



Subject: IFRS 17 Transition and Progress Report Requirements

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Scope : Insurers and Reinsurers

Table Contents

Glossary of Terms.....	3
Introduction.....	3
A. Early Adoption of IFRS 17	3
B. Development and Submission of IFRS 17 Project Plans.....	3
C. Semi-Annual Progress Reporting to the Authority	4
I. Timing and Frequency of Reporting.....	4
II. Submission Format.....	4
III. Scope of Progress Reports.....	4
1. Project Structure and Resources.....	4
2. Project Status.....	5
3. Significant Accounting Impact.....	5
4. Operational Preparedness.....	6
5. Location of Information	6
APPENDIX – IFRS 17 IMPLEMENTATION PROGRESS REPORT	7

Glossary of Terms

Authority	-	Financial Services Regulatory Authority
Insurers	-	Insurers and Reinsurers

Introduction

In May 2017, the International Accounting Standards Board issued the final version of the **IFRS 17 Insurance Contracts** Standard. IFRS 17 replaces IFRS 4 and is **effective for annual periods beginning on or after 1 January 2022** (new extension from initial 2021). The new financial reporting standard will undoubtedly represent the most significant change to insurance accounting requirements in over 20 years.

In terms of regulation 10.1.c of the Insurance Regulations, 2008 all insurers are required to submit to the Authority, financial statements prepared in accordance with the International Financial Reporting Standards (IFRS Standards®).

To support the insurers in their transition to IFRS 17, the Authority is issuing this circular in terms of section 33 of the Financial Services Regulatory Act, 2010, to set out the Authority's expectations regarding:

- a. early adoption of IFRS 17;
- b. development of IFRS 17 implementation project plans;
- c. accounting for guarantee contracts; and
- d. semi-annual progress reporting to the Authority.

A. Early Adoption of IFRS 17

Any insurer that adopts IFRS 17 before its effective date of 1 January 2022 will be expected to report to the FSRA using the normal quarterly and annual returns. The insurer will also be required to reconcile the amounts in the annual return to its audited financial statements prepared with reference to IFRS 17.

B. Development and Submission of IFRS 17 Project Plans

The Authority expects each insurer to develop a project plan for the implementation of IFRS 17. The project plan must highlight the key features outlined in Part C. III below and should include any other information the insurer considers relevant to the Authority.

The project plan must be submitted to the Authority not later than 31 May 2020.

C. Semi-Annual Progress Reporting to the Authority

Each insurer must submit to the Authority semi-annual reports outlining the progress made in preparation for the adoption of IFRS 17. This circular sets out the Authority's expectations with respect to the contents of such reports.

I. Timing and Frequency of Reporting

The first progress report is due not later than 30 June 2020. Subsequent progress reports are due semi-annually on or before:

- 31 December 2020;
- 30 June 2021; and
- 31 December 2021.

II. Submission Format

One (1) electronic copy of progress report detailing information under section III below to the Authority ensuring the subject field is identified: "Insurer's Name – IFRS 17 Progress Report – (MMYYYY)".

A cover page – "IFRS 17 Self-Assessment Summary Questionnaire" (see appendix) summarising the report's content must be completed and submitted with the IFRS 17 progress report.

III. Scope of Progress Reports

The Authority expects the senior management of each insurer to be engaged in the development and monitoring of progress of the IFRS 17 project plan. Senior management should review and approve all material elements of the information provided to the Authority. Progress report information received from the insurer will be considered confidential and treated accordingly.

The progress reports should include the following:

1. Project Structure and Resources

- a. Description of the project structure, governance, resources allocated to the project and timelines. This must include the roles and accountabilities of the board, senior management, project sponsor and key project team members (internal and external).
- b. Assessment of whether resources are sufficient to meet project deliverables.

2. Project Status

The Authority expects the insurer to keep the Authority informed of any major changes to the IFRS 17 project plan or risks to its successful implementation.

Indicate the status of key milestones of the project plan. For example, indicate if the project is on schedule, ahead of schedule or behind schedule. If behind schedule, indicate the steps being taken to bring the project back on schedule.

