



NZ ACCOUNTING
STANDARDS
BOARD

AMENDMENTS TO PBE IFRS 17

Issued August 2020

This Standard was issued on 20 August 2020 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This 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 17 September 2020.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date in Part D.

In finalising this 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 Tier 1 and Tier 2 PBE Standard has been issued to maintain alignment between PBE IFRS 17 and NZ IFRS 17 *Insurance Contracts* by:

- (a) incorporating recent amendments to IFRS 17 *Insurance Contracts* and NZ IFRS 17 *Insurance Contracts* into PBE IFRS 17; and
- (b) deferring the effective date of PBE IFRS 17 by one year, from 1 January 2022 to 1 January 2023.

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

AMENDMENTS TO PBE IFRS 17

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ISBN 978-0-947505-89-9

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International Accounting Standards Board
Columbus Building, 7 Westferry Circus, Canary Wharf, London, E14 4HD, United Kingdom.
Tel: +44 (0) 20 7246 6410
Email: info@ifrs.org Web: www.ifrs.org

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CONTENTS

	<i>from page</i>
PART A: INTRODUCTION	5
PART B: SCOPE	5
PART C: AMENDMENTS	5
PBE IFRS 17	5
APPENDIX B—APPLICATION GUIDANCE	24
APPENDIX D—AMENDMENTS TO OTHER STANDARDS	35
BASIS FOR CONCLUSIONS	41
PART D: EFFECTIVE DATE	41

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APPROVAL BY THE IASB OF *AMENDMENTS TO IFRS 17* ISSUED IN JUNE 2020

AMENDMENTS TO ILLUSTRATIVE EXAMPLES ON IFRS 17

AMENDMENTS TO BASIS FOR CONCLUSIONS ON IFRS 17

Part A – Introduction

This Standard sets out targeted amendments to PBE IFRS 17 *Insurance Contracts*. The amendments are based on equivalent amendments to IFRS 17 issued by the International Accounting Standards Board (IASB).

The aim of these amendments is to ease implementation of PBE IFRS 17 by reducing implementation costs and making it easier for entities to explain the result of applying PBE IFRS 17. Although narrow in scope, the targeted amendments address many of the concerns and challenges raised to the IASB by stakeholders in relation to IFRS 17. The amendments also defer the effective date of PBE IFRS 17 by one year (that is, from 1 January 2022 to 1 January 2023) so that the effective date of PBE IFRS 17 remains aligned with the revised effective date of IFRS 17 and NZ IFRS 17.

The amendments also give effect to minor editorial corrections to align terminology within PBE Standards.

Tier 2 not-for-profit entities are required to comply with all the requirements in this Standard.

Part B – Scope

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

Part C – Amendments

PBE IFRS 17 *Insurance Contracts*

Paragraphs 4, 5 and 7 are amended, and paragraph 8A is added. New text is underlined and deleted text is struck through.

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~~70.
 - (b) ...
5. All references in PBE IFRS 17 to insurance contracts issued also apply to insurance contracts acquired by the entity in a transfer of insurance contracts or a ~~business~~ PBE combination other than reinsurance contracts held.
- ...
7. An entity shall not apply PBE IFRS 17 to:
- (a) ...
 - (f) Contingent consideration payable or receivable in a ~~business~~ PBE combination (see PBE IPSAS 40 ~~Entity~~ PBE Combinations).
 - (g) ...

- (h) Credit card contracts, or similar contracts that provide credit or payment arrangements, 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 and other applicable Standards). However, if, and only if, PBE IPSAS 41 requires an entity to separate an insurance coverage component (see paragraph 2(e)(iv) of PBE IPSAS 41) that is embedded in such a contract, the entity shall apply PBE IFRS 17 to that component.

...

- 8A Some contracts meet the definition of an insurance contract but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract (for example, loans with death waivers). An entity shall choose to apply either PBE IFRS 17 or PBE IPSAS 41 to such contracts that it issues unless such contracts are excluded from the scope of PBE IFRS 17 by paragraph 7. 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 ~~service~~ component for services other than insurance contract services (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 within the scope of PBE IFRS 17 (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 policy holder 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:
- ...

In paragraph 13.1 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 and a definition of 'insurance contract services' is added. New text is underlined and deleted text is struck through. The defined term is double underlined.

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 insurance contract services that relate ~~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 ~~written~~ issued 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.

...

Insurance contract services are 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 service); 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 that are not included in (a) and that relate to:
 - (i) Insurance contract services that have already been provided; or
 - (ii) Any investment components or other amounts that are not related to the provision of insurance contracts services and that are not in the liability for remaining coverage.

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 insurance contracts that are not included in (a) and that relate to:
 - (i) Insurance contract services not yet provided (i.e., the obligations that relate to future provision of insurance contract services); or

- (ii) Any investment components or other amounts that are not related to the provision of insurance contract services and that have not been transferred to the liability for incurred claims.

...

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:

...

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 groups 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 and paragraph 28 is amended. Paragraphs 28A–28F and the heading above paragraph 28A 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 a contract ~~the contracts~~ to the group in the reporting period in which the contract meets 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~~ the new contracts are added to the group.

Insurance Acquisition Cash Flows (paragraphs AG35A–AG35D)

- 28A An entity shall allocate insurance acquisition cash flows to groups of insurance contracts using a systematic and rational method applying paragraphs AG35A–AG35B, unless it chooses to recognise them as expenses applying paragraph 59(a).
- 28B An entity not applying paragraph 59(a) shall recognise as an asset insurance acquisition cash flows paid (or insurance acquisition cash flows for which a liability has been recognised applying another Standard) before the related group of insurance contracts is recognised. An entity shall recognise such an asset for each related group of insurance contracts.
- 28C An entity shall derecognise an asset for insurance acquisition cash flows when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts applying paragraph 38(c)(i) or paragraph 55(a)(iii).
- 28D If paragraph 28 applies, an entity shall apply paragraphs 28B–28C in accordance with paragraph AG35C.
- 28E At the end of each reporting period, an entity shall assess the recoverability of an asset for insurance acquisition cash flows if facts and circumstances indicate the asset may be impaired (see paragraph AG35D). If an entity identifies an impairment loss, the entity shall adjust the carrying amount of the asset and recognise the impairment loss in surplus or deficit.
- 28F An entity shall recognise in surplus or deficit a reversal of some or all of an impairment loss previously recognised applying paragraph 28E and increase the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

Paragraph 29 and the heading above it are amended. New text is underlined and deleted text is struck through.

