IASB PROPOSES AMENDMENTS TO IFRS 17, INSURANCE CONTRACTS

INTERNATIONAL FINANCIAL REPORTING BULLETIN 2019/02

Summary

The development of IFRS 17, *Insurance Contracts* was a long-term project for the IASB and its predecessor organisation. IFRS 17 is the result of over 20 years of consultation with stakeholders, including preparers, auditors, regulators, investors and other financial statement users.

At the time the standard was issued in May 2017, an effective date of 1 January 2021 was set. A nearly three-and-a-half-year implementation period signalled the IASB's perception of the complexity of the standard and the time and resources required to implement it.

As part of its consultation process before IFRS 17 was issued, the IASB's activities included extensive outreach with preparers and other stakeholders to understand concerns about proposals put forth in previous versions of the draft standard, as well as the final exposure draft. The IASB considered these concerns in its implementation of IFRS 17; however, additional concerns surrounding IFRS 17 were raised to the IASB after IFRS 17 being published.

In October 2018, the IASB met to consider the implementation challenges faced by preparers and other concerns raised about IFRS 17 as currently issued. At this meeting, the IASB tentatively decided to consider potential amendments to IFRS 17 but set strict criteria that any potential amendment must satisfy in order to be considered. Proposals meeting these 'gating' criteria would then be considered for amendment, but not all items satisfying these criteria would necessarily result in tentative amendments to IFRS 17. The criteria established by the IASB were that:

(a) the amendments would not result in significant loss of useful information relative to that which would otherwise be provided by IFRS 17 for users of financial statements—any amendments would avoid:

- (i) reducing the relevance and faithful representation of information in the financial statements of entities applying IFRS 17;
- (ii) causing reduced comparability or introducing internal inconsistency in IFRS Standards, including within IFRS 17; or
- (iii) increasing complexity for users of financial statements, thus reducing understandability.

(b) the amendments would not unduly disrupt implementation already under way or risk undue delays in the effective date of the Standard, which is needed to address many inadequacies in the existing wide range of insurance accounting practices.

At the November 2018 meeting, the IASB tentatively decided to defer the effective date of IFRS 17 by one year to 1 January 2022. This would allow appropriate time for the Board to deliberate on issues brought forward, expose any potential amendments and release them in final form with enough time for preparers to incorporate the amendments into their IFRS 17 conversion plans.

Below is a summary of the IASB's activities concerning the topics considered for potential amendment, which includes all topics considered, regardless of the IASB's tentative decision on each area. Each item has a brief summary of the issue with the Board's tentative decision. The IASB is expected to issue an exposure draft in mid-2019, with the aim of issuing any final amendments by the end of 2019. The IASB staff papers discussing each topic in more detail may be accessed on the IASB's website here.

STATUS

Tentative

EFFECTIVE DATE

Tentatively 1 January 2022

ACCOUNTING IMPACT

Narrow scope amendments to IFRS 17 to address implementation concerns, including deferral of IFRS 17's effective date by one year to 1 January 2022.

