

NZASB EXPOSURE DRAFT 2019-3

AMENDMENTS TO PBE IFRS 17

Issued [date]

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This [draft] Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on [date].

Reporting entities that are subject to this [draft] Standard are required to apply it in accordance with the effective date, which is set out in Part E.

In finalising this [draft] Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This [draft] Standard has been issued to incorporate amendments made to IFRS 17 *Insurance Contracts* by the International Accounting Standards Board into PBE IFRS 17 to maintain alignment between the two standards.

This Standard applies only to Tier 1 and Tier 2 not-for-profit public benefit entities.

¹ References to “this Standard” throughout this Exposure Draft should be read as referring to “this draft Standard”.

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Part A: Introduction

This [draft] Standard amends PBE IFRS 17 *Insurance Contracts* to incorporate the targeted amendments to IFRS 17 (other than the deferral of the mandatory effective date) issued by the International Accounting Standards Board (IASB) in [date].

The targeted amendments relate to the following topics.

- (a) Scope exclusions—credit card contracts and loan contracts that meet the definition of an insurance contract;
- (b) Allocation of acquisition costs to expected contract renewals;
- (c) Attribution of surplus to service relating to investment activities;
- (d) Reduced accounting mismatches for reinsurance;
- (e) Simplified presentation in the statement of financial position;
- (f) Extension of the risk mitigation option;
- (g) Additional transition reliefs;
- (h) Minor amendments; and
- (i) Amendments to other PBE Standards.

Part B: Scope

This Standard applies to Tier 1 and Tier 2 not-for-profit public benefit entities.

Part C: Amendments to PBE IFRS 17 *Insurance Contracts*

Paragraphs 4 and 7 are amended, and paragraph 8A is added. Deleted text is struck through and new text is underlined.

Scope

- ...
4. All references in PBE IFRS 17 to insurance contracts also apply to:
- (a) Reinsurance contracts held, except:
 - (i) ...
 - (ii) As described in paragraphs 60–70A.
 - (b) ...
- ...
7. An entity shall not apply PBE IFRS 17 to:
- (a) ...
 - (h) Credit card contracts that meet the definition of an insurance contract if, and only if, 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 (see PBE IPSAS 41 *Financial Instruments*).
- ...
- 8A. Some contracts meet the definition of an insurance contract but limit the compensation for insured events to the amount required to settle the policyholder’s obligation created by the contract (for example, loans with death waivers). If such contracts are not excluded from the scope of PBE IFRS 17 by paragraphs 7(a)–(h), an entity shall choose to apply PBE IFRS 17 or PBE IPSAS 41 to such contracts that it issues. The entity shall make that choice for each portfolio of insurance contracts, and the choice for each portfolio is irrevocable.

Paragraphs 10–12 are amended. New text is underlined and deleted text is struck through.

Separating Components from an Insurance Contract (paragraphs AG31–AG35)

10. An insurance contract may contain one or more components that would be within the scope of another Standard if they were separate contracts. For example, an insurance contract may include an investment component or a non-insurance service component (or both). An entity shall apply paragraphs 11–13 to identify and account for the components of the contract.
11. An entity shall:
- (a) ...
 - (b) Separate from a host insurance contract an investment component if, and only if, that investment component is distinct (see paragraphs AG31–AG32). The entity shall apply PBE IPSAS 41 to account for the separated investment component unless it is an investment contract with discretionary participation features (see paragraph 3(c)).

12. After applying paragraph 11 to separate any cash flows related to embedded derivatives and distinct investment components, an entity shall separate from the host insurance contract any promise to transfer to a policyholder distinct goods or ~~non-insurance~~ services other than insurance contract services. ~~to a policyholder~~. To separate the promise, the entity shall apply paragraphs AG33–AG35 of PBE IFRS 17 and, on initial recognition, shall:
- (a) Attribute the cash inflows between the insurance component and any promises to provide distinct goods or ~~non-insurance~~ services other than insurance contract services; and
 - (b) Attribute the cash outflows between the insurance component and any promised goods or ~~non-insurance~~ services other than insurance contract services accounted for so that:
 - (i) ...
- ...

In paragraph 13, the definitions of ‘contractual service margin’, ‘coverage period’, ‘group of insurance contracts’, ‘insurance acquisition cash flows’, ‘investment component’, ‘liability for incurred claims’ and ‘liability for remaining coverage’ are amended. Definitions are added for ‘insurance contract services’ and ‘reinsurance contract held that provides proportionate coverage’. New text is underlined and deleted text is struck through.

Defined terms in the definition sections of PBE Standards are normally shown as underlined text. To avoid confusion with proposed inserted text from *Amendments to PBE IFRS 17* (shown using underlined text) existing defined terms are shown below in bold italic font.

Definitions

- 13.1 The following terms are used in this Standard with the meanings specified:

The *contractual service margin* is a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned surplus the entity will recognise as it provides insurance contract services under the insurance contracts in the group.

~~For insurance contracts without direct participation features, the~~ *coverage period* is the period during which the entity provides insurance contract services ~~coverage for insured events~~. This period includes the services coverage that relates to all premiums within the boundary of the insurance contract. ~~For insurance contracts with direct participation features, the period during which the entity provides coverage for insured events or investment related services. This period includes the coverage for insured events or investment related services that relates to all premiums within the boundary of the insurance contract.~~

...

A *group of insurance contracts* is a set of insurance contracts resulting from the division of a portfolio of insurance contracts into, at a minimum, contracts issued or expected to be issued ~~written~~ within a period of no longer than one year and that, at initial recognition:

- (a) Are onerous, if any;
- (b) Have no significant possibility of becoming onerous subsequently, if any; or
- (c) Do not fall into either (a) or (b), if any.

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.

An insurance contract is...

Insurance contract services: The following services that an entity provides to a policyholder of an insurance contract:

- (a) **Coverage for an insured event (insurance coverage);**
- (b) **For insurance contracts without direct participation features, the generation of an investment return for the policyholder, if applicable (investment-return services); and**
- (c) **For insurance contracts with direct participation features, the management of underlying items on behalf of the policyholder (investment-related service).**

...

Investment component: The amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs, even if an insured event does not occur.

...

Liability for incurred claims: An entity's obligation to:

- (a) **Investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and**
- (b) **Pay amounts under existing insurance contracts that are not included in (a) for which an entity no longer provides an investment-return service or an investment-related service.**

Liability for remaining coverage: An entity's obligation to:

- (a) **Investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the insurance coverage period); and**
- (b) **Pay amounts under existing contracts that are not included in (a) for which an entity will provide an investment-return service or an investment-related service.**

...

A reinsurance contract is...

A reinsurance contract held that provides proportionate coverage is a reinsurance contract held that provides an entity with the right to recover from the issuer a percentage of all claims incurred on groups of underlying insurance contracts. The percentage the entity has a right to recover is fixed for all contracts in a single group of underlying contracts, but can vary between groups of underlying insurance contracts.

...

Paragraphs 19 and 24 are amended. New text is underlined and deleted text is struck through.
--

Level of Aggregation of Insurance Contracts

...

19. For contracts issued to which an entity does not apply the premium allocation approach (see paragraphs 53–~~54~~59), an entity shall assess whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous:

- (a) ...

...

24. An entity shall apply the recognition and measurement requirements of PBE IFRS 17 to the groups of contracts determined by applying paragraphs 14–23. An entity shall establish the groups at initial recognition and add contracts to the group applying paragraph 28. ~~and~~ The entity shall not reassess the

composition of the groups subsequently. ~~except as set out in paragraph 28.~~ To measure a group of contracts, an entity may estimate the fulfilment cash flows at a higher level of aggregation than the group or portfolio, provided the entity is able to include the appropriate fulfilment cash flows in the measurement of the group, applying paragraphs 32(a), 40(a)(i) and 40(b), by allocating such estimates to groups of contracts.

