



# In transition

## The latest on IFRS 17 implementation

Release date: 21 November 2019

No. 2019-08

**The IASB considered a summary of the comment letters received on the Exposure Draft 'Amendments to IFRS 17' and set out its plan to finalise amendments by mid-2020**

### At a glance

On 20 November 2019, the IASB ('Board') considered a summary of the 122 comment letters and overall feedback received on the Exposure Draft 'Amendments to IFRS 17'. The Board also decided on a plan to finalise the amendments to IFRS 17 by mid-2020, consistent with the timetable indicated in the Exposure Draft.

The Board tentatively decided that it would:

- confirm 6 topics at a future meeting, without substantive re-deliberation;
- consider further the feedback from respondents on 13 topics; and
- not consider 14 topics any further.

No technical decisions were taken at this meeting.

The views in this In transition are based on our observations from the 20 November 2019 meeting, and they might differ in some respects from the official report of the meeting that will be published by the IASB in an IASB Update at a later date.

## Background

1. On 26 June 2019, the Board published the Exposure Draft, 'Amendments to IFRS 17' ('ED'). The ED responded to some of the concerns and challenges raised by stakeholders, proposing amendments intended to support entities implementing IFRS 17 by reducing implementation costs and by making it easier for entities to explain results from applying IFRS 17 to users of financial statements.

2. The ED's 90-day comment period ended on 25 September 2019. During the comment period, Board members and staff met with stakeholders in various round-table meetings and discussion forums to explain the proposed amendments and to obtain feedback from stakeholders.

## Items discussed during the November Board meeting

3. On 20 November 2019, the Board considered a summary of the 122 comment letters and overall feedback on the ED. The Board also noted new concerns and implementation questions that respondents included in comment letters. The Board will consider further analysis of certain of these concerns and implementation questions, and it will decide at a future meeting what, if any, action is needed to address them. No technical decisions were taken at the meeting.

4. Overall, stakeholders expressed support for the Board considering issues raised and for proposing reliefs. However, while most stakeholders supported the direction of the proposals, some stakeholders thought that the scope of some of the proposed amendments is too narrow. Some stakeholders asked the Board to reconsider topics that it had considered when it developed the ED and decided not to propose amendments. In addition, a limited number of new concerns and implementation questions were identified.

5. The Board acknowledged that a timely decision about the topics that it should consider further would reduce uncertainty about any possible additional amendments to IFRS 17 and limit disruption to implementation processes that are already underway. Therefore, the Board decided on a plan to finalise the amendments to IFRS 17 by mid-2020, consistent with the timetable indicated in the ED.

6. The table below summarises the Board's tentative decisions to:

- confirm 6 topics at a future meeting in the light of the large support for those amendments from outreach and comment letters. For these topics, the Board is expected to confirm the proposals without substantive re-deliberations (see column A).
- consider further the feedback from respondents on 13 topics (see column B). The Board noted that it was helpful to be clear about the central point in these topics that requires further analysis. The Board also noted that it had not concluded at this meeting whether there was a need to modify the proposals in the ED.
- not consider 14 topics any further (see column C). This is either because there was support for the Board not proposing amendments, or because there were no new points identified since the Board considered the concerns and suggestions raised by respondents when developing the ED.

A: Confirm at a future meeting	B: Consider further	C: Not consider further
<b>Question 1: Scope exclusions</b>		
Scope exclusions for loans proposed in the ED	Proposed scope exclusion for credit cards	
<b>Question 2: Expected recovery of insurance acquisition cash flows</b>		
	Proposed amendment for expected recovery of insurance acquisition cash flows	

**A: Confirm at a future meeting      B: Consider further      C: Not consider further**

**Question 3: Contractual service margin attributable to investment services**

Coverage units for insurance contracts with direct participation features	Coverage units for insurance contracts without direct participation features, disclosures and terminology	
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**Question 4: Reinsurance contracts held - recovery of losses**

	Proposed amendment for recovery of losses for reinsurance contracts held	
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**Question 5: Presentation in statement of financial position**

