

Contracts acquired in the claims settlement period- progress update – September 2020

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"> February 2018 IASB TRG November 2018 letter to the IASB staff; and The AASB/AASB TRG comments on the IFRS 17 ED in Sept 2019 <p>The IASB have addressed transition only in the updated standard</p>	Canada	AcSB Canadian TRG	<p>AcSB will consider supporting once broad industry agreement is established globally</p> <p>Topic of key interest to a number of larger participants – outreach in progress to find a local champion</p>
<p>AASB TRG agreed in March 2020 this is a remaining area of concern that needs to be addressed by the IASB</p>	UK	FRC IFRS 17 Technical Advisory Group IASB TRG member	<p>FRC IFRS 17 Technical Advisory Group have reached out to the IASB on this issue – chasing feedback on the issue</p> <p>UK industry group to meet 22/10 and 17/11 and aim to include this topic. General agreement from preparers that it is also an issue for the UK industry</p>
<p>The AASB agreed to consider pushing the issue with the IASB Board once we have broad industry agreement globally</p>	Germany	IASB TRG member Accounting Standards Committee	<p>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</p>
<p>AASB TRG seeking global input to get agreement on issue and solutions put forward using a draft letter as a base</p>	Hong Kong	HKICPA for HK TRG	<p>Members noted in previous meetings:</p> <ul style="list-style-type: none"> Concerns re explaining grossed up revenue to investors. Possible solution through amending presentation. Recent amendments are consistent with TRG discussions. <p>No further comments /discussions since Jan 2020 but a couple of vocal stakeholders we could connect with.</p>
	Malaysia	Malaysian TRG	<p>Industry largely in agreement with the AASB TRG proposals but not a current burning issue for participants.</p>



Next steps: pursue consensus recommendation with engaged bodies and link into Germany once EU endorsement substantially underway – **aim for consensus around presentation fix**