The topics discussed at the IASB’s February 2020 meetings were on the following:

1. Amendments to IFRS 17 *Insurance Contracts*
2. IBOR Reform and the Effects on Financial Reporting: Phase 2
4. Business Combinations under Common Control
1. Amendments to IFRS 17 Insurance Contracts

The Board met to discuss the feedback on its Exposure Draft Amendments to IFRS 17 relating to:

a) **Contractual service margin attributable to investment services**

The Board tentatively decided to:

a. finalise the proposed amendment to IFRS 17 Insurance Contracts that would require an entity to identify coverage units for insurance contracts without direct participation features by considering the quantity of benefits and expected period of investment-return service, if any, in addition to insurance coverage.

b. confirm the specified criteria, proposed in paragraph B119B of the Exposure Draft, that determine whether an insurance contract may provide an investment-return service, but to replace the references in those criteria to ‘positive investment return’ with ‘investment return’.

c. require an entity to include, as cash flows within the boundary of an insurance contract, costs related to investment activities to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder, even if the entity has concluded that the contract does not provide an investment-return service.

d. finalise the proposed amendments to IFRS 17 that would require an entity to disclose:
   i. quantitative information about when the entity expects to recognise in profit or loss the contractual service margin remaining at the end of a reporting period; and
   ii. the approach used to determine the relative weighting of the benefits provided by insurance coverage and investment-return service or investment-related service.

e. confirm the addition of the definition of ‘insurance contract services’ in Appendix A to IFRS 17, but not to change other terminology used in the Standard (ie not to replace ‘coverage’ with ‘service’ in the terms ‘coverage units’, ‘coverage period’ and ‘liability for remaining coverage’).

b) **Level of aggregation: annual cohorts for insurance contracts with intergenerational sharing of risks between policyholders**

The Board tentatively decided to retain, unchanged, the annual cohort requirement in IFRS 17.
c) **Applicability of the risk mitigation option: non-derivative financial instruments at fair value through profit or loss**

The Board tentatively decided to amend IFRS 17 to extend the risk mitigation option for insurance contracts with direct participation features, as set out in paragraph B115 of IFRS 17. The extension would permit an entity to apply the option when the entity mitigates the effect of financial risk on the fulfilment cash flows set out in paragraph B113(b) of IFRS 17 using non-derivative financial instruments measured at fair value through profit or loss. To apply the option, an entity must meet the conditions set out in paragraph B116 of IFRS 17.

**d) Minor amendments**

The Board tentatively decided to finalise the minor amendments proposed in the Exposure Draft but with the following changes:

a. the amendment to paragraph B128 of IFRS 17 should refer to ‘changes in the value of the underlying items’ rather than ‘changes in the fair value of the underlying items’ as set out in the Exposure Draft. Accordingly that paragraph would specify that ‘changes in the measurement of a group of insurance contracts caused by changes in the value of underlying items (excluding additions and withdrawals) are changes arising from the effect of the time value of money and financial risk and changes therein’. The last sentence of paragraph B134 of IFRS 17 should clarify that the amount included for the insurance contracts is determined by considering all income or expenses included in profit or loss for the underlying items, wherever in profit or loss the income or expenses are presented.

b. the amendment to paragraph B96(c) of IFRS 17 should also apply to loans to policyholders so that, for insurance contracts without direct participation features, the contractual service margin would not be adjusted for changes in fulfilment cash flows arising from differences that relate to the time value of money and assumptions that relate to financial risk between:
   i. any loan to a policyholder expected to become payable in the period; and
   ii. the actual loan to the policyholder that becomes payable in the period.

c. the amendment to paragraphs 106(a) and B124 of IFRS 17 should specify that an entity should present ‘experience adjustments for premium receipts that relate to current or past service’ as insurance revenue.

d. an amendment to the consequential amendment to paragraph 2.1 of IFRS 9 Financial Instruments (which clarifies that insurance contracts held are not in the scope of IFRS 9) to rectify the omission of the word ‘issued’ from the Exposure Draft.
e) Additional specific transition modifications and reliefs

The Board tentatively decided to amend the transition requirements in IFRS 17 to:

a. extend the modification in the modified retrospective approach and relief in the fair value approach relating to assessments that would have been made at inception or initial recognition to include the assessment of whether an investment contract meets the definition of an investment contract with discretionary participation features. The extension would permit an entity to determine whether an investment contract meets the definition of an investment contract with discretionary participation features using information available at the transition date (rather than at inception or initial recognition). Consistent with other modifications in the modified retrospective approach, an entity would apply the extended modification only to the extent that the entity does not have reasonable and supportable information to apply a retrospective approach.

