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KPMG

Insurance
IFRS Newsletter

> **"With the decisions in February, the publication of IFRS 17 is right around the corner."**
>
> – Joachim Kölschbach, KPMG's global IFRS insurance leader

Making the finishing touches

In February, the IASB addressed issues arising from the feedback it received from the external testing and drafting process of the forthcoming insurance contracts standard (draft IFRS 17).

Level of aggregation exemption

The IASB has agreed an exemption from the level of aggregation requirements where law or regulation specifically constrains the pricing or level of benefits of a contract.

Recognition of changes in estimates

Changes in estimates of the present value of future cash flows arising from non-financial risks, including those that are directly caused by experience adjustments, would adjust the contractual service margin (CSM). Further, the definition of an experience adjustment would exclude investment components.

Release of the CSM

The IASB has confirmed its previous proposal that the amount of the CSM recognised in profit or loss in each period would be determined by allocating the CSM after all other adjustments have been made to the CSM.

Other sweep issues

The IASB also addressed various observations from the review of the draft of IFRS 17 by the Board and external reviewers.

Next steps

The staff are continuing the drafting process and expect to issue IFRS 17 in May 2017.

Contents

Level of aggregation exemption

The IASB has agreed an exemption from the level of aggregation requirements where law or regulation specifically constrains the pricing or level of benefits of a contract.

What are the proposed requirements?

For measurement purposes, an entity would divide a portfolio of insurance contracts into groups, distinguishing between:

– contracts that are onerous on initial recognition;

– contracts that on initial recognition have no significant risk of becoming onerous; and

– contracts not meeting the above criteria.

Contracts issued more than one year apart would not be included in the same group[1].

What's the issue?

In some jurisdictions, law or regulation constrains an entity's ability to set the pricing of or benefits provided by insurance contracts in a way that reflects the different characteristics of individual policyholders – e.g. the requirement for gender-neutral pricing in some jurisdictions. Those constraints might impact the aggregation of contracts and, therefore, some commentators suggested that the Board provide an exemption in determining the level of aggregation for contracts for which an entity does not have the right or practical ability to set a price or alter the level of benefits in a way that fully reflects the risk of a particular policyholder.

In January 2016[2], the Board considered the issue and decided not to provide an exemption. This was because:

– it considered differences in profitability to be real economic differences between contracts, even if they are caused by law or regulation;

– any distinction drawn by the Board could be considered arbitrary; and

– creating an exemption could set an undesirable precedent.

However, since that decision was made, significant changes to the level of aggregation requirements have been made.

Feedback on the external editorial review of the draft of IFRS 17 raised concerns that, without an exemption, an entity's results would not reflect in a useful manner how law or regulation affects the pricing or level of benefits.

What did the staff recommend?

The staff noted that the Board is seeking to balance the need to group contracts to reflect the economics of issuing insurance contracts against grouping at too high a level, which would reduce the usefulness of the information produced.

The staff suggested that any exemption should:

– not be permitted for contracts where the pricing is constrained by self-regulatory practices – e.g. an entity sets a price for contracts without considering differences in age because it thinks that, in the future, there may be a law or regulation that prohibits the use of it;

1. See February 2017 IASB staff paper 2B for more details.
2. For more information, see Issue 51 of our *IFRS Newsletter: Insurance*.

- apply only to the grouping requirements noted above – i.e. not to any other aspects of IFRS 17's measurement requirements or to any other regulatory-affected transactions that are accounted for in accordance with other IFRSs; and
- not result in the level of aggregation being the portfolio level when the portfolio can be sub-divided into groups based on:
  - the presence of non-regulated characteristics; and
  - contracts being written over a year apart.

The staff also suggested that if an exemption is applied by an entity, then that fact should be disclosed.

What did the IASB discuss?

Various Board members expressed support for the staff's suggestions on the limitations to any exemption. One member said that IFRS 17 should be clear that:

- the exemption would apply only in respect of a specific law or regulation – e.g. a general legal principle to treat all citizens equally should not result in an entity being permitted to apply the exemption; and
- contracts subject to the exemption would still be divided into different groups if there are other characteristics of policyholders that are not subject to a law or regulation that result in dividing the portfolio, or when the contracts are written over a year apart.

What did the IASB decide?

The Board agreed that an entity would be exempt from the requirement to divide a portfolio into groups of contracts – a group that is onerous at inception, not significantly likely to be onerous, and other contracts – if, and only if, applying that requirement would result in the entity dividing the contracts of a portfolio into such groups because there are specific constraints in law or regulation on an entity's practical ability to set price or benefit levels that vary according to policyholder characteristics. When this is the case, the entity may include those contracts in the same group and would disclose that fact. This exemption would not be extended by analogy to any other regulatory-affected transactions.

KPMG insight

The decision made by the Board in February effectively means that insurers would not recognise a group of onerous contracts if the 'only' reason those contracts are onerous under IFRS 17 is a regulatory constraint on determining the pricing or benefit levels in a manner that reflects a difference in characteristics of policyholders. It acknowledges that an insurer's underlying business practices are based on managing adverse selection, and law or regulation that constrains an insurer's ability to manage that risk should not result in losses being recognised as a consequence of law or regulation.

Examples of such regulatory constraints may be requirements for gender-neutral pricing, and requirements to ignore geographical characteristics, certain health conditions or the age of the policyholder for some types of insurance.

This decision might also provide affected entities with the ability to measure and account for these contracts under IFRS 17 at a level that is similar to that which they may already use for management reporting and current accounting and/or regulatory purposes. However, entities should be aware that if they have the practical ability to set a price or benefit level that varies according to other policyholder characteristics, then they would have to consider these when applying the grouping requirements. Therefore, entities may still face the challenge of determining profitability on a more disaggregated basis than the level at which they price their contracts.

Consider a scenario in which an entity manages a gender-neutral car insurance portfolio (male and female contracts managed together) where the entity cannot consider gender characteristics when pricing its contracts due to regulatory constraints at the product level. Experience suggests that there is a difference in the risk profile of male and female drivers so that contracts offered to men and women result in different levels of profitability, and the contracts issued to male drivers may be considered onerous at inception if they are viewed on their own. In this scenario, an entity would be able to include both genders in a single group for contracts issued within one year of each other.

However, if the entity makes a business decision to ignore age characteristics when setting premiums while claims experience varies with the age of drivers and is considered a relevant criterion for differentiation, then this would be considered when applying the grouping requirements to the portfolio. Therefore, the portfolio might still be disaggregated into different groups, as well as grouping into annual cohorts.

Recognition of changes in estimates

Changes in estimates of the present value of future cash flows arising from non-financial risks, including those that are directly caused by experience adjustments, would adjust the CSM. Further, the definition of an experience adjustment would exclude investment components.

What were the previously proposed requirements?

An 'experience adjustment' is the difference between the most recent previous assumptions about cash flows and incurred claims and expenses in the period, and the actual cash flows and incurred claims and expenses in the period.

