

IFRS 17 amendments – Final topics analysed



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Ms Mary H Trussell
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The Board completes redeliberations of substantive topics

Highlights

- Amendments confirmed across several areas
- Confirmation on further areas that will remain unchanged
- Effective date still to be redeliberated in March
- Next steps

Board discusses significant areas of IFRS 17

The last discussions in the redeliberation process for substantive amendments to IFRS 17 *Insurance Contracts* have brought further clarity on how the new standard will be applied.

At its meeting in February 2020, the International Accounting Standards Board (the Board) further considered feedback from respondents on IFRS 17 and confirmed proposed amendments in the following areas.

- **Contractual service margin (CSM) attributable to investment services.** The Board confirmed the criteria for the existence of an investment-return service in relation to the CSM. Read our [article](#) to find out more.
- **Risk mitigation option for insurance contracts with direct participation features.** An entity would also be permitted to apply the option when it mitigates the effect of financial risk on fulfilment cash flows using non-derivative financial instruments measured at fair value through profit or loss. Read our [article](#) to find out more.
- **Accounting treatment of policyholder taxes.** IFRS 17 will require entities to include in the fulfilment cash flows the income tax payments and receipts specifically chargeable to the policyholder under the terms of an insurance contract.
- **Transition reliefs and minor amendments.** The Board confirmed three amendments related to transition modifications and reliefs, and decided to make no further amendments in respect of 15 other transition-related issues. The Board also confirmed various amendments proposed in the exposure draft. Even though these are classified as minor, they could have a significant financial and operational impact for entities. Read our [article](#) to find out more.



Joachim Kölschbach
KPMG AG
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“Apart from the effective date, the Board has now completed its discussions on proposed amendments. Preparers now have clarity on what IFRS 17 will look like when issued in mid-2020 and should continue to progress their implementation projects for a smooth transition.”

Joachim Kölschbach
KPMG’s global IFRS insurance leader

The Board further decided to leave the following areas of IFRS 17 unchanged.

- **Level of aggregation.** No specific exceptions will be provided to the annual cohort requirements for insurance contracts with intergenerational sharing of risks between policyholders. Read our [article](#) to find out more.
- **Treatment of non-participating cash flows in the variable fee approach.** The IFRS 17 requirement for an entity to adjust the CSM of insurance contracts with direct participation features for changes in the effect of the time value of money and financial risks not arising from the underlying items remains unchanged.
- **Insurance contracts that change their nature over time.** There will be no changes to IFRS 17 in respect of insurance contracts that change their nature over time – e.g. certain deferred annuities. Additionally, the Board confirmed it will not publish any educational material covering this topic.

For the last two issues, the Board’s decision on the risk mitigation option discussed above may provide an element of relief. Read our [article](#) to find out more.

Next steps

In March, the Board will evaluate its decisions on the amendments in their totality and discuss the proposed effective date of IFRS 17 and the proposed extension of the IFRS 9 *Financial Instruments* temporary exemption in IFRS 4 *Insurance Contracts*. Meanwhile the drafting of the final amendments will continue in line with the Board’s objective to issue them in mid-2020.

You can read our summaries of the Board’s proposed amendments and the Transition Resource Group (TRG) for Insurance Contracts’ discussions in our online magazine [Insurance – Transition to IFRS 17](#).

We will be hosting a webcast on 11 March 2020 when we will summarise the confirmed amendments to IFRS 17 and discuss what impacts these may have for insurers. We will also discuss next steps and suggested activities that insurers should be doing now to accelerate their implementation projects towards the effective date. [Register here](#).

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.

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