Paragraph 27 is deleted, paragraph 28 is amended and paragraphs 28A–28D are added. Paragraph 25 is not amended, but is included for ease of reference. New text is underlined and deleted text is struck through.

Recognition

25. **An entity shall recognise a group of insurance contracts it issues from the earliest of the following:**

- (a) **The beginning of the coverage period of the group of contracts;**
- (b) **The date when the first payment from a policyholder in the group becomes due; and**
- (c) **For a group of onerous contracts, when the group becomes onerous.**

...

27. ~~[Deleted by IASB]An entity shall recognise an asset or liability for any insurance acquisition cash flows relating to a group of insurance contracts issued or expected to be issued that the entity pays or receives before the group is recognised, unless it chooses to recognise them as expenses or revenue applying paragraph 59(a). An entity shall derecognise the asset or liability resulting from such insurance acquisition cash flows when the group of insurance contracts to which the cash flows are allocated is recognised (see paragraph 38(b)).~~

28. In recognising a group of insurance contracts in a reporting period, an entity shall include only contracts that individually meet one of the criteria set out in paragraph 25(a)–(c) applied to each contract and shall make estimates for the discount rates at the date of initial recognition (see paragraph AG73) and the coverage units provided in the reporting period (see paragraph AG119). An entity may include more contracts in the group after the end of a reporting period, subject to paragraphs 14–22. An entity shall add the contracts to the group in the reporting period in which the contracts meet one of the criteria set out in paragraph 25(a)–(c) applied to each contract. This may result in a change to the determination of the discount rates at the date of initial recognition applying paragraph AG73. An entity shall apply the revised rates from the start of the reporting period in which the new contracts are added to the group.

28A. An entity applying the premium allocation approach may recognise insurance acquisition cash flows as expenses applying paragraph 59(a). Otherwise, the entity shall allocate insurance acquisition cash flows to a group of insurance contracts on a systematic and rational basis applying paragraph AG35A.

28B. An entity shall recognise:

- (a) Insurance acquisition cash flows it expects to pay after the related group of insurance contracts is recognised as part of the fulfilment cash flows of the group of insurance contracts applying paragraph 32(a).
- (b) Insurance acquisition cash flows paid before the related group of insurance contracts is recognised as an asset. An entity shall recognise such an asset for each existing or future group of insurance contracts to which insurance acquisition cash flows are allocated.

28C. An entity shall derecognise an asset recognised applying paragraph 28B(b) when the insurance acquisition cash flows allocated to the group of insurance contracts are included in the measurement of the group applying paragraph 38(b). If, applying paragraph 28, the entity recognises in a reporting period only some of the insurance contracts expected to be included in the group, the entity shall determine the related portion of an asset for insurance acquisition cash flows for the group on a systematic and rational basis considering the expected timing of recognition of contracts in the group. The entity shall derecognise that portion of the asset and include it in the measurement of a group of insurance contracts applying paragraph 38(b).

28D. At the end of each reporting period, an entity shall assess the recoverability of an asset recognised applying paragraph 28B(b) if facts and circumstances indicate the asset may be impaired. If facts and circumstances indicate the asset may be impaired, the entity shall adjust the carrying amount of the asset and recognise any impairment loss identified applying paragraph AG35B. An entity shall adjust the carrying amount of the asset and recognise the reversal of any such loss applying paragraph AG35C.

Paragraph 29 is amended and its heading is amended. New text is underlined and deleted text is struck through.

Measurement (paragraphs AG36–AG119E)

29. An entity shall apply paragraphs 30–52 to all groups of insurance contracts within the scope of PBE IFRS 17, with the following exceptions:

- (a) ...
- (b) For groups of reinsurance contracts held, an entity shall apply paragraphs 32–46 as required by paragraphs 63–70A. Paragraphs 45 (on insurance contracts with direct participation features) and paragraphs 47–52 (on onerous contracts) do not apply to groups of reinsurance contracts held.
- (c) ...
- ...

The heading for paragraph 32 is amended. Paragraph 32 is not amended, but is included for ease of reference. Paragraphs 34 and 38 are amended. New text is underlined and deleted text is struck through.

Measurement on Initial Recognition (paragraphs AG36–AG95C)

32. **On initial recognition, an entity shall measure a group of insurance contracts at the total of:**

- (a) ...

Estimates of Future Cash Flows (paragraphs AG36–AG71)

...

34. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services (see paragraphs AG61–AG71). A substantive obligation to provide insurance contract services ends when:

- (a) ...
- (b) Both of the following criteria are satisfied:
 - (i) The entity has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
 - (ii) The pricing of the premiums ~~for coverage~~ up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

...

Contractual Service Margin

38. **The contractual service margin is a component of the asset or liability for the group of insurance contracts that represents the unearned surplus the entity will recognise as it provides insurance contract services in the future. An entity shall measure the contractual service margin on initial**

recognition of a group of insurance contracts at an amount that, unless paragraph 47 (on onerous contracts) applies, results in no revenue or expenses arising from:

- (a) ...
- (b) **The derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows applying paragraph 28C27; and**
- (c) ...
- ...

Paragraphs 41, 44 and 45 are amended and the heading for paragraphs 44 and 45 is amended. New text is underlined and deleted text is struck through.

Subsequent Measurement

- ...
- 41. **An entity shall recognise revenue and expenses for the following changes in the carrying amount of the liability for remaining coverage:**
 - (a) **Insurance revenue—for the reduction in the liability for remaining coverage because of insurance contract services provided in the period, measured applying paragraphs AG120–AG124;**
 - (b) ...
 - ...

Contractual Service Margin (paragraphs AG96—AG119B)

- ...
- 44. For insurance contracts without direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for:
 - (a) ...
 - (e) The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period applying paragraph AG119.
- 45. For insurance contracts with direct participation features (see paragraphs AG101–AG118), the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for the amounts specified in subparagraphs (a)–(e) below. An entity is not required to identify these adjustments separately. Instead, a combined amount may be determined for some, or all, of the adjustments. The adjustments are:
 - (a) ...
 - (b) The change in the amount of the entity's share of ~~the change in~~ the fair value of the underlying items (see paragraph AG104(b)(i)), except to the extent that:
 - (i) Paragraph AG115 (on risk mitigation) applies;
 - (ii) The decrease in the amount of the entity's share of ~~a decrease in~~ the fair value of the underlying items exceeds the carrying amount of the contractual service margin, giving rise to a loss (see paragraph 48); or
 - (iii) The increase in the amount of the entity's share of ~~an increase in~~ the fair value of the underlying items reverses the amount in (ii).
 - (c) ...

- (e) The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period, applying paragraph AG119.

Paragraphs 47–48 and 50 are amended. New text is underlined and deleted text is struck through.

Onerous Contracts

47. An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. Applying paragraph 16(a), an entity shall group such contracts separately from contracts that are not onerous. To the extent that paragraph 17 applies, an entity may identify the group of onerous contracts by measuring a set of contracts rather than individual contracts. An entity shall recognise a loss in surplus or deficit for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero.
48. A group of insurance contracts becomes onerous (or more onerous) on subsequent measurement if the following amounts exceed the carrying amount of the contractual service margin:
- (a) Unfavourable changes relating to future service in the fulfilment cash flows allocated to the group, arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk~~relating to future service~~; and
 - (b) For a group of insurance contracts with direct participation features, the decrease in the amount of the entity's share of ~~a decrease in~~ the fair value of the underlying items.

Applying paragraphs 44(c)(i), 45(b)(ii) and 45(c)(ii), an entity shall recognise a loss in surplus or deficit to the extent of that excess.