Item #	Area of IFRS 17	IASB Meeting	Implementation Concern	Amendment Proposed?	Proposed Amendment / Rationale for No Amendment
1	Effective date	Nov-18	Given that the IASB decided to explore amendments to IFRS 17 that do more than clarify the underlying intention of the standard (i.e. more than a change that would be considered in the IASB's annual improvement process), concerns have been expressed that the original effective date of 1 January 2021 will not allow enough time for preparers to implement IFRS 17 as amended.	Yes	Amend the effective date of IFRS 17 to 1 January 2022, deferring the effective date by 1 year.
2	Effective date	Nov-18	Insurers that meet certain criteria in IFRS 4 (the predecessor standard to IFRS 17) are permitted to defer the adoption of IFRS 9 until 2021, the original effective date of IFRS 17. Consistent with the concerns expressed relating to the effective date of IFRS 17 in item #1 above, concerns have been expressed relating to the potential misalignment of the effective dates of IFRS 9 and 17 if IFRS 17's effective date is to be deferred, but IFRS 9's is to remain unchanged at 1 January 2021 for entities meeting the deferral requirements in IFRS 4.	Yes	Amend the fixed expiry date for the deferral of IFRS 9 to 1 January 2022, deferring the effective date by 1 year to align with the revised effective date of IFRS 17.
3	Scope	Feb-19	IFRS 17 includes in its scope contracts for which the only insurance in the contract is for the settlement of some or all of the obligation created by the contract. For example, certain loans issued may contain features that waive the obligation to repay the loan upon death of the borrower.	Yes	Allow entities to elect, at the portfolio level (as defined by IFRS 17) to account for such contracts either under IFRS 17 or IFRS 9 exclusively.
4	Scope	Mar-19	Similar to the scoping issue above concerning loans, some entities expressed concern that IFRS 17 would scope in certain credit card products that offer an element of insurance coverage. Due to IFRS 17's high threshold for separating insurance and non-insurance components, it was thought that such products may be unintentionally scoped into IFRS 17 in their entirety.	Yes	Exclude from the scope of IFRS 17 credit card contracts that provide insurance coverage for which the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.
5	Scope	Mar-19	Due to the amendments proposed relating to loan with insurance coverage, the transitional provisions of IFRS 9 and IFRS 17, as currently written, would not adequately address the potential elections an entity may make relating to such loans.	Yes	Amend the transitional provisions of IFRS 9 and IFRS 17 to address the multiple options that an entity may make concerning the adoption of IFRS 9 and IFRS 17 and the election relating to loans with insurance coverage.
6	Definitions	Dec-18	The definition of insurance contracts with direct participation features may be too narrow, limiting the application of the variable fee approach.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.

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7	Level of aggregation	Mar-19	IFRS 17's requirements are applied at various levels of aggregation. An entity must identify portfolios of insurance contracts based on similar risks and those that are managed together, then sub-divide the portfolio into at least three 'buckets' based on the expected profitability (or lack of profitability), and then divide those buckets into groups of insurance contracts issued no more than one year apart ('annual cohorts'). Stakeholders have expressed numerous concerns with the aggregation requirements, including the fact that setting a 'ceiling' for groups of insurance contracts as those not issued more than one year apart from one another is arbitrary, and may not reflect how an entity actually manages its business.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.
8	Initial recognition	Jun-18	Paragraph 28 of IFRS 17 stated that an entity should include insurance contracts in groups of insurance contracts if they were 'issued by the end of the period', which may be inconsistent with when such contracts meet recognition criteria under IFRS 17.	Yes	Amend paragraph 28 to clarify that insurance contracts are included in groups once they meet recognition criteria in IFRS 17.
9	Insurance acquisition cash flows	Jun-18	Paragraph 27 of IFRS 17 stated that entities recognise an asset or liability for insurance acquisition cash flows relating to a group of 'issued' insurance contracts, which implies that groups of insurance contracts must be issued in order for related costs to be recognised as an asset. This differs from practice in many cases.	Yes	Amend paragraph 27 to include contracts both issued and 'expected to be issued'.
10	Insurance acquisition cash flows	Jan-19	IFRS 17 did not permit an entity to allocate any portion of insurance acquisition cash flows to anticipated contract renewals; only insurance contracts that met recognition criteria. The underlying economics of many large, up-front acquisition cash flows anticipate an element of contract renewal in order to recover the underlying cost (e.g. large up-front commissions). By not allowing any portion of this cost to be allocated to future insurance contracts, the insurance contracts that are recognised may be classified as onerous contracts, resulting in losses recognised in profit or loss, which is in contrast to the economic rationale for why the costs were incurred by the entity.	Yes	Amend IFRS 17 to allow a portion of acquisition cash flows to be allocated to anticipated contract renewals. This allocation to insurance contracts not yet recognised would be recognised as a separate asset and subject to impairment tests until the anticipated contracts are recognised. The impairment requirements would use the expected fulfilment cash flows relating to the group of contracts not yet recognised.

