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Insurance Accounting Alert

IASB issues amendments to IFRS 17

What you need to know

- The IASB published the amended version of IFRS 17 *Insurance Contracts* on 25 June 2020
- The amendments made to the standard were based on an exposure draft issued in June 2019 covering eight main topics as well as several other editorial matters
- The effective dates of IFRS 17 and, for qualifying insurers, IFRS 9 have been deferred to annual reporting periods beginning on or after 1 January 2023

Overview

On 25 June 2020, the International Accounting Standards Board (IASB or the Board) issued amendments to IFRS 17 *Insurance Contracts* (IFRS 17 or the standard). These amendments follow from the Exposure Draft (ED) on proposed *Amendments to IFRS 17 Insurance Contracts* (published on 26 June 2019), and subsequent re-deliberations based on feedback received on the ED from stakeholders.

As a result of its re-deliberations, the IASB has made changes to the following main areas of IFRS 17:

1. Deferral of the effective date of IFRS 17 and IFRS 9 *Financial Instruments* (IFRS 9) for insurers by two years
2. Scope of the standard
3. Expected recovery of insurance acquisition cash flows from insurance contract renewals
4. Contractual service margin (CSM) relating to investment activities
5. Applicability of the risk mitigation option for contracts with direct participation features
6. Reinsurance contracts held — expected recovery of losses on underlying onerous contracts
7. Simplified presentation of insurance contracts in the statement of financial position
8. Additional transition reliefs

In addition to the above changes, the amendments also include several other (minor) amendments and editorial changes to IFRS 17. The key features of the amendments are set out below.

1. Deferral of effective date of IFRS 17 and IFRS 9 for insurers by two years.

Deferral of the date of initial application of IFRS 17 by two years

The effective date of IFRS 17, including the amendments, has been deferred by two years to annual reporting periods beginning on or after 1 January 2023.[1] Early adoption is permitted, provided an entity also applies IFRS 9.

Extension of the temporary exemption from applying IFRS 9 by two years

The IASB also extended the fixed expiry date of the temporary exemption from applying IFRS 9 by two years. Insurance entities eligible for the exemption will be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023. As a result, qualifying entities will be able to adopt IFRS 17 and IFRS 9 at the same time.

2. Scope of the standard

Loan contracts

Based on the amendments, an entity can now elect to apply either IFRS 17 or IFRS 9 to insurance contracts that provide insurance coverage only for the settlement of a policyholder's obligation created by the contract itself, for example, a loan with a waiver upon death. The election would be made at a portfolio level and would be irrevocable. The Board concluded that for such entities, applying IFRS 9 to these contracts would provide useful information and could avoid significant costs. The amendments also include consequential changes to the transition requirements in IFRS 9 for such contracts for the situation where an entity elects to apply the requirements in IFRS 9 to a portfolio of the contracts, and has applied IFRS 9 before it initially applies IFRS 17.

Credit cards

IFRS 17 has also been amended to exclude from its scope, credit card contracts (and other 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.

Once a credit card contract is out of scope of IFRS 17, an entity needs to determine whether it provides the insurance coverage because it is required by law or regulation, or as part of the contractual terms of the credit card contract. For insurance coverage that is provided as part of the contractual terms of the credit card contract, the amendment requires that the issuer:

- Separate the insurance coverage component and apply IFRS 17 to it

  And

- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from contracts with customers* or IAS 37 *Provisions, contingent liabilities and contingent assets*) to the other components.

3. Expected recovery of insurance acquisition cash flows from insurance contract renewals

IFRS 17 previously required that acquisition cash flows that are paid before the recognition of a group of insurance contracts are recognised as an asset, and are derecognised when the related group of insurance contracts is recognised. An entity was not allowed to allocate any acquisition costs directly attributable to a group to future renewals from the contracts in that group. The amendments change this pre-recognition treatment and now require allocation of

1. This new effective date of IFRS 17 and IFRS 9 adds one additional year compared to the date of 1 January 2022 proposed in the ED.

insurance acquisition cash flows that are directly attributable to groups of insurance contracts to:

i. Groups of newly issued contracts (including any insurance contracts expected to be added to these groups in a future reporting period)

ii. Any future groups that will include contracts that are expected to arise from expected renewals of the contracts in the groups under (i)

This allocation should be based on a systematic and rational method.