Measurement (paragraphs AG36–AG119F)

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~~70. 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.
- ...

The heading for paragraph 32 is amended. Paragraphs 34, 38 and 39 are amended. New text is underlined and deleted text is struck through.

Measurement on Initial Recognition (paragraphs AG36–AG95F)

...

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) ...

- (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) or paragraph 123A (on insurance revenue relating to paragraph 38(c)(ii)) applies, results in no revenue or expenses arising from:
- (a) ...
- (b) Any cash flows arising from the contracts in the group at that date;
- (c) The derecognition at the date of initial recognition of:
- (i) Any asset or liability recognised for insurance acquisition cash flows applying paragraph 28C27; and
- (ii) Any other asset or liability previously recognised for cash flows related to the group of contracts as specified in paragraph AG66A.
- ~~(c) Any cash flows arising from the contracts in the group at that date.~~
39. For insurance contracts acquired in a transfer of insurance contracts or a ~~business~~ PBE combination within the scope of PBE IPSAS 40, an entity shall apply paragraph 38 in accordance with paragraphs AG93–AG95.

Paragraphs 44–45 and the heading above them are amended. New text is underlined and deleted text is struck through.

Contractual Service Margin (paragraphs AG96—AG119)

...

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) ...
- (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).

...

- (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 ~~in~~ 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) ...
 - (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:
 1. Any asset for insurance acquisition cash flows applying paragraph 28C; and the asset or liability recognised for insurance acquisition cash flows applying paragraph 27.
 2. Any other asset or liability previously recognised for cash flows related to the group of contracts as specified in paragraph AG66A.
 - (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 services coverage provided in that period (see paragraph AG126); and
 - (vi) ...
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 services coverage and the related premium due date is no more than a year.
- ...

Paragraphs 60, 62, 65–66 and 69 are amended, paragraph 62 is bifurcated creating new paragraph 62A, 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 from the earlier of the following:

- (a) The beginning of the coverage period of the group of reinsurance contracts held; and
- (b) The date the entity recognises an onerous group of underlying insurance contracts applying paragraph 25(c), if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

62A Notwithstanding paragraph 62(a), an entity shall delay the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

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

- ~~(a) If the reinsurance contracts held provide proportionate coverage—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; and~~
- ~~(b) In all other 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 held, 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;
- (bb) Reversals of a loss-recovery component recognised applying paragraph 66B (see paragraph AG119F) to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- (c) Changes in the fulfilment cash flows, measured at the discount rates specified in paragraph AG72(c)), to the extent that the change relates to future service, unless:
 - ~~(i) — Relates to future service; unless~~

- (i) The change results from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the contractual service margin for the group of underlying insurance contracts; or
- (ii) The change results from applying paragraphs 57–58 (on onerous contracts), if the entity measures a group of underlying insurance contracts applying the premium allocation approach.

...

66A An entity shall adjust the contractual service margin of a group of reinsurance contracts held, 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 a group (see paragraphs AG119C–AG119E).

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 paragraphs 66(c)(i)–(ii) and 66A. 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 (see paragraph 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) ...
- (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 If an entity measures a group of reinsurance contracts held applying the premium allocation approach, the entity shall apply paragraph 66A 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.

...

Paragraphs 72 and 76 are amended. New text is underlined and deleted text is struck through.

Modification and Derecognition

Modification of an Insurance Contract

72. If the terms of an insurance contract are modified, for example by agreement between the parties to the contract or by a change in regulation, an entity shall derecognise the original contract and recognise the

modified contract as a new contract, applying PBE IFRS 17 or other applicable Standards if, and only if, any of the conditions in (a)–(c) are satisfied. The exercise of a right included in the terms of a contract is not a modification. The conditions are that:

- (a) If the modified terms had been included at contract inception:
 - (i) The modified contract would have been excluded from the scope of PBE IFRS 17, applying paragraphs 3–8A;
 - (ii) ...

...

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~~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(b)(a))~~ in the carrying amount of the portfolios~~groups~~ of reinsurance contracts held.

Paragraphs 83, 86 and 88–89 are amended and paragraph 87A is added. 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 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) ...
- (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~~
- (ba) Treat amounts recognised relating to recovery of losses applying paragraphs 66(c)(i)–(ii) and 66A–66B as amounts recovered from the reinsurer; and
- (c) Not present the allocation of premiums paid as a reduction in revenue.

Insurance Finance Revenue or Expenses (see paragraphs AG128–AG136)

...

87A An entity shall apply:

- (a) Paragraph AG117A to insurance finance revenue or expenses arising from the application of paragraph AG115 (risk mitigation); and
- (b) Paragraphs 88 and 89 to all other insurance finance revenue or expenses.

88. In applying paragraph 87A(b), unless~~Unless~~ paragraph 89 applies, an entity shall make an accounting policy choice between:

...

89. In applying paragraph 87A(b), for~~For~~ insurance contracts with direct participation features, for which the entity holds the underlying items, an entity shall make an accounting policy choice between:

...

...

Disclosure

...

Paragraphs 97, 99–101, 103–105 and 106–109 are amended, paragraphs 105A–105B, and 109A are added. New text is underlined and deleted text is struck through.

Explanation of Recognised Amounts

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

...

...

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 100–105B; 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) The estimates of the present value of the future cash flows; and
 - (ii) The risk adjustment for non-financial risk.
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:
- ...
- ...
103. An entity shall separately disclose in the reconciliations required in paragraph 100 each of the following amounts related to ~~insurance~~ services, if applicable:
- (a) ...
 - (c) Investment components excluded from insurance revenue and insurance service expenses (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)).
104. An entity shall separately disclose in the reconciliations required in paragraph 101 each of the following amounts related to ~~insurance~~ 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~~ services provided in the period, if applicable:
- ...
- 105A An entity shall disclose a reconciliation from the opening to the closing balance of assets for insurance acquisition cash flows recognised applying paragraph 28B. 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 separately disclose in the reconciliation required by paragraph 105A any impairment losses and reversals of impairment losses recognised applying paragraph 28E–28F.
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) ...