Generally, an entity would regard:

– *experience adjustments* as relating to current or past services to be recognised in profit or loss; and

– *changes in estimates of future cash flows* as relating to future services to be recognised as an adjustment to the CSM, provided that the CSM does not become negative (the general principle).

In November 2016, the Board had proposed that when a change in the estimate of the present value of future cash flows for a group of contracts is directly caused by an experience adjustment, the combined effect of the experience adjustment and the directly caused change in the estimate would not have adjusted the CSM. Rather, it would have been recognised in profit or loss. Consistently, for contracts measured under the variable fee approach, experience adjustments arising from non-financial risk that do not affect underlying items, and any directly caused changes in the estimates of the present value of future cash flows, would not have adjusted the CSM and been recognised in profit or loss[3].

What's the issue?

Feedback on the external editorial review draft of IFRS 17 suggested that it was unclear which changes in estimates of future cash flows would go to profit or loss, because they are directly caused by experience adjustments in the current period, and which would adjust the CSM.

Some commentators also raised concerns that the proposed requirement to recognise the combined effect of experience adjustments in profit or loss would add operational complexity.

What did the staff recommend?

The staff noted that the Board's objective in proposing the requirements was to avoid the recognition of a loss or gain in the current period and a consequential change to future cash flows as an offsetting gain or loss in future periods. However, in many instances there may be an experience adjustment that directly causes a change in the estimate of the present value of future cash flows that does not result in an offsetting effect, and the application of this exception to the general principle described above was not intended for these instances.

The staff considered that an alternative approach could be to recognise the effects of changes in the estimates of the present value of future cash flows that are directly caused by an experience adjustment in profit or loss only where there is an offsetting effect. However, they acknowledged that such an exception to the general principle would cause significant additional operational complexity. The staff noted that a simpler approach would be for IFRS 17 not to require any

3. For more information, see Issue 56 of our *IFRS Newsletter: Insurance*.

exception to the general principle for this matter – i.e. changes in estimates of the present value of future cash flows that are directly caused by an experience adjustment would adjust the CSM, similar to the effects of other changes in non-financial assumptions.

Given that the changes in estimates of an investment component would be considered experience adjustments based on the previously proposed definition, the staff also suggested revising the definition of an experience adjustment to exclude investment components.

What did the IASB discuss?

Various Board members agreed with the staff recommendation because it avoids the operational complexities that arose due to the effort involved in identifying changes in estimates of the present value of future cash flows directly caused by experience adjustments.

What did the IASB decide?

The IASB agreed with the staff recommendation that all changes in estimates of the present value of future cash flows arising from non-financial risks would adjust the CSM. For contracts measured under the variable fee approach, all changes in estimates of the present value of future cash flows that are unrelated to the underlying items and that arise from non-financial risks would adjust the CSM. Changes in estimates of the present value of future cash flows that adjust the CSM would include those directly caused by experience adjustments, except where:

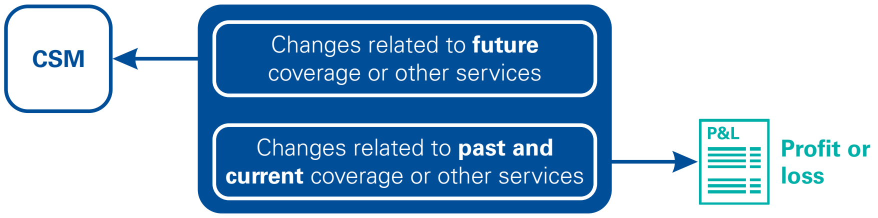
– the change relates to incurred claims; and

– any increases in estimates exceed the carrying amount of the CSM, or any decreases are allocated to a loss component.

The Board also agreed to revise the definition of an experience adjustment to exclude investment components.

KPMG insight

The Board's decision in February removes a previously proposed exemption, so that the general principles are all that is retained.



General principle

For example, an entity issues a group of life insurance contracts. In the first subsequent reporting period, the actual mortality is 80% of what was expected (i.e. fewer deaths occurred than were expected for the period – more policyholders survived till the end of the period). The table below explains how this event would be reflected in the subsequent measurement of the insurance contract liability based on the Board's latest decisions.

Impacts of the change from the beginning-of-period estimates	Proposed IFRS 17 requirements	Effect
Actual mortality for the period is different from what was previously expected – cash flow impact for the current period.	Experience adjustment that is recognised in profit or loss because the change relates to current coverage.	Although the revenue based on expected benefit payments remains generally unchanged, the entity incurs lower than expected death benefit claims in the current period. The impact would be recognised in profit or loss, as claims are recognised.
Actual mortality for the period is different from what was previously expected – impact on future expected cash flows.	Adjustment to the CSM. This was the subject of the Board's latest decision. Its previous decision would have resulted in this impacting profit or loss for the period.	The future cash flows would change to reflect the ongoing obligation to provide future services to more contracts than was previously estimated because more contracts are in force for future periods than was expected at the beginning of the period. This effect would be partially offset by the fact that the CSM released in the current period would be calculated after adjusting for changes in the CSM during the period.

In addition, the Board's decision to revise the definition of an experience adjustment to exclude any investment component arising from changes in incurred claims and expenses removes concerns that prepayments or deferred payments of investment components may impact experience adjustments. Entities would have to ensure that their systems and processes are able to separately identify the effect that an investment component has on changes in incurred claims and expenses because it would not be considered nor treated as an experience adjustment.

Release of the CSM

The IASB has confirmed its previous proposal that the amount of the CSM recognised in profit or loss would be determined by allocating the CSM after all other adjustments have been made to the CSM.

What were the previously proposed requirements?

The amount of the CSM for a group of insurance contracts that is recognised in profit or loss in each period would have been determined by:

- identifying the coverage units in the group, reflecting the expected duration and size of contracts in the group;
- allocating the CSM at the reporting date (before recognising any release to profit or loss) to coverage units provided in the current period and expected to be provided in the future; and
- recognising in profit or loss the amount allocated to coverage units provided in the current period[4].

What's the issue?

The allocation of the CSM of a group of insurance contracts to the current period and future periods would be determined after adjustments are made to the number of coverage units to reflect experience in the current period and changes in assumptions about the future – e.g. prospective changes in future lapse assumptions as a result of an experience study.

The Board received comments on the external editorial review draft of IFRS 17 suggesting that the amount of the CSM recognised in profit or loss (to reflect the services provided in the current period) be determined before it is adjusted for changes in estimates of the present value of future cash flows because they only affect cash flows in future periods. Some of the commentators suggested that the proposed requirement could impact management's decisions about when they update their assumptions, given that they would directly impact their profit or loss in the current period.

What did the staff recommend?

The staff noted that changes in non-financial assumptions (e.g. lapses) are rarely observable and so it is difficult to judge when a change in conditions that might require a change in a non-financial assumption actually occurred. Although most changes in non-financial assumptions that are not directly caused by experience adjustments are made at the reporting date, they represent a change in conditions that has occurred over time – i.e. over the current reporting period. Accordingly, the staff suggested that no revisions be made to the previously proposed requirements.