...

50. After an entity has recognised a loss on an onerous group of insurance contracts, it shall allocate:
- (a) ...
 - (b) Solely to the loss component until that component is reduced to zero:
 - (i) Any subsequent decrease relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk~~relating to future service~~ and
 - (ii) ~~Any subsequent increases in the~~ amount of the entity's share of ~~the~~ fair value of the underlying items ~~solely to the loss component until that component is reduced to zero.~~

Applying paragraphs 44(c)(ii), 45(b)(iii) and 45(c)(iii), an entity shall adjust the contractual service margin only for the excess of the decrease over the amount allocated to the loss component.

...

Paragraphs 53 and 55–56 are amended. New text is underlined and deleted text is struck through.

Premium Allocation Approach

53. An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach set out in paragraphs 55–59 if, and only if, at the inception of the group:
- (a) The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the requirements in paragraphs 32–52; or

- (b) The coverage period of each contract in the group (including insurance contract services coverage arising from all premiums within the contract boundary determined at that date applying paragraph 34) is one year or less.

...

55. Using the premium allocation approach, an entity shall measure the liability for remaining coverage as follows:

- (a) On initial recognition, the carrying amount of the liability is:
 - (i) ...
 - (iii) Plus or minus any amount arising from the derecognition at that date of the asset ~~or liability~~ recognised for insurance acquisition cash flows applying paragraph ~~28C27~~.
- (b) At the end of each subsequent reporting period, the carrying amount of the liability is the carrying amount at the start of the reporting period:
 - (i) ...
 - (v) Minus the amount recognised as insurance revenue for insurance contract services coverage provided in that period (see paragraph AG126); and
 - (vi) Minus any investment component paid or transferred to the liability for incurred claims.

56. If insurance contracts in the group have a significant financing component, an entity shall adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates specified in paragraph 36, as determined on initial recognition. The entity is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the entity expects that the time between providing each part of the insurance contract services coverage and the related premium due date is no more than a year.

...

Paragraphs 60, 62, 65–66 and 69 are amended, paragraph 65 is bifurcated creating new paragraph 65A, paragraphs 66A–66B and 70A are added. New text is underlined and deleted text is struck through.

Reinsurance Contracts Held

60. The requirements in PBE IFRS 17 are modified for reinsurance contracts held, as set out in paragraphs 61–70A.

...

Recognition

62. Instead of applying paragraph 25, an entity shall recognise ~~a group of reinsurance contracts held~~:

- (a) A group of reinsurance contracts held that provide proportionate coverage: ~~If the reinsurance contracts held provide proportionate coverage~~
 - (i) Unless paragraph 62(a)(ii) applies—at the beginning of the coverage period of the group of reinsurance contracts held or at the initial recognition of any underlying contract, whichever is the later; ~~or and~~
 - (ii) If the entity recognises an onerous group of underlying contracts before the beginning of the coverage period of the group of reinsurance contracts held—at the same time as the onerous group of underlying contracts.
- (b) ~~In a~~ All other groups of reinsurance contracts held ~~cases~~—from the beginning of the coverage period of the group of reinsurance contracts held.

Measurement

...

65. The requirements of paragraph 38 that relate to determining the contractual service margin on initial recognition are modified to reflect the fact that for a group of reinsurance contracts held there is no unearned surplus but instead a net cost or net gain on purchasing the reinsurance. Hence, unless paragraph 65A applies, on initial recognition: ~~(a) The entity shall recognise any net cost or net gain on purchasing the group of reinsurance contracts held as a contractual service margin measured at an amount equal to the sum of:~~

~~(a) The fulfilment cash flows;~~

~~(b) The amount derecognised at that date of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held; and~~

~~(c) Any cash flows arising at that date; and~~

~~(d) Any revenue recognised in surplus or deficit applying paragraph 66A, unless~~

~~65A. If (b) The net cost of purchasing reinsurance coverage relates to events that occurred before the purchase of the group of reinsurance contracts, in which case, notwithstanding the requirements of paragraph AG5, the entity shall recognise such a cost immediately in surplus or deficit as an expense.~~

66. Instead of applying paragraph 44, an entity shall measure the contractual service margin at the end of the reporting period for a group of reinsurance contracts held as the carrying amount determined at the start of the reporting period, adjusted for:

(a) ...

(ba) Revenue recognised in surplus or deficit in the reporting period applying paragraph 66A;

(c) ...

66A. An entity shall adjust the contractual service margin of a group of reinsurance contracts held that provides proportionate coverage and as a result recognise revenue when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. The amount of the adjustment and resulting revenue is determined applying paragraph AG119D.

66B. An entity shall establish (or adjust) a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses recognised applying paragraph 66A (see paragraphs AG119E–AG119F).

...

Premium Allocation Approach for Reinsurance Contracts Held

69. An entity may use the premium allocation approach set out in paragraphs 55–56 and 59 (adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue) to simplify the measurement of a group of reinsurance contracts held, if at the inception of the group:

(a) The entity reasonably expects the resulting measurement would not differ materially from the result of applying the requirements in paragraphs 63–68; or

(b) The coverage period of each contract in the group of reinsurance contracts held (including insurance coverage from all premiums within the contract boundary determined at that date applying paragraph 34) is one year or less.

...

70A. An entity shall apply paragraph 66A when a group of reinsurance contracts held is accounted for applying the premium allocation approach, by adjusting the carrying amount of the asset for remaining coverage instead of adjusting the contractual service margin.

Paragraph 71 is amended. New text is underlined and deleted text is struck through.

Investment Contracts with Discretionary Participation Features

71. An investment contract with discretionary participation features does not include a transfer of significant insurance risk. Consequently, the requirements in PBE IFRS 17 for insurance contracts are modified for investment contracts with discretionary participation features as follows:
- (a) The date of initial recognition (see paragraphs 25 and 28) is the date the entity becomes party to the contract.
 - (b) ...
 - ...

Paragraph 76 is amended. New text is underlined and deleted text is struck through.

Modification and Derecognition

...

Derecognition

...

76. An entity derecognises an insurance contract from within a group of contracts by applying the following requirements in PBE IFRS 17:
- (a) ...
 - (c) The number of coverage units for expected remaining insurance contract services~~coverage~~ is adjusted to reflect the coverage units derecognised from the group, and the amount of the contractual service margin recognised in surplus or deficit in the period is based on that adjusted number, applying paragraph AG119.
 - ...

Paragraphs 78–79 are amended. New text is underlined and deleted text is struck through.

Presentation in the Statement of Financial Position

78. **An entity shall present separately in the statement of financial position the carrying amount of portfolios ~~groups~~ of:**
- (a) **Insurance contracts issued that are assets;**
 - (b) **Insurance contracts issued that are liabilities;**
 - (c) **Reinsurance contracts held that are assets; and**
 - (d) **Reinsurance contracts held that are liabilities.**
79. An entity shall include any assets ~~or liabilities~~ for insurance acquisition cash flows recognised applying paragraph 28B(b)~~27~~ in the carrying amount of the related portfolios ~~groups~~ of insurance contracts issued, and any assets or liabilities for cash flows related to portfolios ~~groups~~ of reinsurance contracts held (see paragraph 65(a)) in the carrying amount of the portfolios ~~groups~~ of reinsurance contracts held.

Paragraphs 83 and 86 are amended. New text is underlined and deleted text is struck through.

Recognition and Presentation in the Statement of Comprehensive Revenue and Expense (paragraphs AG120–AG136)

...