- (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) Other amounts, if any, for example, experience adjustments for premium receipts other than those that relate to future service 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).
107. 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 the effect on the statement of financial position separately for insurance contracts issued and reinsurance contracts held that are initially recognised in the period, showing their effect at initial recognition on:
- ...
108. In the disclosures required by paragraph 107, an entity shall separately disclose amounts resulting from:
- (a) Contracts acquired from other entities in transfers of insurance contracts or ~~business–PBE~~ combinations; and
 - (b) ...
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.
- 109A An entity shall disclose quantitatively, in appropriate time bands, when it expects to derecognise an asset for insurance acquisition cash flows applying paragraph 28C.
- ...

Paragraph 114 is amended. New text is underlined and deleted text is struck through.

Transition Amounts

114. An entity shall provide disclosures that enable users of financial statements to identify the effect of groups of insurance contracts measured at the transition date applying the modified retrospective approach (see paragraphs 132.6–132.19A or the fair value approach (see paragraphs 132.20–132.24B) on the contractual service margin and insurance revenue in subsequent periods. Hence an entity shall disclose the reconciliation of the contractual service margin applying paragraph 101(c), and the amount of insurance revenue applying paragraph 103(a), separately for:
- ...
- ...

Paragraphs 117 and 128 are 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 or by insurance coverage and investment-related service (see paragraphs AG119–AG119B).

...

128. An entity shall disclose information about sensitivities to changes in risk variables arising from contracts within the scope of PBE IFRS 17. To comply with this requirement, an entity shall disclose:

- (a) A sensitivity analysis that shows how surplus or deficit and net assets/equity would have been affected by changes in risk variables that were reasonably possible at the end of the reporting period:

...

...

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) ...
- (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:
 - ...
- (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 132.1 is amended. Paragraph 132.2 is not amended, but is included for ease of reference. New text is underlined and deleted text is struck through.

Effective Date and Transition

Effective Date

132.1 **An entity shall apply PBE IFRS 17 for annual financial statements covering periods beginning on or after 1 January ~~2023~~2022. If an entity applies PBE IFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply PBE IPSAS 41 on or before the date of initial application of PBE IFRS 17.**

132.2 For the purposes of the transition requirements in paragraphs 132.1 and 132.3–132.33:

- (a) The date of initial application is the beginning of the annual reporting period in which an entity first applies PBE IFRS 17; and

- (b) The transition date is the beginning of the annual reporting period immediately preceding the date of initial application.

Paragraphs 132.3–132.5 are amended and paragraphs 132.5A–132.5B are added. New text is underlined and deleted text is struck through.

Transition

- 132.3 Unless it is impracticable to do so, or paragraph 132.5A applies, an entity shall apply PBE IFRS 17 retrospectively ~~unless impracticable~~, except that:
- (a) ...
- (b) An entity shall not apply the option in paragraph AG115 for periods before the transition 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.
- 132.4 To apply PBE IFRS 17 retrospectively, an entity shall at the transition date:
- (a) ...
- (aa) Identify, recognise and measure any assets for insurance acquisition cash flows as if PBE IFRS 17 had always applied (except that an entity is not required to apply the recoverability assessment in paragraph 28E before the transition date);
- ...
- (c) Recognise any resulting net difference in net assets/equity.
- ...
- 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 132.6–132.19A, subject to paragraph 132.6(a); or
- (b) The fair value approach in paragraphs 132.20–132.24B.
- 132.5A Notwithstanding paragraph 132.5, an entity may choose to apply the fair value approach in paragraphs 132.20–132.24B 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, non-derivative financial instruments measured at fair value through surplus or deficit, or reinsurance contracts held to mitigate financial risk arising from the group of insurance contracts, as specified in paragraph AG115, before the transition date.
- 132.5B If, and only if, it is impracticable for an entity to apply paragraph 132.4(aa) for an asset for insurance acquisition cash flows, the entity shall apply the following approaches to measure the asset for insurance acquisition cash flows:
- (a) The modified retrospective approach in paragraphs 132.14B–132.14D and 132.17A, subject to paragraph 132.6(a); or
- (b) The fair value approach in paragraphs 132.24A–132.24B.

Paragraphs 132.7–132.9, 132.11 and 132.15–132.16 and 132.17 are amended. Paragraphs 132.9A, 132.14A–132.14D, 132.16A–132.16C and 132.17A are added. New text is underlined and deleted text is struck through.

Modified Retrospective Approach

...

132.7 Paragraphs 132.9–132.19A set out permitted modifications to retrospective application in the following areas:

...

132.8 To achieve the objective of the modified retrospective approach, an entity is permitted to use each modification in paragraphs 132.9–132.19A 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

132.9 To the extent permitted by paragraph 132.8, an entity shall determine the following matters using information available at the transition date:

(a) ...

(b) Whether an insurance contract meets the definition of an insurance contract with direct participation features, applying paragraphs AG101–AG109; ~~and~~

(c) How to identify discretionary cash flows for insurance contracts without direct participation features, applying paragraphs AG98–AG100; and

(d) Whether an investment contract meets the definition of an investment contract with discretionary participation features within the scope of PBE IFRS 17, applying paragraph 71.

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 in a transfer of insurance contracts that do not form an operation or in a PBE combination within the scope of PBE IPSAS 40.

...

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

132.11 To the extent permitted by paragraph 132.8, for contracts without direct participation features, an entity shall determine the contractual service margin or loss component of the liability for remaining coverage (see paragraphs 49–52) at the transition date by applying paragraphs 132.12–132.16C.

...

132.14A Applying paragraph AG137, an entity may choose not to change the treatment of accounting estimates made in previous interim financial statements. To the extent permitted by paragraph 132.8, such an entity shall determine the contractual service margin or loss component at the transition date as if the entity had not prepared interim financial statements before the transition date.

132.14B To the extent permitted by paragraph 132.8, an entity shall use the same systematic and rational method the entity expects to use after the transition date when applying paragraph 28A to allocate any insurance acquisition cash flows paid (or for which a liability has been recognised applying another Standard) before the transition date (excluding any amount relating to insurance contracts that ceased to exist before the transition date) to:

(a) Groups of insurance contracts that are recognised at the transition date; and

(b) Groups of insurance contracts that are expected to be recognised after the transition date.

132.14C Insurance acquisition cash flows paid before the transition date that are allocated to a group of insurance contracts recognised at the transition date adjust the contractual service margin of that group, to the extent insurance contracts expected to be in the group have been recognised at that date (see paragraphs 28C

and AG35C). Other insurance acquisition cash flows paid before the transition date, including those allocated to a group of insurance contracts expected to be recognised after the transition date, are recognised as an asset, applying paragraph 28B.

