

IFRS 17 Insurance Contracts: draft Feedback Statement and draft Due Process Compliance Statement

Executive Summary

Project Type	Endorsement
Project Scope	Significant
Purpose of the paper	
This paper presents drafts of the IFRS 17 Feedback Statement and IFRS 17 Due Process Compliance Statement.	
Summary of the issue	
In February 2022 the Board considered the feedback received from stakeholders on the IFRS 17 DECA and proposed the resulting amendments and additions to the draft ECA. At that meeting the Board also decided to wait for the outcome of the IFRS Interpretations Committee's consideration of the CSM allocation for annuities issue before concluding on the implications for the UKEB's IFRS 17 adoption decision. The draft Feedback Statement and Due Process Compliance Statement are therefore incomplete in respect of that specific issue (see also agenda item 3).	
Decisions for the Board	
<p>The Board is asked to approve:</p> <ul style="list-style-type: none"> • the draft Feedback Statement; and • the draft Due Process Compliance Statement <p>for IFRS 17 set out as Appendices to this paper, subject to any updates required in respect of the CSM allocation for annuities issue and to any further drafting refinements the Board requires.</p>	
Recommendation	
We recommend the Board approves the drafts of the Feedback Statement and the Due Process Compliance Statement, subject to any further amendments to reflect developments in respect of the CSM allocation for annuities issue and any drafting refinements identified during the March Board meeting.	
Appendices	
Appendix 1 – draft Feedback Statement	
Appendix 2 – draft Due Process Compliance Statement	

Introduction

1. The IFRS 17 [Draft] Endorsement Criteria Assessment (DECA) was issued for public consultation on 11 November 2021. The public consultation period closed on 3 February 2022. The Board discussed a summary of the feedback received together with proposals for how that feedback might be addressed at its February 2022 meeting (see agenda paper 3 for that meeting).
2. Having considered the consultation feedback, the Board identified certain amendments and additions to the draft ECA before it could be finalised. Agenda item 4 at this meeting presents a draft of the final ECA, showing as tracked changes the revisions reflecting the Board's decisions.
3. A draft Feedback Statement is presented as Appendix 1 to this paper.
4. As the IFRS 17 endorsement project is nearing completion, a draft Due Process Compliance Statement is also presented as Appendix 2 to this paper for consideration by the Board. Consistent with the final ECA, this is subject to any further work required in respect of CSM allocation for annuities.

Draft Feedback Statement

5. The draft Feedback Statement follows the general format of previous feedback statements approved by the Board and complies with the requirements set out in the draft Due Process Handbook. It presents summaries of:
 - a) the UKEB tentative assessment;
 - b) stakeholder views; and
 - c) the UKEB final assessmentfor each principal element of the IFRS 17 DECA and for each question asked in the Invitation to Comment.
6. The draft Feedback Statement will be updated for the outcome of the IFRS Interpretations Committee's consideration of the CSM allocation for annuities issue and the final draft will be brought to the Board at a subsequent meeting.

Question for the Board
7. Does the Board approve the draft of the IFRS 17 Feedback Statement, subject to any drafting amendments required by the Board and subject to any updates needed to reflect developments in respect of the CSM allocation for annuities issue?

Draft Due Process Compliance Statement

8. The UKEB Due Process Handbook is still in draft and subject to public consultation. We have assessed compliance of the IFRS 17 project with due process on the assumption that the Due Process Handbook is finalised and approved as it currently stands.
9. Given the IFRS 17 project commenced long before the Board was formed and commenced its deliberation of its due process, certain limited aspects of the project (particularly around project initiation) did not fully align with the position in the UKEB Due Process Handbook that is currently subject to public consultation. However, in each case, equivalent procedures were adopted which reflected the governance arrangements in place at that time.

Questions for the Board

Question for the Board
10. Does the Board approve the draft of the IFRS 17 Due Process Compliance Statement, subject to any drafting amendments required by the Board and subject to any updates needed to reflect developments in respect of the CSM allocation for annuities issue?

UKEB FEEDBACK STATEMENT

IFRS 17 Insurance Contracts
Endorsement Criteria Assessment (ECA)

March 2022

DRAFT

CONTENTS

	Page
Foreword	3
UK Endorsement Board and the purpose of this document	4
Executive Summary	5 - 14
Detailed Assessments	15 - 28

Foreword



"The UK Endorsement Board is delighted to present a summary of the feedback received from UK stakeholders on the draft Endorsement Criteria Assessment (ECA) for IFRS 17 *Insurance Contracts*.

We are grateful for the constructive and insightful views from UK stakeholders at such a critical stage in this endorsement project.

All views submitted are summarised in this Feedback Statement and, where appropriate, have been addressed in the final ECA.

We look forward to continuing to engage with UK stakeholders during the implementation and initial application of the Standard."

Pauline Wallace,
Chair, UK Endorsement Board

DRAFT

UKEB >

The UK Endorsement Board (UKEB)

The UKEB is responsible for endorsement and adoption of IFRS for use in the UK and is therefore the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.

The purpose of a Feedback Statement

This document presents the views of UK stakeholders received during the UKEB's consultation on the draft Endorsement Criteria Assessment (ECA) of IFRS 17 *Insurance Contracts* (IFRS 17) and explains how the UKEB has addressed those views in the final ECA.

DRAFT

Executive Summary

	Page
Summary of IFRS 17 objective and principles	6 - 7
Summary of outreach prior to DECA	8
UKEB public consultation on the DECA	9
Our approach to the assessment	10
Overall conclusions	11 - 14

Principal objective of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard.

The objective of the Standard, as set out by the IASB, is to ensure that an entity provides relevant information that faithfully represents those insurance contracts.

Such information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.



DRAFT

UKEB 

Summary of IFRS 17 principles

The key principles of IFRS 17 are that an entity:

- i. Identifies its insurance contracts within the scope of the Standard (and separates non-insurance components which are accounted for under other relevant IFRS Standards).
- ii. Divides the insurance contracts into groups and measures them at:
 - A current estimate of the future cash flows (including adjustments for the timing and risk of those cash flows); and
 - An amount representing the unearned profit relating to services still to be provided (the contractual service margin).
- iii. Recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately.
- iv. Presents separately insurance revenue, insurance service expenses and insurance finance income or expenses.
- v. Discloses information that gives a basis for users of financial statements to assess the effects that insurance contracts have on the entity's financial position, financial performance and cash flows.

DRAFT

UKEB 

Summary of outreach prior to Draft ECA

Preparers	Investors/other users	Other elements	
<p>Preparer webinar 129 views Joint webinar with IASB</p>	<p>Investor webinar 525 views Joint webinar with IASB, analyst and ratings agency</p>	<p>Economic Report Data gathering and analysis by external consultants to assess the potential economic impact of IFRS 17 on the UK</p>	<p>Insurance Technical Advisory Group (TAG) 10 TAG meetings Diverse group of insurance specialists providing specialist knowledge and technical advice.</p>
<p>Preparer survey 16 respondents Qualitative and quantitative information gathered</p>	<p>User survey 21 respondents Survey to gather qualitative responses</p>		
	<p>User roundtable 11 users participated Joint discussion on key themes identified in User survey</p>	<p>Other discussions Periodic calls with other stakeholders including audit firms, regulators and industry bodies (ABI)</p>	<p>International liaison Periodic liaison with EFRAG and other National Standard Setters</p>
<p>Preparer interviews [20] one to one meetings Follow-up to survey and technical analysis</p>	<p>User interviews 14 one to one meetings Structured interviews to gather investor perspectives</p>		

DRAFT

UKEB public consultation on the draft ECA

The UKEB's public consultation on its draft IFRS 17 ECA took place between 11 November 2021 and 3 February 2022.