When evaluating the project status, the insurer should:

- a. Conduct a qualitative assessment of IFRS 17/IFRS 4 differences (e.g., impact on policyholder liability, retained earnings, regulatory capital) and indicate how the identified gaps will be addressed;
- b. Identify issues and solutions in applying IFRS 17, where a decision has not been made to deal with the identified issues, indicate the major factors relevant to the decision and the expected timeline for completing that decision;
- c. Describe possible choices, actions, elections or policies (accounting and actuarial) being considered and applicable criteria used for decision making; and
- d. Where a decision has been made and it is possible to estimate its impact, provide a preliminary estimate of the range of quantitative impacts for each financial statement item affected by the choice and the potential impact on capital levels. If it is not yet possible to estimate its impact, describe the timeline and process for preparing that estimate.

Details should be included in the progress report based on the areas identified in subsection 3 below.

3. Significant Accounting Impact

Each insurer should provide a summary of the significant changes caused by the difference between IFRS 4 and IFRS 17. The insurer should assess the impact of the accounting standard by portfolio of insurance contracts, where possible, to provide more relevant information to the Authority. The progress report should comment on the topics below and any issue that will have a significant impact on the insurer's financial statement balances (mainly on the Statement of Financial Position), such as recognition, classification, measurement, presentation, and disclosure. Each report should provide the status and progress towards decisions made.

The Authority has identified the following topics that might affect an insurer's financial statements:

- a. Level of Aggregation
- b. Estimate of Future Cash Flows
- c. Discount Rates
- d. Risk Adjustment
- e. Contractual Service Margin

- f. Embedded Guarantees
- g. Accounting for Financial Guarantee Contracts
- h. Deferred Acquisition Costs
- i. Premium Allocation Approach Measurement
- j. Contracts with Direct Participation Features
- k. Reinsurance
- l. Impact of adoption of IFRS 9 on IFRS 17 Transition Date (e.g., classification and measurement, expected credit losses)
- m. Impact on Presentation and Disclosures
- n. Transition

4. Operational Preparedness

Each insurer should provide a summary of the status of its operational preparedness to implement IFRS 17. The progress report should comment on the topics below:

- a. Preparation of regulatory returns;
- b. Changes required to systems, if any;
- c. Training designed and delivered to staff; and
- d. Any other items impacting the project.

5. Location of Information

The information requested in subsections 1 to 4 above may incorporate information by reference (e.g., from an existing internal document). In such cases, insurers are expected to map the reference to the location where the required information is available to the Authority. If the information requested is not available in any given period, the insurer's report to the Authority should indicate when that information will be available.

Required information that has been reported in a previous progress report and that remains unchanged from period to the next need not be repeated. However, the insurer should indicate that the information in question is unchanged from the previous report.

APPENDIX – IFRS 17 IMPLEMENTATION PROGRESS REPORT

Insurer's Name:							
Reporting Date:							
IFRS 17 Assessment Questionnaire		Complete	In progress: On time	In progress: At risk	Not Started	Not Applicable	Comment
1.	Does the insurer have an approved IFRS 17 Project Plan in place? Is the project on track?						
2.	Has the insurer determined its accounting policies with respect to IFRS 17 including options and actuarial methods associated with?						
	<i>a. Level of Aggregation</i>						
	<i>b. Estimate of Future Cash Flows</i>						
	<i>c. Discount Rates</i>						
	<i>d. Risk Adjustment</i>						
	<i>e. Contractual Service Margin (CSM)</i>						
	<i>f. Embedded Guarantees</i>						
	<i>g. Accounting for Financial Guarantee Contracts</i>						
	<i>h. Deferred Acquisition Costs</i>						
	<i>i. Premium Allocation Approach Measurement</i>						
	<i>j. Contracts with Direct Participation Features</i>						

Insurer's Name:							
Reporting Date:							
IFRS 17 Assessment Questionnaire		Complete	In progress: On time	In progress: At risk	Not Started	Not Applicable	Comment
	<i>k. Transition</i>						
3.	Has the insurer performed a qualitative assessment of IFRS 4/IFRS 17 differences?						
4.	Has the insurer performed a quantitative assessment or proforma Financial Statements for IFRS 17?						
5.	Has the insurer performed an IFRS 9 impact analysis on classification and measurement of financial instruments?						
6.	Have changes to source systems been examined?						
7.	Has the insurer designed and delivered training to staff?						
8.	On a best effort basis, has the insurer reviewed and determined the impact of IFRS 17 on the regulatory capital ratio?						
9.	Other items of note for discussion: a) b)						

Insurer's Name:							
Reporting Date:							
IFRS 17 Assessment Questionnaire		Complete	In progress: On time	In progress: At risk	Not Started	Not Applicable	Comment
	c)						
10	Qualitative discussion (if necessary) of project: a) b)						