When a group of insurance contracts has not yet been recognised in the statement of financial position, an entity should recognise an asset for the related insurance acquisition cash flows paid before the recognition date. This asset is derecognised and included in the initial measurement when the related group is recognised. To the extent any insurance contracts are expected to be added to a recognised group in a future reporting period, the entity continues to recognise the asset for insurance acquisition cash flows. The standard continues to allow an entity to record insurance acquisition cash flows of contracts with a coverage period of one year or less accounted for under the premium allocation approach (PAA) as an immediate expense, in which case an allocation to groups of insurance contracts is not needed.

An entity is required to assess the recoverability of the asset at the end of each reporting period if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the entity applies:

- An impairment test at the level of an existing or future group of insurance contracts

  And

- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected contract renewals

The entity would recognise an impairment loss to the extent that it expects the insurance acquisition cash flows to exceed the net cash inflow for these tests. An entity would recognise any loss for unrecoverable amounts in profit or loss, and reversals of such losses in subsequent periods if the impairment conditions no longer exist or have improved.

An entity would present any asset for insurance acquisition cash flows in the carrying amount of the related portfolios of insurance contracts issued, rather than as a separate asset in the statement of financial position. The amendment also sets out specific disclosures in respect of the recognised amounts for the insurance acquisition cash flow asset and the expected derecognition of the asset in future periods.

The amendments to IFRS 17 also clarify how to determine an asset for acquisition costs at the transition date (see below), and at the date that contracts are acquired in a business combination within the scope of IFRS 3 *Business Combinations* (IFRS 3) or a portfolio transfer. For acquired contracts, the asset for acquisition cash flows determined at the acquisition date should be recognised separately from intangible assets recognised applying IFRS 3, and should be measured at fair value.

The amendments also clarify that any such asset should not be included in the initial measurement of the acquired group of insurance contracts, i.e., the measurement of the CSM on initial recognition of the acquired contracts excludes the effect of this asset.

Transition

Entities will be required to identify, recognise and measure at the transition date, an asset for insurance acquisition cash flows for a group of insurance contracts. Only where it is impracticable to apply this requirement retrospectively, an entity should use the modified retrospective approach (MRA) or fair value approach (FVA) to measure the asset. However, an entity would not have to apply the recoverability assessment of the asset for insurance acquisition cash flows retrospectively. This is because the same effect will be achieved through applying the recoverability assessment at the transition date.

Under the MRA, the entity allocates the identified amount of acquisition cash flows using the systematic and rational allocation that the entity will apply going forward after the transition date to:

i. Groups of insurance contracts that are recognised at the transition date

i. Groups of insurance contracts expected to be recognised after the transition date

The entity then adjusts the measurement of the CSMs of the groups of insurance contracts that are recognised at the transition date by deducting the amount of insurance acquisition cash flows determined by applying (i) above from the CSM, to the extent the contracts that the entity expects to be in the group have been recognised at that date. The entity recognises an asset for insurance acquisition cash flows for all other acquisition costs paid before the transition date by applying (i) above for contracts that the entity expects to add to groups after the transition date and applying (ii) above for the groups of insurance contracts expected to be recognised after the transition date.

An entity may apply the MRA by setting the acquisition cash flows to nil at the transition date to the extent the entity does not have reasonable and supportable information necessary to apply the simplification under that approach. (This modification prevents an entity from having to use the FVA solely because of a lack of historical information about insurance acquisition cash flows).

The amendments specify how an entity should measure the asset for insurance acquisition cash flows at the transition date under the FVA and clarify that any such asset should not be included in the measurement on transition of the group of insurance contracts (i.e., the measurement of the CSM on transition excludes the effect of this asset.)