All stakeholder comments received by the UKEB were considered in reaching the UKEB's final assessment of the Standard. Stakeholder submissions received were made public* on the UKEB website.

During the consultation period, the UKEB and its Secretariat promoted awareness of its draft IFRS 17 ECA and encouraged stakeholders to respond through News Alerts, speaking engagements, ongoing outreach to UK stakeholders and advertising through the usual channels.

Stakeholder type	Number of responses
Users of accounts	6
Preparers of accounts and representative bodies	7
Accounting firms and professional bodies	8
Total responses to draft ECA	21

** Two respondents requested that their comments were not shared publicly.*

DRAFT

UKEB

Our approach to the assessment

Do you have any comments on our approach to the assessment presented in Section 1 of our [Draft] Endorsement Criteria Assessment (ECA)? [Q.1]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>An exceptions-based approach to reporting the analysis against the technical accounting criteria was adopted.</p> <p>Consideration of whether IFRS 17 is likely to improve the quality of financial reporting was based on assessment of whether the standard was likely to meet the IASB's objectives in developing the standard, comparing IFRS 17 requirements with current UK accounting practice.</p> <p>When assessing the costs and benefits arising from the use of IFRS 17, the initial costs of implementation of IFRS 17 were considered together with the expected ongoing costs and benefits in future years, to allow a balanced assessment over the longer-term.</p> <p>In considering whether IFRS 17 is likely to have an adverse effect on the economy of the UK, the assessment considered the potential impact of the standard on the insurance sector, including on factors such as products, pricing and competition. It also assessed wider economic effects, including on the cost of capital for insurers, tax payments and financial stability.</p> <p>The true and fair view assessment considered whether IFRS 17 contains any requirement that would prevent accounts prepared using the Standard from fairly reflecting the economic substance of transactions and events and from giving a true and fair view. A holistic approach was taken, considering the impact of IFRS 17 taken as a whole, including its interaction with other UK-adopted international accounting standards.</p>	<p>The majority of respondents were supportive of the UKEB's approach to the endorsement criteria assessment.</p> <p>Most respondents did not comment on the approach to the true and fair view assessment but three expressed support for the UKEB's approach. One investor representative body considered that the UKEB's assessment did not address the true and fair test required by Regulation 7(1)(a) in SI 2019/685 because it replaced that test with '<i>something different, 'reflecting economic substance'</i>'. In addition the assessment omitted to consider IFRS 17 against the criteria of prudence and placed undue reliance on disclosure.</p> <p>Another investor representative body disagreed with the process adopted in respect of the Technical Advisory Group (TAG).</p> <p>An industry representative body felt that the technical accounting criteria should distinguish between relevance and faithful representation and other enhancing characteristics</p> <p>A preparer commented on the UKEB's power to amend standards for use in the UK and would welcome consideration of this power in the ECA.</p>	<p>Final assessment generally consistent with the UKEB's tentative assessment.</p> <p>The UKEB's assessment of the requirements of its statutory obligations in relation to the true and fair view principle are reflected in the final ECA. Prudence is not one of the criteria set out in SI 2019/685. The UKEB's assessment is only against those criteria specified in the SI. The description of the approach to the true and fair view assessment has been revised to ensure it fully and accurately reflects the UKEB's assessment work.</p> <p>As the comment regarding the TAG was not related directly to a specific assessment in the DECA no changes were made in the final ECA.</p> <p>The technical accounting criteria assessment was completed in accordance with the criteria set out in SI 2019/685, which is separate from the IASB's Conceptual Framework and does not require or indicate a weighting between criteria. On this basis no amendment was made in the final ECA for this point.</p> <p>The UKEB considers it would be appropriate to address the power to amend standards for use in the UK in an ECA only in circumstances when such amendment was actively being considered. As that is not the case in respect of IFRS 17, no change was made in the final ECA.</p>

DRAFT



Overall conclusions – Technical accounting criteria

Do you agree with our overall [tentative] conclusion that IFRS 17 meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management (paragraphs 3.158 – 3.161)? [Q.9]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>In assessing the priority and other significant issues we identified some risks to the technical accounting criteria and mitigating factors that we believe must be weighed against those risks. Such risks often arise from the balance that needs to be struck between competing objectives and do not necessarily imply that, on balance, for that particular set of IFRS 17's requirements the technical endorsement criteria are not met.</p> <p>IFRS 17 sets out clear principles that can be applied to insurance contracts typical in the UK and that will result in understandable, relevant, reliable and comparable information for users of the accounts. In some cases, it will be particularly important for management to provide appropriate disclosures as required both by IFRS 17 and more generally by IFRS Standards to achieve the objectives of understandability, relevance, reliability and comparability. We took account of such disclosure requirements in our assessment and in coming to our conclusion.</p> <p>Overall, we tentatively concluded that IFRS 17 meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.</p>	<p>All but three respondents that answered this question either agreed or agreed subject to resolution of the CSM allocation for annuities issue.</p> <p>Three respondents disagreed, due to the concerns described elsewhere in this document in respect of with-profits business, hybrid contracts, discount rates and CSM allocation for annuities.</p>	<p>Final conclusion consistent with UKEB's tentative conclusion.</p> <p>The UKEB's responses to the concerns expressed by the three respondents who disagreed with the overall conclusion are set out below:</p> <ul style="list-style-type: none"> - with-profits business – slide XX - hybrid contracts – slide XX - discount rates – slide XX - CSM allocation for annuities – slide XX <p>PENDING – awaiting for outcome of IFRS IC March meeting</p>

DRAFT

Overall conclusions – UK long term public good

Do you agree with our [tentative] overall conclusion that IFRS 17 is likely to be conducive to the long term public good in the United Kingdom (paragraphs 4.276 – 4.299)? [Q.13]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>The [Draft] ECA tentatively concluded that IFRS 17 would:</p> <ul style="list-style-type: none"> • lead to an improvement in the quality of financial reporting compared with current accounting practices; • not result in significant additional net ongoing costs for stakeholders; • lead to benefits for users of insurance company accounts as a result of the expected enhanced transparency and comparability; and • not have an adverse effect on the economy of the UK, including on economic growth. <p>Based on the above, the tentative overall conclusion was that IFRS 17 is likely to be conducive to the UK long term public good.</p>	<p>Five preparers responded to this question and all agreed with the overall conclusion. However, three caveated their response in relation to resolution of the CSM allocation for annuities and the accounting for RITC issues.</p> <p>Two users and five members of the accounting profession also agreed with the overall conclusion that IFRS 17 was conducive to the long-term UK public good.</p>	<p>The UKEB has included additional analysis in the final ECA in respect of the impact of the accounting for RITC transactions under UFRS 17.</p> <p>The UKEB has also considered the impact of CSM allocation for annuities under IFRS 17 in the light of the consideration of the issue by the IFRS Interpretations Committee – see slide XX.</p> <p><i>[Pending]</i></p> <p>Otherwise, the final assessment is consistent with the tentative assessment that IFRS 17 is likely to be conducive to the UK long term public good.</p> <p>The UKEB will monitor these issues during the IFRS 17 implementation phase and on initial application of the standard.</p>