Insurance Service Result

83. An entity shall present in surplus or deficit insurance revenue arising from the groups of insurance contracts issued. Insurance revenue shall depict the provision of insurance contract services coverage and other services arising from the group of insurance contracts at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Paragraphs AG120–AG127 specify how an entity measures insurance revenue.

...

86. An entity may present the revenue or expenses from a group of reinsurance contracts held (see paragraphs 60–70A), other than insurance finance revenue or expenses, as a single amount; or the entity may present separately the amounts recovered from the reinsurer and an allocation of the premiums paid that together give a net amount equal to that single amount. If an entity presents separately the amounts recovered from the reinsurer and an allocation of the premiums paid, it shall:

- (a) Treat reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held;
- (b) Treat amounts from the reinsurer that it expects to receive that are not contingent on claims of the underlying contracts (for example, some types of ceding commissions) as a reduction in the premiums to be paid to the reinsurer; ~~and~~
- (c) Not present the allocation of premiums paid as a reduction in revenue; and;
- (d) Treat amounts recognised relating to recovery of losses applying paragraphs 66A–66B as amounts recovered from the reinsurer (see paragraphs AG119E–AG119F).

...

Paragraphs 97, 99–101, 103–105, 106 and 109 are amended, paragraphs 105A–105C are added. Paragraph 98 is not amended, but is included for ease of reference. New text is underlined and deleted text is struck through.

Disclosure

...

Explanation of Recognised Amounts

97. Of the disclosures required by paragraphs 98–109, only those in paragraphs 98–100, ~~and~~ 102–103 and 105–105C apply to contracts to which the premium allocation approach has been applied. If an entity uses the premium allocation approach, it shall also disclose:

- (a) ...

98. An entity shall disclose reconciliations that show how the net carrying amounts of contracts within the scope of PBE IFRS 17 changed during the period because of cash flows and revenue and expenses recognised in the statement of comprehensive revenue and expense. Separate reconciliations shall be disclosed for insurance contracts issued and reinsurance contracts held. An entity shall adapt the requirements of paragraphs 100–109 to reflect the features of reinsurance contracts held that differ from insurance contracts issued; for example, the generation of expenses or reduction in expenses rather than revenue.

99. An entity shall provide enough information in the reconciliations to enable users of financial statements to identify changes from cash flows and amounts that are recognised in the statement of comprehensive revenue and expense. To comply with this requirement, an entity shall:
- (a) Disclose, in a table, the reconciliations set out in paragraphs 100–105C; and
 - (b) For each reconciliation, present the net carrying amounts at the beginning and at the end of the period, disaggregated into a total for ~~portfolios~~ groups of contracts that are assets and a total for ~~portfolios~~ groups of contracts that are liabilities, that equal the amounts presented in the statement of financial position applying paragraph 78.
100. An entity shall disclose reconciliations from the opening to the closing balances separately for each of:
- (a) ...
 - (c) The liabilities for incurred claims. For insurance contracts to which the premium allocation approach described in paragraphs 53–59 or 69–70A has been applied, an entity shall disclose separate reconciliations for:
 - (i) ...
101. For insurance contracts other than those to which the premium allocation approach described in paragraphs 53–59 or 69–70A has been applied, an entity shall also disclose reconciliations from the opening to the closing balances separately for each of:
- (a) ...
- ...
103. An entity shall separately disclose in the reconciliations required in paragraph 100 each of the following amounts related to insurance contract services, if applicable:
- (a) ...
 - (c) Investment components (combined with refunds of premiums unless refunds of premiums are presented as part of the cash flows in the period described in paragraph 105(a)(i)) excluded from insurance revenue and insurance service expenses.
104. An entity shall separately disclose in the reconciliations required in paragraph 101 each of the following amounts related to insurance contract services, if applicable:
- (a) ...
 - (b) Changes that relate to current service, i.e:
 - (i) ...
 - (ii) The change in the risk adjustment for non-financial risk that does not relate to future service or past service; and
 - (iii) Experience adjustments (see paragraphs AG97(c) and AG113(a)), excluding amounts relating to the risk adjustment for non-financial risk included in (ii).
 - (c) ...
105. To complete the reconciliations in paragraphs 100–101, an entity shall also disclose separately each of the following amounts not related to insurance contract services provided in the period, if applicable:
- (a) ...
- 105A. An entity shall disclose a reconciliation from the opening to the closing balance of assets for insurance acquisition cash flows recognised applying paragraphs 28B(b). An entity shall aggregate information for the reconciliation at a level that is consistent with that for the reconciliation of insurance contracts, applying paragraph 98.
- 105B. An entity shall disclose quantitatively, in appropriate time bands, when it expects to derecognise an asset for insurance acquisition cash flows applying paragraph 28C and include those cash flows in the measurement of the group of insurance contracts to which they are allocated.

105C. An entity shall separately disclose in the reconciliation required by paragraph 105A any recognition of impairment losses and reversals of impairment losses applying paragraph 28D.

106. For insurance contracts issued other than those to which the premium allocation approach described in paragraphs 53–59 has been applied, an entity shall disclose an analysis of the insurance revenue recognised in the period comprising:

- (a) The amounts relating to the changes in the liability for remaining coverage as specified in paragraph AG124, separately disclosing:
 - (i) The insurance service expenses incurred during the period as specified in paragraph AG124(a);
 - (ii) The change in the risk adjustment for non-financial risk, as specified in paragraph AG124(b); ~~and~~
 - (iii) The amount of the contractual service margin recognised in surplus or deficit because of the transfer of insurance contract services in the period, as specified in paragraph AG124(c); ~~and-~~
 - (iv) Experience adjustments for premium receipts, if any, as specified in paragraph AG124(d).
- (b) The allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows (see paragraph AG125).

...

109. For insurance contracts other than those to which the premium allocation approach described in paragraphs 53–59 or 69–70A has been applied, an entity shall disclose ~~an explanation of~~ when it expects to recognise the contractual service margin remaining at the end of the reporting period in surplus or deficit, ~~either~~ quantitatively, in appropriate time bands, ~~or by providing qualitative information.~~ Such information shall be provided separately for insurance contracts issued and reinsurance contracts held.

Paragraph 117 is amended. New text is underlined and deleted text is struck through.
--

Significant Judgements in Applying PBE IFRS 17

117. An entity shall disclose the significant judgements and changes in judgements made in applying PBE IFRS 17. Specifically, an entity shall disclose the inputs, assumptions and estimation techniques used, including:

- (a) ...
- (c) To the extent not covered in (a), the approach used:
 - (i) ...
 - (iii) To determine discount rates; ~~and~~
 - (iv) To determine investment components; ~~and-~~
 - (v) To determine the relative weighting of the benefits provided by insurance coverage and investment-return service (for insurance contracts without direct participation features) or insurance coverage and investment-related service (for insurance contracts with direct participation features) (see paragraphs AG119–AG119B).

...

Paragraph 132 is amended. New text is underlined and deleted text is struck through.

Nature and Extent of Risks that arise from Contracts within the Scope of PBE IFRS 17

...

Liquidity Risk—Other Information

132. For liquidity risk arising from contracts within the scope of PBE IFRS 17, an entity shall disclose:

- (a) A description of how it manages the liquidity risk.
- (b) Separate maturity analyses for portfolios groups of insurance contracts issued that are liabilities and portfolios groups of reinsurance contracts held that are liabilities that show, as a minimum, net cash flows of the portfolios groups for each of the first five years after the reporting date and in aggregate beyond the first five years. An entity is not required to include in these analyses liabilities for remaining coverage measured applying paragraphs 55–59 and paragraphs 69–70A. The analyses may take the form of:
 - (i) An analysis, by estimated timing, of the remaining contractual undiscounted net cash flows; or
 - (ii) An analysis, by estimated timing, of the estimates of the present value of the future cash flows.
- (c) The amounts that are payable on demand, explaining the relationship between such amounts and the carrying amount of the related portfolios groups of contracts, if not disclosed applying (b) of this paragraph.