What did the IASB decide?

The IASB agreed with the staff recommendation and confirmed its previous decision that the amount of the CSM for a group of insurance contracts recognised in profit or loss in each period would be determined by allocating the carrying amount of the CSM after all other adjustments have been made to the carrying amount of the CSM at the start of the period.

4. See February 2017 IASB staff paper 2A for more details.

KPMG insight

Generally, entities periodically review their recent experience coupled with that from the past (e.g. lapse rates) via experience studies. These studies, including observable trends expected for future periods, are used in determining the estimates of future cash flows (e.g. prospective changes in future lapse assumptions).

Although these changes in estimates are generally considered to relate to future coverage or services, they would be considered in the allocation of the amount of CSM recognised in profit or loss for the reporting period in which they are made. This is because the CSM release is determined after all other adjustments have been made to the carrying amount of the CSM (as confirmed by the IASB in February).

This reflects the Board's view that changes in assumptions emerge over time, and not on the last day of the financial reporting period, and, therefore, some of the impact belongs to the current period as well as to future periods.

In some cases, current experience may impact the changes in estimates of future cash flows. In such instances, there could be a reduction in the overall impact between the amounts recognised in profit or loss for the experience adjustment and those recognised as part of releasing the CSM. However, there could be other cases where a reduction will not exist.

Where a change to assumptions is made that will significantly impact the current-period performance because of CSM allocation, entities would need to consider whether additional disclosures are necessary to help users of their financial statements understand the components of the financial statements that it affects and the magnitude of its impact.

Other sweep issues

The IASB also addressed various observations from the review of the draft of IFRS 17 by the Board and external reviewers.

What did the staff recommend?

The staff summarised and proposed other changes or clarifications in response to feedback on the draft of IFRS 17. This list presents all significant issues that would result in changes or clarifications to the exposure draft ED/2013/7 *Insurance Contracts* (the ED) or previous decisions made by the Board during its redeliberations. To see a complete list of issues discussed, see the February 2017 IASB staff paper 2C.

Issue	Recommendation
Mutualisation	
Source of the issue: IASB meeting – May 2015.[5] Some reviewers asked for further guidance on how mutualisation affects the level of aggregation and the measurement of insurance contracts.	The staff proposed including guidance in IFRS 17 on how to account for insurance contracts with payments made to or received from other insurance contracts as a result of specific contractual requirements, and will clarify how these requirements interact with the level of aggregation requirements that only contracts issued within one year may be grouped[6]. The staff also clarified that the Board noted for fully mutualised contracts that the annual groups will give the same results as the single combined mutualised portfolio. Therefore, they did not consider additional amendments to the level of aggregation for mutualised contracts necessary.
Level of aggregation	
Source of the issue: Level of aggregation requirements described above[7].	
Some reviewers asked how to determine when contracts are: – onerous on initial recognition; or – not onerous on initial recognition and have no *significant* possibility of becoming onerous.	The staff proposed clarifying that: – the Board expects that many entities will be able to use reasonable and supportable information to determine whether a set of contracts will either all be onerous or will contain no onerous contracts. If this is not possible, then an assessment at the individual contract level would be performed;

5. See Issue 45 of our *IFRS Newsletter: Insurance*.
6. See the proposed additional wording to IFRS 17 in Appendix B of February 2017 IASB staff paper 2C.
7. See February 2017 IASB staff paper 2B for more details.

Issue	Recommendation
	– the use of the term 'significant' in the context of these requirements was not intended to be interpreted in the same way as it is used in the definition of 'significant insurance risk'; and – 'a set of contracts' will typically be the most appropriate level of aggregation to meet these requirements.[8]
Some reviewers asked how an entity should determine the appropriate estimates for discount rates at the reporting date if the issue dates of contracts within a group of contracts extend over two or more reporting periods.	The staff proposed that an entity estimate discount rates at the reporting date based on the contracts issued by that date. An entity would update its estimates of the discount rates for the group each period in which newly issued contracts are added to the group.
Some reviewers expressed uncertainty over how to apply the requirements when a contract modification results in an entity derecognising the original contract and recognising a new one.	The staff proposed clarifying that when a contract is derecognised from a group, the CSM for the group would be adjusted to reflect the coverage units that are derecognised.
Some reviewers expressed uncertainty over whether, when a group of contracts is derecognised, an entity should reclassify to profit or loss any amounts previously recognised in other comprehensive income (OCI).	The staff proposed clarifying that an entity would: – where the entity applied an effective yield or crediting rate approach: reclassify to profit or loss any remaining amounts that were previously recognised in OCI; and – where the entity applied a current-period book yield approach: not reclassify to profit or loss any remaining amounts previously recognised in OCI.

8. See the proposed additional wording to IFRS 17 in Appendix B of February 2017 IASB staff paper 2C.

<table>
<tr><th>Issue</th><th>Recommendation</th></tr>
<tr><th colspan="2">Premium-allocation approach (PAA)</th></tr>
<tr><td colspan="2">Source of the issue: Paragraphs 35–36 of the ED.</td></tr>
<tr><td>The draft of IFRS 17 proposed that an entity may not apply the PAA to groups of insurance contracts with an investment component. Some reviewers noted that the existence of such a component would not affect the measurement of an insurance contract.</td><td>The staff proposed refraining from making this a requirement and, instead, proposed that revenue arising under the PAA would exclude any investment component.</td></tr>
<tr><td>Some reviewers asked for clarification on:
– how to determine when contracts eligible for the PAA are onerous, and when a loss should be recognised;
– whether the assessment of whether the PAA is a reasonable approximation of the general model is to be performed at a group level or at an individual contract level; and
– whether a group of insurance contracts can qualify for the PAA when the coverage period of contracts within the group is 12 months or less, but the coverage starts on different dates – i.e. so the coverage period of the entire group is greater than 12 months.</td><td>The staff proposed clarifying that:
– an entity would assess whether contracts are onerous only if at any time during the coverage period facts and circumstances indicate that it is onerous;[9]
– a group of insurance contracts would be eligible for the PAA if applying the PAA at a group level results in a reasonable approximation of the general model; and
– a group of insurance contracts would be eligible for the PAA if the coverage period of each contract in the group is one year or less.</td></tr>
<tr><th colspan="2">Variable fee approach</th></tr>
<tr><td colspan="2">Source of the issue: Paragraph of B97 of draft IFRS 17.
Insurance contracts with direct participation features would be defined as insurance contracts for which:
1. the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
2. the entity expects to pay to the policyholder an amount equal to a substantial share of the returns from the underlying items; and
3. a substantial proportion of the cash flows that the entity expects to pay to the policyholder is expected to vary with the cash flows from the underlying items.[10]</td></tr>
<tr><td>Some reviewers thought that the interaction between Criteria 2 and 3 was unclear.</td><td>The staff proposed drafting edits to provide more clarification around the substance of those requirements and how to interpret the term, 'substantial'.[11]</td></tr>
</table>

9. See the proposed additional wording to IFRS 17 in paragraph 20 of Appendix B of February 2017 IASB staff paper 2C.
10. See 'Topic 2 – Scope of the variable fee approach' in the IASB's August 2016 testing questionnaire for more details.
11. See the proposed additional wording to IFRS 17 in paragraphs B102, B105, B108–B109 of Appendix B of February 2017 IASB staff paper 2C.

