



asian-oceanian  
standard-setters group

# IFRS 4

## Insurance Contracts

### Phase II Revised ED

Interim AOSSG Meeting

22 September 2013, London

Agenda paper 6.1

# 1. Adjusting CSM

**Do you agree ?**

that an entity should recognise any change in estimates relating to future profits to be earned for insurance coverage under an insurance contract over the period in which that profit is earned

(see paragraphs 30–31, B68, BC26–BC41 and IE9–IE11)

# 1. Adjusting CSM

## Preliminary Comments

### <Australia>

Support unlocking CSM. The main alternative would be to lock in a type of amortization rate for the CSM at inception.

Support the proposal that the impact on the CSM of a difference between assumed and actual experience is recognized immediately in profit or loss and the impact on the CSM of a change in assumptions is recognized as an adjustment to the CSM.

### <China>

Agree with the unlocking CSM, but concerns about computational complexity of CSM.

# 1. Adjusting CSM

## Preliminary Comments

### <Korea>

Agree with the IASB's decision of unlocking the CSM for changes in estimates of cash flows for future coverage and other future services.

### <Malaysia>

Agree with the proposals as it would be appropriate to adjust the CSM prospectively to reflect the difference between the current and previous estimates of the present value of future cash flows.

## 2. Mirroring Approach

### Do you agree ?

a measurement and presentation exception to reflect situations in which there can be no economic mismatch between the insurance contract and assets backing that contract

(see paragraphs 33–34, 66, B83–B87, BC42–BC71 and IE23–IE25)

## 2. Mirroring Approach

### Preliminary Comments

#### <Australia>

Conceptually understandable, however the mandatory nature of the exception could result in insurance liabilities being measured on a different basis from other similar insurance liabilities.

#### < China>

Agree with the proposals, but has concerns on participating contracts.

## 2. Mirroring Approach

### Preliminary Comments

#### <Korea>

Agree with the mirroring approach, however some concerns exist.

- Determining asset dependency on the value of contractual cash flows.
- Decomposition of fulfillment cash flows
- Presentation of fulfillment future cash flows indirectly linked to underlying items.

#### < Malaysia >

Agree with the mirroring approach; however seek IASB's clarification on whether participating contracts would fall under the application of the exception.

# 3. Presentation of Revenue & Expense

**Do you agree?**

to align the presentation of revenue with that required for other contracts with customers by other IFRSs  
(see paragraphs 56–59, B88–B91, BC73–BC116 and IE12–IE18)



# 3. Presentation of Revenue & Expense

## Preliminary Comments

### <Australia>

Support the proposals as the presentation proposed would generally bring insurers in line with non-insurers and support the excluding of investment component.

### <China>

Have concerns that the investment components of all insurance contracts will be present separately in the statement of comprehensive income.

Suggests that for, insurance contracts that contain both insurance risk and other risks, only the investment components that is not closely related to insurance component and can be separated easily should be present separately.

# 3. Presentation of Revenue & Expense

## Preliminary Comments

### <Japan>

Believe that an entity presents insurance revenue and expense on a gross basis than merely presenting summarized margin and;

Suggest an alternative approach that the estimated sum of premium to be received from insurance contracts is allocated to each period as the insurance contract revenue s over their remaining periods.

### <Korea>

Support the proposal; however it might result in practical concerns.

### <Malaysia>

Agree with the proposals.

## 4. Interest expense in profit or loss

**Do you agree?**

to present interest expense from insurance contracts in a way that enables an amortised cost-based expense to be presented in profit or loss and a current-value-based balance sheet to be presented

(see paragraphs 60–68 and BC117–BC159)

# 4. Interest expense in profit or loss

## Preliminary Comments

### <Australia>

Oppose the proposal on both conceptual and operational grounds and; Recommend the IASB to seek an option for insurers to be able to include all changes in insurance liability measurement through profit or loss.

### <China>

Concern that there may be significant operational challenges for insurers to measure components of changes in insurance liabilities for separate recognition in OCI.

# 4. Interest expense in profit or loss

## Preliminary Comments

### <Japan>

Agree with the proposal that segregating the effects of the underwriting and investment performance from the effects of the changes in the discount rate would better inform users to assess the underwriting and investing performance of insurers.

However, the effects of the changes to be recognized in OCI should be limited to insurance contracts that do not have interest sensitive cash flows.

### <Korea>

Believe that the proposal can mitigate the variability of profit or loss while providing information about the nature of measurement of the underlying items.

### <Malaysia>

Agree with the proposals.

# 5. Effective date and transition

## Do you agree ?

amend the transition approach to propose simplifications to maximise the use of objective data and to improve comparability for contracts originated before and after application of the proposals

(see paragraphs C1–C13, BC160–BC191 and IE26–IE29)

# 5. Effective date and transition

## Preliminary Comments

### <Australia>

Support the proposed transitional arrangements although it is likely to result in significant costs being borne by preparers.

Expect that the resulting benefit would be likely to exceed the costs.

### <China>

Think that the costs of complying with the proposed requirements are not justified by the benefits that the information will provide.

# 5. Effective date and transition

## Preliminary Comments

### <Korea>

Broadly agree with the proposal which proposes a better alternative than 2010 ED and maintains consistency in measurement for both contracts recognized before and after transition date.

Need to consider alternative estimation of CSM because the retrospective estimates of CSM have limits.

### <Malaysia>

Agree with the proposal and need to be aligned with the effective date of IFRS 9.



## 6. Additional Discussion

**What is discounting level ?**

**<Australia>**

Should discounting be applied at individual contract level or cohort of contract with similar initial recognition date or by annual vintage of contracts?