b. amend the proposed modification in the modified retrospective approach for reinsurance contracts held when underlying insurance contracts are onerous. The amendment would specify that if an entity does not have reasonable and supportable information to identify whether the reinsurance contract held was acquired before or at the same time that the insurance contracts were issued, the reinsurance contract held would not have a loss-recovery component at the transition date.

c. add a modification to the modified retrospective approach for entities that make an accounting policy choice not to change the treatment of accounting estimates made in previous interim financial statements. An entity would apply the modification to the extent that the entity does not have reasonable and supportable information to apply retrospectively its accounting policy choice. An entity applying the modification would determine the contractual service margin, loss component and amounts related to insurance finance income or expenses at the transition date as if the entity had not prepared any interim financial statements before the transition date.

f) Other topics raised by respondents to the Exposure Draft

The Board tentatively decided:

a. to amend paragraph B66(f) of IFRS 17 to resolve an inconsistency between that paragraph and paragraph B65(m) of IFRS 17. After that amendment, an entity would apply paragraph B65(m) of IFRS 17 to include in the fulfilment cash flows income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract.

b. to retain, unchanged, the requirements in paragraph B113(b) of IFRS 17. That paragraph requires an entity to adjust the contractual service margin of insurance contracts with direct participation features for the changes in the
effect of the time value of money and financial risks not arising from the underlying items.
c. not to add any new requirements to IFRS 17 or publish any educational material relating to the accounting for insurance contracts that change their nature over time.
d. to retain, unchanged, the requirements in IFRS 17 relating to the other topics discussed in other papers.

Next steps

The Board will redeliberate the remaining two topics—the effective date of IFRS 17 and the extension of the IFRS 9 temporary exemption in IFRS 4 Insurance Contracts—at its March 2020 meeting. At the same meeting, the Board will be asked to give permission to start the balloting process for finalising the amendments to IFRS 17.

2. IBOR Reform and its Effects on Financial Reporting: Phase 2

The Board met to discuss issues related to the reform of interest rate benchmarks (IBOR reform), namely:

a) **Sweep issue: Modification of financial instruments**

The Board tentatively decided the proposed amendment to clarify what constitutes a modification of a financial instrument should apply only to changes made in the context of IBOR reform.

b) **Hedges of risk components: Separately identifiable criteria**

The Board tentatively decided to provide temporary relief for hedging relationships amended to reflect modifications that are required as a direct consequence of IBOR reform. Applying this relief, a non-contractually specified risk component is considered to satisfy the ‘separately identifiable’ criteria if, and only if:

a. the entity reasonably expects that the alternative benchmark rate will satisfy the requirement in IFRS 9 or IAS 39 to be a separately identifiable risk component within the particular market structure within 24 months from the date the rate is designated as a risk component for hedge accounting purposes; and

b. the risk component can be reliably measured from the date it is designated as the risk component.

c) **End of Phase 2 amendments and voluntary versus mandatory application**

The Board tentatively decided application of all proposed amendments in Phase 2 should be mandatory. The Board also tentatively decided that the nature of the proposed amendments is such that they can only be applied to modifications of financial instruments and changes to hedging relationships that satisfy the relevant
criteria and, as such, no specific end of application requirements need to be specified.

d) **Effective date and transition requirements**

The Board tentatively decided that:

a. entities should apply the proposed amendments for annual periods beginning on or after 1 January 2021, with earlier application permitted.

b. the proposed amendments in Phase 2 should apply retrospectively.

   Retrospective application:

   i. relates to items that existed at the beginning of the reporting period in which an entity first applies the proposed amendments, including to amounts accumulated in the cash flow hedge reserve related to hedging relationships that have already been discontinued.

   ii. includes reinstating hedging relationships that were discontinued before the entity first applies the proposed amendments solely due to changes in hedging relationships (and the related documentation) necessary to reflect the modifications required as a direct consequence of the reform. These hedging relationships must be reinstated if the entity can demonstrate that the hedging relationship would not have been discontinued if the proposed amendments were available at the time and that it can be done without the use of hindsight.

c. in the reporting period in which an entity first applies the proposed amendments, an entity is not required to present the disclosures required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

e) **Due process steps**

The Board tentatively decided that the comment period for the proposed amendments should be 45 days.