Issue	Recommendation
Some reviewers asked for clarification on how to treat changes in the entity's share of the underlying items where they make direct participating contracts onerous.	The staff proposed clarifying that adjustments to the CSM arising from an entity's share of the change in the fair value of the underlying items would exclude its share of any: – decrease in the fair value that exceeds the carrying amount of the CSM; and – increase in the fair value that reverses that amount.
Impact of inflation throughout the standard	
Some reviewers noted that it was unclear whether inflation should be treated as a financial assumption.	The staff proposed clarifying that assumptions about inflation based on: – an index, price or prices of assets with inflation-linked returns are financial assumptions; and – an entity's expectations of specific price changes are non-financial assumptions.
Disclosures	
Some reviewers suggested that the proposed requirements to include separate disclosures for investment contracts with discretionary participation features add minimal benefit to a user.	The staff proposed removing the specific requirement to separately disclose investment contracts with discretionary participation features, but noted that the general principles on aggregation for disclosure would apply.
Some reviewers asked whether an entity needs to disclose amounts related to the fulfilment cash flows in each period for contracts that are measured at transition using the modified retrospective or fair value transition approaches.	The staff proposed that the disclosure requirements for identifying the effects of contracts measured using these transition approaches would apply only to the CSM and revenue – i.e. not the fulfilment cash flows as well.
Contract boundaries	
Some reviewers asked whether entities should reassess the contract boundary at each reporting date.	The staff proposed clarifying that it would be reassessed in each reporting period in the coverage period of the contract.

Issue	Recommendation
Some reviewers questioned why the contract boundaries guidance has been amended from the 2013 ED.	The staff noted that the amendment was introduced to remove inconsistencies. The staff believed that the effect of pricing that takes into account risks that relate to future periods should apply equally when an entity assesses if it can set a price that fully reflects the associated risks of a particular policyholder and of a portfolio of insurance contracts.
Business combinations	
Source of issue: Paragraph 17 of IFRS 3 *Business Combinations*. Under the existing IFRS 3, in a business combination the acquirer determines whether a contract is an insurance contract based on the facts and circumstances existing at the contract's inception (or modification) date. Some reviewers believed that this requirement should continue to apply, whereas others suggested that it should be revised to be more consistent with the initial measurement requirements for contracts acquired in a business combination – i.e. measured using estimates at the date of acquisition.	The staff proposed that the date on which the insurance contracts are assessed for classification would be consistent with the date on which their measurement is based – i.e. the date of acquisition. The staff noted that this amendment to IFRS 3 would apply prospectively to business combinations that occur on or after the date IFRS 17 is effective.
Interim financial reporting	
Source of issue: IAS 34 *Interim Financial Reporting*. Some reviewers asked for guidance on how the requirements of IAS 34 would apply to the measurement of insurance contracts.	The staff proposed that an entity would not recalculate amounts recognised in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period.
Other	
Some reviewers asked whether value added tax (VAT) should be included within revenue.	The staff proposed clarifying that amounts that relate to transaction-based taxes (including VAT) would be excluded from revenue.
Some reviewers noted that where draft IFRS 17 requires a fair value measurement, it is unclear what the level of measurement is.	The staff proposed clarifying that the measurement would be completed at the level of the group of insurance contracts.

Issue	Recommendation
Some reviewers requested clarification on what is meant by the term 'coverage units'.	The staff proposed clarifying that the number of 'coverage units' in a group is the amount of coverage provided by the contracts in the group, determined by considering, for each contract, the quantity of the benefits provided under the contract and its expected duration.
Some commentators requested clarification regarding the scope and nature of the election to measure own debt and equity instruments as financial assets at fair value through profit or loss (FVTPL) when specified entities repurchase those items.	The staff proposed to: – clarify that the election would have to be made on initial recognition of each instrument and the election would be irrevocable; and – amend paragraph 8(a) of IFRS 7 *Financial Instruments: Disclosures* to require separate disclosure of the fair value for the financial assets applying the exemption.
IFRS 7 provides an exception so that the issuer would not need to disclose the fair value of investment contracts with discretionary participation features when the fair value of the feature cannot be measured reliably.	The staff proposed removing the disclosure requirement (paragraphs 29(c) and 30 of IFRS 7) because it is no longer necessary, given the requirements of IFRS 13 *Fair Value Measurement.*

What did the IASB discuss?

One Board member felt that it is unclear how changes in estimates of future cash flows would be treated for annual reporting periods when updates to estimates were made at interim reporting dates and there are subsequent changes in those estimates in a later reporting period. The staff noted that, having made changes in estimates of future cash flows at an interim reporting period, an entity would not go back and revisit those calculations in a later reporting period because of changes that have happened in a subsequent period.

Another Board member suggested that the wording of the standard should not be drafted in a way that may imply that entities have to measure insurance contracts on an individual contract basis to identify if contracts are onerous.

What did the IASB decide?

The IASB agreed with the staff's recommendations.

Appendix: Summary of IASB's redeliberations

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Targeted issues		
Adjusting the CSM	– Favourable changes in estimates that arise after losses have previously been recognised in profit or loss would be recognised in profit or loss to the extent that they reverse losses that relate to coverage and other services in the future.	Yes
	– Differences between the current and previous estimates of the risk adjustment that relate to coverage and other services for future periods would be added to, or deducted from, the CSM, subject to the condition that the CSM would not be negative. Consequently, changes in the risk adjustment that relate to coverage and other services provided in the current and past periods would not adjust the CSM. (See also this related decision.)	Yes
	– Under the general measurement model, the CSM would not be adjusted for an experience adjustment or a change in the present value of future cash flows caused by changes in financial assumptions.	No
	– An entity would regard: - experience adjustments as relating to current or past services; and - changes in estimates of the present value of future cash flows (including those changes directly caused by experience adjustments) as relating to future services. – However, circumstances where this does not apply would include those listed below. - Changes in the liability for remaining coverage for experience adjustments arising from premiums paid in the period that relate to future services. These experience adjustments relate to future service. - Changes in estimates of incurred claims. These relate to current or past services.	Yes
	– The definition of an experience adjustment would exclude investment components.	Yes
	– An entity would specify at inception of the contract how it views its discretion under the contract and use that specification to measure the effect of changes in estimates of discretionary cash flows to be recognised in the CSM because such estimates are regarded as relating to future service under the general measurement model.	Yes
	– For non-direct participating contracts, the rate applicable to nominal cash flows that do not depend on the returns on any underlying items would be used for: - accreting interest on the CSM; and - calculating the change in the present value of expected cash flows that adjust the CSM.	No
	– The amount of the CSM for a group of insurance contracts recognised in profit or loss in each period would be determined by allocating the carrying amount of the CSM after all other adjustments (e.g. interest accretion, changes in the fulfilment cash flows relating to future service) have been made to the carrying amount of the CSM at the start of the period.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Targeted issues (continued)		