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11	Insurance acquisition cash flows	Mar-19	As a result of the IASB tentatively deciding to amend IFRS 17 for item #10 above, the IASB felt that additional disclosure requirements should be included.	Yes	Amend IFRS 17 to require a reconciliation of any asset created relating to the allocation of acquisition cash flows to anticipated insurance contracts not yet issued, including any impairment or reversals of impairment. Disclosure is also required of the time bands over which the entity expects to include these acquisition cash flows in groups of insurance contracts' measurement (i.e. when the entity expects to recognise the underlying, yet to be recognised insurance contracts).
12	Risk adjustment for non-financial risk	Dec-18	IFRS 17's guidance on determining the risk adjustment for non-financial risk is interpreted by some to require different calculations of the risk adjustment at different levels in a group's reporting structure. Since the risk adjustment is meant to represent an entity specific measure, there is uncertainty as to whether diversification benefits that exist only at a higher level in the reporting structure should be included in the measurement of insurance contracts at an entity's individual financial statements when that diversification affects the pricing of contracts and how an entity manages non-financial risk.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.
13	Risk adjustment for non-financial risk	Jun-18	Several paragraphs of IFRS 17 refer to the risk adjustment for non-financial risk separately, however, some concepts of the risk adjustment may be captured by other components described in the same paragraphs, which could result in 'double counting' for certain elements of the risk adjustment for non-financial risk.	Yes	Amend the relevant paragraphs to clarify the wording and remove the risk of 'double counting' any elements of the risk adjustment for non-financial risk.
14	Insurance revenue	May-19	Paragraph B123 provides guidance on items that change the liability for remaining coverage but are not presented as insurance revenue. B123 does not include changes in amounts lent to the customer, and therefore, some interpreted this to mean that changes in the loan component of a contract should be presented as insurance revenue.	Yes	Amend paragraph B123(a) to clarify that insurance revenue does not include changes in the liability for remaining coverage related to amounts lent to customers.

Item #	Area of IFRS 17	IASB Meeting	Implementation Concern	Amendment Proposed?	Proposed Amendment / Rationale for No Amendment
15	Contractual service margin	Dec-18	IFRS 17 permits certain risk mitigation activities to be accounted for under the variable fee approach by recognising changes in some financial risks in profit or loss rather than adjusting the contractual service margin. This is permitted to 'match' the effect of items like derivatives that are used in conjunction with insurance contracts to mitigate risk. The narrow application of this option to only a narrow set of facts and circumstances may result in different accounting outcomes when the underlying substance of the transactions are economically similar.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB. The Board discussed the impact of this item upon transition (see Item #31).
16	Contractual service margin	Jun-18	The IFRS 17 Transition Resource Group had discussed that the 'coverage period' for purposes of applying the variable fee approach to contracts with direct participating features should be interpreted to include the period over which both insurance coverage and investment-related services apply. The definition of 'coverage period' could be perceived to conflict with this principal.	Yes	Amend the definition of 'coverage period' for the variable fee approach to remove this potential conflict. The IASB concluded that the definition should not be amended other than for contracts where the variable fee approach is applicable.
17	Contractual service margin	Jan-19 and May-2019	Under the general model, some contracts may contain 'investment return services', despite not being eligible for the variable fee approach. IFRS 17 would not allow coverage units to be allocated to these non-insurance services, resulting in profit emergence that is misaligned with the underlying economics of the contract.	Yes	Amend IFRS 17 such that for groups where the general model is applied, the contractual service margin should be allocated on the basis of coverage units, which are determined after considering insurance coverage provided and 'investment return services'. At its May 2019 meeting the Board decided to revise its original planned amendment of IFRS 17 to establish that an investment return service can exist only when an insurance contract includes an investment component. Instead, the Board decided that there can be investment-return services without any investment component and tentatively decided to implement non-determinative criteria for such a service. The criteria are that: (i) there is an investment component; or the policyholder has a right to withdraw an amount; (ii) the investment component or amount the policyholder has a right to withdraw is expected to include a positive investment return; and (iii) the entity expects to perform investment activity to generate that positive investment return. A 'positive investment return' can occur even when the absolute return is negative, which may occur in a negative interest rate environment.