Paragraph 132.3 is amended and paragraph 132.5A is added. Paragraph 132.5 is not amended, but is included for ease of reference. New text is underlined and deleted text is struck through.

Effective Date and Transition

...

Transition

132.3 Unless it is impracticable to do so, or paragraph 132.5A applies, an ~~An~~ entity shall apply PBE IFRS 17 retrospectively ~~unless impracticable~~, except that:

- (a) An entity is not required to present the quantitative information required by paragraph 33(f) of PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*; and
- (b) An entity shall not apply the option in paragraph AG115 for periods before the transition date ~~date of initial application~~ of PBE IFRS 17. An entity may apply the option in paragraph AG115 prospectively on or after the transition date if, and only if, the entity designates risk mitigation relationships at or before the date it applies the option.

...

132.5 If, and only if, it is impracticable for an entity to apply paragraph 132.3 for a group of insurance contracts, an entity shall apply the following approaches instead of applying paragraph 132.4(a):

- (a) The modified retrospective approach in paragraphs 132.6–132.19, subject to paragraph 132.6(a); or
- (b) The fair value approach in paragraphs 132.20–132.24.

132.5A. Notwithstanding paragraph 132.5, an entity may choose to apply the fair value approach in paragraphs 132.20–132.24 for a group of insurance contracts with direct participation features to which it could apply PBE IFRS 17 retrospectively if, and only if:

- (a) The entity chooses to apply the risk mitigation option in paragraph AG115 to the group of insurance contracts prospectively from the transition date; and

- (b) The entity has used derivatives or reinsurance contracts held to mitigate financial risk arising from the group of insurance contracts before the transition date.

...

Paragraphs 132.9A and 132.15A are added. Paragraph 132.8 is not amended, but is included for ease of reference. New text is underlined.

Modified Retrospective Approach

...

- 132.8 To achieve the objective of the modified retrospective approach, an entity is permitted to use each modification in paragraphs 132.9–132.19 only to the extent that an entity does not have reasonable and supportable information to apply a retrospective approach.

Assessments at Inception or Initial Recognition

...

- 132.9A. To the extent permitted by paragraph 132.8, an entity shall classify as a liability for incurred claims a liability for settlement of claims incurred before an insurance contract was acquired.

...

Determining the Contractual Service Margin or Loss Component for Groups of Insurance Contracts without Direct Participation Features

...

- 132.15A. For a group of reinsurance contracts held that provides proportionate coverage for an onerous group of insurance contracts and was acquired before or at the same time that the insurance contracts were issued, an entity shall establish a loss-recovery component of the asset for remaining coverage at the transition date (see paragraphs 66A–66B). To the extent permitted by paragraph 132.8, an entity shall determine the loss-recovery component by multiplying:

- (a) The loss component of the liability for remaining coverage for the group of underlying insurance contracts at the transition date (see paragraphs 132.16 and 132.20); and
- (b) The fixed percentage of claims for the group of underlying insurance contracts the entity has a right to recover from the group of reinsurance contracts held.

...

Paragraphs 132.20A and 132.22A are added. New text is underlined.

Fair Value Approach

...

- 132.20A. For a group of reinsurance contracts held to which paragraphs 66A–66B apply at the transition date, an entity shall determine the loss-recovery component of the asset for remaining coverage by multiplying:

- (a) The loss component of the liability for remaining coverage for the underlying insurance contracts at the transition date (see paragraphs 132.16 and 132.20); and
- (b) The fixed percentage of claims for the group of underlying insurance contracts the entity has a right to recover from the group of reinsurance contracts held.

...

- 132.22A. In applying the fair value approach, an entity may choose to classify as a liability for incurred claims a liability for settlement of claims incurred before an insurance contract was acquired.

Amendments to Appendix B—Application Guidance

Paragraph AG1 is amended. New text is underlined.

AG1. This appendix provides guidance on the following:

- (a) ...
 - (b) Asset for insurance acquisition cash flows (see paragraphs AG35A–AG35C);
 - (c) Measurement (see paragraphs AG36–AG119E);
 - (d) ...
- ...

Paragraphs AG5 and AG12 are amended. New text is underlined.

...

Uncertain Future Event

...

AG5. Some insurance contracts cover events that have already occurred but the financial effect of which is still uncertain. An example is an insurance contract that provides insurance coverage against an adverse development of an event that has already occurred. In such contracts, the insured event is the determination of the ultimate cost of those claims.

...

The Distinction between Insurance Risk and Other Risks

...

AG12. The definition of an insurance contract refers to an adverse effect on the policyholder. This definition does not limit the payment by the entity to an amount equal to the financial effect of the adverse event. For example, the definition includes ‘new for old’ insurance coverage that pays the policyholder an amount that permits the replacement of a used and damaged asset with a new one. Similarly, the definition does not limit the payment under a life insurance contract to the financial loss suffered by the deceased’s dependants, nor does it exclude contracts that specify the payment of predetermined amounts to quantify the loss caused by death or an accident.

...

After paragraph AG35, a new heading and paragraphs AG35A–AG35C are added. New text is underlined.

Asset for Insurance Acquisition Cash flows (paragraphs 28A–28D)

AG35A. To apply paragraph 28A, an entity allocates insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

- (a) To that group; and
- (b) To groups that include insurance contracts that are expected to arise from renewal of the insurance contracts in that group.

AG35B. To apply paragraph 28D:

- (a) An entity shall recognise an impairment loss in surplus or deficit and reduce the carrying amount of any asset for insurance acquisition cash flows recognised applying paragraph 28B(b), so that the carrying amount of each asset does not exceed the expected net cash inflow for the related group, determined applying paragraph 32(a).

(b) In addition, when an entity allocates insurance acquisition cash flows to groups of insurance contracts applying paragraph AG35A(b), the entity shall recognise an impairment loss in surplus or deficit and reduce the carrying amount of the related assets for insurance acquisition cash flows to the extent that:

(i) The entity expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals, determined applying paragraph 32(a); and

(ii) The excess determined applying paragraph AG35B(b)(i) has not already been recognised as an impairment loss applying paragraph AG35B(a).

AG35C. An entity shall recognise in surplus or deficit a reversal of some or all of an impairment loss previously recognised applying paragraph 28D and increase the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

...

Paragraphs AG64–AG65 and AG71 are amended. New text is underlined and deleted text is struck through.

Measurement (paragraphs 29–71)

Estimates of Future Cash Flows (paragraphs 33–35)

...

Cash Flows within the Contract Boundary (paragraph 34)

...

AG64. Paragraph 34 refers to an entity's practical ability to set a price at a future date (a renewal date) that fully reflects the risks in the contract from that date. An entity has that practical ability in the absence of constraints that prevent the entity from setting the same price it would for a new contract with the same characteristics as the existing contract issued on that date, or if it can amend the benefits to be consistent with the price it will charge. Similarly, an entity has that practical ability to set a price when it can reprice an existing contract so that the price reflects overall changes in the risks in a portfolio of insurance contracts, even if the price set for each individual policyholder does not reflect the change in risk for that specific policyholder. When assessing whether the entity has the practical ability to set a price that fully reflects the risks in the contract or portfolio, it shall consider all the risks that it would consider when underwriting equivalent contracts on the renewal date for the remaining service coverage. In determining the estimates of future cash flows at the end of a reporting period, an entity shall reassess the boundary of an insurance contract to include the effect of changes in circumstances on the entity's substantive rights and obligations.

AG65. Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the entity has discretion over the amount or timing. The cash flows within the boundary include:

(a) ...

