

# Contracts acquired in the claims settlement period- progress update

Issue: Contracts acquired in their claims settlement period (i.e. after cover has expired) are treated as newly issued by the acquirer. Assuming they satisfy the criteria to be an insurance contract, acquired contracts are accounted for under IFRS 17 by setting up the Liability for Remaining Coverage and earning the insurance service result (and revenue) over the period of coverage (being the period until claims are settled). In effect they are treated in the same way as the new issue of an Adverse Development Cover. Insurers are concerned about the grossing up of revenue and distortion of reported results under this approach.

Background	Country	Body contacted	Comments
<p>AASB TRG raised this issue in:</p> <ul style="list-style-type: none"> <li>February 2018 IASB TRG</li> <li>November 2018 letter to the IASB staff; and</li> <li>The AASB/AASB TRG comments on the IFRS 17 ED in Sept 2019</li> </ul> <p>The IASB have addressed transition only in the updated standard</p>	Canada	AcSB Canadian TRG	AcSB will consider once broad industry agreement is established globally Topic of key interest to the general insurance sector in Canada. They will discuss our proposal
	UK	FRC IFRS 17 Technical Advisory Group IASB TRG member	FRC IFRS 17 Technical Advisory Group have reached out to the IASB on this issue and will provide feedback after their discussions General agreement from preparers that it is also an issue for the UK industry
AASB TRG agreed in March 2020 this is a remaining area of concern that needs to be addressed by the IASB	Germany	IASB TRG member Accounting Standards Committee	This is also considered an EU issue by preparers. However, current focus in German market is on EU endorsement and they prefer no distractions until completed. No response from Committee member
The AASB agreed to consider pushing the issue with the IASB Board once we have broad industry agreement globally	Hong Kong	HKICPA for HK TRG	IFRS17 TRG project managers have discussed and will engage with specific entities in the industry to discuss the issues highlighted by the AASB TRG. Feedback expected after HK TRG in July
AASB TRG seeking global input to get agreement on issue and solutions put forward using a draft letter as a base	Malaysia	Malaysian TRG	Feedback expected after Malaysian TRG in July

Next steps: pursue consensus recommendation with engaged bodies and link into Germany once EU endorsement substantially underway