DRAFT

Overall conclusions – True and fair view

Do you agree with our [tentative] conclusion that IFRS 17 is not contrary to the true and fair principle set out in Regulation 7(1)(a) of SI 2019/685? [Q.15]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>The tentative conclusion of the [Draft] ECA was that:</p> <ul style="list-style-type: none"> No requirement of IFRS 17 would prevent individual accounts prepared using the standard, including the disclosures it requires, from fairly reflecting the economic substance of insurance contracts. On this basis, no requirement of IFRS 17 would prevent those accounts from giving a true and fair view of the entity's assets, liabilities, financial position or profit or loss. There is no reason why the IFRS 17 true and fair view assessment should conclude differently for consolidated accounts. <p>This tentative conclusion was underpinned by the technical accounting criteria assessment and by the tentative conclusion that IFRS 17 is likely to improve the quality of financial reporting.</p> <p>The [Draft] ECA therefore tentatively concluded that IFRS 17 is not contrary to the true and fair view principle set out in Regulation 7(1)(a) of SI 2019/685.</p>	<p>11 respondents agreed with the UKEB's tentative conclusion that IFRS 17 was not contrary to the true and fair view principle set out in Regulation 7(1)(a).</p> <p>One preparer disagreed on the basis of their concerns in respect of CSM allocation for annuities.</p> <p>All other respondents were silent on this specific question. However, since four of those respondents expressed strong support for the adoption of IFRS 17 for use in the UK, it may be inferred that they agreed with the UK's tentative conclusion.</p>	<p>Final conclusion consistent with UKEB's tentative conclusion.</p> <p>Wording of the assessment has been revised to ensure the description of the approach fully and accurately reflects the UKEB's assessment work.</p>

DRAFT

Overall conclusions – IFRS 17 adoption decision

Do you agree with our [tentative] overall conclusion that IFRS 17 meets the statutory endorsement criteria and should be adopted for use in the UK (see Section 6)? [Q.19]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>On the basis of the</p> <ul style="list-style-type: none"> • technical accounting criteria assessment; • UK long term public good assessment; and • true and fair view assessment <p>the UKEB’s tentative conclusion was that IFRS 17 meets the statutory endorsement criteria and should be adopted for use in the UK.</p>	<p>17 of the 21 respondents (81%) were supportive of the UKEB’s tentative overall adoption decision. However, five respondents made this support conditional on a satisfactory resolution of the issue relating to CSM allocation for annuities. Two of these explicitly recommended delaying the adoption decision until the outcome from the IFRS Interpretation Committee’s assessment of the issue was known.</p> <p>One preparer disagreed with the overall adoption decision on the basis that there needed to be consensus on the CSM allocation issue prior to endorsement. However, this respondent agreed that, overall, IFRS 17 met the technical accounting criteria, was likely to be conducive to the UK long term public good and was not contrary to the true and fair view principle.</p> <p>Three users did not comment explicitly on the overall adoption decision.</p>	<p>The UKEB noted that the majority of respondents were supportive of the tentative overall adoption decision.</p> <p>The UKEB recognised the importance of assessing the implications of the outcome from the IFRS Interpretation Committee’s consideration of the CSM allocation for annuities issue. The UKEB therefore delayed finalising its endorsement assessment until this outcome was known. [Pending]</p> <p>The UKEB will monitor the implementation of IFRS 17 going forward and the initial application of the Standard, with particular focus on the CSM allocation issue.</p>

Detailed assessments

	Page
Description of IFRS 17	16
Completeness of technical accounting issues	17
CSM allocation for annuities	18
Discount rates	19
Profitability buckets and annual cohorts	20
With-profits: inherited estates	21
Remaining significant issues	22
Improvements introduced by IFRS 17	23
Costs and benefits	24
Effect on the economy	25
Reinsurance to close	26
2021 Amendment / Other feedback	27 – 28

Detailed assessment – Description of IFRS 17

Do you have any comments on the summary of IFRS 17's requirements? Are there any other features of IFRS 17 that should be covered in this section? [Q.3]

UKEB draft summary	Stakeholder views	UKEB final summary
<p>IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The standard defines insurance contracts and provides detailed scope exceptions and specified options.</p> <p>The [Draft] ECA summarised IFRS 17's requirements for the separation of components from insurance contracts, the level of aggregation, recognition and measurement. It described IFRS 17's accounting models and set out the standard's requirements in respect of profit recognition. It also described the standard's approach to disclosures and transition and summarised the requirements for reinsurance contracts.</p> <p>Finally, the [Draft] ECA set out the presentation requirements for the statements of financial position and financial performance.</p>	<p>Most respondents had no comments on the description of IFRS 17 set out in the [Draft] ECA.</p> <p>Two respondents (one preparer and one accounting firm), while commenting that Section 2 of the [Draft] ECA provides a good overview of the key features of IFRS 17, provided recommendations to enhance this section.</p>	<p>Consistent with UKEB's draft summary but updated to reflect stakeholder recommendations, primarily related to:</p> <ul style="list-style-type: none"> • requirements on modification and derecognition; • background information on the Variable Fee Approach; and • the optional allocation of insurance acquisition cash flows when applying the Premium Allocation Approach.

DRAFT

Detailed assessment – Completeness of technical accounting issues

Do you agree that the assessment in Section 3, together with Appendix B, captures all the priority and significant technical accounting issues? [Q.4]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>The draft ECA identified the following as priority issues:</p> <ul style="list-style-type: none"> - Contractual Service Margin (CSM) for annuities - Discount rates - Grouping insurance contracts: profitability buckets and annual cohorts - With profits: inherited estates <p>Other significant technical accounting issues addressed in Appendix B of the draft ECA related to:</p> <ul style="list-style-type: none"> - Risk adjustment for non-financial risk - Interest accretion at the locked-in rate for CSM under the GMM - Recognition of income from reinsurance to match losses from onerous underlying contracts - Contracts acquired in their settlement period - Contracts that change nature over time - Other comprehensive income option - Transition requirements - Other VFA issues: <ul style="list-style-type: none"> o Ineligibility of reinsurance contracts for VFA o Prohibition of retrospective application of the risk mitigation option o Eligibility for VFA when there are mutualised cash flows o Non-profit contracts written by a with-profits fund 	<p>11 respondents (four preparers, two users, three accounting firms and two professional bodies) agreed with the UKEB's assessment.</p> <p>Eight respondents did not comment on this question.</p> <p>One respondent (industry representative group) agreed with the UKEB's assessment but raised an additional issue relating to the accounting treatment of premium receivables from intermediaries.</p> <p>One respondent (preparer) did not agree that the [Draft] ECA captured all priority and significant technical accounting issues, referring to issues arising from the application of IFRS 17 to 'hybrid' contracts.</p>	<p>The technical accounting issues addressed in the ECA remain unchanged from those included in the draft assessment, except for one addition to Appendix B of the ECA to separately address 'Reinsurance to close transactions (RITC) in the Lloyd's market' (see also slide XX).</p> <ul style="list-style-type: none"> • Accounting treatment of premium receivables from intermediaries - The respondent acknowledged the issue to be an interpretation issue. Further, the UKEB understands that the concern is not widespread and that appropriate solutions may yet be found. • Accounting treatment of 'hybrid' contracts – This topic was assessed prior to the publication of the draft ECA, including by the Insurance Technical Advisory Group. While acknowledging the degree of judgement required and the risk of current diversity in practice remaining, it was concluded that this was primarily an interpretation issue. <p>The ECA does not address questions of interpretation or implementation, but it is recognised that the distinction between such issues and endorsement issues is not always clear cut (ECA paragraph 3.9). The UKEB will engage further with industry and monitor these issues during the IFRS 17 implementation and initial application period.</p>

