



**Global IFRS Insurance Bulletin**

## Regulation update

In the past month, we have seen a lot of discussion regarding the implementation timeline of IFRS 17 as the European endorsement debate is intensifying and the industry works through several implementation challenges.

This has spurred a series of public comment letters to the IASB directly and indirectly. Notably these have been issued by the insurance industry on a Global scale, European Regulators, and the European Financial Reporting Advisory Group (EFRAG) tasked with the European endorsement advice.

Please note below an overview of the most recent regulatory activities that all aim to influence the endorsement of IFRS 17 in Europe as well as the IASB's consideration on the need for amendments and/or deferral of the effective date globally.

### 1. IASB Board meeting – 25 October

On Wednesday 24 October, the International Accounting Standards Board (IASB) will be meeting in London from 15.15-17.45 BST to discuss the status of IFRS 17. Please note that [4 discussion papers](#) have been made public on the IASB's website.

We would like to draw your attention to paper 2D which describes in 61 pages the IASB's assessment of concerns and implementation challenges. At this meeting the IASB will be asked whether any topics warrant discussion at a future Board meeting with the potential for an amendment to the Standard.

### 2. EIOPA analysis on IFRS 17 and Solvency II – 18 October

On 18 October 2018, the European Insurance and Occupational Pensions Authority (EIOPA) [published](#) a detailed analysis of the IFRS 17 insurance contracts standard and its practical implementation in light of applicable inputs and processes for Solvency II.

Overall, EIOPA found that the expected increased transparency and comparability of insurers' financial statements through IFRS 17, providing better insights into insurers' business models, have the potential to **strengthen financial stability** in the European Economic Area.

However, EIOPA has **reservations** on certain aspects of IFRS 17's principles that it believes may affect **comparability and relevance** of IFRS 17 financial statements. EIOPA considers that:

- the IFRS 17 **discount rate and risk adjustment** may exceed an appropriate level of entity-specific inputs, potentially giving rise to significantly different and incomparable results.
- IFRS 17 may in some cases **not perfectly capture the economics** of certain aspects of insurance and reinsurance contracts, for example, contract aggregation and gains from reinsurance contracts. In EIOPA's view, this may lead to **further complexity** in financial statements.

EIOPA expects that insurers will see **"significant efficiency gains"** from using inputs and processes developed for Solvency II for their IFRS 17 implementation, with adaptation required to varying degrees.

### **3. European Supervisory Authorities (ESA's) comment letter to EFRAG – 18 October**

On 18 October 2018, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the EIOPA published a [joint letter to EFRAG](#) highlighted concerns with the transparency of the decision-making process around the recent EFRAG letter to the IASB. The ESA's caution against any further delays in the endorsement of IFRS 17 and requested to finalise the analysis by EFRAG of IFRS 17 in a timely manner.

### **4. Global Insurance Industry comment letter to the IASB – 16 October**

On 16 October 2018, several Insurance Associations around the globe combined forces and submitted a [joint letter to the IASB](#) requesting a 2 year deferral to deal with operational constraints such as skilled resource needs and software solutions.

The letter was signed by Insurance Europe, the Association for Saving and Investment South Africa (ASISA), the Canadian Life & Health Insurance Association (CLHIA), the Financial Service Council of New Zealand, the General Insurance Association of Korea, the Insurance Bureau of Canada, the Insurance Council of Australia, the Insurance Council of New Zealand (ICNZ), and the Korea Life Insurance Association.

For further information please contact [Hauer Judit](#)



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a more detailed description of DTTL and its member firms.

In Hungary, the services are provided by Deloitte Auditing and Consulting Limited (Deloitte Ltd.), Deloitte Advisory and Management Consulting Private Limited Company (Deloitte Co. Ltd.) and Deloitte CRS Limited (Deloitte CRS Ltd.), (jointly referred to as "Deloitte Hungary") which are affiliates of Deloitte Central Europe Holdings Limited. Deloitte Hungary is one of the leading professional services organizations in the country providing services in four professional areas - audit, tax, risk and advisory services - through more than 500 national and specialized expatriate professionals. (Legal services to clients are provided by cooperating law firm Deloitte Legal Erdős and Partners Law Firm.)

These materials and the information contained herein are provided by Deloitte Hungary and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s).

Accordingly, the information in these materials is not intended to constitute accounting, tax, legal, investment, consulting, or other professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

These materials and the information contained therein are provided as is, and Deloitte Hungary makes no express or implied representations or warranties regarding these materials or the information contained therein. Without limiting the foregoing, Deloitte Hungary does not warrant that the materials or information contained therein will be error-free or will meet any particular criteria of performance or quality. Deloitte Hungary expressly disclaims all implied warranties, including, without limitation, warranties of merchantability, title, fitness for a particular purpose, non-infringement, compatibility, security, and accuracy.

Your use of these materials and information contained therein is at your own risk, and you assume full responsibility and risk of loss resulting from the use thereof. Deloitte Hungary will not be liable for any special, indirect, incidental, consequential, or punitive damages or any other damages whatsoever, whether in an action of contract, statute, tort (including, without limitation, negligence), or otherwise, relating to the use of these materials or the information contained therein.

Differently from the above written, in case the information and materials are expressly provided as final performance of a contract concluded between you and Deloitte Hungary, Deloitte Hungary takes liability that the service has been provided and the product - if any - has been prepared contractually. Deloitte Hungary declares that the materials and information serve the persons /entities assigned and are suitable for the purposes determined in the contract. Deloitte Hungary excludes all liability for damages arising out of or in connection with the documents, materials, information and data provided by you. For all the questions not ruled herein, the relating contract shall be applicable.

If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.