4. Contractual service margin relating to investment activities

The amendments introduce accounting requirements for services connected to investment activities provided to policyholders of insurance contracts in the scope of IFRS 17.

Insurance contracts with direct participation features
The IASB acknowledged that contracts with direct participation features (i.e., contracts accounted for under the Variable Fee Approach (VFA)) by their nature provide investment-related services. Therefore, the CSM on these contracts should be earned based on both insurance and investment-related services. The amendments to IFRS 17 require that for VFA contracts, coverage units used to amortise the CSM should be determined by considering the quantity of benefits and timing of both insurance coverage and investment-related services. The entity should also include costs related to investment-related services as cash flows within the boundary of an insurance contract.

Insurance contracts without direct participation features
Similarly, the IASB concluded that some insurance contracts without direct participation features provide an investment-return service. The amendments require that an entity should determine coverage units used to amortise the CSM considering the quantity of benefits and expected period of both insurance coverage and any investment-return service for such contracts. The amendments specify that for such contracts without direct participation features, an investment-return service may exist if, and only if:

- There is an investment component, or the policyholder has a right to withdraw an amount
- The entity expects the investment component or amount the policyholder has a right to withdraw to include an investment return

  And

- The entity expects to perform investment activity to generate that investment return

The entity should also include costs related to investment activities as cash flows within the boundary of an insurance contract if the entity has concluded that the contract provides an investment-return service, or to the extent the entity performs investment activities to enhance benefits from insurance coverage for the policyholder.

Disclosure
The amendments require that an entity should provide quantitative disclosure, in appropriate time bands, of the expected recognition in profit or loss of the CSM remaining at the end of the reporting period. This change removes the option which previously existed to provide qualitative information only. The amendments also introduce a specific disclosure of the approach taken to assess the relative weighting of the benefits provided by insurance coverage services and investment-related services or investment-return services.

5. Applicability of the risk mitigation option for contracts with direct participation features

The standard has been amended to extend the scope of the risk mitigation option for VFA contracts. The risk mitigation option can now also be applied when an entity holds reinsurance contracts, or non-derivative financial instruments measured at fair value through profit or loss, to mitigate the effects of the time value of money and other financial risks. Under the risk mitigation option, an entity recognises the effects of these financial risks in the statement of comprehensive income instead of adjusting the CSM. Previously, this option was available only for derivatives held.

In the case of reinsurance contracts held, the risk mitigation option allows an entity to recognise the effects of financial risks on the mitigated VFA contracts in a way that is consistent with how the entity recognises such effects for the reinsurance contracts themselves. For reinsurance contracts held accounted for under the general model, the effects of financial risk will be reported in profit or loss or other comprehensive income (OCI). Application of the risk mitigation option, here, results in the effects of financial risk for the relevant VFA contracts being recognised in profit or loss or OCI rather than adjusted against the CSM.

In the case of non-derivative financial instruments at fair value through profit or loss, application of the risk mitigation option results in some (but not all) of the effects of financial risks on the mitigated VFA contracts being recognised in profit or loss.

In addition, clarifications have been made to the standard for cases where an entity applies the OCI option and the risk mitigation option together under the VFA. The amendment specifies that the risk mitigation amounts should be presented as insurance finance income and expense (IFIE) in a way that is consistent with the risk mitigating items. Refer to Appendix 1 for further details.

6. Reinsurance contracts held — expected recovery of losses on underlying onerous insurance contracts

IFRS 17 has been amended to require the holder of a reinsurance contract (i.e., a cedant) to recognise a gain on that contract when it recognises a loss on initial recognition of an onerous group of insurance contracts covered by the reinsurance contract (referred to as 'underlying contracts'), or on the addition of further onerous contracts to that group. In recognising this gain, the cedant adjusts the CSM of the group of reinsurance contracts held. This is only applicable when the reinsurance contract held is recognised before, or at the same time as, the loss on the underlying contracts is recognised.

