, at its November 2019 meeting, to consider further the suggested additional specific transition modifications and reliefs.

Summary of staff recommendations

2. The staff recommend the Board amend the transition requirements in IFRS 17 to:

   (a) extend the modification in the modified retrospective approach and relief in the fair value approach relating to assessments that would have been made at inception or initial recognition to include the assessment of whether an investment contract meets the definition of an investment contract with discretionary participation features. The extension would permit an entity to determine whether an investment contract meets the definition of an investment contract with discretionary participation features using information available at the transition date (rather than at inception or initial recognition). Consistent with other modifications in the modified retrospective approach, an entity would apply the extended modification only to the extent that the entity does not have reasonable and supportable information to apply a retrospective approach.

(b) amend the proposed modification in the modified retrospective approach for reinsurance contracts held when underlying insurance contracts are onerous. The amendment would specify that if an entity does not have reasonable and supportable information to identify whether the reinsurance contract held was acquired before or at the same time that the insurance contracts were issued, the entity would assume that the reinsurance contract held was acquired *after* the insurance contracts were issued. Accordingly, the reinsurance contract held would not have a loss-recovery component at the transition date.

(c) add a modification to the modified retrospective approach for entities that make an accounting policy choice *not* to change the treatment of accounting estimates made in previous interim financial statements. An entity would apply the modification to the extent the entity does not have reasonable and supportable information to apply retrospectively its accounting policy choice. Applying the modification, the entity would determine the contractual service margin, loss component and amounts related to insurance finance income or expenses at the transition date as if the entity had not prepared any interim financial statements before the transition date.[1]

Structure of the paper

3. This paper provides:

(a) background on this topic;

(b) an overview of the feedback on the Exposure Draft;

[1] At its January 2020 meeting, the Board tentatively decided to amend paragraph B137 of IFRS 17 to require an entity to: (a) make an accounting policy choice as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period; and (b) apply its choice of accounting policy to all insurance contracts issued and reinsurance contracts held.

(c) a reminder of the redeliberation plan of some topics relating to transition; and

(d) the staff analysis, recommendations and questions for Board members. Appendix A to this paper is an integral part of the staff analysis and recommendations.

Background

4. When developing the Exposure Draft, the Board considered the concerns and challenges raised by entities relating to the transition requirements in IFRS 17. Most of the concerns raised about the transition requirements related to the application of the modified retrospective approach. Consistent with the Board's assessment when developing IFRS 17, entities that issue long-term insurance contracts noted they may not have the historical information needed to apply a full retrospective approach. Most stakeholders that expressed concerns relating to the modified retrospective approach expressed a preference for the modified retrospective approach over the fair value approach. This is because the objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. Retrospective application of IFRS 17 provides the most useful information to users of financial statements by allowing comparison between contracts issued before and after the date of initial application of the Standard.

5. The Board developed the modified retrospective approach and the fair value approach to provide entities with practical ways to determine the amount of the contractual service margin of a group of contracts at the transition date, in circumstances when an entity cannot determine that amount applying the full retrospective approach.

6. Generally, challenges identified by stakeholders can be categorised as follows:

(a) general challenges applying the Standard retrospectively. For example, some stakeholders were concerned about the requirement to use reasonable and supportable information.

(b) challenges applying specific aspects of the transition requirements. For example, some stakeholders noted that it would often be impracticable to apply IFRS 17 retrospectively to contracts acquired in their settlement period. However, IFRS 17 as originally issued includes no modification or relief for that requirement.

7. The Board did not propose amendments to IFRS 17 in response to general challenges raised by stakeholders (see paragraph 6(a) of this paper). The Board concluded that general amendments to the transition requirements in IFRS 17 suggested by some stakeholders, for example permitting an entity to develop its own modifications, would likely result in a significant loss of useful information compared to that which would otherwise result from applying IFRS 17 as originally issued. Therefore, those suggestions did not meet the criteria set by the Board for possible amendments to IFRS 17.

