



## Financial Reporting Advisory Board Paper

### IFRS 17 *Insurance Contracts* – implementation update

<b>Issue:</b>	An update on the implementation of IFRS 17 Insurance Contracts, taking into account the disruption caused by CV-19 and the recent IASB decision to defer the standard's effective date.
<b>Impact on guidance:</b>	HM Treasury is in the early stage of developing IFRS 17 Application Guidance. Any interpretations and/or adaptations will be brought into the Government Financial Reporting Manual (FRM).
<b>IAS/IFRS adaptation or interpretations?</b>	Some interpretations and adaptations are likely to be necessary to fit IFRS 17 effectively to public sector conditions.
<b>Impact on WGA?</b>	IFRS 17 will impact on WGA when implemented; the potential impact is being considered with each issue raised.
<b>IPSAS compliant?</b>	IPSASB is not planning to develop an IPSAS on insurance contracts in the public sector.
<b>Impact on budgetary regime?</b>	The budgetary regime will need to recognise insurance contracts and related cashflows. The mechanism may be shaped by the policy direction set out in HMT's report "The Government as Insurer of Last Resort."
<b>Alignment with National Accounts (ESA10)?</b>	ESA10 does not have an equivalent recognition of government insurance contracts so there will be misalignment; HMT staff have raised this issue with the ONS.
<b>Impact on Estimates?</b>	Not yet known.
<b>Recommendation:</b>	FRAB members are asked to note the revised timetable for IFRS 17.
<b>Timing:</b>	IFRS 17 will now be implemented in the public sector in the financial year 2023-24 (assuming the standard is endorsed as expected by the UK Endorsement Board). Application guidance must be published by December 2022 at the latest. This paper shares a revised timetable reflecting these deadlines.

18 June 2020

## DETAIL

### *Background*

1. The International Accounting Standards Board (IASB) has issued IFRS 17 *Insurance Contracts*, which replaces IFRS 4 *Insurance Contracts*. In March 2020 the IASB agreed to defer the effective date until 1 January 2023. It is important to note that this deferral was not due to the impact of COVID-19 but designed to give the insurance industry additional time for implementation as the IASB have also approved several amendments to the standard itself.
2. HM Treasury originally developed an IFRS 17 implementation work plan based on a 1 January 2022 effective date, with implementation in the public sector in the financial year 2022-23. Under this original timetable HM Treasury planned to draft application guidance throughout 2020 and consult in the winter of 2020-21.
3. Work on IFRS 17 has been paused in the short term as HM Treasury pivoted to pandemic response. In the medium and long term, this project remains a priority with potential to significantly improve the way the UK government manages insurance risk. HM Treasury therefore does not intend to allow IFRS 17 work to remain fallow for a full year but to pick it up again later in 2020.

### *A revised workplan*

4. HM Treasury was keenly aware that the IASB was considering the effective date. Before COVID-19, the intention in the case of a deferral was to seek to give as much of the extra time as possible to departments by producing the application guidance as early as possible.
5. Moving ahead with IFRS 17 implementation also has the advantage of supporting HM Treasury's work on improving cross-government management of insurance contracts, as set out in *The Government as Insurer of Last Resort*. IFRS 17 offers a consistent methodology for identifying and valuing insurance contracts which will be essential to mapping the portfolio of insurance contracts issued by the government, as well as helping government bodies calibrate any charges for the insurance risk taken on.
6. Annex A to this paper sets out a revised IFRS 17 workplan, showing the impact of COVID-19 and the ultimate deadlines for introducing IFRS 17 guidance and incorporating any interpretations and/or adaptations into the *Government Financial Reporting Manual (FRM)*.
7. The timeline includes a tentative outline for a programme of IFRS 17 work which could result in earlier publication of the IFRS 17 Application Guidance, but FRAB members should note that this is contingent both on external developments (such as further disruption caused by COVID-19) and on the nature and complexity of the issues arising from IFRS 17 itself.