This amendment extends the scope of the existing exception in the original IFRS 17 that applied when an underlying group of insurance contracts became onerous after initial recognition, but which did not apply when the underlying group was onerous at initial recognition. The amendment addresses stakeholder concerns that significant mismatches in profit or loss would otherwise occur in many circumstances.

The amendments specify that a loss-recovery component of the asset for remaining coverage of a group of reinsurance contracts held is determined when an entity recognises a recovery of a loss on initial recognition of an onerous group of underlying contracts as well as for subsequent measurement of the recovery of losses. This loss-recovery component should be accounted for in a manner consistent with the loss component of the group of underlying insurance contracts issued. As such, a cedant determines the resulting amount of the loss-recovery at initial recognition and any subsequent changes therein that are to be recognised in profit or loss by multiplying:

- The loss recognised on the group of underlying insurance contracts

  And

- The percentage of claims on underlying contracts the entity expects to recover from the group of reinsurance contracts held

The updated standard requires that a loss-recovery component reverses, consistent with reversal of the loss component of underlying groups of contracts issued, even when those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held. For example, a loss component might be reversed by a change in fulfilment cash flows in the underlying group of insurance contracts that has no corresponding change in fulfilment cash flows in the reinsurance contract held (e.g., because of a favourable change in expense assumptions).

The amendments also clarify that these loss-recovery component requirements also apply when an onerous group of underlying contracts is measured applying the PAA.

If the reinsurance contract held is accounted for under the PAA, the cedant on initial recognition adjusts the asset for remaining coverage for the recognised gain (instead of adjusting the CSM specifically, as the PAA does not have a separate CSM component).

The updated standard also introduces guidance that specifies how to determine the recovery of losses from reinsurance contracts held for cases where an entity groups together onerous underlying contracts and other onerous insurance contracts not covered by the reinsurance contract. To determine the loss-recovery component in these cases, an entity should use a systematic and rational method to determine the portion of losses arising on the group of underlying insurance contracts which are covered by the reinsurance contract. This simplification has been introduced to accommodate the fact that IFRS 17 requires an entity to identify the losses on underlying groups of contracts, but does not require the entity to identify or track these losses at a level lower than the group.

The changes also provide guidance on how to determine the loss-recovery component when recognising contracts that are acquired in a business combination within the scope of IFRS 3 or a portfolio transfer.

Transition

The transition requirements of IFRS 17 have been amended to specify how the loss-recovery component should be determined for underlying insurance contracts that are onerous at the transition date. The amendments also introduce an additional relief under the MRA that results in a cedant not recognising a loss-recovery component at transition date, to the extent it does not have the reasonable and supportable information to identify it.

7. Simplified presentation of insurance contracts in the statement of financial position

Entities should now present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities. This presentation also applies to reinsurance contracts held. The amendment changes the level of aggregation for presentation purposes from group level (as required by the original version of IFRS 17).

The IASB considered that it will be easier for insurers to associate premium debtors and outstanding claims to portfolios than to groups of contracts, and that any potential loss of information arising from netting of groups in an asset and liability position is acceptable when balanced against the significant cost relief to preparers provided by the amendment.

8. Additional transition reliefs

In addition to the changes to the transition measures related to insurance acquisition cash flows and recovery of losses through reinsurance contracts held (see above), additional amendments were made to the transition guidance in IFRS 17:

Contracts acquired in a portfolio transfer or business combination before the transition date
The amendments introduce an additional modification for the MRA that relates to the liability for settlement of claims incurred before an insurance contract was acquired. Applying the full retrospective approach, this liability would form part of the liability for remaining coverage from the perspective of the acquiring entity. Entities applying the modification in the MRA will instead classify such a liability as a liability for incurred claims to the extent that they do not have reasonable and supportable information to apply the full retrospective approach. The IASB has also introduced an amendment to add a relief for the fair value transition approach that permits an acquiring entity to classify such liabilities as a liability for incurred claims in applying that approach.