...

(l) ...

(la) Costs the entity will incur in providing an investment-return service (for insurance contracts without direct participation features) or an investment-related service (for insurance contracts with direct participation features).

(m) ...

...

Contracts with Cash Flows that Affect or are Affected by Cash Flows to Policyholders of Other Contracts

...

- AG71. After all the service coverage has been provided to the contracts in a group, the fulfilment cash flows may still include payments expected to be made to current policyholders in other groups or future policyholders. An entity is not required to continue to allocate such fulfilment cash flows to specific groups but can instead recognise and measure a liability for such fulfilment cash flows arising from all groups.

...

The heading above paragraphs AG93 is amended, paragraph AG95 is bifurcated creating new paragraph AG95A and paragraphs AG95B–AG95C are added. New text is underlined.

Initial Recognition of Transfers of Insurance Contracts and ~~Business~~ PBE Combinations ~~within the Scope of PBE IPSAS 40~~ (paragraph 39)

...

- AG95. Unless the premium allocation approach for the liability for remaining coverage in paragraphs 55–59 applies, on initial recognition the contractual service margin is calculated applying paragraph 38 for acquired insurance contracts issued and paragraph 65 for acquired reinsurance contracts held using the consideration received or paid for the contracts as a proxy for the premiums received or paid at the date of initial recognition.

AG95A. If acquired insurance contracts issued are onerous, applying paragraph 47, the entity shall recognise the excess of the fulfilment cash flows over the consideration paid or received as part of goodwill or gain on a bargain purchase for contracts acquired in a ~~business~~ PBE combination within the scope of PBE IPSAS 40 or as a loss in surplus or deficit for contracts acquired in a transfer. The entity shall establish a loss component of the liability for remaining coverage for that excess, and apply paragraphs 49–52 to allocate subsequent changes in fulfilment cash flows to that loss component.

AG95B. For a group of reinsurance contracts held to which paragraphs 66A–66B apply at the date of the transaction, an entity shall determine the loss-recovery component of the asset for remaining coverage by multiplying:

- (a) The loss component of the liability for remaining coverage of the group of underlying insurance contracts at the date of the transaction; and
- (b) The fixed percentage of claims the entity has a right to recover from the group of reinsurance contracts held.

AG95C. The entity shall recognise the amount of the loss-recovery component determined applying paragraph AG95B as part of goodwill or gain on a bargain purchase for reinsurance contracts held acquired in a PBE combination within the scope of PBE IPSAS 40, or as revenue in surplus or deficit for contracts acquired in a transfer.

Paragraphs AG96–AG97 are amended. New text is underlined.

Changes in the Carrying Amount of the Contractual Service Margin for Insurance Contracts without Direct Participation Features (paragraph 44)

- AG96. For insurance contracts without direct participation features, paragraph 44(c) requires an adjustment to the contractual service margin of a group of insurance contracts for changes in fulfilment cash flows that relate to future service. These changes comprise:

- (a) Experience adjustments arising from premiums received in the period that relate to future service, and related cash flows such as insurance acquisition cash flows and premium-based taxes, measured at the discount rates specified in paragraph AG72(c);

- (b) Changes in estimates of the present value of the future cash flows in the liability for remaining coverage, except those described in paragraph AG97(a), measured at the discount rates specified in paragraph AG72(c);⁵
- (c) Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, except those described in paragraph AG97(a), measured at the discount rates specified in paragraph AG72(c);~~and~~
- (d) Changes in the risk adjustment for non-financial risk that relate to future service. An entity is not required to disaggregate the change in the risk adjustment for non-financial risk between (i) a change related to nonfinancial risk and (ii) the effect of the time value of money and changes in the time value of money. If an entity makes such a disaggregation, it shall adjust the contractual service margin for the change related to non-financial risk, measured at the discount rates specified in paragraph AG72(c).

AG97. An entity shall not adjust the contractual service margin for a group of insurance contracts without direct participation features for the following changes in fulfilment cash flows because they do not relate to future service:

- (a) The effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk (being (i) the effect, if any, on estimated future cash flows; (ii) if the effect is disaggregated, on the risk adjustment for non-financial risk; and (iii) the effect of a change in discount rate);
- (b) ...
- ...

Paragraphs AG104, AG107, AG112, AG115, AG116 and AG118 are amended. Paragraph AG101 is not amended, but is included for ease of reference. New text is underlined and deleted text is struck through.

Changes in the Carrying Amount of the Contractual Service Margin for Insurance Contracts with Direct Participation Features (paragraph 45)

AG101. Insurance contracts with direct participation features are insurance contracts that are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. Hence, they are defined as insurance contracts for which:

- (a) The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items (see paragraphs AG105–AG106);
- (b) The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items (see paragraph AG107); and
- (c) The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items (see paragraph AG107).

...

AG104. The conditions in paragraph AG101 ensure that insurance contracts with direct participation features are contracts under which the entity’s obligation to the policyholder is the net of:

- (a) ...
- (b) A variable fee (see paragraphs AG110–AG118) that the entity will deduct from (a) in exchange for the future service provided by the insurance contract, comprising:
 - (i) The amount of the entity’s share of the fair value of the underlying items; less
 - (ii) Fulfilment cash flows that do not vary based on the returns on underlying items.

...

AG107. Paragraph AG101(b) requires that the entity expects a substantial share of the fair value returns on the underlying items will be paid to the policyholder and paragraph AG101(c) requires that the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. An entity shall:

- (a) ...
- (b) Assess the variability in the amounts in paragraphs AG101(b) and AG101(c):
 - (i) Over the duration of the ~~group of insurance~~ contract contracts; and
 - (ii) ...

...

AG112. Changes in the amount of the entity's share of the fair value of the underlying items (paragraph AG104(b)(i)) relate to future service and adjust the contractual service margin, applying paragraph 45(b).

...

Risk Mitigation

AG115. To the extent that an entity meets the conditions in paragraph AG116, it may choose not to recognise a change in the contractual service margin to reflect some or all of the changes in the effect of financial risk on the amount of the entity's share of the underlying items (see paragraph AG112) or the fulfilment cash flows set out in paragraph AG113(b).

AG116. To apply paragraph AG115, an entity must have a previously documented risk-management objective and strategy for mitigating financial risk arising from the insurance contracts using derivatives or reinsurance contracts held, and to mitigate financial risk arising from the insurance contracts and, in applying that objective and strategy:

- (a) The entity mitigates the financial risk arising from the insurance contracts using ~~uses~~ a derivative or a reinsurance contracts held, ~~to mitigate the financial risk arising from the insurance contracts.~~
- (b) An economic offset exists between the insurance contracts and the derivative or reinsurance contract held, i.e., the values of the insurance contracts and the derivative or reinsurance contract held generally move in opposite directions because they respond in a similar way to the changes in the risk being mitigated. An entity shall not consider accounting measurement differences in assessing the economic offset.
- (c) Credit risk does not dominate the economic offset.

...

AG118. ~~If, and only if,~~ any of the conditions in paragraph AG116 ceases to be met, an entity shall:-

- ~~(a) Cease~~ cease to apply paragraph AG115 from that date, ~~and~~
- ~~(b) N~~ An entity shall not make any adjustment for changes previously recognised in surplus or deficit.

Paragraph AG119 is amended and paragraphs AG119A–AG119B are added. New text is underlined and deleted text is struck through.

Recognition of the Contractual Service Margin in Surplus or Deficit

AG119. An amount of the contractual service margin for a group of insurance contracts is recognised in surplus or deficit in each period to reflect the insurance contract services provided under the group of insurance contracts in that period (see paragraphs 44(e), 45(e) and 66(e)). The amount is determined by:

- (a) Identifying the coverage units in the group. The number of coverage units in a group is the quantity of service coverage ~~provided~~ by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period.

