

PRESS RELEASE

AAE comments to the revised IFRS 17 Exposure Draft

Brussels, 3 July 2019

On Wednesday 26 June, the IASB published the revised exposure draft of the IFRS 17 reporting standard on insurance contracts.

The AAE acknowledges that the IASB has indeed responded to a number of issues raised by EFRAG, the International Association of Actuaries and other stakeholders. On the other hand, the AAE also observes that important issues have not been addressed in the amendments, and further that the overall level of complexity remains.

Following the publication of the revised exposure draft, the AAE expects that EFRAG will resume the work of providing reinforced arguments to the earlier proposed changes, and of preparing its advice for European adoption to the European Commission.

In this process, the AAE will put efforts in supporting EFRAG with technical insight and analyses. The level of complexity is not reduced, and the AAE repeats this concern, especially in relation to:

- Introduction of new accounting items in the form of Contractual Service Margin, Risk Adjustment, Present Value of Future Cash Flows, Loss and Loss Recovery Components
- Application of principles in identifying key parameters used in calculating the above items and their run off over time
- Requirement for extensive and detailed grouping of contracts, e.g. by year of issue and in onerous and profitable categories
- Differentiated treatment of direct insurance and reinsurance
- Extent and scope of disclosures
- Differing approaches for different types of business

Current implementation projects clearly highlight the high heterogeneity of practices that could hinder the expected comparability of future IFRS17-based financial statements. The complexity in the standard, which has already been identified by EFRAG, is making implementation a complex, time consuming, and resource intensive process. The AAE observes that with the current time schedule, the time lag from finalisation of the standard until the implementation date has not been significantly increased by the postponement of the implementation date since the standard is not yet stabilised.

Notes for editors

1. For further information please contact Ad Kok, Chief Executive (tel. +32 2 201 60 21), aamkok@actuary.eu
2. Copies of all AAE press releases are available on the AAE website (www.actuary.eu)
3. The Actuarial Association of Europe (AAE) was established in 1978 under the name Groupe Consultatif to represent actuarial associations in Europe. Its primary purpose is to provide advice and opinions to the various organisations of the European Union - the Commission, the Council of Ministers, the European Parliament, the European Supervisors and their committees – on actuarial issues in European legislation. The AAE currently has 36 member associations in 35 European countries, representing over 25,000 actuaries. Advice and comments provided by the AAE on behalf of the European actuarial profession are totally independent of industry interests. The Actuarial Association of Europe is registered in the EU Transparency Register under number 550855911144-54

Therefore, AAE recommends a shift and fast consultation period and finalisation of the standard to allow for timely adoption of the standard by the European Commission. This is important to leave sufficient time for an efficient implementation in the European insurance industry.

The AAE believes that actuaries, as leaders in insurance companies for all aspects of cash flow projection and discounting, which are key elements of IFRS 17, will play a leading role in the implementation of IFRS 17 and the preparation of IFRS 17 accounts. More specifically, the high heterogeneity of practices calls for technical experts and the judgement of the actuarial profession.

We also believe that actuaries should have a formal responsibility for closing the accounts given this leading role. In preparation for this, the AAE and other actuarial professional bodies and associations are committed to preparing their members to play a leading role in IFRS 17.

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