Presentation of insurance contract assets and liabilities at a portfolio instead of group level		Comments relating to premiums receivable and claims payable
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**Question 6: Applicability of the risk mitigation option**

Applicability of risk mitigation option for reinsurance contracts held	Applicability of risk mitigation option for non-derivative financial instruments at fair value through profit or loss	Applicability of risk mitigation option for insurance contracts without direct participation features
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**Question 7: Effective date**

	Deferral of the effective date of IFRS 17  Extension of the IFRS 9, 'Financial Instruments' temporary exemption in IFRS 4, 'Insurance Contracts'	Suggestions that entities need not provide comparative information on initial application of IFRS 17
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**Question 8: Transition reliefs**

Relief for insurance contracts acquired in a business combination before transition to IFRS 17 by permitting a liability for settlement of claims incurred before an insurance contract was acquired to be classified as a liability for incurred claims  Transition reliefs for the risk mitigation option: <ul style="list-style-type: none"> <li>● application from the transition date</li> <li>● option to apply the fair value approach</li> </ul>	Prohibition from applying risk mitigation option retrospectively  Additional specific transition modifications and reliefs suggested in comment letters	General optionality and flexibility in the modified retrospective approach  Reliefs in the full retrospective approach
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**Question 9: Minor amendments**

	Specific feedback on minor amendments and editorial corrections	
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A: Confirm at a future meeting	B: Consider further	C: Not consider further
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**Topics not proposed in the ED**

A: Confirm at a future meeting	B: Consider further	C: Not consider further
	<p>Annual cohorts for insurance contracts with inter-generational sharing of risks between policyholders</p> <p>Classification in a business combination of contracts acquired in their settlement period</p> <p>Balance of costs and benefits of the requirement in paragraph B137 of IFRS 17 relating to interim financial statements</p>	<p>Level of aggregation other than for insurance contracts with inter-generational sharing of risks between policyholders</p> <p>Cash flows in the boundary of a reinsurance contract held</p> <p>Subjectivity in determining discount rates and the risk adjustment for non-financial risk</p> <p>Risk adjustment for non-financial risk in a consolidated group of entities</p> <p>Discount rate used to determine adjustments to the contractual service margin</p> <p>Other comprehensive income option for insurance finance income or expenses</p> <p>Classification of contracts acquired in a business combination at the date of the business combination</p> <p>Applicability of the variable fee approach for reinsurance contracts held and reinsurance contracts issued</p> <p>Mutual entities issuing insurance contracts</p>

7. The Board plans to consider comments on possible terminology changes (Question 10) as part of the deliberations of the proposal for identifying coverage units and the related proposed definition of ‘insurance contract services’.

8. Details of the comment letter summary and re-deliberation plan can be found [here](#).

**Next steps**

9. The Board confirmed its plan to complete re-deliberations of the topics in column B in the period from December 2019 to February 2020, noting that the timetable would allow sufficient time for the Board to consider further the feedback on topics as necessary, and to finalise any resulting amendments in mid-2020.

10. The Board confirmed that, when it considers feedback from outreach and comment letters, it would continue to apply the criteria that the Board set when deciding to propose amendments to IFRS 17. Thus, the Board would seek to ensure that any amendments to IFRS 17 do not:

- change the fundamental principles of the Standard because that would result in a significant loss of useful information for users of financial statements relative to that which would otherwise result from applying IFRS 17;
- unduly disrupt implementation already underway; or
- further delay the effective date of IFRS 17.

11. The Board confirmed that its objective is to issue the final amendments to IFRS 17 in mid-2020.

**Find out more in PwC's publications and resources related to IFRS 17:**

- [In transition INT 2019-07](#)
- [In brief INT 2019-09, Proposed amendments to IFRS 17, 'Insurance contracts'](#)
- [Illustrative IFRS consolidated financial statements 2019 - Insurance](#)

PwC clients who have questions about this In transition should contact their engagement partner.

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190130-132255-EP-OS