Adjusting the CSM (continued)	– An entity would disclose:
	- the changes in fulfilment cash flows that are accounted for as a change in the CSM (except when the variable fee approach applies); and
	- an explanation of when the entity expects to recognise the remaining CSM in profit or loss either:
	  – on a quantitative basis using the appropriate time bands; or
	  – using qualitative information.
		Yes

Presenting the effects of changes in the discount rate and other market variables in OCI	– An entity could choose as its accounting policy either: - to disaggregate changes in the discount rate and other market variables between profit or loss and OCI; or - to present insurance finance income or expense in profit or loss using a current measurement basis.	Yes
	– An entity would present changes in estimates of the amount of cash flows that result from changes in market variables in the same location in the statement of comprehensive income as, and consistently with, changes in discount rates.	Yes
	– The objective of disaggregating changes in the measurement of an insurance contract arising from changes in financial assumptions between profit or loss and OCI would be to present in profit or loss a systematic allocation of the total expected insurance finance income or expense over the life of the contract.	Yes

	– A systematic allocation would be based on characteristics of the contract without reference to factors that do not affect the cash flows of the contract[12] and would result in zero accumulated OCI at the termination of the contract.
	- Further, for insurance contracts for which changes in financial assumptions *do not* have a substantial effect on the amounts paid to the policyholder, the systematic allocation would be determined using the discount rate(s) applicable at contract inception.
	- For insurance contracts for which changes in financial assumptions *do* have a substantial effect on the amounts paid to the policyholder, a systematic allocation could be determined in one of the following ways:
	  – using a constant rate; or
	  – for contracts that use a crediting rate to determine amounts due to the policyholder, using an allocation that is based on the amounts credited to the policyholder in the period and those expected to be credited in future periods.
		Yes

12. For example, if expected recognised returns from assets do not affect the fulfilment cash flows, then they would not impact the allocation of the expected finance income or expense.

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Targeted issues (continued)		
Presenting the effects of changes in the discount rate and other market variables in OCI (continued)	– The requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* would be applied without modification to changes in accounting policy relating to the presentation of the effects of changes in discount rates and other market variables.	Yes
	– Application guidance would be added to clarify that, in accordance with IAS 8, an entity would select and apply its accounting policies consistently for similar contracts, considering the portfolio in which the contract is included, the assets that the entity holds and how those assets are accounted for.	Yes
	– If an entity chooses to present the effects of changes in discount rates and other market variables in OCI, then it would explain the total amount of insurance finance income or expense in a reporting period by disclosing: - the relationship between insurance finance income or expense and the investment return on the related assets that the entity holds (to provide investors with sufficient information to understand the sources of net finance income or expense recognised in profit or loss and OCI); and - the methods that it uses to calculate the insurance finance income or expense presented in profit or loss.	Yes
	– An entity would be permitted to recognise part of the insurance finance income or expense relating to the change in the risk adjustment for a group of contracts in profit or loss and OCI, consistently with the way that the finance income or expense for that group of contracts as a whole is presented. If the entity does not do this, then it would present the change as part of the underwriting result. The entity would disclose which method has been used. (See also this related decision.)	Yes
	– For non-participating contracts accounted for under the PAA, when an entity presents the effects of changes in discount rates in OCI, the discount rate that is used to determine the interest expense for the liability for incurred claims would be the rate locked in at the date the claim was incurred. This would also apply if a liability for onerous contracts is established under the PAA, in which case the locked-in discount rate would be the rate on the date the liability is recognised.	Yes
Insurance contract revenue	– An entity would be prohibited from presenting premium information in profit or loss if that information is not consistent with commonly understood notions of revenue.	No
	– An entity would present insurance contract revenue in profit or loss, as proposed in paragraphs 56–59 and B88–B91 of the ED.	No
	– An entity would disclose the following: - a reconciliation that separately reconciles the opening and closing balances of the components of the insurance contract asset or liability; - the inputs used when determining the insurance contract revenue that is recognised in the period; and - the effect of the insurance contracts that are initially recognised in the period on the amounts that are recognised in the statement of financial position.	No