- (b) Allocating the contractual service margin at the end of the period (before recognising any amounts in surplus or deficit to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future.
- (c) Recognising in surplus or deficit the amount allocated to coverage units provided in the period.

AG119A. For the purpose of applying paragraph AG119, the period of investment-return service or investment-related service ends at or before the date that all amounts due to current policyholders relating to those services have been paid, without considering payments to future policyholders included in the fulfilment cash flows applying paragraph AG68.

AG119B. Insurance contracts without direct participation features may provide an investment-return service if, and only if:

- (a) An investment component exists, or the policyholder has a right to withdraw an amount;
- (b) The entity expects the investment component or amount the policyholder has a right to withdraw to include a positive investment return (a positive investment return could be below zero, for example, in a negative interest rate environment); and
- (c) The entity expects to perform investment activity to generate that positive investment return.

A new heading and paragraphs AG119C–AG119F are added. New text is underlined and deleted text is struck through.

Reinsurance Contracts Held—Recognition of Recovery of Losses on Underlying Insurance Contracts (paragraphs 66A–66B)

AG119C. Paragraph 66A applies to reinsurance contracts held that provide proportionate coverage. Such reinsurance contracts provide the entity with the right to recover from the issuer a fixed percentage of all claims incurred on a group of underlying insurance contracts. Such reinsurance contracts can also include cash flows, other than claims, that are not proportionate to cash flows of the underlying groups of insurance contracts issued. For example, in such reinsurance contracts, the premiums due to the reinsurer might not be proportionate to premiums due from the policyholders of the groups of underlying insurance contracts.

AG119D. An entity shall determine the adjustment to the contractual service margin and the resulting revenue recognised applying paragraph 66A by multiplying:

- (a) The loss recognised on the group of underlying insurance contracts; and
- (b) The fixed percentage of claims on the group of underlying insurance contracts the entity has a right to recover from the group of reinsurance contracts held.

AG119E. Applying paragraph 66B, an entity shall establish (or adjust) a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held. The loss-recovery component determines the amounts that are presented in surplus or deficit as reversals of recoveries of losses from reinsurance contracts held and are consequently excluded from the allocation of premiums paid to the reinsurer

AG119F. After an entity has established a loss-recovery component applying paragraph 66B it shall

- (a) Adjust the loss-recovery component to reflect changes in the loss component for the group of underlying insurance contracts recognised applying paragraphs 50(a) and 51–52; and
- (b) Allocate subsequent changes in fulfilment cash flows described in paragraph 66(c)(ii), which arise from onerous groups of underlying insurance contracts, to that loss-recovery component until it is reduced to zero.

Paragraphs AG121, AG123–AG124 and AG126 are amended. New text is underlined and deleted text is struck through.

Insurance Revenue (paragraphs 83 and 85)

- ...
- AG121. Paragraph 83 requires the amount of insurance revenue recognised in a period to depict the transfer of promised services at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The total consideration for a group of contracts covers the following amounts:
- (a) Amounts related to the provision of services, comprising:
 - (i) Insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk included in (ii) and any amounts allocated to the loss component of the liability for remaining coverage;
 - (ii) The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage; and
 - (iii) ...
- ...
- AG123. When an entity provides services in a period, it reduces the liability for remaining coverage for the services provided and recognises insurance revenue. The reduction in the liability for remaining coverage that gives rise to insurance revenue excludes changes in the liability that do not relate to services expected to be covered by the consideration received by the entity. Those changes are:
- (a) Changes that do not relate to services provided in the period, for example:
 - (i) Changes resulting from cash inflows from premiums received;
 - (ia) Changes resulting from cash flows from loans to policyholders;
 - (iii) ...
- AG124. Consequently, insurance revenue for the period can also be analysed as the total of the changes in the liability for remaining coverage in the period that relates to services for which the entity expects to receive consideration. Those changes are:
- (a) Insurance service expenses incurred in the period (measured at the amounts expected at the beginning of the period), excluding:
 - (i) ...
 - (v) The amount related to the risk adjustment for non-financial risk (see (b)).
 - (b) ...
 - (c) ...
 - (d) Experience adjustments for premium receipts, if any.
- ...
- AG126. When an entity applies the premium allocation approach in paragraphs 55–58, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk, if applicable, applying paragraph 56) allocated to the period. The entity shall allocate the expected premium receipts to each period of service coverage:
- (a) ...
- ...

Paragraph AG128 is amended. New text is underlined and deleted text is struck through.

Insurance Finance Revenue or Expenses (paragraphs 87–92)

AG128. Paragraph 87 requires an entity to include in insurance finance revenue or expenses the effect of the time value of money and financial risk and changes therein ~~assumptions that relate to financial risk~~. For the purposes of PBE IFRS 17:

- (a) Assumptions about inflation based on an index of prices or rates or on prices of assets with inflation-linked returns are assumptions that relate to financial risk; ~~and~~
- (b) Assumptions about inflation based on an entity's expectation of specific price changes are not assumptions that relate to financial risk; ~~and-~~
- (c) Changes in the measurement of a group of insurance contracts caused by changes in the fair value of underlying items (excluding additions and withdrawals) are changes arising from the effect of the time value of money and financial risk and changes therein.

...

Part D: Amendments to other PBE Standards

These amendments are made to the consequential amendments to other PBE Standards as a consequence of the issuance of PBE IFRS 17 (see Appendix D of PBE IFRS 17).

The underlines and strikethroughs show the amendments made to other PBE Standards by *Amendments to PBE IFRS 17*. The underlines and strikethroughs in Appendix D of PBE IFRS 17 showing the consequential amendments to other PBE Standards are not shown.

PBE IPSAS 1 *Presentation of Financial Reports*

Paragraphs 88(da), 88(ma) and 154.12 are amended. New text is underlined and deleted text is struck through.

Information to be Presented on the Face of the Statement of Financial Position

88. **The face of the statement of financial position shall include line items that present the following amounts:**

(a) ...

(da) **Portfolios ~~Groups~~ of contracts within the scope of PBE IFRS 17 that are assets, disaggregated as required by paragraph 78 of PBE IFRS 17;**

...

(ma) **Portfolios ~~Groups~~ of contracts within the scope of PBE IFRS 17 that are liabilities, disaggregated as required by paragraph 78 of PBE IFRS 17;**

...

Effective Date

...

154.12 **PBE IFRS 17, issued in July 2019 and amended in [date], amended paragraphs 7, 88 and 99.1. An entity shall apply those amendments when it applies PBE IFRS 17.**

PBE IPSAS 28 *Financial Instruments: Presentation*

Paragraphs 3(c) and 62.7 are amended. New text is underlined and deleted text is struck through.

Scope (see also paragraphs AG3–AG9)

3. **An entity that prepares and presents financial statements shall apply this Standard to all types of financial instruments except:**

...

(c) **Insurance contracts as defined in PBE IFRS 17 *Insurance Contracts* ~~and~~ or investment contracts with discretionary participation features within the scope of PBE IFRS 17. However, this Standard applies to:**

(i) **Derivatives that are embedded in contracts within the scope of PBE IFRS 17 if PBE IPSAS 41 requires the entity to account for them separately.** ~~and~~

- (ii) Investment components that are separated from contracts within the scope of PBE IFRS 17, if PBE IFRS 17 requires such separation, unless the separated investment component is an investment contract with discretionary participation features.
- ~~(iii) Moreover, an issuer shall apply this Standard to f~~ Financial guarantee contracts, if the issuer applies PBE IPSAS 41 in recognising and measuring the contracts. However, the issuer, but shall apply PBE IFRS 17 if the issuer elects, in accordance with paragraph 7(e) of PBE IFRS 17, to apply PBE IFRS 17 in recognising and measuring the contracts them.
- ~~(iv) Credit card contracts an entity issues that meet the definition of an insurance contract but which paragraph 7(h) of PBE IFRS 17 excludes from the scope of PBE IFRS 17 because 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.~~
- ~~(v) Insurance contracts that an entity issues that limit the compensation for insured events to the amount required to settle the policyholder's obligation created by the contract if the entity elects, in accordance with paragraph 8A of PBE IFRS 17, to apply PBE IPSAS 41 instead of PBE IFRS 17 to such contracts.~~

...