132.14D If an entity does not have reasonable and supportable information to apply paragraph 132.14B, the entity shall determine the following amounts to be nil at the transition date:

- (a) The adjustment to the contractual service margin of a group of insurance contracts recognised at the transition date and any asset for insurance acquisition cash flows relating to that group; and
- (b) The asset for insurance acquisition cash flows for groups of insurance contracts expected to be recognised after the transition date.

132.15 If applying paragraphs 132.12–132.14D results in a contractual service margin at the date of initial recognition, to determine the contractual service margin at the date of transition an entity shall:

...

132.16 If applying paragraphs 132.12–132.14D results in a loss component of the liability for remaining coverage at the date of initial recognition, an entity shall determine any amounts allocated to the loss component before the transition date applying paragraphs 132.12–132.14D and using a systematic basis of allocation.

132.16A For a group of reinsurance contracts held that provides coverage for an onerous group of insurance contracts and was entered into 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 underlying insurance contracts at the transition date (see paragraphs 132.16 and 132.20); and
- (b) The percentage of claims for the underlying insurance contracts the entity expects to recover from the group of reinsurance contracts held.

132.16B Applying paragraphs 14–22, at the transition date an entity might include in an onerous group of insurance contracts both onerous insurance contracts covered by a group of reinsurance contracts held and onerous insurance contracts not covered by the group of reinsurance contracts held. To apply paragraph 132.16A in such cases, an entity shall use a systematic and rational basis of allocation to determine the portion of the loss component of the group of insurance contracts that relates to insurance contracts covered by the group of reinsurance contracts held.

132.16C If an entity does not have reasonable and supportable information to apply paragraph 132.16A, the entity shall not identify a loss-recovery component for the group of reinsurance contracts held.

Determining the Contractual Service Margin or Loss Component for Groups of Insurance Contracts with Direct Participation Features

132.17 To the extent permitted by paragraph 132.8, for contracts with direct participation features an entity shall determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as:

- (a) The total fair value of the underlying items at that date; minus
- (b) The fulfilment cash flows at that date; plus or minus
- (c) An adjustment for:
 - (i) ...
 - (iv) Insurance acquisition cash flows paid (or for which a liability has been recognised applying another Standard) before the transition date that are allocated to the group (see paragraph 132.17A).
- (d) If (a)–(c) result in a contractual service margin—minus the amount of the contractual service margin that relates to services provided before that date. The total of (a)–(c) is a proxy for the total contractual service margin for all services to be provided under the group of contracts,

i.e., before any amounts that would have been recognised in surplus or deficit for services provided. The entity shall estimate the amounts that would have been recognised in surplus or deficit for services provided by comparing the remaining coverage units at the transition date with the coverage units provided under the group of contracts before the transition date; or

- (e) If (a)–(c) result in a loss component—adjust the loss component to nil and increase the liability for remaining coverage excluding the loss component by the same amount.

132.17A To the extent permitted by paragraph 132.8, an entity shall apply paragraphs 132.14B–132.14D to recognise an asset for insurance acquisition cash flows, and any adjustment to the contractual service margin of a group of insurance contracts with direct participation features for insurance acquisition cash flows (see paragraph 132.17(c)(iv)).

Paragraph 132.19A is added. New text is underlined.

Insurance Finance Revenue or Expenses

...

132.19A Applying paragraph AG137, an entity may choose not to change the treatment of accounting estimates made in previous interim financial statements. To the extent permitted by paragraph 132.8, such an entity shall determine amounts related to insurance finance revenue or expenses at the transition date as if it had not prepared interim financial statements before the transition date.

Paragraphs 132.20A–132.20B and 132.22A are added and paragraph 132.21 is amended. New text is underlined and deleted text is struck through.

Fair Value Approach

...

132.20A For a group of reinsurance contracts held to which paragraphs 66A–66B apply (without the need to meet the condition set out in paragraph AG119C), an entity shall determine the loss-recovery component of the asset for remaining coverage at the transition date 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 percentage of claims for the underlying insurance contracts the entity expects to recover from the group of reinsurance contracts held.

132.20B Applying paragraphs 14–22, at the transition date an entity might include in an onerous group of insurance contracts both onerous insurance contracts covered by a group of reinsurance contracts held and onerous insurance contracts not covered by the group of reinsurance contracts held. To apply paragraph 132.20A in such cases, an entity shall use a systematic and rational basis of allocation to determine the portion of the loss component of the group of insurance contracts that relates to insurance contracts covered by the group of reinsurance contracts held.

132.21 In applying the fair value approach, an entity may apply paragraph 132.22 to determine:

- (a) ...
- (b) Whether an insurance contract meets the definition of an insurance contract with direct participation features, applying paragraphs AG101–AG109; ~~and~~
- (c) How to identify discretionary cash flows for insurance contracts without direct participation features, applying paragraphs AG98–AG100; ~~and~~
- (d) Whether an investment contract meets the definition of an investment contract with discretionary participation features within the scope of PBE IFRS 17, applying paragraph 71.

...

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 in a transfer of insurance contracts that do not form an operation or in a PBE combination within the scope of PBE IPSAS 40.

...

Paragraphs 132.24A–132.24B and the heading above paragraphs 132.24A–132.24B are added. New text is underlined.

Asset for Insurance Acquisition Cash Flows

132.24A In applying the fair value approach for an asset for insurance acquisition cash flows (see paragraph 132.5B(b)), at the transition date, an entity shall determine an asset for insurance acquisition cash flows at an amount equal to the insurance acquisition cash flows the entity would incur at the transition date for the rights to obtain:

- (a) Recoveries of insurance acquisition cash flows from premiums of insurance contracts issued before the transition date but not recognised at the transition date;
- (b) Future insurance contracts that are renewals of insurance contracts recognised at the transition date and insurance contracts described in (a); and
- (c) Future insurance contracts, other than those in (b), after the transition date without paying again insurance acquisition cash flows the acquiree has already paid that are directly attributable to the related portfolio of insurance contracts.

132.24B At the transition date, the entity shall exclude from the measurement of any groups of insurance contracts the amount of any asset for insurance acquisition cash flows.

Paragraph 132.31 is amended. New text is underlined.

132.31 An entity that applies paragraph 132.29 is not required to restate prior periods to reflect such changes in designations or classifications. The entity may restate prior periods only if it is possible without the use of hindsight. If an entity restates prior periods, the restated financial statements must reflect all the requirements of PBE IPSAS 41 for those affected financial assets. If an entity does not restate prior periods, the entity shall recognise, in the opening accumulated comprehensive revenue and expense (or other component of net assets/equity, as appropriate) at the date of initial application, any difference between:

...