8. Some stakeholders suggested general amendments to the transition requirements in IFRS 17 because those stakeholders incorrectly thought the inclusion of specified modifications in IFRS 17 implied that an entity cannot make estimates in applying IFRS 17 retrospectively. However, the Board noted that paragraph 51 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* specifically acknowledges the need for estimates in retrospective application and that this paragraph applies to entities applying IFRS 17 for the first time just as it does to entities applying other IFRS Standards for the first time. In addition, the Board explained in the Basis for Conclusions on the Exposure Draft that it expects that estimates will often be needed when applying a specified modification in the modified retrospective approach.

9. The Exposure Draft proposed adding three specific modifications and reliefs to the transition requirements in IFRS 17 in response to some challenges stakeholders raised relating to applying specific aspects of the transition requirements (see paragraph 6(b) of this paper). At its December 2019 meeting, the Board tentatively decided to finalise those modifications and reliefs.[2]

[2] The Board tentatively finalised transition reliefs relating to the risk mitigation option for insurance contracts with direct participation features and contracts acquired in their settlement period. See Agenda Paper 2A *Proposed amendments to be finalised* of the December 2019 meeting and *IASB Update* December 2019.

Feedback on the Exposure Draft

10. In addition to providing feedback on the three specific modifications and reliefs proposed in the Exposure Draft, some respondents commented on the transition requirements in IFRS 17.

11. Some respondents:

    (a) expressed appreciation for the Board's explanation in the Basis for Conclusions on the Exposure Draft that the Board expects entities to use estimates when applying IFRS 17 retrospectively. Some of those respondents suggested the Board include this explanation:

        (i) in the requirements in the Standard; and/or

        (ii) in the Basis for Conclusions on IFRS 17.

    (b) continued to express concerns that the modified retrospective approach is too restrictive. Those respondents continued to suggest the Board permit an entity more optionality and flexibility generally when applying the modified retrospective approach, rather than providing specified modifications. This is consistent with the feedback during the development of the Exposure Draft (see paragraph 7 of this paper).

    (c) suggested the Board provide additional specific transition modifications and reliefs for entities applying the modified retrospective approach (for example, reliefs from the retrospective application of the annual cohort requirement and the requirement for interim financial statements), as well as transition reliefs within the full retrospective approach.

Redeliberation plan

12. At its November 2019 meeting, the Board tentatively decided that it would consider further the feedback from respondents on additional specific transition modifications and reliefs. The Board noted that such additional transition modifications and reliefs may ease implementation without significantly reducing the usefulness of information for users of financial statements.

13. In contrast, the Board tentatively decided it would not consider further:

    (a) general suggestions to permit an entity more optionality and flexibility in the modified retrospective approach. As explained in paragraphs BC139–BC143 of the Basis for Conclusions on the Exposure Draft, when developing the Exposure Draft, the Board considered and rejected suggestions to amend the modified retrospective approach by removing the requirements to use reasonable and supportable information or permitting an entity to develop its own additional modifications. The Board noted that more optionality and flexibility would contradict the objective of the modified retrospective approach and would reduce the usefulness of information for users of financial statements.

    (b) permitting any reliefs within the full retrospective approach because doing so would contradict the objective of the full retrospective approach and would reduce the usefulness of information for users of financial statements.

Staff analysis and recommendations

14. The staff note that the Board's rationale for considering adding further specific modifications and reliefs to IFRS 17 is to ease implementation without significantly reducing the usefulness of information for users of financial statements relative to that which would otherwise result from applying IFRS 17 as originally issued. Therefore, in the staff view, any additional specific modifications and reliefs should:

    (a) meet the objective of easing implementation—ie must provide a practical relief; and

    (b) meet the criteria for possible amendments to IFRS 17 set by the Board.[3]

15. The staff note that some respondents suggested amendments to *existing* modifications in the modified retrospective approach (ie modifications included in IFRS 17 as originally issued) to:

    (a) in their view, achieve a closer result to full retrospective measurement;

[3] See Agenda Paper 2 *Cover note* of this meeting.

(b) specify that an entity may use estimates to apply specific requirements, to avoid the requirements being interpreted too strictly; or

(c) specify particular methods that can be used to apply a modification, for example, using information from embedded value reporting.

16. In regard to the feedback from respondents discussed in paragraph 15(a) of this paper, the staff note that the purpose of a modification in the modified retrospective approach is to provide entities with a practical way to achieve the closest outcome to retrospective application when an entity does not have reasonable and supportable information to apply a requirement retrospectively. The staff think that refining existing modifications would be likely to add complexity to the transition requirements and could disrupt implementation. Therefore, the staff do not recommend refining existing modifications.