The Board introduced this additional relief in response to stakeholder concerns that it may be impracticable on transition to distinguish between claims liabilities that arose from acquired contracts and those arising from initiated contracts.

Risk mitigation option (date of application and use of fair value approach)
The amendments permit an entity to apply the risk mitigation option available under the VFA prospectively from the IFRS 17 transition date, or a later date prior to the date of initial application of IFRS 17, provided that the entity designates its risk mitigation relationships to apply the risk mitigation option at or before the date it applies the option. Without this amendment, the risk mitigation option could only be applied from the date of initial application of IFRS 17 with accounting mismatches arising in the comparative periods as a result.

The standard also includes an amendment to the transition requirements in IFRS 17 to permit an entity that is able to apply the full retrospective approach to use the fair value approach instead for a group of insurance contracts with direct participation features, if and only if, the entity:

i. Chooses to apply the risk mitigation option to the group prospectively from the transition date

   And

ii. Has used derivatives or reinsurance contracts held to mitigate financial risk arising from the group before the transition date

This change addresses concerns about a mismatch arising from not being able to apply the risk mitigation before the transition date by allowing entities to apply the fair value approach to transition (provided the two conditions outlined above are met), even when they are able to apply the fully retrospective approach.

Frequency of reporting
The amendments introduce a modification under the MRA for entities that make an accounting policy choice not to change the treatment of accounting estimates made in previous interim financial statements. This follows the amendment regarding the frequency of reporting, as outlined in the section below. Under this modification of the MRA, an entity determines the CSM, loss component and amounts related to insurance finance income or expenses at the transition date as if the entity had not prepared any interim financial statements before the transition date to the extent it does not have reasonable and supportable information to apply the requirements fully retrospectively.

Classification of investment contracts with discretionary participation features
The amendments permit an entity, under the MRA or FVA, to determine whether an investment contract meets the definition of an investment contract with discretionary participation features using information available at the transition date (rather than at inception or initial recognition).

9. Other amendments

In addition to the changes in key areas of IFRS 17 mentioned above, the amendments also include several other (minor) amendments to clarify the wording in the standard or to correct relatively minor errors, which that would have been included in the Annual Improvements process if the Board had not decided to issue an ED.

Interim financial statements
Most notably, The Board amended IFRS 17 to allow an entity to make an accounting policy choice on whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or annual reporting. The entity should apply this choice consistently to all insurance contracts issued and reinsurance contracts held (i.e., an accounting policy choice at reporting entity level).

IFRS 17, as issued in 2017, prohibits an entity from changing the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period. The IASB developed this requirement in response to stakeholder concerns about having to maintain separate CSMs for the purposes of annual and interim reporting. However, an effect of B137 is that entities with identical fulfilment cash flows operating in the same economic environment could report different CSMs and insurance service results in the same reporting period depending on the frequency of their external reporting.

Many stakeholders expressed concern at this outcome, as they often prepare their interim financial statements and subsequent annual financial statements on a year-to-date basis. The original IFRS 17 would, in the view of these stakeholders, create a practical burden in groups that publish consolidated interim financial statements but in which insurance subsidiaries only produce annual financial statements. The amendment aims to address these concerns.

Definitions

The amendments also change some of the defined terms in IFRS 17. For example, the definition of an investment component has been amended so that now it represents amounts that an insurance contract requires the entity to repay to policyholders in all circumstances, regardless of whether an insured event occurs.

The amendments also introduce a new term "insurance contract services" and specify these services include coverage for an insurance event, investment-return services and investment-related services.

The definitions of liability for remaining coverage and the liability for incurred claims have been amended to include all obligations arising from insurance contracts issued by an entity.

Refer to Appendix 1 for further detail on the other amendments. (This appendix is not intended to provide a comprehensive list of all other (minor) and editorial changes to the standard, but highlights the more noteworthy changes.)