...

Appendix B—Application Guidance

Paragraph AG1 is amended. New text is underlined and deleted text is struck through.

AG1. This appendix provides guidance on the following:

- (a) ...
- (ba) Asset for reinsurance acquisition cash flows (see paragraphs AG35A–AG35D);
- (c) Measurement (see paragraphs AG36–AG119F);

...

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

Definition of an Insurance Contract (paragraph 13.1)

...

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.

...

Paragraphs AG33–AG35 and the heading above paragraph AG33 are amended. New text is underlined and deleted text is struck through.

Promises to Transfer Distinct Goods or ~~Non-Insurance Services~~ other than Insurance Contract Services (paragraph 12)

AG33. Paragraph 12 requires an entity to separate from an insurance contract a promise to transfer distinct goods or ~~non-insurance services~~ other than insurance contract services to a policyholder. For the purpose of separation, an entity shall not consider activities that an entity must undertake to fulfil a contract unless the entity transfers a good or service other than insurance contract services to the policyholder as those activities occur. For example, an entity may need to perform various administrative tasks to set up a contract. The performance of those tasks does not transfer a service to the policyholder as the tasks are performed.

AG34. A good or ~~non-insurance service~~ other than insurance contract services promised to a policyholder is distinct if the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder. Readily available resources are goods or services that are sold separately (by the entity or by another entity), or resources that the policyholder has already got (from the entity or from other transactions or events).

AG35. A good or ~~non-insurance service~~ other than insurance contract services that is promised to the policyholder is not distinct if:

(a) ...

(b) The entity provides a significant service in integrating the good or ~~non-insurance service~~ with the insurance components.

Paragraphs AG35A–AG35D and the heading above paragraph AG35A are added. New text is underlined.

Insurance Acquisition Cash Flows (paragraphs 28A–28F)

AG35A To apply paragraph 28A, an entity shall use a systematic and rational method to allocate:

- (a) Insurance acquisition cash flows directly attributable to a group of insurance contracts:
 - (i) To that group; and
 - (ii) To groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.
- (b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts, other than those in (a), to groups of contracts in the portfolio.

AG35B At the end of each reporting period, an entity shall revise amounts allocated as specified in paragraph AG35A to reflect any changes in assumptions that determine the inputs to the method of allocation used. An entity shall not change amounts allocated to a group of insurance contracts after all contracts have been added to the group (see paragraph AG35C).

AG35C An entity might add insurance contracts to a group of insurance contracts across more than one reporting period (see paragraph 28). In those circumstances, an entity shall derecognise the portion of an asset for insurance acquisition cash flows that relates to insurance contracts added to the group in that period and continue to recognise an asset for insurance acquisition cash flows to the extent that the asset relates to insurance contracts expected to be added to the group in a future reporting period.

AG35D To apply paragraph 28E:

- (a) An entity shall recognise an impairment loss in surplus or deficit and reduce the carrying amount of an asset for insurance acquisition cash flows so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group of insurance contracts, determined applying paragraph 32(a).
- (b) When an entity allocates insurance acquisition cash flows to groups of insurance contracts applying paragraph AG35A(a)(ii), 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 (b)(i) has not already been recognised as an impairment loss applying (a).

Paragraphs AG64–AG66 and AG71–AG72 are amended and paragraph AG66A is added. New text is underlined and deleted text is struck through.

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) ...

(ka) Costs the entity will incur:

(i) Performing investment activity, to the extent the entity performs that activity to enhance benefits from insurance coverage for policyholders. Investment activities enhance benefits from insurance coverage if the entity performs those activities expecting to generate an investment return from which policyholders will benefit if an insured event occurs.

(ii) Providing investment-return services to policyholders of insurance contracts without direct participation features (see paragraph AG119B).

(iii) Providing investment-related service to policyholders of insurance contracts with direct participation features.

...

AG66. The following cash flows shall not be included when estimating the cash flows that will arise as the entity fulfils an existing insurance contract:

(a) ...

(f) Income tax payments and receipts the insurer does not pay or receive in a fiduciary capacity or that are not specifically chargeable to the policyholder under the terms of the contract. ~~Such payments and receipts are recognised, measured and presented separately applying PBE IAS 12 *Income Taxes*.~~

...

AG66A Before the recognition of a group of insurance contracts, an entity might be required to recognise an asset or liability for cash flows related to the group of insurance contracts other than insurance acquisition cash flows either because of the occurrence of the cash flows or because of the requirements of another Standard. Cash flows are related to the group of insurance contracts if those cash flows would have been included in the fulfilment cash flows at the date of initial recognition of the group had they been paid or received after that date. To apply paragraph 38(c)(ii) an entity shall derecognise such an asset or liability to the extent that the asset or liability would not be recognised separately from the group of insurance contracts if the cash flow or the application of the Standard occurred at the date of initial recognition of the group of insurance contracts.

...

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

...

AG71. After all insurance contract services have~~the 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.

Discount Rates (paragraph 36)

AG72. An entity shall use the following discount rates in applying PBE IFRS 17:

- (a) ...
 - (c) To measure the changes to the contractual service margin applying paragraphs AG96(a)–AG96(b) and AG96(d) ~~AG96(c)~~ for insurance contracts without direct participation features—discount rates applying paragraph 36 determined on initial recognition;
- ...

Paragraphs AG93–AG95 are amended. Paragraph AG95 is bifurcated creating new paragraph AG95A. Paragraphs AG95B–AG95F and the heading above paragraph AG95E are added. New text is underlined.

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

...

AG93. When an entity acquires insurance contracts issued or reinsurance contracts held in a transfer of insurance contracts that do not form a ~~business~~ an operation or in a ~~business~~ PBE combination within the scope of PBE IPSAS 40, the entity shall apply paragraphs 14–24 to identify the groups of contracts acquired, as if it had entered into the contracts on the date of the transaction.

AG94. An entity shall use the consideration received or paid for the contracts as a proxy for the premiums received. The consideration received or paid for the contracts excludes the consideration received or paid for any other assets and liabilities acquired in the same transaction. In a ~~business~~ PBE combination within the scope of PBE IPSAS 40, the consideration received or paid is the fair value of the contracts at that date.