17. In regard to the feedback from respondents discussed in paragraph 15(b) of this paper, the Board has clarified that an entity may make estimates when applying the IFRS 17 transition requirements applying the general principle set out in paragraph 51 of IAS 8. In the staff view, adding the word 'estimates' to particular transition requirements would be unnecessary as it would not change the requirements. In addition, it could risk incorrectly implying that estimates are not permitted or required to apply other requirements in IFRS 17 (or other IFRS Standards). Therefore, the staff do not recommend specifying in IFRS 17 that an entity may use estimates to apply specific transition requirements.

18. In regard to the feedback from respondents discussed in paragraph 15(c) of this paper, the staff note that entities may use different methods to determine the amounts required by IFRS 17. For example, to apply the IFRS 17 transition requirements an entity may need to make use of information the entity gathered in the past for other purposes, for example, for regulatory reporting purposes. This is not uncommon when an entity applies an IFRS Standard for the first time. In the staff view, if the Board were to specify methods that could be used to apply the transition requirements, this would risk incorrectly implying:

(a) other methods cannot be used; and

(b) that a specified method is always appropriate, when in fact the appropriateness of any method depends on the individual facts and circumstances.

Therefore, the staff do not recommend specifying methods that could be used to apply the transition requirements.

19. The table in Appendix A to this paper lists specific modifications and reliefs suggested by respondents with staff analysis and recommendations. Paragraph 20 of this paper lists the staff recommendations, in the light of the analysis in Appendix A.

Staff recommendations

20. Considering the analysis in Appendix A to this paper, the staff recommend the Board amend IFRS 17 as set out in paragraphs 21–23 of this paper.

Investment contracts with discretionary participation features (Topic 2 in Appendix A to this paper)

21. The staff recommend the Board extend the modification in the modified retrospective approach and relief in the fair value approach relating to assessments that would have been made at inception or initial recognition to include the assessment of whether an investment contract meets the definition of an investment contract with discretionary participation features. The extension would permit an entity to determine whether an investment contract meets the definition of an investment contract with discretionary participation features using information available at the transition date (rather than at inception or initial recognition). Consistent with other modifications in the modified retrospective approach, an entity would apply the extended modification only to the extent that the entity does not have reasonable and supportable information to apply a retrospective approach.

Reinsurance contracts held (Topic 17 in Appendix A to this paper)

22. The staff recommend the Board amend the proposed modification in the modified retrospective approach for reinsurance contracts held when underlying insurance contracts are onerous. The amendment would specify that if an entity does not have reasonable and supportable information to identify whether the reinsurance contract held was acquired before or at the same time that the insurance contracts were issued,

the entity would assume that the reinsurance contract held was acquired *after* the insurance contracts were issued. Accordingly, the reinsurance contract held would not have a loss-recovery component at the transition date.

Interim financial statements (Topic 18 in Appendix A to this paper)

23. The staff recommend the Board add a modification to the modified retrospective approach for entities that make an accounting policy choice *not* to change the treatment of accounting estimates made in previous interim financial statements. An entity would apply the modification to the extent the entity does not have reasonable and supportable information to apply retrospectively its accounting policy choice. Applying the modification, the entity would determine the contractual service margin, loss component and amounts related to insurance finance income or expenses at the transition date as if the entity had not prepared any interim financial statements before the transition date.

Questions for Board members

1. Do you agree the Board should extend the modification in the modified retrospective approach and relief in the fair value approach discussed in paragraph 21 of this paper to include the assessment of whether an investment contract meets the definition of an investment contract with discretionary participation features?
2. Do you agree the Board should amend the proposed modification in the modified retrospective approach for reinsurance contracts held when underlying insurance contracts are onerous as discussed in paragraph 22 of this paper?
3. Do you agree the Board should add a modification to the modified retrospective approach for entities that make an accounting policy choice *not* to change the treatment of accounting estimates made in previous interim financial statements as discussed in paragraph 23 of this paper?