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Targeted issues (continued)		
Insurance contract revenue (continued)	– For contracts accounted for under the PAA, insurance contract revenue would be recognised on the basis of the passage of time. However, if the expected pattern of release of risk differs significantly from the passage of time, then it would be recognised on the basis of the expected timing of incurred claims and benefits.	Yes
	– An entity would not be prohibited from changing allocation methods for the remaining unallocated premium.	Yes
	– The disclosure required by paragraph 79 of the ED to reconcile revenue recognised in profit or loss in the period to premiums received in the period would be deleted.	Yes
Direct participating contracts		
The variable fee approach	– For direct participating contracts – i.e. those that meet the following criteria – the CSM would be adjusted for changes in the estimate of the variable fee for service that the entity expects to earn: - the contractual terms specify that the policyholder participates in a defined share of a clearly identified pool of underlying items; - the entity expects to pay to the policyholder an amount equal to a substantial share of returns from the underlying items; and - a substantial portion of the cash flows that the entity expects to pay to the policyholder is expected to vary with the cash flows from the underlying items.	Yes
	– When assessing whether a contract is in the scope of the variable fee approach, the link to the underlying items, though subject to discretion, should be enforceable. The notion of 'enforceable' should be consistent with the requirements of paragraph 10 of IFRS 15 *Revenue from Contracts with Customers*.	Yes
	– An entity would be permitted to measure at FVTPL investment properties, investments in associates, owner-occupied property, own debt and own shares that are underlying items for direct participating contracts. When own debt and own shares are repurchased, this election would be made on initial recognition of each instrument and the election would be irrevocable. An entity would separately disclose the fair value for the financial assets.	Yes
	– An entity would not apply the variable fee approach to reinsurance contracts issued or reinsurance contracts held.	Yes
Adjusting the CSM	– An entity would recognise the CSM in profit or loss on the basis of the passage of time.	Yes
	– Experience adjustments arising from non-financial risk that are unrelated to the underlying items would be recognised in profit or loss.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Direct participating contracts (continued)		
Adjusting the CSM (continued)	– Changes in estimates of the present value of future cash flows (including those changes directly caused by experience adjustments) that are unrelated to the underlying items and that arise from non-financial risks would adjust the CSM.	Yes
	– Changes in estimates that adjust the CSM would include those directly caused by experience adjustments, except where: - the change relates to incurred claims; and - any increases in estimates exceed the carrying amount of the CSM, or any decreases are allocated to a loss component.	Yes
	– Adjustments to the CSM arising from an entity's share of the change in the fair value of the underlying items would exclude its share of any decrease in the fair value that exceeds the carrying amount of the CSM and increase in the fair value that reverses that amount.	Yes
	– The amount of the CSM for a group of insurance contracts recognised in profit or loss in each period would be determined by allocating the carrying amount of the CSM after all other adjustments (e.g. changes in the entity's share of the change in fair value of the underlying items, changes in the fulfilment cash flows relating to future service) have been made to the carrying amount of the CSM at the start of the period.	Yes
Accounting mismatches arising from hedging activities for direct participating contracts	– If an entity uses the variable fee approach to measure insurance contracts, and uses a derivative measured at FVTPL to mitigate the financial risk, then it would be permitted to exclude the effect of those changes in the financial risk from the CSM, determined using fulfilment cash flows, but only if the following criteria are met. - That risk mitigation is consistent with the entity's risk management strategy. - An economic offset exists between the financial risk and the derivative – i.e. the values or cash flows from the financial risk and the derivative generally move in opposite directions because they respond in a similar way to the changes in the risk being mitigated. An entity would not consider accounting measurement differences in assessing the economic offset. - Credit risk does not dominate the economic offset.	Yes
	– An entity would be required to: - document, before it starts recognising changes in the value of the financial risk in profit or loss, its risk management objective and its strategy for using the derivative to mitigate the financial risk embedded in the insurance contract; and - discontinue recognising in profit or loss changes in the value of the financial risk prospectively from the date on which the economic offset no longer exists.	Yes
	– An entity would disclose changes in the amount of the financial risk recognised in profit or loss for the period.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Direct participating contracts (continued)		
Disaggregating changes arising from market variables – Direct participating contracts with no economic mismatches	– For direct participating insurance contracts, for which the entity holds the underlying items, an entity would make an accounting policy choice between: - including insurance finance income or expense for the period in the statement of profit or loss; or - disaggregating insurance finance income or expense for the period to include in the statement of profit or loss an amount that eliminates accounting mismatches with the finance income or expense arising on the underlying items held – the current-period book yield (CPBY) approach. The difference between the insurance finance income or expense recognised in profit or loss and the changes in the contract arising from changes in market variables would be recognised in OCI.	Yes
	– If an entity changes to or from the CPBY approach, then it would: - not restate the opening accumulated OCI balance; - recognise in profit or loss the accumulated OCI balance at the date of the change, in the period of change and in future periods, as follows: – if the entity had previously applied a different approach, then it would recognise the accumulated OCI balance in profit or loss using a rate determined by applying the same assumptions that applied before the change; and – if the entity had previously applied the CPBY approach, then it would continue to recognise the accumulated OCI balance in profit or loss using the assumptions that applied before the change; - not restate prior-period comparatives; and - disclose, in the period during which the change in approach occurred: – an explanation of the reason for the change and the effect of the change on each financial statement line item affected; and – the value of the contracts that no longer qualify for the CPBY approach but previously qualified (and vice versa).	Yes
Mirroring approach	– The mirroring approach proposed in the ED for the measurement of participating contracts would be neither permitted nor required in IFRS 17.	Yes
Transition		
Transition	– An entity would apply IFRS 17 retrospectively in accordance with IAS 8, unless this is impracticable.	No
	– For insurance contracts for which an entity cannot identify a group retrospectively, and for groups of insurance contracts for which retrospective application is impracticable, an entity would be permitted to choose a modified retrospective approach or the fair value approach. If a modified retrospective approach is impracticable, then an entity would have to use the fair value approach.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Transition (continued)		
Transition (continued)	– If an entity uses a derivative to mitigate financial risks arising from an insurance contract subject to the variable fee approach, then the entity would be permitted to exclude prospectively the effect of those changes in the financial risk from the CSM when specific criteria are met.	Yes
	– The objective of a modified retrospective approach would be to achieve the closest possible outcome to retrospective application using reasonable and supportable information, and therefore an entity would be permitted to use the specified modifications, but would use the minimum modifications necessary to meet the objective of the modified retrospective approach.	Yes
	– In applying a modified retrospective approach, an entity would maximise the use of information that would have been used to apply a full retrospective approach, but need use only information that is available without undue cost or effort.	Yes
	– For the modified retrospective approach, an entity may estimate the risk adjustment by adjusting it at the beginning of the earliest period presented by the expected release of the risk before the beginning of the earliest period presented. The expected release of risk would be determined with reference to the release of risk for similar insurance contracts that the entity issued at the beginning of the earliest period presented.	Yes
	– For circumstances in which full retrospective application is impracticable, the approach for determining insurance finance income or expense (and accumulated OCI) for contracts in which changes in market variables affect the amount of cash flows would be modified as follows. - For contracts whose objective is to present insurance finance income or expense using a systematic allocation in profit or loss, an entity would assume that the earliest market variable assumptions that should be considered are those that occur when the entity first applies IFRS 17. Accordingly, on initial application of IFRS 17 the accumulated OCI balance for the insurance contract would be zero. - For contracts under the CPBY approach, insurance finance income or expense would be equal and opposite in amount to the gains (or losses) presented in profit or loss for the items held by the entity.	Yes
	– The effect of contracts derecognised before transition would be incorporated into the calculation of the CSM at transition, but the entity would be permitted to assume that the effect on the CSM at transition of contracts derecognised before the earliest date of inception of the contracts in force in each group at transition is zero.	Yes
	– Under the fair value approach, the CSM at the beginning of the earliest period presented would be the difference between the fair value of the insurance contract and the fulfilment cash flows measured at that date.	Yes
	– Under the fair value approach, the fair value measurement would be completed at the level of the group of insurance contracts. This also applies elsewhere throughout the standard where the determination of a fair value is required.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Transition (continued)		
Transition (continued)	– Under both the modified retrospective approach and the fair value approach, an entity: - would be permitted to assess whether a contract is eligible for the variable fee approach, how to group contracts and how to determine the effect of discretion on estimated cash flows for contracts subject to the general model, either: – as at inception of a contract: based on reasonable and supportable evidence of what the entity would have determined given the terms of the contract and the market conditions at that time; or – at the beginning of the earliest period presented;	Yes
	- would not be prohibited from grouping contracts issued more than one year apart; and	Yes
	- would be permitted to use the discount rate at the beginning of the earliest period presented to: – accrete and adjust the resulting CSM for groups of contracts to which the entity applies the general model; and – determine the finance income or expense in profit or loss when the entity makes an accounting policy choice to disaggregate the insurance finance income or expense between profit or loss and OCI for non-participating contracts.	Yes
	– Under all transition approaches: - An entity would provide all of the disclosures required by IFRS 17 relating to the CSM, insurance contract revenue and insurance finance income or expense (i.e. not for the fulfilment cash flows) separately for: – insurance contracts that existed at the beginning of the earliest period presented; and – insurance contracts written after the beginning of the earliest period presented. - Entities would disclose a reconciliation from the opening to the closing balance of the accumulated OCI for financial assets measured at fair value through other comprehensive income (FVOCI) if those assets are related through the entity's asset-liability management to those insurance contracts for which it determines the finance income or expense in profit or loss using the discount rate at the beginning of the earliest period presented when the entity first applies IFRS 17. - For all periods in which disclosures are provided for insurance contracts that existed at the beginning of the earliest period presented when the entity first applies IFRS 17, an entity would explain how it determined the measurement of insurance contracts at transition.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Transition (continued)		
Transition (continued)	– Where there are contracts measured using either the modified retrospective approach or the fair value approach, for each period presented, an entity would disclose: - the amounts in the financial statements determined at transition and in subsequent periods; and - the information proposed in paragraph C8 of the ED separately for contracts measured using the: – modified retrospective approach; and – fair value approach.	Yes
	– If the modified retrospective approach is used on transition for contracts accounted for using the variable fee approach, at the date of the earliest period presented, then the CSM would be measured as the: - total fair value of underlying items at the date of the beginning of the earliest period presented; less - fulfilment cash flows at the date of the beginning of the earliest period presented; - adjusted to reflect: – amounts charged by the entity to the policyholders (including amounts deducted from the underlying items) before that date; – relevant cash outflows that have already occurred between the inception of the contracts and the beginning of the earliest period presented that did not reduce the underlying items; – the release of the risk adjustment before that date (estimated with reference to the release of risk for similar insurance contracts that the entity issues at the date of transition); and – accumulated fee for contractual service that relates to service provided before the beginning of the earliest period presented. The entity would estimate this amount by comparing the remaining coverage units with the total coverage units of the group of contracts.	Yes
Transition – Classification and measurement of financial assets	– Consistent with the approach to identifying financial assets that relate to insurance activities under the overlay approach, an entity would be permitted to reassess the business model for managing financial assets on transition to IFRS 17 for financial assets that it designates as related to insurance activities.	Yes
	– On transition to IFRS 17, the reassessment of the business model for managing financial assets and designation and de-designation of financial assets under the fair value option (FVO) and the OCI presentation election for investments in equity instruments would be based on the facts and circumstances that exist on initial application of that standard – i.e. the beginning of the latest period presented.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Transition (continued)		
Transition – Classification and measurement of financial assets (continued)	– The resulting classifications would be applied retrospectively and the cumulative effect of any changes in classification and measurement of financial assets as a result of applying those transition reliefs would be recognised in the opening balance of retained earnings or accumulated OCI.	Yes
	– The entity would disclose its policy for designating financial assets to which the transition relief is applied.	Yes
	– For any changes in classification and measurement of financial assets as a result of applying the transition provisions in IFRS 17, an entity would be required to disclose, by class of financial assets: - the measurement category and carrying amount immediately before initial application; - the new measurement category and carrying amount determined as a result of applying the transition provisions; - the amount of any financial assets in the statement of financial position that were previously designated under the FVO but are no longer so designated, distinguishing between those that the entity was required to de-designate and those that it elected to de-designate; and - qualitative information that would enable users of the financial statements to understand how the entity has applied the transition provisions to those financial assets whose classification has changed as a result of initial application, including: – the reasons for any designation or de-designation of financial assets under the FVO; and – an explanation of why the entity came to a different conclusion in reassessing its business model.	Yes
Transition – Restatement of comparative information	– On initial application of IFRS 17: - an entity would be required to restate comparative information about insurance contracts; and - an entity that has previously applied IFRS 9 *Financial Instruments* would be permitted (but not required) to restate comparative information about financial assets only if it is possible without hindsight and the entity chooses to apply the transition reliefs for classification and measurement of financial assets.	No
	– An entity would only be required to present adjusted comparative information for the annual period immediately preceding the date of initial application of IFRS 17. However, an entity may present adjusted comparative information for earlier periods, but would not be required to do so.	Yes
	– However, first-time adopters of IFRS would be required to restate all comparative periods presented as required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* (including that they would present three balance sheets applying IFRS 17).	No