AG95. Unless the premium allocation approach for the liability for remaining coverage in paragraphs 55–59 and 69–70A 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, an entity shall determine the loss-recovery component of the asset for remaining coverage at the date of the transaction by multiplying:

- (a) The loss component of the liability for remaining coverage of the underlying insurance contracts at the date of the transaction; and
- (b) The percentage of claims on the underlying insurance contracts the entity expects at the date of the transaction 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.

AG95D Applying paragraphs 14–22, at the date of the transaction an entity might include in an onerous group of insurance contracts both onerous insurance contracts covered by a group of reinsurance contracts held and onerous contracts not covered by the group of reinsurance contracts held. To apply paragraph AG95B in such cases, an entity shall use a systematic and rational basis of allocation to

determine the portion of the loss component of the group of insurance contracts that relates to insurance contracts covered by the group of reinsurance contracts held.

Asset for Insurance Acquisition Cash Flows

AG95E When an entity acquires insurance contracts issued in a transfer of insurance contracts that do not form an operation or in a PBE combination within the scope of PBE IPSAS 40, the entity shall recognise an asset for insurance acquisition cash flows at fair value at the date of the transaction for the rights to obtain:

- (a) Future insurance contracts that are renewals of insurance contracts recognised at the date of the transaction; and
- (b) Future insurance contracts, other than those in (a), after the date of the transaction without paying again insurance acquisition cash flows the acquiree has already paid that are directly attributable to the related portfolio of insurance contracts.

AG95F At the date of the transaction, the amount of any asset for insurance acquisition cash flows shall not be included in the measurement of the acquired group of insurance contracts applying paragraphs AG93–AG95A.

Paragraphs AG96–AG97 are amended. New text is underlined and deleted text is struck through.

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);
- (c) Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance revenue or expenses related to that expected payment before it becomes payable, ~~measured at the discount rates specified in paragraph AG72(c); and~~
- (ca) Differences between any loan to a policyholder expected to become repayable in the period and the actual loan to a policyholder that becomes repayable in the period. Those differences are determined by comparing (i) the actual load to a policyholder that becomes repayable in the period with (ii) the repayment in the period that was expected at the start of the period plus any insurance finance revenue or expenses related to that expected repayment before it becomes repayable.
- (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 non-financial 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. These effects comprise: ~~(being-~~
 - (i) ~~£~~The effect, if any, on estimated future cash flows;
 - (ii) The effect, if disaggregated, on the risk adjustment for non-financial risk; and
 - (iii) ~~£~~The effect of a change in discount rate.);
- (b) Changes in estimates of fulfilment cash flows in the liability for incurred claims; ~~and~~
- (c) ...

...

Paragraphs AG104, AG107, AG112, AG115–AG116 and AG118 are amended. Paragraph AG117A is added. 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) ...

...

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 insurance contract ~~group of insurance 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 the time value of money and financial risk on the entity's share of the underlying items (see paragraph AG112) ~~or the fulfilment cash flows set out in paragraph AG113(b).~~

(a) The amount of the entity's share of the underlying items (see paragraph AG112) if the entity mitigates the effect of financial risk on that amount using derivatives or reinsurance contracts held; and

(b) The fulfilment cash flows set out in paragraph AG113(b) if the entity mitigates the effect of financial risk on those fulfilment cash flows using derivatives, non-derivative financial instruments measured at fair value through surplus or deficit, or reinsurance contracts held.

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

(a) ~~The entity uses a derivative to mitigate the financial risk arising from the insurance contracts.~~

(~~a~~b) An economic offset exists between the insurance contracts and the derivative, non-derivative financial instrument measured at fair value through surplus or deficit, or reinsurance contract held (i.e., the values of the insurance contracts and those risk-mitigating items~~the derivative~~ 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.

(~~b~~e) Credit risk does not dominate the economic offset.

...

AG117A If the entity mitigates the effect of financial risk using derivatives or non-derivative financial instruments measured at fair value through surplus or deficit, it shall include insurance finance revenue or expenses for the period arising from the application of paragraph AG115 in surplus or deficit. If the entity mitigates the effect of financial risk using reinsurance contracts held, it shall apply the same accounting policy for the presentation of insurance finance revenue or expenses arising from the application of paragraph AG115 as the entity applies to the reinsurance contracts held applying paragraphs 88 and 90.

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

(~~a~~) ~~Ce~~ ~~cease~~ to apply paragraph AG115 from that date, ~~and~~

(~~b~~) ~~Not~~ 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 insurance contract services~~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 To apply 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 an investment return (an 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 investment return.

Paragraphs AG119C–AG119F and the heading above paragraph AG119C 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 if, and only if, the reinsurance contract held is entered into before or at the same time as the onerous underlying insurance contracts are recognised.

AG119D To apply paragraph 66A, an entity shall determine the adjustment to the contractual service margin of a group of reinsurance contracts held and the resulting revenue by multiplying:

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

AG119E Applying paragraphs 14–22, an entity might include in an onerous group of insurance contracts both onerous insurance contracts covered by a group of reinsurance contracts held and onerous insurance contracts not covered by the group of reinsurance contracts held. To apply paragraphs 66(c)(i)–(ii) and paragraph 66A in such cases, the entity shall apply a systematic and rational method of allocation to determine the portion of losses recognised on the group of insurance contracts that relates to insurance contracts covered by the group of reinsurance contracts held.

AG119FAfter an entity has established a loss-recovery component applying paragraph 66B, the entity shall adjust the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts (see paragraphs 50–52). The carrying amount of the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Paragraphs AG121, AG123, AG124 and AG126 are amended and paragraph AG123A is added. 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;
 - (ia) Amounts related to income tax that are specifically chargeable to the policyholder;
 - (ii) ...
- (b) ...

...

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) ...
 - (ia) Changes resulting from cash flows from loans to policyholders;
 - (iii) ...
- (b) ...

AG123A To the extent that an entity derecognises an asset for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of insurance contracts (see paragraphs 38(c)(ii) and B66A), it shall recognise insurance revenue and expenses for the amount derecognised at that date.

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) Amounts allocated to the loss component of the liability for remaining coverage applying paragraph 51(a);
 - (ii) Repayments of investment components;
 - (iii) Amounts that relate to transaction-based taxes collected on behalf of third parties (such as premium taxes, value added taxes and goods and services taxes) (see paragraph AG65(i));
 - (iv) Insurance acquisition expenses (see paragraph AG125); and
 - (v) The amount related to the risk adjustment for non-financial risk (see (b)).

