

IFRS 17 *Insurance Contracts*: project update

Executive Summary

Project Type	Endorsement
Project Scope	Significant
Purpose of the paper	
This paper presents an update to the IFRS 17 project plan.	
Summary of the issues	
<p>The Board approved the overall IFRS 17 endorsement project plan at its May 2021 meeting and its approach to engagement with technical issues at its 9 July meeting. The latter included a tentative assessment of the priority attributed to significant technical issues. The Board considered two priority issues at its 20 July meeting. The project plan anticipated the other technical issues and the remainder of the DECA being considered by the Board at its September meeting.</p> <p>This paper presents an update to the project plan, the main impact of which is to defer the Board's consideration of the IFRS 17 long term public good assessment to October and defer the publication date for the DECA by a month to November 2021.</p>	
Decisions for the Board	
<p>Board members are asked:</p> <ul style="list-style-type: none"> • to agree the updated plan; • for comments on the Board papers to be presented in October. 	
Recommendations	
The paper recommends proceeding with the IFRS 17 project as set out in the updated plan explained in this paper.	
Appendices	
None	

Background

1. In May 2021 the Board approved the IFRS 17 project plan and agreed to the adoption of an exceptions-based approach to the technical accounting criteria assessment. It also agreed to an approach which distinguished between priority and other significant issues. A key difference between our approach to priority issues and our approach to other significant issues is that separate detailed assessments of priority issues are presented to the Board for individual consideration.
2. At the 9 July Board meeting, the Board considered further the approach to the identification of significant issues and agreed to a tentative assessment of the issues it considered as priority issues. One further issue (relating to with-profits inherited estates) was agreed to be treated as priority in addition to those identified by the Secretariat.
3. At the 20 July meeting, the Board considered two priority issues - discount rates and the allocation of the contractual service margin (CSM) for annuities. Remaining priority issues are to be considered at this September meeting, along with all other significant technical issues.
4. The project plan anticipated consideration of other elements of the DECA, including in particular the IFRS 17 long term public good assessment, at this September meeting.

Plan update

5. This paper presents an update to the plan, the main impact of which is to defer the Board's consideration of other elements of the DECA to October. The key considerations underlying this change are set out in the following paragraphs.
6. The technical accounting issues arising from the IFRS 17 endorsement criteria assessment are complex and need careful consideration. As noted above, the Board is also considering an additional priority issue at this month's meeting. Work by the industry and Secretariat on the priority issue relating to CSM allocation for annuities is also ongoing and will require further review by the Board.
7. The IFRS 17 project plan did not anticipate the work relating to the amendment to IFRS 17 ED/2021/8 *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*. The revised plan accommodates the impact of the amendment to IFRS 17 on resources and Board time.
8. Deferring consideration of the other elements of the DECA to October will enable the Board to concentrate more fully on the technical issues at this meeting and allow more time for a fuller consideration of the long term public good assessment and the DECA at the October meeting. There will also be the possibility to reflect in the DECA the developments in relation to the CSM allocation issue, which is still under consideration between the industry and auditors.
9. The main consequence of this deferral is that the public consultation and finalisation of the endorsement criteria assessment, and therefore the adoption decision, would be delayed by one month to March 2022. Based on feedback to date, we believe this would

still be acceptable to UK stakeholders, especially as the likely direction of travel would be clear from November 2021.

10. Overall, therefore, whilst recognising the importance for the insurance industry of obtaining certainty on IFRS 17, we believe it is preferable to allow the Board the time to explore all the issues thoroughly before arriving at its preliminary endorsement criteria assessment.
11. The sub-group of the Board has considered and is in agreement with the updated plan.

Board papers for October

12. Based on the updated plan, we will aim to bring the key elements of the DECA relating to the IFRS 17 long term public good and true and fair view assessments to the October Board meeting. We expect to present separate papers on each of these assessments.
13. There are other elements of the DECA that will need to be drafted, including the:
 - Executive summary
 - Introduction: legislative framework and our approach
 - Description of IFRS 17, including background, context and objectives

In addition, the different elements of the DECA will need to be brought together as a package in one single document.

14. The Board could decide to consider all these elements, including the DECA as a complete package, at its October meeting. Alternatively, the Secretariat could finalise the DECA package, including some or all of these other elements, outside the October Board meeting, with advice from the sub-group of the Board. This alternative would allow the Board to focus on the long term public good and true and fair view assessments and would provide more time for the Secretariat to draft and finalise the DECA as a whole.

Questions for the Board

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15.	Does the Board agree to the updated plan?
16.	Does the Board have any comments on the Board papers it should review at its October meeting?