DRAFT

Detailed assessment – CSM allocation for annuities

CSM allocation for annuities: do you agree with the [tentative] assessment against the endorsement criteria (paragraphs 3.40 – 3.53)? [Q.5]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>IFRS 17 requires the CSM to be recognised in profit or loss over the coverage period of the group of insurance contracts, and in a pattern that reflects the provision of service. This will result in relevant information and will enhance understandability and the comparability of insurers' accounts with those of entities in other industries. Disclosures will provide useful information about the expected pattern of service provision and increase understandability.</p> <p>IFRS 17 does not prescribe how an entity should determine coverage units for annuity contracts and significant judgement will be required. However, risks to comparability and reliability are balanced by the objective of relevance. Over time, it is likely that a consensus for typical UK annuity products will develop: this should enhance comparability. Disclosures should also mitigate concerns over the degree of judgement required.</p> <p>The appropriate approach to determining coverage units is essentially a matter of interpretation. The standard's objective and principles are clear and difficulties in finding a consensus in the case of annuities do not necessarily indicate that the technical accounting criteria as a whole are not met.</p>	<p>Six respondents (one preparer, one user, three accounting firms and one professional body) agreed explicitly with the UKEB's assessment. Eight respondents did not comment.</p> <p>One professional body agreed with the tentative assessment but recommended that the UKEB considered the views of the IFRS Interpretations Committee (IFRS IC) before confirming its endorsement decision. One industry representative body also agreed with the tentative assessment but only to the extent that the IFRS IC considered both interpretations presented to be acceptable. Another noted that until the IFRS IC process was complete it was not possible to conclude.</p> <p>Four respondents did not agree with the UKEB's tentative assessment. Three preparers believe that the UKEB should await the outcome of the IFRS IC before concluding and until then should consider that an endorsement issue does exist. One of these preparers believes that the UKEB should consider using its powers to make amendments to the standard for use in the UK. An investor representative body noted concerns that, depending on the interpretation of IFRS 17's requirements, the standard will not meet the technical accounting criteria (but did not provide explanatory detail or suggestions on how to address the issue).</p> <p>In addition, one preparer commented on detailed aspects of the draft analysis which in their view should be amended.</p>	<p>PENDING – awaiting outcome of IFRS IC March meeting</p>

DRAFT

Detailed assessment – Discount rates

Discount rates: do you agree with the [tentative] assessment against the endorsement criteria (paragraphs 3.72 – 3.90)? [Q.6]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>Discounting future cash flows provides relevant and understandable information. The requirement to use current rates that reflect the characteristics of the insurance contracts, including liquidity, enhances the relevance and reliability of that information.</p> <p>The requirement that discount rates applied are consistent with observable current market prices, reflecting current market conditions from the perspective of a market participant, and maximise the use of observable inputs supports the provision of information that is reliable and comparable. Extensive disclosures support the relevance and understandability of the information.</p> <p>The extent of judgement required may present a challenge to reliability and/or comparability. However, IFRS 17's overall objective and principles in this area are clear and the standard's requirements and application guidance mitigate this risk. Together with the required disclosures, the requirements for insurers to use discount rates that are current and consistent with observable market prices, and to maximise observable inputs, serve to reduce concerns over comparability.</p>	<p>12 respondents (six preparers, one user, three accounting firms and two professional bodies) agreed with the UKEB's tentative assessment. Comments from them included:</p> <ul style="list-style-type: none"> • Using current discount rates that reflect the characteristics of the insurance contracts results in relevant information; • Not possible to prescribe discount rates for all types of liabilities across different countries; • Potential lack of comparability mitigated by requirements for discount rates to be consistent with observable market data, and disclosure of discount rates and material judgements. <p>Eight respondents did not comment on this issue.</p> <p>One investor representative body wholly disagreed with the UKEB's tentative assessment. In the view of this respondent:</p> <ul style="list-style-type: none"> • It is not possible to analyse the asset spread (i.e. decompose the spread into illiquidity and credit risk). • Discount rates including an illiquidity premium do not promote a faithful representation of an insurer's economic position. • The illiquidity spread cannot be objectively supported (i.e. no observable market data). 	<p>The UKEB's final assessment remains largely unchanged from the tentative assessment. It was updated mainly to note the guidance from international actuarial associations which includes techniques for determining illiquidity premia.</p> <p>The principal concerns of the one respondent who expressed disagreement with the UKEB's tentative assessment were discussed by the Insurance Technical Accounting Group and considered when forming the UKEB's tentative assessment.</p> <p>The UKEB is not aware of similar concerns being expressed by any other stakeholders and was informed by IASB staff that no such concerns were raised during the development of IFRS 17.</p> <p>The ECA notes that determination of discount rates requires significant judgement. IFRS 17 requirements represent a balance between demands of relevance and reliability.</p> <p>Application of IFRS 17's requirements will be monitored post-implementation, in particular with regard to variability in approach and adequacy of disclosures.</p>