...

- (d) Other amounts, if any, for example, experience adjustments for premium receipts other than those that relate to future service (see paragraph AG96(a)).

...

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 insurance contract services coverage:

...

Paragraphs AG128 and AG134 are 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, ~~in 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 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.

...

AG134. Paragraph 89 applies if an entity, either by choice or because it is required to, holds the underlying items for insurance contracts with direct participation features. If an entity chooses to disaggregate insurance finance revenue or expenses applying paragraph 89(b), it shall include in surplus or deficit expenses or revenue that exactly match the revenue or expenses included in surplus or deficit for the underlying items, resulting in the net of the ~~two~~ separately presented items being nil.

...

Paragraph AG137 and its heading are amended. New text is underlined and deleted text is struck through.

The Effect of Accounting Estimates Made in Interim Financial Statements

AG137 If an entity prepares interim financial statements applying PBE IAS 34 *Interim Financial Reporting*, the entity shall make an accounting policy choice as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying PBE IFRS 17 in subsequent interim financial statements and in the annual reporting period. The entity shall apply its choice of accounting policy to all groups of insurance contracts it issues and groups of reinsurance contracts it holds. ~~Notwithstanding the requirement in PBE IAS 34 *Interim Financial Reporting* that the frequency of an entity's reporting shall not affect the measurement of its annual results, an entity shall not change the treatment of accounting estimates made in previous interim financial statements when applying PBE IFRS 17 in subsequent interim financial statements or in the annual reporting period.~~

Appendix D – Amendments to other Standards

This appendix sets out the amendments to other Standards that are a consequence of the issuance of *Amendments to PBE IFRS 17* in August 2020. An entity shall apply these amendments when it applies PBE IFRS 17.

PBE IPSAS 1 *Presentation of Financial Reports*

In the amendments to PBE IPSAS 1 *Presentation of Financial Reports* paragraphs 88 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) ~~Groups~~Portfolios of contracts within the scope of PBE IFRS 17 that are assets, disaggregated as required by paragraph 78 of PBE IFRS 17;

(e) ...

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

(n) ...

...

Effective Date

...

154.12 **PBE IFRS 17, issued in July 2019, amended paragraphs 7, 88 and 99.1. Amendments to PBE IFRS 17, issued in August 2020, further amended paragraph 88. An entity shall apply those amendments when it applies PBE IFRS 17.**

PBE IPSAS 26 *Impairment of Cash-Generating Assets*

In the amendments to PBE IPSAS 26 *Impairment of Cash-Generation Assets* paragraphs 2 and 127.10 are amended. New text is underlined and deleted text is struck through.

Scope

2. **An entity that prepares and presents financial statements shall apply this Standard in accounting for the impairment of cash-generating assets, except for:**

(a) ...

(k) **Contracts within the scope of PBE IFRS 17 Insurance Contracts that are assets and any assets for insurance acquisition cash flows as defined in PBE IFRS 17; and**

(l) ...

Effective Date

...

- 127.10 **PBE IFRS 17, issued in July 2019, amended paragraph 2. Amendments to PBE IFRS 17, issued in August 2020, further amended paragraph 2. An entity shall apply that amendment when it applies PBE IFRS 17.**

PBE IPSAS 28 *Financial Instruments: Presentation* (as amended by PBE IPSAS 41 and PBE IFRS 17)

In the amendments to PBE IPSAS 28 *Financial Instruments: Presentation* paragraphs 3, 38.1 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~~ 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 within the scope of PBE IFRS 17.**
 - (iii) **An issuer's rights and obligations arising under insurance contracts that meet the definition of ~~Moreover, an issuer shall apply this Standard to~~ 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) **An entity's rights and obligations that are financial instruments arising under credit card contracts, or similar contracts that provide credit or payment arrangements, that an entity issues that meet the definition of an insurance contract if the entity applies PBE IPSAS 41 to those rights and obligations in accordance with paragraph 7(h) of PBE IFRS 17 and paragraph 2(e)(iv) of PBE IPSAS 41.**
 - (v) **An entity's rights and obligations that are financial instruments arising under insurance contracts that an entity issues that limit the compensation for insured events to the amount otherwise 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.**

...

...

- 38.1 Some entities operate, either internally or externally, an investment fund that provides investors with benefits determined by units in the fund and recognise financial liabilities for the amounts to be paid to those investors. Similarly, some entities issue groups of insurance contracts with direct participation features and those entities hold the underlying items. Some such funds or underlying items include the entity's treasury shares. Despite paragraph 38, an entity may elect not to deduct from net assets/equity a

treasury share that is included in such a fund or is an underlying item when, and only when, an entity reacquires its own equity instrument for such purposes. Instead, the entity may elect to continue to account for that treasury share as net assets/equity and to account for the reacquired instrument as if the instrument were a financial asset and measure it at fair value through surplus or deficit in accordance with PBE IPSAS 41. That election is irrevocable and made on an instrument-by-instrument basis. For the purposes of this election, insurance contracts include investment contracts with discretionary participation features. (See PBE IFRS 17 for terms used in this paragraph that are defined in that Standard.)

...

Effective Date

...

- 62.7 **PBE IFRS 17, issued in July 2019, amended paragraphs 3, 9, AG9, AG15 and AG61, and added paragraph 38.1. Amendments to PBE IFRS 17, issued in August 2020, further amended paragraphs 3 and 38.1. An entity shall apply those amendments when it applies PBE IFRS 17.**

PBE IPSAS 30 *Financial Instruments: Disclosures* (as amended by PBE IPSAS 41 and PBE IFRS 17)

In the amendments to PBE IPSAS 30 *Financial Instruments: Disclosures* paragraphs 3 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:

...

- (c) ~~under~~ 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) An issuer's rights and obligations arising under insurance contracts that meet the definition of ~~Moreover, an issuer shall apply this Standard to 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.~~
 - (iii) An entity's rights and obligations that are financial instruments arising under credit card contracts, or similar contracts that provide credit or payment arrangements, that an entity issues that meet the definition of an insurance contract if the entity applies PBE IPSAS 41 to those rights and obligations in accordance with paragraph 7(h) of PBE IFRS 17 and paragraph 2(e)(iv) of PBE IPSAS 41.
 - (v) An entity's rights and obligations that are financial instruments arising under insurance contracts that an entity issues that limit the compensation for insured events to the amount otherwise 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.