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Non-targeted issues		
Fixed-fee service contracts	– Entities would be permitted, but not required, to apply IFRS 15 to fixed-fee service contracts that meet the criteria stated in paragraph 7(e) of the ED.	Yes
Combining insurance contracts	– The requirements of paragraph 8 of the ED will be replaced with the general principle in IFRS that the substance of contracts should be followed, which is proposed in paragraph 4.56 of exposure draft ED/2015/3 *Conceptual Framework for Financial Reporting*.	Yes
Separating embedded derivatives	– An entity would be required to apply IFRS 9 to determine whether there is an embedded derivative to be separated and, if so, how to account for that derivative.	No
Pre-coverage cash flows	– Only cash flows that meet the definition of acquisition costs could be incurred before the coverage period begins. Accordingly, all references to 'pre-coverage cash flows' would be removed and such instances would refer only to 'acquisition costs' throughout IFRS 17.	Yes
Contract derecognition	– The addition of a component to an existing contract that would have been separated if it had been present at inception would result in the derecognition of the original contract and recognition of a new contract.	Yes
	– When a contract is derecognised from a group, the CSM for the group would be adjusted to reflect the coverage units that are derecognised.	Yes
	– Where the entity applied: - an effective yield or crediting rate approach, it would reclassify to profit or loss any remaining amounts that were previously recognised in OCI; and - a the CPBY approach, it would not reclassify to profit or loss any remaining amounts previously recognised in OCI.	Yes
Available information	– IFRS 17 would refer to the need to consider 'all available information' in measuring insurance contracts. An entity would use reasonable and supportable information that is available without undue cost or effort to achieve this objective.	Yes
Inflation	Assumptions about inflation based on: – an index, price or prices of assets with inflation-linked returns are financial assumptions; and – an entity's expectations of specific price changes are non-financial assumptions.	Yes
Significant insurance risk	– The ED's guidance will be adjusted to clarify that significant insurance risk occurs only when there is a possibility that an issuer will incur a loss on a present-value basis.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Non-targeted issues (continued)		
Portfolio transfers and business combinations	– Paragraphs 43–45 of the ED will be amended to clarify that contracts acquired through a portfolio transfer or a business combination would be accounted for as if they had been issued by the entity at the date of the portfolio transfer or the business combination.	No
	– The date on which the insurance contracts are assessed for classification would be consistent with this date as well – i.e. the date of acquisition.	Yes
Determining discount rates when there is a lack of observable data	– The discount rates used to adjust the cash flows of an insurance contract for the time value of money would be consistent with observable current market prices for instruments with cash flows whose characteristics are consistent with those of the insurance contract.	No
	– In determining those discount rates, an entity would use judgement to: - ensure that appropriate adjustments are made to observable inputs, to accommodate any differences between observed transactions and the insurance contracts being measured; and - develop any unobservable inputs using the best information available in the circumstances, while remaining consistent with the objective of reflecting the way market participants assess those inputs – accordingly, any unobservable inputs should not contradict any available and relevant market data.	Yes
Asymmetrical treatment of gains from reinsurance contracts	– After inception, entities would recognise in profit or loss any changes in estimates of cash flows for a reinsurance contract that arise as a result of changes in estimates of cash flows that are recognised immediately in profit or loss for an underlying insurance contract.	Yes
Level of aggregation	– The objective is to provide principles for measuring an individual insurance contract; but in applying IFRS 17, an entity could aggregate insurance contracts, provided that the aggregation would meet that objective.	No
	– The objective for the adjustment and allocation of the CSM would be that the CSM at the reporting date represents the profit for the future services to be provided for a group of contracts.	Yes
	– Entities would allocate the CSM for a group of contracts on the basis of the passage of time. Therefore, the CSM would be allocated over the current and expected remaining coverage period and the allocation would be based on coverage units.	Yes
	– The number of 'coverage units' in a group would be the amount of coverage provided by the contracts in the group, determined by considering, for each contract, the quantity of the benefits provided under the contract and its expected duration.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Non-targeted issues (continued)		
Level of aggregation (continued)	– A portfolio of insurance contracts would be a group of contracts subject to similar risks and managed together as a single pool. Contracts within different product lines (e.g. single premium fixed annuities compared with regular term life assurance) would not be expected to have similar risks, and therefore would be expected to be in different portfolios.	Yes
	– Entities would divide a portfolio of insurance contracts, distinguishing between: - contracts that are onerous on initial recognition; - contracts that on initial recognition have no significant possibility of becoming onerous; and - contracts not meeting the above criteria.	Yes
	– An entity would be exempt from the requirement to divide a portfolio into groups of contracts – a group that is onerous at inception, not significantly likely to be onerous, and other contracts – if, and only if, applying that requirement would result in the entity dividing the contracts of a portfolio into such groups because there are specific constraints in law or regulation on an entity's practical ability to set a price or benefit levels that vary according to policyholder characteristics. When this is the case, the entity may include those contracts in the same group and would disclose that fact. This exemption would not be extended by analogy to any other regulatory-affected transactions.	Yes
	– Contracts issued more than one year apart would not be included in the same group.	Yes
	– An entity would be able to use reasonable and supportable information to determine whether a set of contracts will either all be onerous or will contain no onerous contracts. If this is not possible, then an assessment at the individual contract level would be performed. In addition, they could measure a set of contracts together if they can determine that those contracts can be grouped with others based on available information at inception.	Yes
	– An entity would assess the risk of the contracts in the group becoming onerous in a manner consistent with the entity's internal reporting about changes in estimates.	Yes
	– An entity would assess the risk of the contracts in the group becoming onerous based on the sensitivity of the fulfilment cash flows to changes in estimates that, if they occurred, would result in the contracts becoming onerous.	Yes
	– An entity would be permitted to divide portfolios further. For example, if the entity's internal reporting provides information that distinguishes the different risks of contracts becoming onerous.	Yes
	– Entities would be permitted to use a weighted-average discount rate for the accretion of interest on the CSM, with an averaging period of up to one year.	Yes