DRAFT

Detailed assessment – Profitability buckets and annual cohorts

Grouping insurance contracts – profitability buckets and annual cohorts: do you agree with the [tentative] assessment against the endorsement criteria (paragraphs 3.101 – 3.116)? [Q.7]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>Insurance business is one of risk pooling and risk sharing so defining IFRS 17's unit of account as a group of contracts provides relevant information. The requirement for 'profitability buckets' provides useful information about loss-making groups of contracts and supports the relevance of the financial statements.</p> <p>The annual cohorts requirement avoids the possibility of perpetually open portfolios and the associated loss of useful information, enhancing relevance, reliability and comparability across periods and entities. Disclosures should enhance understandability and comparability.</p> <p>Some stakeholders consider that identifying 'profitability buckets' requires significant judgement and may not always reflect the way an insurer manages its business. Others are concerned that annual cohorts do not provide useful information when insurance contracts share risks across generations of policyholders. However, profit-sharing between policyholder cohorts is captured by the measurement of fulfilment cash flows so annual cohorts provide relevant information about the entity's profitability.</p> <p>Overall, the standard strikes a balance that is likely to provide useful information in the great majority of cases.</p>	<p>12 respondents (seven preparers, three accounting firms and two professional bodies) commented on this question. They all agreed with the UKEB's tentative assessment. Comments received included:</p> <ul style="list-style-type: none"> • If no annual cohort requirement, the IASB's objective to reflect profits and losses in appropriate periods would not be met. • The costs (although greater than under IFRS 4) are not disproportionate in the context of the relevance of information enabled by the granularity of the information. • Should not present an endorsement issue for the UK at this stage of implementation. • A carve-out (similar to that in the EU) is not necessary for the UK endorsement of IFRS 17. • While mindful of the potential competition and comparability issues for UK insurers arising from the EU 'carve-out', at this stage no material concerns. As implementation progresses, any issues should be raised in a post-implementation review. 	<p>Final assessment consistent with UKEB's tentative assessment.</p>

DRAFT

Detailed assessment – With-profits: inherited estates

With-profits – inherited estates: do you agree with the [tentative] assessment against the endorsement criteria (paragraphs 3.143 – 3.157)? [Q.8]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>Recognising the relative interests of policyholders and shareholders in the estate, as will be required by IFRS 17, should enable a faithful representation of the insurer's economic position and support relevance and reliability. Treating the policyholders' share as part of fulfilment cash flows will lead to relevant, understandable and comparable information.</p> <p>Recognition of the shareholders' interest in the estate reflects the fact that the amount represents surplus from past activities and is in excess of the fulfilment cash flow liability. This treatment provides relevant and understandable information because it is based on the underlying contractual arrangements and the constitution of the company, and so is consistent with shareholders' reasonable expectations. The required disclosures will support the understandability of the impact of inherited estates on the entity's financial position and performance.</p> <p>Some stakeholders are concerned that profits will be recognised before shareholders are unconditionally entitled to it. However, treatment as equity would be consistent with the IASB's Conceptual Framework and does not mean that the profit is immediately accessible. Disclosures will enhance relevance and mitigate risks to comparability. IFRS 17 will require entities to develop relevant and understandable accounting treatments.</p>	<p>11 respondents (five preparers, one user, three accounting firms and two professional bodies) commented on this question.</p> <p>Eight respondents (three preparers, three accounting firms and two professional bodies) agreed with the UKEB's tentative assessment while two preparers expressly disagreed. The remaining respondent (user), neither agreed nor disagreed but noted it is a complex issue not resolved by the standard.</p> <p>Four of the respondents expressing support acknowledged the complexities of this issue.</p> <p>Comments from two respondents that expressed disagreement:</p> <ul style="list-style-type: none"> • The UKEB's assessment sets out some balanced arguments. However, application of IFRS 17 is complex, particularly certain aspects of the accounting for open and closed with-profits funds and the cash flows with the inherited estate. • Although the shareholders' share of the estate will be a component of equity (with changes in profit or loss), these amounts are not accessible to shareholders until there is a distribution which establishes ownership of the estate. This contradiction impairs relevance and considerable additional explanation will be required. 	<p>Consistent with UKEB's tentative assessment but analysis enhanced to reflect stakeholder feedback, primarily noting differences in the analysis of the effects on CSM and equity classification.</p>

DRAFT

Detailed assessment – Remaining significant issues

Do you agree with the [tentative] assessment against the endorsement criteria for each of the remaining significant issues presented in Appendix B? [Q.16]		
UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>The factors relevant to assessing the other significant issues presented in Appendix B of the DECA are the same as those set out in respect of the overall assessment against the technical accounting criteria – see slide 11.</p> <p>Overall, IFRS 17 meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.</p>	<p>Nine respondents (four preparers, three accounting firms and two professional bodies) agreed with the UKEB's tentative assessment.</p> <p>Ten respondents did not comment on this section.</p> <p>The remaining two respondents (one preparer and one industry representative body) agreed on most topics but did not agree with the UKEB's tentative assessment on the following:</p> <ul style="list-style-type: none"> • Interest accretion at the locked-in rate for CSM under the GMM; • Contracts acquired in their settlement period; • Other VFA issues – Prohibition of retrospective application of the risk mitigation option. 	<p>Final assessment consistent with UKEB's tentative assessment.</p> <p>Analysis enhanced to reflect stakeholder feedback on the following:</p> <ul style="list-style-type: none"> • Interest accretion at the locked-in rate for CSM under the GMM – Addition to note that using locked-in rather than current rates is expected to increase operational complexity. • Contracts acquired in their settlement period – clarification related to (i) understandability and comparability with other areas of accounting and with other IFRS reporters and (ii) enhancing transparency of financial information. • Other VFA issues: Prohibition of retrospective application of the risk mitigation option – clarification in relation to the reduction of the risk of bias and promoting reliable financial information. <p>In addition, the information on RITC contracts is now presented as a separate topic.</p>

DRAFT

Detailed assessment – Improvements from by IFRS 17

Improvements introduced by IFRS 17: are there other aspects of the changes expected under IFRS 17 that need to be featured (paragraphs 4.30 – 4.59)? [Q.10]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>IFRS 17 specifies a comprehensive set of recognition, measurement, presentation and disclosure requirements for insurance contracts for the first time. This will lead to financial reporting that is more useful to investors and other users of accounts, providing information that is consistent and comparable and that faithfully reflects the economic substance of the contracts in scope.</p> <p>Key aspects of IFRS 17 that are expected to lead to improvements in financial reporting include the following:</p> <ul style="list-style-type: none"> • Improved scope; • More transparent liability measurement; • Consistent profit recognition; • More consistent and clearer presentation of items in the primary financial statements; and • Extensive specified disclosures. <p>Transition to the new standard may be complex in some cases. However, our assessment demonstrates that the longer-term benefits are expected to outweigh these complexities.</p>	<p>10 respondents commented on this section.</p> <p>Nine agreed with the UKEB’s tentative assessment.</p> <p>One industry representative body also agreed with the UKEB’s description of the improvements introduced by IFRS 17 but caveated the response on the basis that successful resolution of the CSM allocation issue would significantly improve the quality of financial reporting in the UK.</p>	<p>Final assessment consistent with the UKEB’s tentative assessment.</p>