How we see it

- Stakeholders are likely to welcome the changes made by the Board to address issues raised in the feedback on the published standard, particularly regarding the areas of acquisition cash flows and reinsurance recoveries.
- There are other areas whether the IASB, after careful consideration, concluded no further changes were warranted. For example, in respect of the so called 'annual cohort' requirement (i.e., the requirement to include in IFRS 17 groups only contracts issued no more than 12 months apart); contracts that change in nature over time; and liabilities acquired in their settlement period for acquisitions after the transition date. Indeed, the issue of annual cohorts is seen as a key issue by preparers and other stakeholders in several jurisdictions, particularly for mutualised business. Some stakeholders will therefore be disappointed that the IASB has not made any amendments for this.
- There are a number of changes made to IFRS 17 that will have a significant impact on implementation efforts. The decisions regarding the recovery of losses by reinsurance held, investment services and related investment expenses, recognition and impairment of assets arising from insurance acquisition cash flows, and reporting frequency will require significant evaluation and may cause preparers to rethink some of their IFRS 17 solutions.
- In light of the deferral of the effective date of IFRS 17 and the extension of the temporary exemption from applying IFRS 9, preparers should consider the impact on their implementation plans. This would include reassessment of overall programme and workstream timeframes, as well as key milestones allowing for the new effective date; and updates to accounting policies and revisiting policy choices in response to the revised standard.
- Preparers should also assess the current status of system design and configuration requirements in response to the revised standard and any changes to accounting policies; They also need to align their testing and parallel run strategy and planning, as well as building sufficient controls over the process, and ensure they update and engage key stakeholders (including regulators, analysts, etc.) on next steps and expected impacts.

Appendix 1: Summary of other (minor) amendments to IFRS 17

The table below provides further details of other (minor) amendments to the standard. This summarises the more noteworthy changes, but is not intended to cover every other (minor) amendment or editorial correction made.

Ref.	Amendment
(a)	**Scope and investment contracts with discretionary participation features.** Amendment to paragraph 11(b) to ensure IFRS 17 applies to an investment component separated from the host insurance contract if that investment component represents an investment contract with discretionary participation features.
(b)	**Recognition of contracts within a group.** Amendment to reflect the intended timing of recognition of contracts in paragraph 28 of IFRS 17, related to when contracts in a group qualify for recognition over more than one reporting period. Paragraph 28 currently refers to including contracts issued by the end of the reporting period instead of those that meet the recognition criteria of paragraph 25.
(c)	**Pre-recognition insurance acquisition cash flows.** Amendment to include as an asset for insurance acquisition cash flows, insurance acquisition cash flows for which no cash flows have occurred but a liability has been recognised applying another IFRS standard before the related group of insurance contracts is recognised.
(d)	**Pre-recognition cash flows other than insurance acquisition cash flows.** Amendment to paragraph 38 of IFRS 17 to include in the initial measurement of the CSM of a group of contracts the effect of the derecognition of any asset or liability previously recognised under another IFRS standard for cash flows related to that group, 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 IFRS standard occurred at the date of initial recognition of the group of insurance contracts, for example, premiums received before their due date. This amendment also requires the recognition of insurance revenue and expenses for the amount of any asset derecognised at that date.
(e)	**Business combinations outside the scope of IFRS 3.** Paragraph 39 includes requirements for calculating the CSM for groups of contracts acquired in a business combination. The amendments replace 'business combination' with 'business combination within the scope of IFRS 3' thereby excluding business combinations under common control from the requirements of paragraph 39 and also B93- B95F.
(f)	**Adjusting the loss component for changes in the risk adjustment for non-financial risk.** Amendments to paragraph 48(a) and paragraph 50(b) to include the effects of the risk adjustment for non-financial risk when determining the loss-component of the liability for remaining coverage.
(g)	**Variable fee approach (VFA) — applying the OCI option and the risk mitigation option together.** The amendments specify that the accounting policy choice (in paragraphs 88–90 of IFRS 17) to present a part of IFIE in OCI and a part of IFIE in P&L does not apply to IFIE arising from the application of the risk mitigation option; and add new requirements to the risk mitigation option to specify how to present IFIE arising from its application. This requires an entity to present IFIE in a way that best matches the changes in the risk mitigating instrument.
(h)	**Disclosure of investment components excluded from insurance revenue and insurance service expense.** Amendment to paragraph 103 to clarify that refunds of premiums do not need to be disclosed separately from investment components in the reconciliation from opening to closing balances of the insurance contract liabilities required by paragraph 100.
(i)	**Experience adjustments for premium receipts.** Amendment to paragraph 106(a) and B124 to specify that an entity should present experience adjustments for premium receipts that do not relate to future service as insurance revenue.
(j)	**Risk adjustment for non-financial risk in disclosure requirements.** Amendment to paragraphs 104, B121 and B124 to remove potential double-counting of the risk adjustment for non-financial risk in the insurance contracts reconciliation disclosures and revenue analyses.

