

IFRS 17 Case Study - Call for participants

Abstract

EFRAG is calling for expressions of interest from European insurance companies in participating in a case study in connection with EFRAG's endorsement advice on IFRS 17 *Insurance Contracts*. Expressions of interest should be submitted by **Friday 8 December 2017**.

Background

EFRAG has been requested by the European Commission (EC) to provide its opinion on whether IFRS 17 *Insurance Contracts* (IFRS 17) meets the criteria in the IAS Regulation to be endorsed for use in the EU and EEA. The criteria for endorsement include technical conditions and that the new IFRS Standard is conducive to the European Public Good.

In developing its advice to the EC, EFRAG will undertake an impact analysis, including a cost-benefit analysis and an analysis of broader economic impacts. In order to provide these analyses, EFRAG plans to undertake a detailed case study on the anticipated impact of IFRS 17 on a sample of European insurance groups (the IFRS 17 case study).

The IFRS 17 case study is an integral part of the development of an advice from EFRAG to the EC on the expected impact of IFRS 17 in Europe. EFRAG is calling for volunteers to participate in the case study and is seeking the participation of a range of entities involved in providing insurance. The focus of the study is on European insurance groups that apply IFRS Standards under the provisions of the IAS Regulation.

A shorter version of the case study will be made available for small- and medium-sized participants at a later stage.

Scope of IFRS 17 case study and timetable

The IFRS 17 case study requires participants to provide information on the impact of IFRS 17 on selected portfolios of insurance contracts. That is, EFRAG is seeking information on differences between each insurer's portfolios as measured under their existing accounting practices and how this is expected to change under IFRS 17. This evaluation will be based on the composition of the selected portfolios in 2016.

EFRAG will be asking each participant to select two representative portfolios from major product lines, in consultation with the EFRAG team. For each portfolio, participants will be requested to:

- (a) Apply both current accounting practices and IFRS 17 to the portfolio and quantify the effect on the income statement and balance sheet
- (b) Explain the differences between current accounting practices and IFRS 17, including:
 - (i) The likely transition approach for that portfolio
 - (ii) A comparison of the profit recognition patterns (run-off of CSM over the full duration)
 - (iii) An explanation of any economic or accounting mismatches in either or both current accounting practices and IFRS 17
 - (iv) An explanation of how the business model is reflected under both current accounting practices and IFRS 17
 - (v) A stress test of the outcomes
- (c) The relationship between IFRS 17 and IFRS 9 *Financial Instruments*
- (d) Information on current and expected pricing strategies.

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At a company level, the case study will be seeking information on the anticipated:

- (a) Costs of initial application and ongoing compliance
- (b) Benefits for the entity, e.g. additional management information and investments in systems
- (c) Impact on the design and pricing of insurance products, if any.

The case study will be made available during the second half of December 2017.

EFRAG is seeking approximately 12 participants.

The **proposed timetable** for the IFRS 17 case study is:

- (a) 18 December 2017: notification to selected volunteers and provision of case study materials
- (b) January – February 2018: agreement with EFRAG Secretariat of the portfolios to which you propose applying the case study
- (c) March – May 2018: monthly meetings with the EFRAG Secretariat to address any issues that arise and to report on progress
- (d) 15 June 2018: submission of the final case study results
- (e) June – July 2018: follow-up questions (if any) to the volunteers.

Next steps

If you are interested in participating, please provide the following information:

- (a) Legal form: such as mutual, listed company, financial conglomerate
- (b) Location of head office – we are seeking volunteers from all Member States within the EU and EEA
- (c) Major jurisdiction(s) in which you conduct insurance activities
- (d) Main line(s) of business – both monoline and multi-line insurers are encouraged to volunteer. Lines of business could include life, property and casualty, annuity, investment services, reinsurance.
- (e) Summary financial information from your 2016 IFRS consolidated financial statements: total assets, total insurance liabilities (technical provisions), total insurance revenue, gross written premiums.
- (f) 2016 IFRS financial statements (in English).

The closing date for expressions of interest in participating in the study is Friday, 8 December 2017. Please submit your expression of interest to:

IFRS17Secretariat@efrag.org

Confidentiality

EFRAG is aware that some of the material requested is highly confidential. To this end, the detailed information will only be available to EFRAG Secretariat who already sign a confidentiality agreement and any contracted support, all of whom will be required to sign a confidentiality agreement. No information about individual insurers will be made publicly available. All information included in public papers provided by EFRAG will be presented in aggregate or will be used as the basis for projections about the impact on sectors of the insurance industry.

Please see our field work policy [here](#).

Contact

If you have any questions about the case study, please do not hesitate to contact Patricia McBride, EFRAG Technical Director, (email patricia.mcbride@efrag.org, phone +32 (0) 2 210 4403).