DRAFT

Detailed assessment – Costs and benefits

Costs and benefits: do you have any comments on the [tentative] assessment of the key costs and benefits for each of the main stakeholder groups (paragraphs 4.67 – 4.135), including the approach taken to sunk costs (paragraphs 4.91 – 4.99)? [Q.11]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>Aggregate one-off IFRS 17 implementation costs for all UK insurance companies adopting IFRS 17 are estimated at approximately £1.18 billion. While significant, these costs represent 1% or less of the relevant companies' average annual Gross Written Premiums and a significant proportion can be treated as sunk.</p> <p>Most users of insurance company accounts were optimistic that the changes introduced by IFRS 17 would improve comparability between insurance companies and increase transparency in insurance company accounts.</p> <p>Although not quantified, some insurance companies also expect to realise ongoing indirect benefits from improvements in systems, data and processes.</p> <p>As the standard aims to enhance transparency and comparability in financial reporting, the implementation of IFRS 17 should also be beneficial for auditors and regulators.</p> <p>Overall, the application of IFRS 17 is not expected to result in significant additional net ongoing costs for stakeholders in the UK insurance sector.</p>	<p>Six respondents provided comments on this question. Preparers recognised that the assessment was in the context of decisions still to be made, that 'sunk costs' had been excluded and that while there were some significant benefits from IFRS 17, that these had come at a considerable cost.</p> <p>Respondents expressed the view that the benefits could have been achieved at lower cost: in particular, more thorough field testing and fewer amendments to the standard could have reduced complexity and therefore overall implementation cost.</p> <p>Two respondents also observed that RITC accounting under IFRS 17 may require the implementation of additional systems and processes for participants in the Lloyd's market.</p> <p>A user noted that overall cost of implementation was small in the context the industry's balance sheet.</p>	<p>Final assessment consistent with UKEB's tentative assessment.</p> <p>Minor enhancements made to the analysis to reflect stakeholder feedback.</p> <p>An assessment of the impact of RITC accounting has been included in the final ECA.</p>

DRAFT

Detailed assessment – Effect on the economy

Effect on the economy: does the [tentative] assessment fairly capture the principal expected impacts of the standard on the insurance industry and wider UK economy (paragraphs 4.136 – 4.275)? [Q.12]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>Any changes to insurance product offerings or pricing strategies are not anticipated to be of substantial detriment to the UK economy.</p> <p>The draft ECA tentatively concluded that IFRS 17 is not likely to have an adverse effect on:</p> <ul style="list-style-type: none"> • competition among insurers, nationally or internationally; the proposed EU carve out may provide an advantage for UK companies in the competition for capital if they apply IFRS 17 as issued by the IASB; • the governance or investment and hedging strategies of insurance companies; • cost of capital or credit ratings; • tax revenues, economic growth or financial stability. <p>IFRS 17 is expected to:</p> <ul style="list-style-type: none"> • promote the efficient allocation of capital and the ability of investors to hold management to account • provide new information useful for supervisory monitoring and allow users of accounts to better evaluate the financial position of insurance companies, leading to greater market confidence <p>A counterfactual analysis supports this tentative conclusion.</p>	<p>Seven respondents agreed with the UKEB's tentative assessment, one disagreed and the remainder were silent on this specific question. Two respondents provided comments on the economic impact section of the draft ECA.</p> <p>The respondent who disagreed (a preparer) called for more analysis of the economic impact of CSM allocation for annuities, expressing the view that IFRS 17 may present a barrier to entry, stifling future competition.</p> <p>The other respondent who explicitly commented generally agreed with the analysis but added that more consideration should be given to the economic impact of CSM allocation for annuities and the accounting for RITC contracts in the Lloyd's market. They raised concerns that IFRS 17 may depress investment in annuity providers and bulk purchase annuity business.</p> <p>Comments relevant to this section were also made in responses relating to other sections of the draft ECA:</p> <ul style="list-style-type: none"> - One respondent called for more analysis of the economic impact of the accounting for RITC contracts, while another raised concerns that it may stifle competition in the Lloyd's market. - One preparer argued that the assessment should focus more on the economic impact of CSM allocation for annuities and the accounting for with-profits contracts. 	<p>An assessment of the potential impact of accounting for RITC contracts under IFRS 17 has been included in the final ECA.</p> <p>[CSM allocation for annuities: outstanding]</p> <p>Otherwise, the final assessment is consistent with the draft assessment.</p>

DRAFT

Detailed assessment – Reinsurance to close

Do you have any comments on the application of IFRS 17 to Reinsurance-to-close (RITC) transactions (see comments towards the end of the assessment in respect of Contracts acquired in their settlement period – page 142)? [Q.17]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>The application of IFRS 17 to RITC transactions could create an operational burden and stakeholders have questioned whether the accounting treatment would be understandable. However, this is likely to affect only a small number of specialist insurers and is likely to be a significant issue only when the corporate member’s level of participation changes. Disclosures should also mitigate risks to understandability.</p>	<p>Six respondents provided comments on this issue. Three respondents stated explicitly that they do not consider that IFRS 17 should be modified for this issue. Other responses were silent or ambiguous on this specific point.</p> <p>Respondents generally acknowledged the increased complexity in accounting likely to arise under IFRS 17. Comments included:</p> <ul style="list-style-type: none"> • Any modification to IFRS 17 might create comparability and operational issues for those in advanced stages of IFRS 17 implementation. • Non-UK entities participate in Lloyd’s syndicates. A UK-only modification may result in reduced comparability and usefulness of the financial information and create additional complexity. • The UKEB should influence the IASB to amend IFRS 17 as part of a post-implementation review. • The issue is a matter of interpretation. • Accounting should reflect the economic substance of the transaction (which in their view transfers substantially all risks and rewards of the RITC business). While recognising this impacts only a subset of preparers, the Lloyd’s market is significant and the UKEB should ensure this issue is suitably resolved. 	<p>Separate analysis included in Appendix B to the final ECA, on the assumption that RITC contracts are accounted for as reinsurance.</p> <p>Where a member’s participation increases, the accounting under IFRS 17 reflects the fact that the additional portion is a reinsurance liability by nature, ‘acquired’ from third parties at a different time and potentially at a different price from the original liability. Where relevant, the application of the GMM would reflect the fact that the uncertain obligation relates to the settlement of incurred claims rather than to whether a claim would arise in the first place. When a member’s participation has declined, the expected accounting reflects the fact that the member retains the ultimate legal liability for the underlying insurance contracts but has received (and paid for) reinsurance coverage from third parties. In both scenarios, the expected accounting under IFRS 17 fairly reflects the underlying contractual substance, enabling a more complete understanding and enhancing reliability.</p> <p>The expected accounting is consistent with that for reinsurance more generally and for financial liabilities under IFRS 9, enhancing comparability and, ultimately, broader understandability. Overall, any initial risks to understandability need to be balanced against the objectives of enhanced reliability and comparability.</p>

DRAFT

Detailed assessment – 2021 Amendment

Do you agree that the finalisation of the amendment to IFRS 17 proposed in the IASB’s Exposure Draft ED/2021/8 Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Proposed Amendment to IFRS 17) is not likely to give rise to any issues that are significant for the purposes of our IFRS 17 ECA or adoption decision (paragraph 1.2 of [Draft] ECA)? [Q.2]

UKEB tentative assessment	Stakeholder views	UKEB final assessment
<p>The draft ECA concluded that the amendment is not expected to be widely used in the UK and is not expected to give rise to any significant issues for the purposes of the IFRS 17 adoption decision.</p>	<p>All respondents who commented on this aspect were in agreement with the UKEB’s tentative assessment that the 2021 amendment to IFRS 17 relating to comparative information was not likely to give rise to any significant endorsement issues.</p>	<p>The ECA has been updated to reflect the fact that the Amendment to IFRS 17 was finalised by the IASB in December 2021.</p> <p>Otherwise, the final assessment is consistent with the draft assessment.</p>