Appendix A—staff analysis and recommendations for the specific modifications and reliefs suggested by respondents

Topic	Suggestion from respondents	Staff analysis and recommendations
1—When an entity can apply the fair value approach (paragraph C5 of IFRS 17)	An entity applies the modified retrospective approach or the fair value approach if, and only if, applying a full retrospective approach is impracticable.[4] One respondent suggested that, to provide further practical relief, an entity should also be permitted to apply the fair value approach if applying a full retrospective approach would require undue cost or effort.	In the Board's view, retrospective application of IFRS 17 would provide the most useful information to users of financial statements. The staff think that permitting an entity that can apply IFRS 17 retrospectively to instead apply the fair value approach, in circumstances other than the specific narrow set of circumstances described in footnote 4 of this paper, could result in a significant loss of useful information for users of financial statements. *No amendment to IFRS 17 recommended.*

[4] As an exception, at its December 2019 meeting, the Board tentatively finalised an amendment to IFRS 17 that would permit an entity to apply the fair value approach to a group of insurance contracts with direct participation features, if specified criteria relating to risk mitigation are met. This exception applies only to some insurance contracts with direct participation features.

Topic	Suggestion from respondents	Staff analysis and recommendations
2—Assessments at inception or initial recognition (paragraphs C9 and C21 of IFRS 17)	The transition requirements include a modification (in the modified retrospective approach) and a relief (in the fair value approach) for performing specified assessments using information available at the transition date, rather than information at inception or initial recognition of the insurance contract. One accounting firm noted that one assessment required by IFRS 17—whether an investment contract meets the definition of an investment contract with discretionary participation features—is not included in the list of assessments for which an entity can apply that transition modification or relief. That firm suggested the Board amend IFRS 17 to include that assessment in the transition modification in paragraph C9 of IFRS 17 and relief in paragraph C21 of IFRS 17.	The staff think the omission of investment contracts with discretionary participation features from that transition modification and relief was an unintentional oversight. The staff think that, consistent with the other assessments listed in the modification and relief, there may be circumstances in which it would be difficult to make this assessment retrospectively. The staff recommend the Board extend the requirements in paragraphs C9 and C21 of IFRS 17 to permit an entity to determine whether an investment contract meets the definition of an investment contract with discretionary participation features using information available at the transition date (rather than at inception or initial recognition). Consistent with other modifications in the modified retrospective approach, an entity would apply the extended modification only to the extent that the entity does not have reasonable and supportable information to apply a retrospective approach. *Amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
3—Level of aggregation (paragraphs C9, C10, C21 and C23 of IFRS 17)	Some respondents continued to suggest the Board provide additional transition reliefs from the level of aggregation requirements. For example, some respondents suggested that, regardless of the transition approach applied (ie full retrospective approach, modified retrospective approach or fair value approach), an entity should be permitted not to: (a) divide a portfolio of contracts into profitability buckets; or (b) apply the annual cohort requirement. Some respondents suggested a specific relief for groups of insurance contracts with cash flows that affect or are affected by cash flows to policyholders of contracts in other groups. In the view of those respondents, such an amendment would provide entities with a significant operational relief on transition.	IFRS 17 already provides two modifications (in the modified retrospective approach) and reliefs (in the fair value approach) for grouping insurance contracts. The first permits an entity to group insurance contracts using information available at the transition date (rather than information available at inception or initial recognition). The second permits an entity not to apply the annual cohort requirement on transition (as a free choice in the fair value approach and to the extent it does not have reasonable and supportable information to apply a retrospective approach in the modified retrospective approach). The staff think that those transition requirements in IFRS 17 already provide sufficient relief for entities. In the staff view, permitting an entity not to apply the level of aggregation requirements when the entity has the information to apply those requirements would result in a significant loss of useful information both on transition and in future reporting periods. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
4—Future cash flows (paragraph C12 of IFRS 17)	To measure insurance contracts applying the modified retrospective approach, paragraph C12 of IFRS 17 provides entities with a modification to estimate future cash flows at initial recognition as the amount of future cash flows at the transition date, adjusted by the cash flows that are known to have occurred between initial recognition and the transition date. Some respondents expressed the view that the modification in paragraph C12 of IFRS 17 is too strict. For example, one respondent expressed the view that to estimate cash flows entities need to know all adjustments made between initial recognition of insurance contracts and the transition date. Some respondents suggested the Board simplify the requirements, for example, by deleting the word ‘known’ in the sentence ‘cash flows that are known to have occurred’.	When developing the Exposure Draft, the Board considered a suggestion similar to the suggestion raised by respondents and concluded that an amendment to paragraph C12 of IFRS 17 was not necessary. The Board noted that it expects that estimates will often be needed when applying a specified modification in the modified retrospective approach. The staff think the Board’s view continues to hold. In addition, the staff think the following unintended consequence could result if the Board amended IFRS 17 as suggested by respondents, for example: (a) entities could interpret an amendment to paragraph C12 of IFRS 17 as changing, rather than clarifying, the requirement, resulting in undue disruption to implementation; and (b) entities could interpret too strictly other requirements that may use similar language. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
5—Future cash flows (paragraph C12 of IFRS 17)	One respondent suggested that, as an alternative to the modification in paragraph C12 of IFRS 17, an entity should be permitted to estimate future cash flows at the date of initial recognition as the amount of future cash flows at the transition date. Applying paragraph C12 of IFRS 17, an entity is required to adjust the amount at the transition date by cash flows that are known to have occurred between initial recognition and the transition date.	In the staff view, without the adjustment required by paragraph C12 of IFRS 17, the contractual service margin would be determined in a way that would not achieve the closest outcome to retrospective application. For example, if all premiums were received prior to the transition date, the future cash flows at the transition date would include only the cash outflows expected at transition and the contract would appear to be onerous. *No amendment to IFRS 17 recommended.*
6—Future cash flows (paragraph C12 of IFRS 17)	One respondent suggested the Board amend the modification in paragraph C12 of IFRS 17 to permit an entity to adjust the cash flows used in that modification to reflect the financial assumptions that would have been applied at the date of initial recognition (for example, assumptions about inflation). In that respondent's view, this would better approximate what expected future cash flows would have been at initial recognition.	As discussed in paragraph 14 of this paper, the Board's objective in considering additional specific modifications and reliefs is to ease implementation. The objective is not to refine the existing modifications. Doing so could increase complexity and disrupt implementation. *No amendment to IFRS 17 recommended*.

