



ACTUARIAL ASSOCIATION OF EUROPE

IFRS 17 and specific European aspects

Annual meeting 30 September – 1 October 2021

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Aspects specific to Europe

1. Carve out of the IFRS 17 standard
2. Consequences for actuarial publications from IAA
 - a) ISAP 4
 - b) IAN 100
3. Proposal for next steps

Background

- IFRS 17 is the new international reporting standard for insurance contracts developed by the IASB
- The standard is IFRS 17 will replace IFRS 4 with commencement date of its first financial year starting on or after 1 January 2023
- The standard is finally approved by the IASB, and the EU endorsement is in its final stage
- The current draft in the EU endorsement process contain a specific European relaxation to the general requirements of the standard
- No further changes to the current draft are expected

The Carve-out

- The IFRS 17 requires entities to group insurance contracts into annual cohorts
- European relaxation to this requirement:

Article 2

1. *Each company shall apply the amendment referred to in Article 1 at the latest as from the commencement date of its first financial year starting on or after 1 January 2023.*
2. *By way of derogation from paragraph 1, a company **may choose** not to apply the requirement laid down in paragraph 22 of the Annex to this Regulation to:*
 - a) *groups of insurance **contracts with direct participation** features and groups of investment contracts with **discretionary participation features** as defined in Appendix A to the Annex to this Regulation, and **with cash flows that affect or are affected by cash flows to policyholders of other contracts** as laid down in paragraphs B67 and B68 of Appendix B of that Annex;*
 - b) ***groups of insurance contracts** that are managed across generations of contracts and that meet the conditions laid down **in Article 77b of Directive 2009/138/EC** and have been approved by supervisory authorities for the application of the matching adjustment.*

When a company does not apply the requirement laid down in paragraph 22 of the Annex to this Regulation in accordance with paragraph 2 (a) or 2 (b) it shall disclose this, in accordance with International Accounting Standard 1 Presentation of Financial Statements, in the notes as a significant accounting policy and provide other explanatory information such as for which portfolios the company has applied this exemption.

Consequences for the actuarial publications from IAA

ISAP 4

Issue

- ISAP 4 is a model standard – non-binding guidance to actuaries
- The preface opens for local actuarial standard setters to adapt/amend to local variants of IFRS 17
- ISAP 4 is quite general in the formulation
 - ISAP 4 has not been updated to reflect the 2020 amendments to the standard because the amendments did not have impact on ISAP4
- Unclear if EU carve-out requires any amendments to ISAP 4
 - 2.6.14 of ISAP 4 mentions definition and groups of insurance contracts

Consequences for the actuarial publications from IAA

IAN 100

Issue

- An IAN is written to assist actuaries in the practical actuarial work on IFRS 17 reporting
- IAN 100 is much more descriptive when it comes to “how to”
 - IAN 100 has been updated to reflect the 2020 amendments to the standard because the amendments did have impact on IAN 100
- From immediate analysis, the EU carve-out requires amendments to IAN 100
 - Chapter 5 of IAN 100 deals with grouping of insurance contracts in a much more elaborate fashion than the model standard

Next steps (I/II)

1. **NOW:** The Professionalism Committee approves that members of the ASSC and the Insurance Committee (with practical help from IFRS 17 WG) will review the EU IFRS 17 proposal in relation to ISAP 4 and IAN 100
 - Evaluate the need for an ESAP 4 / European amendment to the standard
 - Evaluate the need for an EAN 100 / European amendment to the note
2. The ASSC and the IFRS 17 WG report back conclusions to the Professionalism Committee and Insurance Committee before 1 December 2021

Next steps (II/II)

3. If an ESAP 4 / European amendments to the standard is recommended, the ACCS will ask the Professionalism Committee to approve establishing a task force, approve a ToR, and develop a draft ESAP 4 or an European amendment to ISAP 4.
 - Decision to establish such a task force as required by the AAE due process
4. If an EAN 100 / European amendments to the note is recommended, the Insurance Committee (with practical help from IFRS 17 WG) will ask the Professionalism Committee to approve establishing a task force, approve a ToR, and develop a draft EAN 100 or an European amendment to IAN 4.
 - Decision to establish such a task force by electronic vote in December 2021
5. If no task forces are recommended, the Professionalism Committee will be asked to approve this decision
 - Decision to do no further action by electronic vote in December 2021

Questions?