Detailed assessment – Other feedback

Do you have any additional feedback that the UKEB should consider? [Q.18]		
UKEB tentative assessment	Stakeholder views	UKEB final assessment
N/A	<p>Four respondents (three preparers and one accounting firm) provided additional feedback. Respondents:</p> <ul style="list-style-type: none"> • Highlighted the importance of timely UK endorsement of IFRS 17 to provide certainty to preparers in advance of the effective date of the standard (1 January 2023). • Appreciated the robust process the UKEB has conducted in the short period of time it has been in existence. • Recommended that the UKEB uses its influence to support interpretations that align to the principles in IFRS 17 and a holistic assessment of true and fair. • Emphasised the importance of the UKEB taking a proactive role in the development of future standards to ensure that UK specific issues are fully considered and addressed. • Expressed the view that the smooth functioning of UK capital markets is best served by the adoption of a single set of international accounting standards, strongly supporting the tentative conclusion to endorse IFRS 17 as issued. 	No change to overall adoption decision [subject to CSM issue]

Disclaimer

This feedback statement has been produced in order to set out how the UKEB has addressed responses received from UK stakeholders to the UKEB's draft Endorsement Criteria Assessment of IFRS 17 *Insurance Contracts* and should not be relied upon for any other purpose.

The views expressed in this feedback statement are those of the UK Endorsement Board at the point of publication.

Any sentiment or opinion expressed within this feedback statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.

DRAFT

UKEB 

Contact Us

UK Endorsement Board

8th Floor | 125 London Wall | London |
EC2Y 5AS | United Kingdom

contact@endorsement-board.uk

Web: www.endorsement-board.uk

DRAFT

[Draft] Due Process Compliance Statement: IFRS 17 endorsement project

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
IASB's due process document			
IFRS 17 <i>Insurance Contracts</i> <i>Initial Application of IFRS 17 and IFRS 9—Comparative Information [‘the 2021 amendment’]</i>		Published: June 2020 (amended December 2021) Effective date: 1 January 2023	The endorsement project incorporated the 2021 amendment as IFRS 17 was amended before the endorsement project was complete – i.e. the UKEB considered the amended version of the standard for adoption
Project preparation			
Project preparation and Project Initiation Plan (PIP)	Required	PIP draft with outline and approach for endorsement project (proportionate to the project)	Governance over Project Initiation was provided by oversight of FRC-BEIS Accounting Framework Project Board (‘Project Board’) and Technical Sub-Board – see further details below. Given the scale and duration of the project, plans developed over time. No PIP was prepared, as the project started long before the requirement for a PIP was established as part of the UKEB’s due processes.
	Required	Assessment of whether to set up an ad-hoc advisory group	Complete: Insurance Technical Advisory Group (TAG) established June 2020. The set up process was in line with the governance direction set by the Project Board at the time – public advert on the FRC website, interviews for the short-listed candidates before final appointments were made.
	Required	Assessment of amount of fieldwork to undertake (i.e. surveys, field tests, workshops or interviews, public events)	Complete: IFRS 17 project plans discussed by the Project Board in November 2019, January 2020, February 2020, May 2020, June 2020; at the Technical Sub-Board in July 2020, December 2020; January 2021.

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
			The UKEB considered the project plan, including the extent of fieldwork, at its meeting in May 2021 .
	Required	Assessment of whether to involve participation of IASB members or staff in UK outreach events	Complete: Plan to include IASB Board member in 1st outreach event (preparer webinar) discussed and agreed by Project Board. It was also discussed at the March 2021 Insurance TAG meeting and then agreed with UKEB Technical Director.
	Required	Outreach plan for stakeholders outlined and communication approach	Complete: IFRS 17 project plans – including outreach plan and approach - discussed by the Project Board in November 2019, January 2020, February 2020, May 2020, June 2020; at the Technical Sub-Board in July 2020, December 2020; January 2021. The UKEB considered the project plan, including the extent of outreach carried out, at its meeting in May 2021 .
	Required	Resources allocated	Complete: resource allocation considered by Project Board as part of project planning (see above), including the need for specialist resource to be seconded to the IFRS 17 team in 2020.
	Required	UKEB Board public meeting held to approve PIP	Project Plan discussed and approved at UKEB meeting May 2021 . PIP not applicable – see explanation above.
	Optional	UKEB Education or initial assessment	Complete: Private education sessions held for the UKEB members on 26 April 2021 and 13 May 2021

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
Desk-based research	Optional	Identify relevant research sources and documents	Complete: Carried out over an extended period from start of project. Key sources included, but were not limited to: IASB Board papers for finalisation of standard; comment letters from stakeholders to IASB; guidance issued by audit firms; EFRAG documents
Communications			
Communications	Required	UKEB Board public meetings held to discuss technical project	Complete: Approach, key topics, and progress were all discussed at UKEB public Board meetings from May 2021 onwards.
	Required	Meeting papers posted and publicly available on a timely basis.	Complete: UKEB's meeting papers published on the UKEB website ' Latest Events ' one week before public meetings and subscribers notified via UKEB News Alerts. Meeting minutes and recordings made publicly available via the UKEB website and subscribers notified via UKEB News Alerts.
	Required	Project website contains a full description with up-to-date information on the project	Complete: Project webpage updated regularly with the latest project status and materials.
	Required	Update UKEB Website	Complete: Project webpage updated regularly, and News Alerts issued to subscribers with latest status and documents.
	Required	Evidence that subscriber alerts have occurred	Complete: Subscribers alerted via email 5 days before each board meeting. This included the papers and an option to dial in to observe the discussion. DECA publication News Alert .
	Optional	Project email address	Complete: An IFRS 17 specific project email was created and

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
			used for outreach and correspondence purposes throughout the duration of the project.
	Optional	Number of webcasts and podcasts held to provide interested parties with high level updates or other useful information about the technical project	Complete: Two webinars were held – one aimed primarily at preparers and one aimed primarily at users of accounts. Both were made available to stakeholders on the project web page .
	Optional	Educational materials for UKEB made public and posted on website	UKEB education materials were not made public as they constituted material for private Board meetings and included extensive material from external contributors. Webinars included specifically targeted educational material for preparers and users.
Draft Endorsement Criteria Assessment (DECA)			
Draft DECA	Optional	Prepare skeleton and gain internal feedback	Complete: First draft skeleton of the IFRS 17 DECA was presented to the Board at the May 2021 meeting .
	Required	UKEB sets comment period for response on DECA (not less than 90 days)	Complete: At the May 2021 meeting the Board decided that the comment period for public consultation should not be shorter than 90 days and approved the overall project plan including the targeted endorsement decision date. During the UKEB Oct. 2021 meeting , the Board approved the IFRS 17 DECA for public consultation. The Board agreed that the Secretariat should provide for a consultation period such that the final ECA (and related documents) would be presented to