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18	Contractual service margin	Mar-19	As a result of the IASB tentatively deciding to amend IFRS 17 for items relating to the amortisation of the contractual service margin considering both insurance coverage and investment-related services, the IASB felt that additional disclosure requirements should be included.	Yes	Amend IFRS 17 to require quantitative disclosure in appropriate time bands of the expected recognition in profit or loss of the contractual service margin. This essentially removes the option to provide qualitative disclosure only, as could be permitted by IFRS 17 previous to this proposed amendment. Amend IFRS 17 to require disclosure of the approach to assessing the relative weighting of the benefits provided by insurance coverage and investment-related services or investment return services.
19	Reinsurance contracts held	Dec-18	IFRS 17's requirements apply consistently to reinsurance contracts held. IFRS 17 requires that in circumstances where an entity purchases reinsurance as a cedant and has a substantive right to receive services from the counterparty (the reinsurer) relating to underlying insurance contracts issued, cash flows within the boundary of the reinsurance contract include all cash flows relating to contracts issued and yet to be issued. Some stakeholders expressed concern that this would result in financial reporting outcomes that do not match the economics of reinsurance contracts held, including potential contractual service margin 'mismatch'. Some also expressed concern that these requirements are operationally complex and difficult to implement.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.
20	Reinsurance contracts held	Jan-19	IFRS 17 only permits the recognition of a gain on reinsurance contracts held to the extent there are changes in fulfilment cash flows that adjust the contractual service margin subsequent to contract issuance. Based on this restriction, reinsurance contracts that provide coverage on underlying insurance contracts that are onerous would not be permitted to recognise a gain that offsets the loss on the onerous underlying contracts. This results in a mismatch between the timing of onerous underlying contract losses and the right to reimbursement from reinsurance contracts held.	Yes	Amend IFRS 17 to require the recognition of a gain on such reinsurance contracts when the underlying contracts are onerous, however, this amendment only applies to reinsurance contracts that 'cover losses of each contract on a proportionate basis'. Such reinsurance contracts are sometimes referred to as 'proportionate' or 'quota share' reinsurance contracts. The proposed amendment would also apply to contracts accounted for under the premium allocation approach (PAA).

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21	Reinsurance contracts held	Jan-19	When an entity uses the variable fee approach and utilises certain derivatives to mitigate financial risk in the underlying contracts (e.g. the requirement to pay out minimum returns to policyholders), IFRS 17 allows an entity to recognise changes in the underlying financial risks in profit or loss. Otherwise, an entity would adjust the contractual service margin, which is the default approach under the variable fee approach. This exception to the general requirements is not currently permitted when reinsurance contracts are used to similarly mitigate financial risk in groups of contracts that are accounted for under the variable fee approach.	Yes	Amend IFRS 17 to include the use of reinsurance contracts in the scope of the risk mitigation exception for insurance contracts with direct participation features. Eligibility for the exception is still based on the existing conditions in IFRS 17.
22	Discount rates	Dec-18	IFRS 17 requires the use of a 'locked-in' discount rate in adjusting the contractual service margin, whereas changes to the fulfilment cash flows in a group of contracts use a current discount rate. This 'mismatch' may result in difficult to explain financial results in certain circumstances.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.
23	Discount rates	Dec-18	The principal-based nature of IFRS 17's requirements concerning the determination of discount rates and the risk adjustment for non-financial risk may lead to diversity in practice and reduced comparability between entities. Some stakeholders would prefer more prescriptive guidance.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.
24	Presentation of insurance contracts	Dec-18	IFRS 17 requires a 'netting' of contractual rights and obligations when insurance contracts are presented as assets or liabilities. As such, items like gross premiums receivable and unpaid claims are not presented as separate balances in the statement of financial position. Some stakeholders expressed that this net presentation is inconsistent with principles in IFRS 9 and gross presentation would provide better information to users, including information on the credit risk that an insurer is exposed to.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.
25	Presentation of insurance contracts	Dec-18	IFRS 17 requires the presentation of insurance finance income or expense, however, an entity may elect to present the entire amount in profit or loss or disaggregated between profit or loss and other comprehensive income. Some stakeholders expressed concern that this accounting policy choice reduces comparability between insurers.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.

