

IFRIC Tentative Agenda Decision on IFRS 17

ESBG Position– Executive summary
May 2022

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The European Savings and Retail Banking Group (ESBG) supports a high-quality standard for insurance contracts accounting, however, we firmly believe that this Tentative Agenda Decision (TAD) does not correctly portray the insurance service provided under these contracts, it is not aligned with a principle-based standard and puts at risk IFRS 17 implementation on time for January 2023 for companies affected by this TAD.

ESBG's MAIN RECOMMENDATIONS

- ESBG believes that for the **calculation of contractual service margin (CSM)** to be recognised in the profit and loss statement in case of survival of the policyholder at the end of the insurance policy term, a method based on the amount of the annuity payment the policyholder is able to validly claim does not correctly portray the insurance service provided under these contracts.
- ESBG is of the opinion that an **alternative approach based on the present value of expected future annuity payments** would more accurately determine the quantity of insurance contract services provided by their contracts. As the policyholder has exchanged an insurance premium to get protection against the risk of surviving for an unexpected period of time, the value the policyholder obtains from the insurance contract is continuous over time.
- IFRS 17 is a **principle-based standard** and should not prescribe a method for determining the quantity of the benefits provided under a group of insurance contracts. ESBG believes the IFRS Interpretations Committee has gone beyond the principle of how to recognise insurance services as defined in paragraph B119 of IFRS 17 by elaborating the way how coverage units are to be recognised.
- ESBG believes that the standard's requirements with respect to the **coverage units** to be recognised in profit and loss are broad enough that both approaches can be used based on facts and circumstances.
- Finally, ESBG questions the **timing** of bringing a TAD less than one year before the date of first application of IFRS 17, as it considers that preparers of financial statements are in need for stability at this time, in preparing for up-coming implementation of this standard.
- ESBG would recommend this issue to be addressed in a **post-implementation review** together with other issues that were pending to be addressed as well as others that may arise in the future.

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