Effective Date

...

- 62.7 PBE IFRS 17, issued in July 2019 and amended in [date], amended paragraphs 3, 9, AG9, AG15 and AG61, and added paragraph 38.1. An entity shall apply those amendments when it applies PBE IFRS 17.

PBE IPSAS 30 *Financial Instruments: Disclosures*

Paragraphs 3(c) and 53.8 are amended. New text is underlined and deleted text is struck through.

Scope

3. This Standard shall be applied by all entities to all types of financial instruments, except:
- (a) ...
 - (c) Insurance contracts, as defined in PBE IFRS 17 *Insurance Contracts* ~~or and~~ investment contracts with discretionary participation features within the scope of PBE IFRS 17. However, this Standard applies to:
 - (i) Derivatives that are embedded in contracts within the scope of PBE IFRS 17, if PBE IPSAS 41 requires the entity to account for them separately, ~~and~~
 - (ii) Investment components that are separated from contracts within the scope of PBE IFRS 17 if PBE IFRS 17 requires such separation, unless the separated investment component is an investment contract with discretionary participation features.
 - ~~(iii) Moreover, an issuer shall apply this Standard to f~~ Financial guarantee contracts if the issuer applies PBE IPSAS 41 in recognising and measuring the contracts. However, the issuer, but shall apply PBE IFRS 17 if the issuer elects, in accordance with paragraph 7(e) of PBE IFRS 17, to apply PBE IFRS 17 in recognising and measuring them the contracts.
 - ~~(iv) Credit card contracts an entity issues that meet the definition of an insurance contract but which paragraph 7(h) of PBE IFRS 17 excludes from the scope of PBE IFRS 17~~

because 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.

- (v) Insurance contracts that an entity issues that limit the compensation for insured events to the amount required to settle the policyholder's obligation created by the contract, if the entity elects, in accordance with paragraph 8A of PBE IFRS 17, to apply PBE IPSAS 41 instead of PBE IFRS 17 to such contracts.

...

Effective Date and Transition

...

- 53.8 PBE IFRS 17, issued in July 2019 and amended in [date], amended paragraphs 3, 11 and 35 and deleted paragraph 36. An entity shall apply those amendments when it applies PBE IFRS 17.

PBE IPSAS 41 *Financial Instruments*

Paragraphs 2(e) and 156.2 are amended. A new heading and paragraphs 184.1–184.7 are added. New text is underlined and deleted text is struck through.

Scope

2. This Standard shall be applied by all entities to all types of financial instruments except:
- (a) ...
- (e) ~~Rights and obligations arising under (i) an insurance contract as defined in PBE IFRS 17 *Insurance Contracts*, other than an issuer's rights and obligations arising under an insurance contract that meets the definition of a financial guarantee contract, or (ii) an investment contract with discretionary participation features within the scope of PBE IFRS 17. However, this Standard applies to:~~
- (i) ~~a derivative~~ Derivatives that are is embedded in a contracts within the scope of PBE IFRS 17, if the derivatives are not themselves is not itself a contracts within the scope of PBE IFRS 17,; and
- (ii) ~~an investment components that are is separated from a contracts within the scope of PBE IFRS 17, if PBE IFRS 17 requires such separation, unless the separated investment component is an investment contract with discretionary participation features.~~
- (iii) Insurance contracts that meet the definition of a financial guarantee contract. However, Moreover, if an issuer of financial guarantee contracts has previously applied accounting that is applicable to insurance contracts and adopted an accounting policy that treated financial guarantee contracts as insurance contracts, the issuer may elect to apply either this Standard or PBE IFRS 17 to such financial guarantee contracts (see paragraphs AG5–AG6). The issuer may make that election contract by contract, but the election for each contract is irrevocable.
- (iv) Credit card contracts that an entity issues that meet the definition of an insurance contract but which paragraph 7(h) of PBE IFRS 17 excludes from the scope of PBE IFRS 17 because 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.
- (v) Insurance contracts that an entity issues that limit the compensation for insured events to the amount required to settle the policyholder's obligation created by the contract,

if the entity elects, in accordance with paragraph 8A of PBE IFRS 17, to apply PBE IPSAS 41 instead of PBE IFRS 17 to such contracts.

...

Effective Date and Transition

Effective Date

156 ...

156.2 **PBE IFRS 17, issued in July 2019 and amended in [date], amended paragraphs 2, AG1, AG4, AG5 and AG92 and added paragraphs 38.1 and 184A–184G and the heading above paragraph 184A. An entity shall apply those amendments when it applies PBE IFRS 17.**

...

Transition

...

Transition for PBE IFRS 17 as amended in [date]

184A. An entity shall apply the amendments to PBE IPSAS 41 made by PBE IFRS 17 as amended in [date] retrospectively in accordance with PBE IPSAS 3, except as specified in paragraphs 184B–184G.

184B. An entity that first applies PBE IFRS 17 as amended in [date] at the same time it first applies this Standard shall apply paragraphs 158–184 instead of paragraphs 184C–184G.

184C. An entity that first applies PBE IFRS 17 as amended in [date] after it first applies this Standard shall apply paragraphs 184D–184G. The entity shall also apply the other transition requirements in this Standard necessary for applying these amendments. For that purpose, references to the date of initial application shall be read as referring to the beginning of the reporting period in which an entity first applies these amendments (date of initial application of these amendments).

184D. With regard to designating a financial liability as measured at fair value through surplus or deficit, an entity:

(a) Shall revoke its previous designation of a financial liability as measured at fair value through surplus or deficit if that designation was previously made in accordance with the condition in paragraph 4.2.2(a) but that condition is no longer satisfied as a result of the application of these amendments; and

(b) May designate a financial liability as measured at fair value through surplus or deficit if that designation would not have previously satisfied the condition in paragraph 4.2.2(a) but that condition is now satisfied as a result of the application of these amendments.

Such a designation and revocation shall be made on the basis of the facts and circumstances that exist at the date of initial application of these amendments. That classification shall be applied retrospectively.

184E. An entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods only if it is possible to do so without the use of hindsight. If an entity restates prior periods, the restated financial statements must reflect all the requirements in this Standard for the affected financial instruments. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening accumulated comprehensive revenue and expense (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.

184F. In the reporting period that includes the date of initial application of these amendments, an entity is not required to present the quantitative information required by paragraph 33(f) of PBE IPSAS 3.

184G. In the reporting period that includes the date of initial application of these amendments, the entity shall disclose the following information as at that date of initial application for each class of financial assets and financial liabilities that were affected by these amendments:

- (a) The previous classification, including the previous measurement category when applicable, and carrying amount determined immediately before applying these amendments;
- (b) The new measurement category and carrying amount determined after applying these amendments;
- (c) The carrying amount of any financial liabilities in the statement of financial position that were previously designated as measured at fair value through surplus or deficit but are no longer so designated; and
- (d) The reasons for any designation or de-designation of financial liabilities as measured at fair value through surplus or deficit.

Part E: Effective Date

The amendments in this Standard are effective for annual financial statements covering periods beginning on or after 1 January 2022.