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26	Presentation of insurance contracts	Dec-18	IFRS 17's requirement to present separately groups of insurance contracts that are assets from groups that are liabilities has significant implications on some insurers' premium, cash and claims management systems. Cash flows related to insurance contracts would have to be allocated to the appropriate groups in order to determine whether groups are in an asset or liability position as at a reporting date.	Yes	Amend IFRS 17's presentation requirements such that the presentation of insurance contracts would be at a portfolio level, rather than based on groups of contracts. This higher level of aggregation mitigates a significant amount of the concerns from users, as it is operationally less complex to associate cash flows from contracts at a total portfolio level as opposed to the annual cohorts that would otherwise be required. This amendment relates only to the presentation requirements; the underlying measurement requirements of IFRS 17 remain unchanged and are tied to groups of insurance contracts.
27	Disclosures	Jun-18	Paragraphs 128 and 129 of IFRS 17 specify disclosure requirements concerning sensitivity analysis. These paragraphs specified that the sensitivities are based on changes in 'risk exposures', however, the correct term appears to be 'risk variable'.	Yes	Amend paragraphs 128 and 129 to use the term 'risk variable' instead of 'risk exposure'.
28	Miscellaneous	May-2019	Certain disclosure requirements in IFRS 17 may be interpreted to require disclosure of items that are challenging to calculate, track or determine, and could be considered onerous.	Yes	Amend the disclosure requirements of IFRS 17 to clarify that the reconciliation from opening to closing balances for insurance contract liabilities as required by paragraph 103 does not require the disclosure of the investment components and refunds of premiums separately.
29	Transition	Feb-19	IFRS 17's requirement to classify liabilities arising from the entity's obligation to settle claims that occurred before an insurance contract was acquired (e.g. as part of a business combination or portfolio transfer) as a liability for remaining coverage may be very complex to apply in practice. In many situations, in financial reporting systems, entities classify such insurance contracts identically to insurance contracts originated themselves rather than being acquired.	Yes	Amend the transitional provisions of IFRS 17 as follows: (1) for entities applying the modified retrospective approach, require such liabilities be classified as liabilities for incurred claims, rather than liabilities for remaining coverage if the entity can demonstrate that it does not have reasonable and supportable information to be able to classify the liabilities as otherwise required on a retrospective basis; and (2) for entities applying the fair value approach, classify such liabilities as liabilities for incurred claims with no requirement to demonstrate that a retrospective classification is not possible.

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30	Transition	Feb-19	Stakeholders expressed numerous concerns relating to IFRS 17's transitional provisions, including: (1) the optionality that exists in the transitional provisions, which lowers comparability; (2) the requirement to provide comparative information upon adoption of IFRS 17, which increases cost and complexity; and (3) the ability of an entity to deem the cumulative balance in accumulated other comprehensive income relating to insurance contracts as being nil as at transition, which produces an inaccurate transitional statement of financial position and has ongoing effects on future investment margins.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.
31	Transition	Feb-19 & Mar-19	IFRS 17 only permits an entity that uses the risk mitigation option in the variable fee approach to use the fair value transition approach if the full retrospective approach cannot be performed. This prohibition is consistent with the general 'hurdle' that must be demonstrated in order to use the fair value transition approach. Concern has been raised that if an entity is unable to use the fair value transition approach when the risk mitigation option is utilised in the variable fee approach, that the contractual service margin would not be accurately represented on transition to IFRS 17. This is because the contractual service margin would not consider the risk mitigations applied as at the date of transition. If an entity cannot use the fair value transition approach, then there is no way to mitigate this issue.	Yes	Amend IFRS 17 to modify the transition requirements for groups of contracts where the risk mitigation option is used under the variable fee approach. An entity could either (1) apply risk mitigation option prospectively from the date of transition to IFRS 17, which would allow comparative information to be provided, as long as an entity designates those relationships no later than the date of transition; or (2) apply the fair value approach on transition (regardless of whether the entity can demonstrate whether the full retrospective approach cannot be performed), provided criteria are met.
32	Business Combinations	Jun-18	A lack of clarify as to whether business combinations under common control are included or excluded from the scope of the requirements for business combinations in IFRS 17.	Yes	Amend IFRS 17 to clarify that business combinations under common control are excluded from the scope of IFRS 17's requirements relating to business combinations.

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33	Business Combinations	Jun-18	Consequential amendments to IFRS 3 that arise from IFRS 17 require that the assessment of whether a contract meets the definition of an insurance contract as at the acquisition date rather than the inception of the contract were intended to apply to only business combinations occurring after the date of initial application of IFRS 17, however, this is unclear in the current wording in IFRS 17.	Yes	Amend IFRS 17 to clarify that these consequential amendments should only apply to business combinations occurring after the date of initial application of IFRS 17.
34	Business Combinations	Dec-18	Consequential amendments to IFRS 3 that arise from IFRS 17 require an entity to classify and designate all items acquired in a business combination based on the contractual terms, economic conditions and other pertinent factors as at the date of the business combination. This removed an exception in IFRS 3 that existed prior to the issuance of IFRS 17, which required these steps to occur based on the facts and circumstances that existed as at the inception of the underlying insurance contract. The removal of this requirement may result in insurance contracts being classified and accounted for differently at different levels of a consolidated group, which increases cost and complexity.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.
35	Business Combinations	Dec-18	Consequential amendments to IFRS 3 that arise from IFRS 17 require that an entity identify groups of insurance contracts as at the time of the business combination as if they had entered into the contracts as at the date of the business combination. For acquired insurance contracts where the underlying insured event has already occurred (e.g. an automobile accident), the insured event from the perspective of the acquirer is adverse development between the acquisition date and the claim ultimately being settled. This results in the recognition of a liability for remaining coverage and insurance revenue, despite the fact that all premium may have been received and the insurance coverage in the underlying contract may no longer be in effect. This results in additional complexity, especially for entities primarily applying the premium allocation approach, who would need to apply the general model to such contracts, as they would not typically qualify for the premium allocation approach.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.