Ref.	Amendment
(k)	**Disclosure of sensitivity analyses.** Correction of terminology in the sensitivity analysis disclosure requirements to correct the inadvertent use in paragraphs 128 and 129 of the term "risk exposure" rather than "risk variable".
(l)	**Definition of insurance contract services.** The amendments introduce the notion of insurance contract services. This definition specifies that insurance contract services include coverage for an insurance event, investment-return services (general model contracts meeting certain criteria) and investment-related services (VFA contracts).
(m)	**Definitions of the liability for remaining coverage (LFRC) and the liability for incurred claims (LFIC).** The definitions of liability for remaining coverage and the liability for incurred claims have been amended to include all obligations arising from insurance contracts issued by an entity. However, the definitions of LFRC and LFIC in the original standard did not provide a complete list of all obligations giving rise to cash flows included in the measurement of the insurance contract liability. For example, other obligations relating to the provision of insurance contract services could include refunds of premiums to the policyholder or expenses payable to third parties. Obligations not related to the provision of insurance contract services could also include some types of investment components.
(n)	**Definition of an investment component.** Amendment to clarify the definition of an investment component in order to capture the explanation in paragraph BC34 of the Basis for Conclusions on IFRS 17 that an investment component is an amount that is paid to a policyholder in all circumstances, regardless of whether an insured event occurs
(o)	**Treatment of policyholder taxes.** Amendment to paragraph B66(f) to require entities, when applying B65(m), to include in fulfilment cash flows expected income tax payments and receipts that are specifically chargeable to policyholders under the terms of an insurance contract.
(p)	**Excluding changes relating to the time value of money and assumptions that relate to financial risk from changes in the carrying amount of the CSM.** Amendment to paragraph B96, to exclude changes relating to the time value of money and financial risk from the adjustment of the CSM for differences between expected and actual investment components that become repayable in a period in the general model. Additional amendment to clarify that paragraph B96 also applies to loans to policyholders, and to clarify the requirements for the effects of investment components or policyholder loans unexpectedly paid or unexpectedly not paid.
(q)	**Changes in the risk adjustment for non-financial risk.** Amendment to paragraph B96(d) and B97(a) to address disaggregation of changes in the risk adjustment for non-financial risk. This amendment clarifies the effect on the CSM if an entity chooses to disaggregate changes in the risk adjustment for non-financial risk between changes related to non-financial risk and changes related to the time value of money and other financial assumptions. If an entity makes such a disaggregation, it adjusts the CSM only for changes in non-financial risk measured at discount rates determined on initial recognition of a group of contracts.
(r)	**VFA eligibility assessment at individual contract level.** Amendment to paragraph B107 to clarify that, when assessing whether a contract meets the criteria for the scope of the VFA, an entity should assess the variability of the amounts to be paid to the policyholder over the duration of the contract rather than the duration of the group of contracts as originally written in the standard.
(s)	**Use of the risk mitigation option**. Amendment to paragraph B118 to clarify that an entity shall discontinue the use of the risk mitigation approach for a group of insurance contracts if, and only if, the eligibility criteria of that approach for the group cease to apply.
(t)	**Insurance revenue — income tax:** amendments to paragraph B121 of IFRS 17 to include amounts related to income tax that are specifically chargeable to the policyholder in the list of items that comprise revenue. [An entity should recognise insurance revenue for the consideration paid by the policyholder for such income tax amounts consistent with the recognition of insurance revenue for other incurred expenses applying IFRS 17.]