What did the IASB discuss?	What did the IASB decide?	Is there an identified change to the ED?
Non-targeted issues (continued)		
Presentation of line items	– An entity would not be required to present a separate line item for contracts measured using the variable fee approach.	No
	– An entity would not be required to separately disclose investment contracts with discretionary participation features, but the general principles for aggregation for disclosures would apply.	Yes
Comparability with IFRS 15 disclosure requirements	– An entity would be required to disclose any practical expedients used.	Yes

Project milestones and timeline

In May 2007, the IASB published a discussion paper (DP), *Preliminary Views on Insurance Contracts*. It re-exposed its revised insurance contracts proposals for public comment by publishing the ED in June 2013.

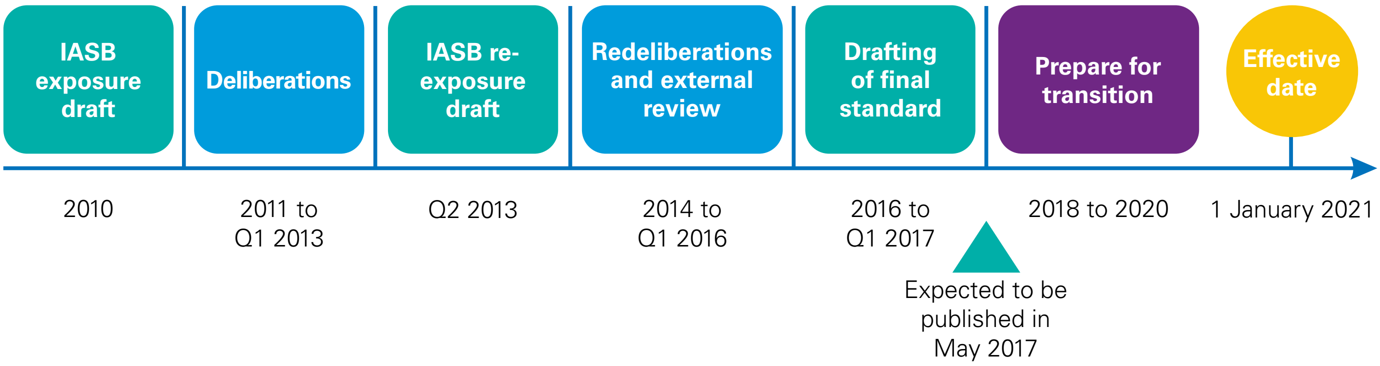
Since January 2014, the Board has been redeliberating issues raised through the ED.

Interaction with other standards

Throughout its redeliberations, the Board has considered whether the accounting for insurance contracts would be consistent with other existing or future standards, including the new revenue recognition standard – IFRS 15.[13]

The Board has also considered how IFRS 9[14] might interact with IFRS 17 – because IFRS 9 will cover a large majority of an insurer's investments. The IASB published amendments to IFRS 4 *Insurance Contracts* in September 2016 to address some of the consequences of the differing effective dates of IFRS 9 and IFRS 17.

For further information and analysis of these amendments (including our First Impressions and SlideShare presentation), visit our Insurance topic page.



Our suite of publications considers the different aspects of the project.

	KPMG publications
1	Blog post: Insurance contracts – No time to watch and wait (January 2017)
2	First Impressions: Amendments to IFRS 4 (September 2016)
3	SlideShare Presentation: Insurance Amendments (September 2016)
4	New insurance contracts standard – It's time to engage (July 2016)
5	IFRS Newsletter: Insurance (issued after IASB deliberations)
6	New on the Horizon: Insurance contracts (July 2013)
7	Challenges posed to insurers by IFRS 9's classification and measurement requirements
8	Evolving insurance risk and regulation: Preparing for the future (June 2016)

For more information on the project, including our publications on the IASB's insurance proposals, see our website. You can also find, in the same place, information about the FASB's insurance contracts project before February 2014, when this newsletter stopped following that project.

For information on the FASB's project subsequent to February 2014, see KPMG's Issues & Trends in Insurance.

The IASB's website and the FASB's website contain summaries of the Boards' meetings, meeting materials, project summaries and status updates.

13. See our Issues In-Depth: Revenue from Contracts with Customers and First Impressions.
14. See our First Impressions: Financial instruments – The complete standard.

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Financial instruments

Leases

Insurance contracts (under development)

Amendments to existing standards

Business combinations and consolidation

Presentation and disclosures

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