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36	Miscellaneous	Dec-18	Paragraph B137 requires that estimates made in applying IFRS 17 in interim financial statements should not be revised in future interim financial statements or in annual financial statements. This may result in inconsistent measurement in parent and subsidiary financial statements. For example, if a parent entity has quarterly filing requirements, but the subsidiary does not.	No	The IASB decided to not propose an amendment to IFRS 17 because this item of feedback was deliberated during the due process steps in IFRS 17 and it would not be possible to amend IFRS 17 while satisfying the criteria established by the IASB.
37	Miscellaneous	Jun-18	Consequential amendments to IFRS 7, IFRS 9 and IAS 32 were made when IFRS 17 was issued to update references in those standards from the predecessor standard, IFRS 4. These amendments inadvertently only changed the scope to exclude insurance contracts in the scope of IFRS 17, rather than the more general population of insurance contracts based on the definition in IFRS 17.	Yes	Amend to revise wording in IFRS 7, IFRS 9 and IAS 32 to correct this inadvertent consequence.
38	Miscellaneous	Jun-18	Illustrative Example 9 in IFRS 17 is written in such a way that a reader cannot derive the figures used in the example because the example does not specify the time value of the guarantee. This results in difficulties in reading and understanding the example.	Yes	Amend the illustrative example to note the factors included in the determination of the time value of the guarantee, despite the fact that the numbers cannot be derived based on the information given in the example.
39	Miscellaneous	May-19	BC265 of the basis for Conclusions to IFRS 17 notes that a defining characteristic of a 'mutual entity' is that the most residual interest of the entity is due to policyholders. Therefore, such entities would typically not have equity, as the residual interest of the entity would be due to policyholders, and therefore would be presented as a liability. Concern has been expressed that IFRS 17 does not define a 'mutual entity', and therefore, this conclusion may be inappropriately applied in some cases.	Yes	Add a footnote to paragraph BC265 of the Basis for Conclusions to clarify that not all entities that use the label 'mutual entity' have the features described in BC265 that the most residual interest of the entity is due to policyholders.

Annual Improvements to IFRS 17

At the April 2019 meeting, the IASB tentatively decided to make several other changes to IFRS 17 that are minor in nature, such that they would fall within the scope of the Annual Improvements process, but due to their nature, could also be addressed by the exposure draft process for these other amendments to IFRS 17. The Board tentatively decided to:

- Amend paragraph B96(c) of IFRS 17 to exclude changes relating to the time value of money and financial risk from the adjustment to the contractual service margin;
- Amend paragraph B96(d) and B97(a) of IFRS 17 to address disaggregation of changes in the risk adjustment for non-financial risk;
- Amend paragraph B118 of IFRS 17 to clarify that an entity can discontinue the use of the risk mitigation option to a group of insurance contracts only if the eligibility criteria for the group cease to apply;
- Clarify the definition of an investment component;
- Amend paragraph 11(b) of IFRS 17 to ensure IFRS 17 applies to investment contracts with discretionary participation features;
- Amend paragraph 48(a) and paragraph 50(b) of IFRS 17 to adjust the loss component for changes in the risk adjustment for non-financial risk; and
- Amend paragraph B128 of IFRS 17 to clarify that changes in the measurement of a group of insurance contracts caused by changes in underlying items should, for the purposes of IFRS 17, be treated as changes in investments and hence as changes related to the time value of money or assumptions that relate to financial risk.

More Information on IFRS 17

For further information on IFRS 17, please refer to BDO's IFRS resource centre here.