

IFRS 17 – Final steps before exposure draft



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Comment period set at 90 days, sweep issues discussed at Board meeting

Highlights

- 90-day comment period considered appropriate due to close stakeholder interest
- Revised amendments regarding investment return services in insurance contracts
- Other technical issues discussed
- Next steps – exposure draft expected late June 2019

“Right now, insurers should have a laser focus on how the Board’s proposed amendments will impact their specific business and IFRS 17 implementation plans. This will help them to get a head start on implementation planning and identify if there are any concerns they may want to communicate during the comment period.”

Mary Trussell,
KPMG’s Global Lead, Insurance
Accounting Change

The forthcoming exposure draft (ED) of the amendments to IFRS 17 *Insurance Contracts*, due in late June, will have a comment period of 90 days – this is shorter than the usual 120-day comment period for an ED.

The International Accounting Standards Board (the Board) made this decision at its May 2019 meeting and also proposed three amendments and clarifications addressing sweep issues.

The Board tentatively decided to:

- revise its tentative decision about when an investment return service exists in an insurance contract;
- clarify that an insurer does not need to disclose refunds of premiums separately; and
- clarify that a reduction in the liability for remaining coverage relating to loans to policyholders is excluded from revenue.

The Board also discussed considerations for mutual entities issuing insurance contracts – no amendments were proposed in that area.



Joachim Kölschbach
KPMG AG
Wirtschaftsprüfungsgesellschaft

“Insurers that believe their contracts provide an investment return service to their policyholders will need to assess those contracts to see if they meet the Board’s criteria. This proposal will allow insurers to report earnings that more closely reflect the range of services provided to their customers.”

Joachim Kölschbach,
KPMG’s Global IFRS Insurance Leader

Comment period

Although the normal comment period for most EDs is 120 days, the Board agreed that a 90-day comment period is appropriate for the amendments to IFRS 17 because:

- the proposed amendments are narrow in scope and targeted to specific areas of IFRS 17;
- the stakeholders expected to provide comments on the amendments have been closely following the project; and
- the Board has undertaken extensive stakeholder engagement activity on IFRS 17 and has kept them informed about the proposed amendments through regular outreach.

The Board noted that setting the comment period for the ED at 90 days would balance the need to allow sufficient time for stakeholders to respond to the proposals with the need to remove uncertainty over how insurers and other financial statement preparers should implement IFRS 17.

The Board intends to issue the amended IFRS 17 standard in the second quarter of 2020.

Investment return services

The Board decided to revise the tentative decision made at its **January 2019** meeting establishing that, under IFRS 17, an investment return service can exist only when an insurance contract includes an investment component.

Under the Board’s new proposal, the standard would specify that an investment return service can exist in specified circumstances, sometimes without an investment component.

The Board tentatively decided that an investment return service can exist in an insurance contract only if:

- there is an investment component, or the policyholder has a right to withdraw an amount; and
- the investment component, or amount that the policyholder has a right to withdraw, is expected to include a positive investment return generated by the insurer’s investment activity.

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Other technical issues discussed

Disclosures about premium refunds

The Board has proposed to amend IFRS 17 to clarify that, when reconciling the opening and closing balances of the insurance contract liability in the disclosures as required by IFRS 17, insurers are not required to separately disclose premium refunds. However, within that reconciliation, insurers may present premium refunds either:

- separately; or
- together with either investment components or premiums received.

Loans to policyholders

Some contracts in the scope of IFRS 17 include a loan to the policyholder. Under IFRS 17, the payment and receipt of the amounts loaned should not be included in insurance revenue.

The Board has proposed to amend the standard to clarify that a reduction in the liability for remaining coverage relating to loans to policyholders is excluded from revenue.

Insurers should assess the impact of the proposals and prepare to comment on the proposed amendments.

Next steps

Insurers need to prepare for the release of the ED within the next few weeks and get ready to comment within the following 90 days.

You can find our coverage of the Board's proposed amendments, the forthcoming ED and significant matters of evolving interpretation in our online magazine **Insurance – Transition to IFRS 17**.

Please watch this space for further updates and speak to your usual KPMG contact to find out more about the Board's deliberations.

Find out more

Visit home.kpmg/ifrs17 to read all of our insights on the new insurance contracts standard. Also, our insights on insurers' progress with IFRS 17 and IFRS 9 implementation can be found on our **In it to win it** web page.