**Next step**

The Board plans to issue an exposure draft in April 2020.

3. **Disclosure Initiative: Targeted Standards-level Review of Disclosures**

The Board met to continue its discussions on the specific disclosure objective for the drivers of change in fair value measurements to be included in IFRS 13 *Fair Value Measurement*. 
The Board tentatively decided to revise three preliminary decisions published in the IASB Updates for September and November 2019 relating to the specific disclosure objective about the drivers of change in fair value measurements.

The Board tentatively decided that:

a. an entity would be required to meet a specific objective to disclose information that will enable users to understand the significant drivers of change in fair value measurements over a reporting period.

b. to meet the objective in (a), an entity would be required to disclose a reconciliation from the opening to the closing balances of recurring fair value measurements classified in Level 3 of the fair value hierarchy.

c. any explanation of significant drivers of change in fair value measurements—other than those classified in Level 3 of the fair value hierarchy—would be identified as an example of information that an entity may, but is not required to, disclose to meet the objective in (a).

Next step

The Board will discuss due process steps for an exposure draft of its proposals at a future meeting.

4. Business Combinations under Common Control

The Board met to discuss the information a receiving entity should disclose about business combinations under common control.

a) Disclosure

The Board tentatively decided that when the acquisition method is used to account for the combination, a receiving entity would apply all disclosure requirements in IFRS 3 Business Combinations and all preliminary views on disclosure to be published in the forthcoming discussion paper in the project on Goodwill and Impairment.

The Board tentatively decided that it should provide guidance on applying the disclosure requirements of IFRS 3 and IAS 24 Related Party Disclosures for a business combination under common control. The guidance could, for example, explain that an entity needs to disclose information about the governance process over the financial terms of the combination. The forthcoming consultation document for this project could seek views on which IFRS Standard should provide such guidance.

Further, the Board tentatively decided that when the predecessor approach is used to account for the combination, a receiving entity would:
a. apply the following disclosure requirements in IFRS 3 and preliminary views on disclosure to be published in the forthcoming discussion paper in the project on Goodwill and Impairment (subject to necessary editorial changes):

i. the disclosure objective of providing information to help users of financial statements to evaluate the nature, the financial effect and the expected benefits of a combination (paragraph 59 of IFRS 3);

ii. the name and the description of the transferred entity, the combination date, the percentage of voting equity interests transferred to the receiving entity, the primary reasons for the combination and a description of how the receiving entity obtained control (paragraphs B64(a)-(d) of IFRS 3);

iii. the recognised amounts of each major class of assets and liabilities assumed, including information about recognised amounts of liabilities arising from financing activities and defined benefit pension liabilities (paragraph B64(i) of IFRS 3 and the related preliminary view to be published in the forthcoming discussion paper in the project on Goodwill and Impairment);

iv. the carrying amount of non-controlling interest (paragraph B64(o) of IFRS 3);

v. the requirement to provide aggregate information for individually immaterial combinations (paragraph B65 of IFRS 3);

vi. the disclosure requirements for combinations that occur after the end of the reporting period but before the financial statements are authorised for issue (paragraph B66 of IFRS 3);

vii. the amount and an explanation of any gain or loss that relates to assets and liabilities received if such disclosure is relevant to understanding the combined entity’s financial statements (paragraph B67(e) of IFRS 3); and

viii. the requirement to disclose whatever additional information is necessary to meet the applicable disclosure objectives (paragraph 63 of IFRS 3).

b. disclose the amount recognised in equity for the difference between the consideration paid and the carrying amounts of assets and liabilities received, and the component of equity in which that difference is recognised.

Finally, the Board tentatively decided not to develop proposals for disclosure requirements about pre-combination information for business combinations under common control reported applying the predecessor approach.

b) Due process

The Board decided that:

a. the consultation document for this project should be a discussion paper.
b. it has complied with the applicable due process requirements and has undertaken sufficient consultation and analysis to begin the balloting process for the discussion paper.

**Next step**

The staff will prepare a discussion paper for balloting.

The staff plan to ask the Board to set the comment period for the discussion paper at a future meeting.

*For further information: [http://www.ifrs.org](http://www.ifrs.org)*

*Financial Reporting Council*

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