(d) ...

...

Effective Date and Transition

...

53.8 PBE IFRS 17, issued in July 2019, amended paragraphs 3, 11 and 35 and deleted paragraph 36. Amendments to PBE IFRS 17, issued in August 2020, further amended paragraph 3. An entity shall apply those amendments when it applies PBE IFRS 17.

PBE IPSAS 31 *Intangible Assets*

In the amendments to PBE IPSAS 31 *Intangible Assets* paragraphs 3 and 133.9 are amended. New text is underlined and deleted text is struck through.

Scope

3. This Standard shall be applied in accounting for intangible assets, except:

(a) ...

(i) Contracts within the scope of PBE IFRS 17 *Insurance Contracts* any assets for insurance acquisition cash flows as defined in PBE IFRS 17; and

(j) ...

Effective Date

...

133.9 PBE IFRS 17, issued in July 2019, amended paragraph 3. Amendments to PBE IFRS 17, issued in August 2020, further amended paragraph 3. An entity shall apply that amendment when it applies PBE IFRS 17.

PBE IPSAS 40 *PBE Combinations*

In the amendments to PBE IPSAS 40 *PBE Combinations* paragraphs 84.2 and 126.2 are amended. New text is underlined and deleted text is struck through.

Classifying or Designating Identifiable Assets Acquired and Liabilities Assumed in an Acquisition

...

Insurance Contracts

84.2 The acquirer shall measure a group of contracts within the scope of PBE IFRS 17 *Insurance Contracts* acquired in an acquired operation, and any assets for insurance acquisition cash flows as defined in PBE IFRS 17, as a liability or asset in accordance with paragraphs 39 and AG93–AG95F of PBE IFRS 17, at the acquisition date.

...

Effective Date

...

126.2 PBE IFRS 17, issued in July 2019, amended paragraphs 71, 74, 75, 89 and AG107, and after paragraph 84.1 added a heading and paragraph 84.2. Amendments to PBE IFRS 17, issued in August 2020, further amended paragraph 84.2. An entity shall apply the amendments to paragraph 71 to

~~business~~ PBE combinations with an acquisition date after the date of initial application of PBE IFRS 17. An entity shall apply the other amendments when it applies PBE IFRS 17.

PBE IPSAS 41 *Financial Instruments* (as amended by PBE IFRS 17)

In the amendments to PBE IPSAS 41 *Financial Instruments* paragraphs 2 and 156.2 are amended and a new heading and paragraphs 184A–184G are added. New text is underlined and deleted text is struck through.

2. This Standard shall be applied by all entities to all types of financial instruments except:
- (a) ...
 - (e) Rights and obligations arising under an insurance contract as defined in PBE IFRS 17 *Insurance Contracts*, or 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 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 component~~ Investment components that are 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 within the scope of PBE IFRS 17.
 - (iii) An issuer's rights and obligations under 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) An entity's rights and obligations that are financial instruments arising under credit card contracts, or similar contracts that provide credit or payment arrangements, 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. However, if, and only if, the insurance coverage is a contractual term of such a financial instrument, the entity shall separate that component and apply PBE IFRS 17 to it (see paragraph 7(h) of PBE IFRS 17).
 - (v) An entity's rights and obligations that are financial instruments arising under insurance contracts that an entity issues that limit the compensation for insured events to the amount otherwise 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, amended paragraphs 2, AG1, AG4, AG5 and AG92 and added paragraph 38.1. Amendments to PBE IFRS 17, issued in August 2020, further amended paragraph 2

and added paragraphs 184A–184G. An entity shall apply those amendments when it applies PBE IFRS 17.

Transition

...

Transition for PBE IFRS 17 as amended in August 2020

184A An entity shall apply the amendments to PBE IPSAS 41 made by PBE IFRS 17 as amended in August 2020 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 August 2020 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 August 2020 after it first applies this Standard shall apply paragraphs 84D–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 46(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 46(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 net assets/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 was 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.

In the Basis for Conclusions, a new heading and paragraphs BC9–BC12 are added. For ease of reading new text is not underlined.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IFRS 17.

BC1. ...

Amendments to PBE IFRS 17 (August 2020)

- BC9. In June 2019, the International Accounting Standard Board (IASB) issued for comment IASB ED/2019/4 *Amendments to IFRS 17* (ED/2019/4). The aim of the proposed amendments was to ease the implementation of IFRS 17 by reducing implementation costs and making it easier for entities to explain the results of applying IFRS 17 to investors and others. ED/2019/4 also included a proposal to defer the effective date of IFRS 17 by one year. ED/2019/4 was issued for comment in New Zealand.
- BC10. In August 2019, the NZASB issued for comment NZASB ED 2019-3 *Amendments to PBE IFRS 17* (ED 2019-3), which proposed equivalent amendments to PBE IFRS 17. However, ED 2019-3 did not propose to defer the effective date of PBE IFRS 17 because PBE IFRS 17 was originally issued with an effective date of 1 January 2022, which was the date the IASB proposed in ED/2019/4.
- BC11. During its redeliberations on ED/2019/4, the IASB decided to defer the effective date of IFRS 17 by two years, that is, from 1 January 2021 to 1 January 2023. Therefore, to ensure that the effective date of PBE IFRS 17 remained aligned with that of NZ IFRS 17, in June 2020 the NZASB issued NZASB ED 2020-4 *PBE IFRS 17 – Deferral of Effective Date*. That ED proposed to defer the effective date of PBE IFRS 17 by a further year (from 1 January 2022 to 1 January 2023).
- BC12. In August 2020 the NZASB issued *Amendments to PBE IFRS 17*. This amending standard finalised the proposals in ED 2019-3 and ED 2020-4 and was aligned with *Amendments to NZ IFRS 17* issued in August 2020.

PBE IFRS 4 *Insurance Contracts*

The text box on the front page of PBE IFRS 4 is amended.

This Standard is superseded by PBE IFRS 17 *Insurance Contracts* for Tier 1 and Tier 2 not-for-profit public benefit entities for annual financial statements covering periods beginning on or after 1 January ~~2023~~²⁰²². Early application is permitted for entities that apply PBE IPSAS 41 *Financial Instruments* on or before the date of initial application of PBE IFRS 17.

This Standard continues to apply to Tier 1 and Tier 2 public sector public benefit entities after 1 January ~~2023~~²⁰²².

Part D – Effective Date

This Standard shall be applied for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.