Topic	Suggestion from respondents	Staff analysis and recommendations
7—Discount rates (paragraph C13 of IFRS 17)	Paragraph C13 of IFRS 17 provides entities with two modifications to approximate the discount rates that applied at initial recognition. Both modifications are based on an observable yield curve for the three years immediately prior to transition. One respondent suggested that, as an alternative to the modification in paragraph C13 of IFRS 17, an entity should be permitted to determine the discount rates that applied at initial recognition as equal to the discount rates at the transition date.	The staff note that an entity will have had sufficient time to collect the information required to apply paragraph C13 of IFRS 17 between the issuance of IFRS 17 in May 2017 and the transition date. In the staff view, adding another modification for determining discount rates is not necessary and would add further optionality to the transition requirements with the potential risk of the use of hindsight. *No amendment to IFRS 17 recommended.*
8—Discount rates (paragraph C13 of IFRS 17)	One respondent suggested that the relief in paragraph C13 of IFRS 17 should be extended to enable entities to approximate other financial assumptions by means of suitable observable data. Particularly, the respondent suggested the Board amend that modification to permit an entity to approximate assumed future inflation.[5]	The staff note that an entity can reflect financial assumptions in the discount rate or by adjusting the cash flows directly. To the extent that financial assumptions are reflected in the discount rate, those financial assumptions are covered by the modification in paragraph C13 of IFRS 17. *No amendment to IFRS 17 recommended.*

[5] Paragraph B128 of IFRS 17 specifies that for the purposes of IFRS 17, assumptions about inflation based on an index of prices or rates or on prices of assets with inflation-linked returns are financial assumptions. In contrast, assumptions about inflation based on an entity's expectation of specific price changes are not financial assumptions.

