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Draft Educational Note

Compliance with IFRS 17 Applicable Guidance

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**Committee on Life Insurance Financial Reporting,
Committee on Property and Casualty Insurance
Financial Reporting, and
Committee on Workers' Compensation**

January 2020

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The actuary should be familiar with relevant educational notes. They do not constitute standards of practice and are, therefore, not binding. They are, however, intended to illustrate the application of the Standards of Practice, so there should be no conflict between them. The actuary should note however that a practice that the educational notes describe for a situation is not necessarily the only accepted practice for that situation and is not necessarily accepted actuarial practice for a different situation. Responsibility for the manner of application of standards of practice in specific circumstances remains that of the members. As standards of practice evolve, an educational note may not reference the most current version of the Standards of Practice; and as such, the actuary should cross-reference with current Standards. To assist the actuary, the CIA website contains an up-to-date reference document of impending changes to update educational notes.

MEMORANDUM

To: Members in the Life Insurance, Property and Casualty Insurance, and Workers' Compensation areas

From: Steven W. Easson, Chair
Actuarial Guidance Council

Marie-Andrée Boucher, Chair
Committee on Life Insurance Financial Reporting

Houston Cheng, Chair
Committee on Property and Casualty Insurance Financial Reporting

Crispina Caballero, Chair
Committee on Workers' Compensation

Date: January 20, 2020

Subject: **Draft Educational Note: Compliance with IFRS 17 Applicable Guidance**

The Committee on Life Insurance Financial Reporting (CLIFR), the Committee on Property and Casualty Insurance Financial Reporting (PCIFRC), and the Committee on Workers' Compensation (CWC) have prepared this draft educational note to provide guidance to actuaries assessing compliance with IFRS 17. This draft educational note is relevant to all actuaries valuing insurance contract liabilities, where such valuations are intended to be in accordance with IFRS 17. The considerations in this draft educational note are applicable to all other draft educational notes pertaining to IFRS 17. Future IFRS 17 draft educational notes will refer to the applicability of this draft educational note.

In accordance with the Institute's Policy on Due Process for the Approval of Guidance Material other than Standards of Practice and Research Documents, this draft educational note has been prepared by CLIFR, PCIFRC and CWC, and has received approval for distribution from the Actuarial Guidance Council on January 14, 2020.

The actuary should be familiar with relevant educational notes. They do not constitute standards of practice and are, therefore, not binding. They are, however, intended to illustrate the application of the Standards of Practice, so there should be no conflict between them. The actuary should note however that a practice that the educational notes describe for a situation is not necessarily the only accepted practice for that situation and is not necessarily accepted actuarial practice for a different situation. Responsibility for the manner of application of standards of practice in specific circumstances remains that of the members. As standards of practice evolve, an educational note may not reference the most current version of the Standards of Practice; and as such, the actuary should cross-reference with current Standards. To assist the actuary, the CIA website contains an up-to-date reference document of impending changes to update educational notes.

Questions or comments regarding this draft educational note may be directed to Marie-Andrée Boucher at mboucher@eckler.ca, Houston Cheng at hhcheng@kpmg.ca, or Crispina Caballero at crispina.caballero@ws-ts.nb.ca.

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1. Assessing Compliance with IFRS 17

IFRS 17 is an accounting standard issued by the International Accounting Standards Board (IASB) and is expected to be adopted by the Canadian Accounting Standards Board (AcSB). As with any principles-based standard, judgment is required in its application. For any specific requirement of IFRS 17, whether a particular approach will be deemed to be in compliance with IFRS 17 is a matter to be discussed by the entity's management and its auditor.

In developing draft educational notes, the Committee on Life Insurance Financial Reporting (CLIFR), the Committee on Property and Casualty Insurance Financial Reporting (PCFRC), and the Committee on Workers' Compensation (CWC) have considered and illustrated a range of approaches that they deem to be appropriate in satisfying the requirements of IFRS 17. It is not possible for CLIFR, PCFRC and CWC to identify all potential approaches that might eventually be applied, as interpretations and practices continue to evolve. For a particular aspect of IFRS 17, therefore, an actuary may conclude that an approach not identified or illustrated in a relevant educational note might, nonetheless, be appropriate for a specific entity in a specific set of circumstances. Conversely, the actuary may conclude that an approach described in a draft educational note is not suitable for application in a specific situation. Furthermore, significant discussions continue among stakeholders worldwide regarding many aspects of IFRS 17. The actuary would consult as appropriate with an entity's management and its auditor to ensure that they are in agreement about the actuary's proposed approach for meeting the requirements of IFRS 17.

Actuaries are reminded that CIA guidance regarding IFRS 17 is largely intended to supplement guidance developed by the International Actuarial Association (IAA) in the form of International Actuarial Note 100 (IAN 100). The IAN was released by the Standards and Guidance Council as a draft educational note in February 2019.

2. Applicable IASB Standards and Reference Materials

At the time of publication of this draft educational note, applicable IASB standards and reference materials include the following:

IFRS 17 Insurance Contracts (Standard issued by IASB May 2017)

Subject to amendments discussed below, this is the accounting standard to which entities must adhere in order to be in compliance with IFRS 17. It includes application guidance (Appendix B) and transition requirements (Appendix C) which form part of the standard.

Amendments to IFRS 17 – Exposure Draft (issued by IASB June 2019)

Following deliberations in 2018 and early 2019, the IASB has proposed targeted amendments to IFRS 17 in several areas. Following an exposure period during which feedback was sought from stakeholders, the IASB will publish a final version of the amendments in 2020. The actuary would monitor ongoing developments regarding such amendments.

IFRS 17 Illustrative Examples and Basis for Conclusions (issued by IASB May 2017, with proposed amendments June 2019)

These documents were published by the IASB to accompany IFRS 17. They provide important reference material to clarify the intent of the IASB and aid in the interpretation and application of its requirements.

IASB Transition Resource Group for IFRS 17 (TRG)

The IASB established the TRG, comprised of experts representing preparers and audit firms from several jurisdictions, to provide a public forum for discussion of issues related to implementation of IFRS 17. To date, the TRG has held four meetings, most recently in April 2019. Staff at the IASB prepared agenda papers to support the TRG discussions and published a summary of discussions following each meeting. These documents, along with recordings of the meetings, are publicly available on the IASB website.

The TRG does not issue guidance and the related documents do not constitute authoritative guidance; however, the TRG discussions can be an important source of reference materials for entities, auditors and actuaries. Actuaries would exercise caution and judgment in relying on information emerging from these discussions:

- TRG discussions relate to the particular sets of facts and circumstances presented;
- Some topics were discussed by the TRG over several meetings;
- TRG members did not in all cases agree with IASB Staff positions presented in the agenda papers; and
- In some cases, there have been further developments since a particular TRG discussion took place which may have influenced views on particular topics (including views of the IASB itself, as reflected in the proposed amendments).

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