### *Recommendation*

8. HM Treasury ask the Board to note the amended IFRS 17 workplan.

HM Treasury  
18 June 2020

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## Annex A: IFRS 17 Work Plan

Date	HMT activities	Relevant external activities
March 2018	FRAB Paper – Initial review	
November 2018	FRAB endorsement of IFRS 17 work plan	
March 2019	<ul style="list-style-type: none"> <li>• Technical Working Group 1</li> </ul>	
April 2019	<ul style="list-style-type: none"> <li>• Technical Working Group 2</li> </ul>	
June 2019	<ul style="list-style-type: none"> <li>• Technical Working Group 3 (teleconference to review the draft scope paper)</li> </ul>	
June 2019	FRAB Paper - updates on technical working groups and planned informal consultation	
June-September 2019	Informal consultation around IFRS 17 scope paper	
October 2019	<ul style="list-style-type: none"> <li>• Technical Working Group 4</li> </ul>	
January 2020	<ul style="list-style-type: none"> <li>• Technical Working Group 5</li> </ul>	
24-28 February 2020		IASB meeting decides on proposed amendments to IFRS 17.
3 March 2020	<ul style="list-style-type: none"> <li>• Technical Working Group 6</li> </ul>	
16-20 March 2020		IASB confirms that the effective date for IFRS 17 is deferred until periods starting on or after 1 January 2023.
21 March 2020	FRAB meeting, pivot to COVID-19 response.	First week of full UK lockdown.
Spring / Summer 2020	HMT revises government financial reporting structure to preserve accountability while supporting COVID-19 response.	
June 2020	FRAB meeting, revised IFRS 17 timetable shared.	
Autumn 2020	HMT pick up work on IFRS 17	
?November 2020	<i>Tentative: HMT share first round of technical issues/approaches with FRAB</i>	
?March 2021	<i>Tentative: HMT share draft application guidance with FRAB</i>	
?June 2021	<i>Tentative: FRAB approve draft IFRS 17 Application Guidance for consultation</i>	

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*FRAB meeting to consider the adaptations and interpretations of the standard based on the exposure draft and response*

<i>?Summer 2021</i>	<i>Tentative: HMT consult on IFRS 17 Application Guidance</i>
<i>?Autumn 2021</i>	<i>Tentative: HMT to review consultation responses and revise draft guidance</i>
<i>?November 2021</i>	<i>Tentative: FRAB to approve finalised IFRS 17 Application Guidance and any adaptations and interpretations if not approved at June 2021 meeting</i>
<i>?December 2021</i>	<i>Tentative: HMT publish finalised IFRS 17 Application Guidance</i>
November 2022	FRAB approve draft 2022-23 FReM; latest possible date for FRAB to approve finalised IFRS 17 Application Guidance
December 2022	HMT publish draft 2022-23 FReM; latest possible date for HMT to publish finalised IFRS 17 Application Guidance
April 2023	Provisional date for the UK public sector implementation of IFRS 17

This draft timeline is subject IFRS 17 being formally endorsed by the UK's new Endorsement Board leading to IFRS 17 becoming a UK-adopted international accounting standard.

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## Annex B - IFRS 17 Technical Working Group Participants

### Relevant Authorities

Gareth Davies	CIPFA
Kim Jenkins	Welsh Government
Ruth Ward	HM Treasury
*Steven Wareing / Marcin Sanocki	DHSC
*Aileen Wright	Scottish Government

All papers will be copied to the Northern Irish Government.

### Technical experts

*Nick Clitheroe / Steve Lewis	GAD
Peter Drummond	FRC, UK Endorsement Board
Andrea Pryde	PWC, FRAB member

### Government body representatives

Elizabeth Dobson	DfT
Andrew Firth	BEIS
Adam Golding	FloodRe
Ngan Jones	HMT
Craig Simpson	HMRC
Chris Steiger	DfE
*Mohammed Swaleh / Dimitrios Valsamidis	UK Export Finance

\*Some individual members may swap in with colleagues over the course of this project.