Topic	Suggestion from respondents	Staff analysis and recommendations
9—Risk adjustment for non-financial risk (paragraph C14 of IFRS 17)	Paragraph C14 of IFRS 17 provides entities with a modification to approximate the expected release from non-financial risk between initial recognition and the transition date. Some respondents expressed the view that in order to estimate the risk adjustment for non-financial risk in the modified retrospective approach, an entity would need to know all adjustments made between initial recognition and the transition date. Those respondents noted that such information is unlikely to be available for some long-term insurance contracts.	Applying the modification in paragraph C14 of IFRS 17, an entity would determine the expected release from non-financial risk by reference to the release from non-financial risk for similar insurance contracts the entity issues at the transition date. In the staff view, no additional modification is necessary because the existing modification already addresses the concern expressed by respondents. It provides a practical way for entities to approximate the release from risk prior to transition using information available at the transition date. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
10—Determining the contractual service margin (paragraph C15 of IFRS 17)	Paragraph C15 of IFRS 17 provides entities with a modification to approximate the contractual service margin that would have been recognised in profit or loss between initial recognition and the transition date. Some respondents expressed the view that it is often impracticable to estimate the recognition of the contractual service margin in profit or loss based on coverage units between initial recognition and the transition date. Those respondents said that such information is unlikely to be available for some long-term insurance contracts and expressed the view that it cannot be estimated reasonably. Those respondents expressed this view in the context of suggesting that the modified retrospective approach should allow entities greater flexibility.	The modification in paragraph C15 of IFRS 17 already permits an entity to compare the remaining coverage units at the transition date with the coverage units provided before the transition date, without requiring retrospective application of the coverage units requirement for each period prior to transition. In the staff view, no additional modification is necessary because the modification in paragraph C15 of IFRS 17 already provides a practical way for entities to approximate the amount of the contractual service margin that would have been recognised as insurance revenue before the transition date. In the staff view, if an entity does not have reasonable and supportable information to apply that modification, the entity should instead apply the fair value approach. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
11—Variable fee approach (paragraph C17 of IFRS 17)	Paragraph C17 of IFRS 17 provides entities with a modification for determining the contractual service margin of a group of variable fee approach contracts at the transition date. Using the modification, the contractual service margin is determined applying the following steps: (1) determine the difference between the fair value of the underlying items and the fulfilment cash flows at the transition date; plus or minus (2) specified adjustments for amounts that occurred or were released before the transition date; minus (3) the amount of the contractual service margin that relates to services provided before the transition date. Some respondents said that an entity could achieve a similar outcome by applying only step (1). Those respondents suggested the Board add a relief from applying steps (2) and (3) if applying only step (1) would provide a reasonable approximation of applying all three steps.	Steps (1) and (2) are a proxy for the *total* contractual service margin for all services provided by the group of contracts, before any amounts released to profit or loss. Step (3) is performed to approximate the carrying amount of the contractual service margin at the transition date. The staff note that some respondents are suggesting that in some specific circumstances the net outcome of applying step (2) and step (3) could result in an immaterial number. The matter raised by respondents relates to materiality and is a matter for an entity to consider in applying IFRS 17 based on its facts and circumstances. In the staff view, each step is necessary to approximate the contractual service margin that would have been determined applying the full retrospective approach. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
12—Variable fee approach (paragraph C17 of IFRS 17)	One respondent suggested the Board amend the modification in paragraph C17 of IFRS 17 for determining the contractual service margin of variable fee approach contracts at transition. The respondent suggested the Board permit an entity, as a relief, to use existing data to achieve the same objective more simply—for example, to use information from embedded value reporting.	As discussed in paragraph 18 of this paper, entities may use different methods and different information to determine the amounts required by IFRS 17. In the staff view, if the Board were to specify methods that could be used to apply the transition requirements, this would risk incorrectly implying: (a) other methods cannot be used; and (b) that a specified method is always appropriate, when in fact the appropriateness of any method depends on the individual facts and circumstances. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
