

IFRS 17 newsflash

IFRS 17 Simplified Case Study – one month left to participate

The European Financial Reporting Advisory Group's (EFRAG's) Simplified Case Study is an important opportunity for most firms to take stock and provide feedback on IFRS 17.

In February this year, EFRAG appealed to the insurance industry for help in understanding the likely impacts of IFRS 17. Ten large European insurers are undertaking extensive analysis of their insurance business to contribute to a wide-reaching IFRS 17 case study. However, EFRAG has also published a Simplified Case Study for smaller insurers. All insurers applying IFRS standards are encouraged to complete at least the first part. The aggregated responses to the case study will provide input into draft endorsement advice that EFRAG will submit to the European Parliament at the end of this year.

The deadline for submissions is 31 May 2018.

Why should firms participate in the case study?

The Simplified Case Study gives insurers who are not participating in the detailed case study, a great opportunity to dig into the implications and detail of the IFRS 17 standard and, if they haven't already, to kick-start their impact assessment. For those that have already started along the implementation process, the case study will help guide future discussion and analysis and may highlight gaps in their existing implementation roadmaps.

The case study also allows insurers to directly lobby EFRAG and feedback on their specific concerns regarding the standard.

What does the case study involve?

There are two sections to the Simplified Case Study – Part A and Part B.

Part A is a qualitative assessment of IFRS 17, concentrating on perceived impacts and opinions of the standard, including impacts on pricing, asset-liability management and key performance indicators.

Furthermore, the “Benefits of IFRS 17” section provides an opportunity for insurers to feedback on their opinion of IFRS 17 and comment on topics that include accounting mismatches and the level of aggregation. All insurers applying IFRS standards are encouraged to complete this section.

Part B is quantitative, requiring insurers to focus on a single portfolio of insurance business and analyse the impact of accounting for the business under IFRS 17. There are four steps in this section.

1. Select a portfolio.
2. Apply current accounting standards to the insurance liabilities and associated assets.
3. Apply IFRS 17 and IFRS 9 to the same insurance liabilities and associated liabilities.
4. Compare the results.

Act now

The deadline of 31 May 2018 is not that far away, however insurers should bear in mind that:

- Partial submission is permitted – so only Part A or a partially completed section *will* be accepted by EFRAG.
- The Part B analysis considers only one portfolio of insurance business – modelling this should not be overly cumbersome.
- Completing the case study would yield significant benefits, even if it were not submitted to EFRAG by 31 May.

You can download the Simplified Case Study template [here](#).

Richard Purcell, Technical Lead



Many will welcome the opportunity to air their IFRS 17 concerns with EFRAG, and would only need to partially complete the case study to do so. However, by fully completing the case study, insurers will also get a chance to consider assumptions and approaches for each of IFRS 17's key concepts, including the CSM, discount rates, the risk adjustment and contract boundaries. This could certainly spur action within companies where there may have been a reluctance to start IFRS 17 preparations.

Please get in touch with us if you would like to discuss the Simplified Case Study further or require support in completing the case study or understanding the impacts the new standard may have on your business.

You can also find out more on IFRS 17 in our [white paper](#).