



Financial Reporting Advisory Board Paper

IFRS 17 *Insurance Contracts* – Progress update

Issue:	This paper gives an update to FRAB on the progress towards developing IFRS 17 application guidance for those entities who follow the Government Financial Reporting Manual (FRm)
Impact on guidance:	The approaches under development here will form part of the IFRS 17 application guidance exposure draft.
IAS/IFRS adaptation or interpretations?	Some interpretations and adaptations are likely to be necessary to fit IFRS 17 effectively to public sector conditions.
Impact on WGA?	IFRS 17 will impact on WGA when implemented.
IPSAS compliant?	No, it does not appear that IPSAS has a standard solely concerning accounting for insurance contracts.
Impact on budgetary regime?	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."
Alignment with National Accounts (ESA10)?	ESA10 does not have an equivalent recognition of government insurance contracts so there will be misalignment; HMT staff have previously raised this issue with the ONS.
Impact on Estimates?	Not yet known.
Recommendation:	FRAB members are asked to note this update paper.
Timing:	The Treasury's work programme assumes IFRS 17 is applied from 2023-24 and will be kept under review. The IFRS 17 Application Guidance exposure draft will be put together in 2021 for FRAB approval Summer 2021 and consultation in winter 2021/22. The final application guidance and changes for the draft 2023-24 FRm will be published late in 2022. A detailed timeline forms Annex A to this paper.

Background

19 November 2020

1. The International Accounting Standards Board (IASB) has issued IFRS 17 *Insurance Contracts*, which replaces IFRS 4 Insurance Contracts.
2. At the FRAB meeting of 19 March 2020 HM Treasury provided an update on:
 - a. The scope and requirements of the Standard;
 - b. HM Treasury's approach to adopting the Standard in central government;
 - c. Technical issues and the impact on public sector accounts and finances;
 - d. The timetable for implementation and the proposed structure of the application guidance.
3. The previous update paper can be seen [here](#). This paper provides an update on HM Treasury's IFRS 17 implementation project.

Update on the IFRS 17 project

4. Since the FRAB meeting of 19 March 2020 the IFRS 17 project has not moved on significantly due to the following reasons:
 - a. Staff changes within HM Treasury, including new staff at HM Treasury taking over the IFRS 17 project, both of whom joined HM Treasury after August 2020.
 - b. The Covid-19 pandemic significantly impacting other workstreams, which has knock-on impacts on the ability for existing staff to work on the IFRS 17 project.
5. To date six IFRS 17 Technical Working Group meetings have been held, with the last meeting being on 3 March 2020. No further meetings have been held since March 2020 for the reasons noted above. This means the planned meetings for 14 April 2020 and May – June 2020 as noted in the IFRS 17 Work Plan (found at [Annex A](#)) have not gone ahead.
6. Based on the previous timetable FRAB may have been expecting an exposure draft of the IFRS 17 application guidance drafted by HM Treasury. This has not been completed due to the reasons stated above.

Changes to IFRS 17

7. In June 2020 the International Accounting Standards Board (IASB) amended IFRS 17. The amendments made to the Standard will likely have a varying impact on public sector entities depending on the types of contracts entities hold.
8. However, there is one amendment which affects all public sector entities, being the deferral of the implementation of the Standard. The effective date of the Standard as originally issued for companies was accounting periods beginning on or after 1 January 2021. The implementation date for companies has been deferred by two years to accounting periods beginning on or after 1 January 2023. This means the expected implementation date of the Standard for entities following the FReM will be from the 2023-24 financial year.
9. The IASB has also made a number of amendments to ease transition to the Standard, which will need to be assessed by HM Treasury and the IFRS 17 Technical Working Group.
10. The June 2020 amendments to IFRS 17 can be seen [here](#).

Changes to the timetable

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11. As a result of the above the timetable for issuing the IFRS 17 application guidance and implementation of the Standard has changed.

12. Changes to the timetable as previously reported to FRAB can be seen in [Annex A](#) (changes are tracked).

Recommendation

13. HM Treasury ask the Board to note the progress made and provide any comments on the revised timetable.

HM Treasury
19 November 2020

Annex A – IFRS 17 Timetable

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"> • Technical Working Group 1 	
April 2019	<ul style="list-style-type: none"> • Technical Working Group 2 	
June 2019	<ul style="list-style-type: none"> • Technical Working Group 3 (teleconference to review the draft scope paper) 	
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"> • Technical Working Group 4 	
January 2020	<ul style="list-style-type: none"> • Technical Working Group 5 	
24-28 February 2020		IASB meeting decides on proposed amendments to IFRS 17.
3 March 2020	<ul style="list-style-type: none"> • Technical Working Group 6 	
16-20 March 2020		IASB meeting likely to confirm implementation date for IFRS 17.
21 March 2020	FRAB – update including the proposed structure of the application guidance, and proposed approach to selected issues, for FRAB review.	
Spring / Summer 2020	Follow up to the informal impacts consultation, via HMT departmental spending teams.	
14 April <u>January 2021</u>	<ul style="list-style-type: none"> • Technical Working Group 7 	
May-June <u>February-March 2021</u>	<ul style="list-style-type: none"> • Technical Working Group 8 <u>(if required)</u> 	
June 2021	FRAB – exposure draft of the application guidance for review	
July – November 2021	FRAB engagement on exposure draft	
Winter 2021-2022	Exposure draft consultation	

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Winter / Spring 202 2 ⁴	HMT to review and respond to consultation responses. <ul style="list-style-type: none"> • Technical Working Group 9 • FRAB out of meeting paper
March 202 2 ⁴	FRAB meeting to consider the adaptations and interpretations of the standard based on the exposure draft and response
June 202 2 ⁴	FRAB meeting for further consideration if needed
Summer 202 2 ⁴	Publish Application Guidance
November 202 2 ⁴	FRAB approve draft 202 32 ² -2 43 ⁴ FReM
December 202 2 ⁴	HMT publish draft 202 32 ² -2 43 ⁴ FReM
April 202 32 ²	Provisional date for the UK public sector implementation of IFRS 17

This draft timeline is subject to ~~the IASB confirming the implementation date for IFRS 17 and~~ IFRS 17 being formally endorsed by the UK's new Endorsement Board leading to IFRS 17 becoming a UK-adopted international accounting standard