13A—Insurance finance income or expenses—general model contracts (paragraphs C18–C19 and C24 of IFRS 17)	Some respondents continued to suggest the Board amend the modification and relief for determining the amount in accumulated other comprehensive income (AOCI) at the transition date for general model contracts when an entity chooses to apply the OCI option. For variable fee approach contracts, the modification requires an entity to determine the amount as equal to the amount in AOCI on the underlying items the entity holds. Those respondents continued to suggest the Board permit a similar modification and relief for general model contracts. Some of those respondents suggested the amount in AOCI on the insurance contracts could be set as equal to the amount in AOCI on a reference portfolio of assets. Other respondents suggested that, in the fair value approach, an entity be permitted to determine the locked-in discount rate on the insurance contracts at transition based on the rate on underlying assets, if those assets are managed using cash flow matching techniques.	When developing the Exposure Draft, the Board considered and rejected suggestions similar to those raised by respondents (see paragraphs BC137–BC138 of the Basis for Conclusions on the Exposure Draft). The staff think that the suggested amendment for general model contracts would involve subjectivity and the risk of the use of hindsight in determining which assets relate to the insurance contracts. Therefore, it could result in a significant loss of useful information and reduce comparability. In the staff view, the Board's rationale for rejecting similar suggestions continues to hold. The staff note the disclosure in paragraph 116 of IFRS 17 requires an entity to disclose amounts in OCI on financial assets that it considers to be related to the insurance contracts. In the staff view, that disclosure is adequate to provide useful information to users of financial statements. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
13B—Insurance finance income or expenses—general model contracts (paragraphs C18–C19 and C24 of IFRS 17)	In connection with the suggestion in topic 13A above, one respondent noted that the related transition disclosure in paragraph 116 of IFRS 17 refers to 'financial assets measured at fair value through OCI related to the groups of insurance contracts' and is required for both variable fee approach contracts and general model contracts. That respondent expressed the view that the existence of that disclosure requirement is evidence that the Board expected an entity to be able to identify the financial assets relate to a group of general model contracts.	The staff note that an entity is required to determine the amount recognised in AOCI at the transition date at the level of a group of insurance contracts. The disclosure in paragraph 116 of IFRS 17 requires an entity to identify financial assets measured at fair value through OCI related to the groups of insurance contracts for which the entity chooses to apply the OCI option. That disclosure applies at a collective level and does not require an entity to identify financial assets with specific groups. For example, an entity may manage a single pool of financial assets backing all groups of insurance contracts for which the entity elects to apply the OCI option. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
14—Insurance finance income or expenses—variable fee approach contracts (paragraphs C18–C19 and C24 of IFRS 17)	One respondent expressed concern about the OCI option modification for variable fee approach contracts when an entity holds the underlying items. In their view, applying that modification in circumstances when the underlying items are financial assets measured at amortised cost results in an inconsistency in equity. At the transition date, in that circumstance, any change in the insurance contract measurement that results from a change in the fair value of the underlying items would be reflected in retained earnings. The respondent expressed the view that this amount should be reflected in OCI rather than retained earnings because subsequently, applying the usual IFRS 17 requirements (ie not the transition modification), related amounts will be recognised in OCI.	The staff note that an entity may transfer cumulative amounts recognised in OCI within equity. Therefore, in the circumstance described by the respondent, the entity could transfer the amounts recognised in OCI to retained earnings. The staff think that this addresses the respondent's concern. The staff note that transfers from AOCI to retained earnings are not made through profit or loss. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
15—Classification and measurement of financial assets (paragraphs 7.2.1 of IFRS 9 and paragraph C29 of IFRS 17)	One respondent suggested the Board reconsider amending the requirements for classifying and measuring financial assets when an entity initially applies IFRS 17. When first applying IFRS 17, an entity will either have already applied IFRS 9 *Financial Instruments* or will be applying IFRS 9 at the same time. In both cases, the relevant classification and measurement requirements apply only to financial assets that exist at the date of initial application of IFRS 17 (applying paragraph 7.2.1 of IFRS 9 or paragraph C29 of IFRS 17). In that respondent's view, on transition to IFRS 17 an entity should be permitted to apply those requirements to financial assets that were derecognised during the IFRS 17 comparative period (ie existing at the IFRS 17 transition date but derecognised before the date of initial application).	The Board considered a similar suggestion as part of a sweep issue paper when developing the Exposure Draft. The staff note that requirements in IFRS 9 relating to transition, including prohibiting an entity from applying IFRS 9 to derecognised items and permitting (but not requiring) an entity to restate comparative periods in some circumstances, were subject to extensive deliberation and consultation by the Board. With regards to restating comparative information, the Board acknowledged that the requirements in IFRS 9 and IFRS 17 are different as a result of the different circumstances that applied when the Board developed the respective transition requirements. Consistent with when the Board considered a similar suggestion when developing the Exposure Draft, the staff have not identified any new information on this topic. *No amendment to IFRS 17 recommended.*