Ref.	Amendment
(u)	**Excluding changes from cash flows relating to loans to policyholders from revenue**. Amendment to paragraph B123(a) to clarify that payment or receipt of amounts lent to policyholders (and related changes in the liability for remaining coverage) should not give rise to insurance revenue. The amendments also explain that the waiver of such a loan should be treated in the same way as any other claim.
(v)	**Treatment of changes in underlying items.** Amendment to paragraph B128 to clarify that 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 assumptions that relate to financial risk for the purposes of IFRS 17. The last sentence of paragraph B134 specifies that applying it, the amount included for insurance contracts is determined by considering all income or expenses included in profit or loss for the underlying items, irrespective of where in profit or loss those income or expenses are presented.
(w)	**Treatment of accounting estimates made in interim financial statements.** Paragraph B137 of the amended standard introduces an accounting policy choice on whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or annual reporting. The entity should apply this choice consistently to all insurance contracts issued and reinsurance contracts held (i.e., an accounting policy choice at reporting entity level).
(x)	**Amendment to IFRS 3 *Business Combinations*.** Amendment to clarify that the consequential amendments to IFRS 3 made by IFRS 17 on the classification of insurance contracts based on terms and conditions as they exist at the acquisition date apply prospectively to contracts acquired in a business combination from the date of initial application of IFRS 17. Consequently, an entity can continue to use the exception in paragraph 17(b) of IFRS 3 for business combinations that occurred before the date of initial application of IFRS 17.
(y)	**Amendment to IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 and IAS 32 *Financial Instruments: Presentation*.** Changes to the consequential amendments in IFRS 17 to prevent insurance contracts held being included in the scope of IFRS 7, IFRS 9 and IAS 32.

Appendix 2: Summary of amendments to IFRS 17

List of topics for which the Board agreed to amend IFRS 17

Topic (per Appendix A of March 2020 IASB agenda paper AP2)	Board's decision			Reference in text above
	Confirm amendment as proposed in the ED	Confirm proposed amendment with some changes	Amendment not proposed in the ED	
Scope exclusion for credit card contracts and other similar contracts that provide credit or payment arrangements that meet the definition of an insurance contract		January 2020		2
Scope exclusion for loan contracts that meet the definition of an insurance contract	December 2019			2
Expected recovery of insurance acquisition cashflows		December 2019, January 2020		3
Contractual service margin attributable to investment-return service and investment-related service		December 2019, February 2020		4
Reinsurance contracts held – recovery of losses on underlying insurance contracts		December 2019		5
Presentation in the statement of financial position	December 2019			6
Applicability of the risk mitigation option – reinsurance contracts held	December 2019			7
Applicability of the risk mitigation option – non-derivative financial instruments at fair value through profit or loss			February 2020	7
Accounting policy choice relating to interim financial statements			January 2020	9/Appendix 1
Effective date of IFRS 17		March 2020		1
IFRS 9 temporary exemption in IFRS 4		March 2020		1
Transition relief for contracts acquired	December 2019			8
Transition relief for risk mitigation – application from the transition date	December 2019			8
Transition relief for risk mitigation option – the option to apply the fair value approach	December 2019			8
Transition relief for investment contracts with discretionary participation features			February 2020	8
Transition relief for identifying the date a reinsurance contract held was acquired			February 2020	7
Transition relief relating to interim financial statements			February 2020	8
Minor amendments and additional sweep issues		February 2020	February 2020* May 2020*	9/Appendix 1

*Resolving an inconsistency in the requirements of IFRS 17 relating to policyholder taxes

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