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
			<p>the Board at its March 2022 meeting.</p> <p>As noted below, the IFRS 17 DECA was published (DECA publication News Alert) on 11 Nov 2021, with a twelve-week comment period to accommodate the Board's direction at its October 2021 meeting.</p>
	Required	Full (draft) DECA drafted	<p>Complete: The full IFRS 17 DECA was presented to the Board in October 2021.</p>
	Required	UKEB public meetings held for review and approval	<p>Complete: May.21 Initial discussion of IFRS 17 project. The Board agreed to use an exceptions-based approach and that the comment period should be not shorter than 90 days.</p> <p>Jul.21 The Board discussed and approved (subject to an amendment) the tentative assessment of relative priority of technical issues and a revised structure and outline contents of the IFRS 17 DECA.</p> <p>Jul.21 The Board discussed technical papers on Discount rates and Contractual Service Margin. The Board also discussed the expected Exposure Draft on the 2021 Narrow-scope amendment to IFRS 17.</p> <p>Sep.21 The Board approved a change to the project plan, agreeing that the Board's September meeting should focus on the draft assessments of the remaining technical issues</p>

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
			<p>previously prioritised by the Board and other significant technical issues relating to IFRS 17 endorsement.</p> <p>The technical topics discussed were:</p> <ul style="list-style-type: none"> • With-profits inherited estates. • Profitability buckets and annual cohorts. • CSM allocation for annuities. • Other significant issues. <p>In addition, the Board approved the Final Comment Letter to the IASB on the 2021 narrow scope amendment to IFRS 17.</p> <p>Oct.21. The Board discussed sections of the DECA separately (on the UK Long Term Public Good assessment and Technical Accounting Criteria assessment) before considering the DECA as a whole. The Board approved the DECA for publication (subject to some drafting amendments).</p> <p>Dec.21 The Board received an update on the ongoing consultation of the IFRS 17 DECA. It was noted that the ICAEW had submitted a paper to the IASB on the alternative approaches to the CSM allocation for annuity contracts. It was noted that further work was being carried out on issues related to reinsurance to close transactions in the Lloyd's market. The Board was informed that the IASB had finalised the 2021 narrow-scope amendment to IFRS 17, and it was agreed this would be incorporated within the</p>

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
			<p>wider IFRS 17 endorsement project.</p> <p>Jan.21 The Board was updated on the ongoing DECA public consultation. The Board noted that the CSM allocation for annuities issue was being considered by the IFRS Interpretations Committee. A paper summarising the issues on the Reinsurance to close transactions at Lloyd's was presented.</p> <p>Feb.21 The Board agreed with the Secretariat's proposals for addressing the consultation feedback, including revisions to the Endorsement Criteria Assessment (ECA), and noted the revised IFRS 17 project timeline proposing that the final decision to adopt would be considered at its April 2022 meeting. The Board also received an update on the issues arising from the application of IFRS 17 to Lloyd's market RITC transactions. The Board considered information on the accounting effects and the potential scale of the economic impact as well as draft assessments of these elements. The Board approved the draft assessments for inclusion in the final IFRS 17 Endorsement Criteria Assessment (ECA).</p>
	Required	DECA posted on UKEB Website for public consultation	Complete: The IFRS 17 DECA was published on the UKEB website Nov. 2021 with a 12 week

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
			comment period, ending on 3 Feb 2022.
	Required	News Alert published to announce publication	Complete: The news alert announcing publication was issued to subscribers on 11 November 2021. In addition, the DECA was discussed by the UKEB Chair at an Association of British Insurers (ABI) event in December 2021.
Outreach activities			
<i>Advisory groups</i>			
Discussion with ad-hoc advisory group	Optional	Number of advisory group meetings, and evidence of substantive involvement in issues (will depend on nature and size of project and timing of advisory groups meetings)	Complete: 10 Insurance TAG meetings held, from July 2020 to July 2021 – meeting summaries made available on UKEB website
	Optional	Advisory group discussion of DECA	Not considered necessary given the extensive involvement of the Insurance TAG in discussing topic papers, reflected as appropriate in the DECA.
<i>Fieldwork undertaken</i>			
Public events, roundtables, workshops or interviews with specific groups of stakeholders	Optional	Number of meetings held and venues documented	Complete: Two webinars , one user roundtable , a user and preparer survey, multiple interviews with preparers, auditors, and regulators. (<i>Refer to Feedback Statement</i>)
	Optional	Approach identified and brief to panellists/presenters	Complete: Approaches were developed with input from the Technical Director and panellists were briefed on the objectives and requirements of the events.
	Optional	Slides created and any other materials	Complete: Survey slide decks, webinar recordings and slide

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
			decks, economic reports and roundtable summary notes were all made available publicly on the project web page .
	Optional	Briefing for Technical Director/Chair	Complete: The Technical Director was briefed prior to and after each event.
Online survey	Optional	Number and results of surveys	Complete: User and preparer surveys were conducted. The summary results of each were posted on the project web page.
	Optional	Develop surveys and analyse survey results	Complete: The results of the Preparer survey were presented to the TAG and the results of the User survey to the user roundtable . Both surveys were published on the UKEB website. Key elements of stakeholder feedback were incorporated into the DECA.
Field tests	Optional	Number and results of field tests	Not applicable
	Optional	Develop field tests and analyse field test results	Not applicable
Discussion with IASB, EFRAG and other NSS	Optional	Number of meetings held	Complete: A number of meetings were held with IASB, EFRAG and with other National Standard Setters, both at the project planning and issue identification stages and in respect of specific issues arising during the course of the project.
Project Closure [OUTSTANDING FOR NOW]			
<i>Adoption package</i>			
Final Endorsement Criteria	Required	Public responses on ECA assessed and posted on website	

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
Assessment (ECA)	Optional	Prepare skeleton and gain internal feedback	
	Required	Number of UKEB public meetings held for review and approval of final ECA, in public meeting	
	Required	Publish final ECA on UKEB website	
	Optional	Send final ECA to national standard-setters and those who have been consulted and others as appropriate	
Feedback statement	Required	Draft Feedback Statement for discussion and review at UKEB public meeting	
	Required	Number of UKEB public meetings held for discussion and approval of feedback statement, in public meeting	
	Required	Feedback Statement posted on UKEB Website	
	Optional	Send publication to those who have been consulted	
	Required	News Alert published to announce publication	
Due Process Compliance Statement	Optional	Meeting held to review due process steps taken	
	Required	Compliance with due process steps statement approved by UKEB in public meeting	
	Required	Due Process Compliance Statement	

Endorsement process: IFRS 17 <i>Insurance Contracts</i>			
Step	Required / Optional	Metrics or evidence	UKEB secretariat comments
		posted on UKEB Website	
	Required	News Alert published to announce publication	
Adoption statement	Optional	Meeting held to review adoption statement	
	Required	Adoption statement approved by UKEB in public meeting	
	Required	Adoption statement posted on UKEB Website	
	Required	News Alert published to announce publication	
Voting			
Vote on Adoption Package	Required	Evidence of written vote (in paper or electronic form).	
	Required	News Alert published to announce the outcome of the vote to adopt the May 2020 amendments	
Conclusion			
<i>[Conclude whether in the UKEB secretariat's opinion, applicable due process steps have been complied with].</i>			
Approval			
Do the Board approve the [Project name] Due Process Compliance Statement for publication?			