Topic	Suggestion from respondents	Staff analysis and recommendations
16—Disclosures on transition (paragraph 114 of IFRS 17)	Paragraph 114 of IFRS 17 requires an entity to disclose separately the reconciliation of the contractual service margin and amounts of insurance revenue for insurance contracts to which the entity has applied the modified retrospective approach or the fair value approach. An entity is required to disclose that information in all reporting periods until those groups of insurance contracts are derecognised. One respondent expressed the view that this requirement is operationally burdensome to apply and would clutter the disclosures. The respondent suggested the Board delete the requirement or amend it to require an entity to disclose that information only in the first set of financial statements prepared applying IFRS 17.	The objective of paragraph 114 of IFRS 17 is to enable users of financial statements to identify the effect of an entity applying the modified retrospective approach or fair value approach on the contractual service margin and revenue—both on transition and in future periods. In the staff view, deleting that disclosure requirement or requiring disclosure only in the first set of financial statements prepared applying IFRS 17 would result in a significant loss of useful information for users of financial statements. *No amendment to IFRS 17 recommended.*

17—Proposed amendment for reinsurance contracts held (paragraphs C15A and C20A of the Exposure Draft)	The Exposure Draft proposed an amendment relating to reinsurance contracts held when underlying insurance contracts are onerous.[6] The amendment would apply only if the reinsurance contract held is recognised before or at the same time as the underlying insurance contracts. Consequential to that amendment, the Board proposed a modification in the modified retrospective approach and a relief in the fair value approach. One respondent raised a concern about applying the proposed amendment in the full retrospective approach and in the modified retrospective approach. The respondent noted that an entity may regularly re-tender reinsurance contracts, and therefore it may be difficult to identify retrospectively whether a reinsurance contract held was acquired before or at the same time as the underlying contracts were issued.	The staff think an entity applying the full or modified retrospective approach should not be permitted to apply the proposed amendment if the entity cannot identify whether the reinsurance contract held was acquired before or at the same time as the underlying insurance contracts were issued. Such a relief would be inconsistent with the objective of those transition approaches. However, the staff understand that, as drafted in the Exposure Draft, an entity may be prohibited from applying the modified retrospective approach only because it does not know when the contracts were issued/acquired. Therefore, the staff recommend the Board amend the modification in paragraph C15A of the Exposure Draft. The amendment would specify that if an entity does not have reasonable and supportable information to identify whether the reinsurance contract held was acquired before or at the same time that the insurance contracts were issued, the entity would assume that the reinsurance contract held was acquired *after* the insurance contracts were issued. Accordingly, the reinsurance contract held would not have a loss-recovery component at the transition date. *Amendment to IFRS 17 recommended*.

Topic	Suggestion from respondents	Staff analysis and recommendations
18—Interim financial statements (paragraph B137 of IFRS 17)	Some respondents suggested the Board permit a relief from applying the requirement relating to interim financial statements in paragraph B137 of IFRS 17 retrospectively. At its January 2020 meeting, the Board tentatively decided to amend paragraph B137 of IFRS 17 to require an entity to make an accounting policy choice as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period. On transition, applying the full or modified retrospective approach, an entity that makes an accounting policy choice *not* to change the treatment of accounting estimates made in previous interim financial statements would be required to retrospectively determine amounts that would have been recognised had the entity applied IFRS 17 in interim financial statements prior to the transition date.	The staff think that in some circumstances an entity may not have reasonable and supportable information to retrospectively determine amounts that would have been determined at interim reporting periods prior to the transition date. Therefore, the staff recommend the Board add a modification to the modified retrospective approach for entities that make an accounting policy choice *not* to change the treatment of accounting estimates made in previous interim financial statements. An entity would apply the modification to the extent it does not have reasonable and supportable information to apply retrospectively its accounting policy choice. Applying the modification, the entity would determine the contractual service margin, loss component and amounts related to insurance finance income or expenses at the transition date as if the entity had not prepared any interim financial statements before the transition date. *Amendment to IFRS 17 recommended.*

[6] At its December 2019 meeting, the Board tentatively decided to finalise the proposed amendment with a change to extend the scope of its applicability.