16 July 2026
Agenda Paper 9

UK Endorsement Board

UKEB Post-implementation Review of IFRS 17 *Insurance Contracts*: Draft Request for Information

Executive Summary

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Redeliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review

Project Type

UKEB Post-implementation Review

Project Scope

Significant

Purpose of the paper

The purpose of this paper is to set out a draft Request for Information (RfI) for the UKEB Post-implementation Review of IFRS 17 *Insurance Contracts* (UKEB PIR of IFRS 17).

Summary of the Issue

When the UKEB adopted IFRS 17 *Insurance Contracts,* in May 2022, it assessed that the Standard led to a significant change in accounting practice. As a result, the UKEB is required, under the legislation[1], to conduct a post-implementation review and publish a report of the results, no later than 1 January 2028 (five years after implementation of the Standard).

The UKEB approved a Project Initiation Plan (PIP) for the project at the February 2026 meeting. The Secretariat has since then been conducting stakeholder engagement as part of its initial consultation (see Appendix A).

This paper sets out a draft RfI (see Appendix B) based on the preliminary evidence collected through stakeholder engagement to date. Board feedback will be used to refine the RfI.

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1 Regulation 11 of [The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 no. 685] (SI 2019/685)

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Question for the Board
1. Does the Board have any comments on the draft RfI in Appendix B?
Recommendation
N/A
Appendices
Appendix A Initial consultation Appendix B [Draft] Request for Information: UKEB Post-implementation Review of IFRS 17 *Insurance Contracts*
Next Steps
The Secretariat will continue to engage with stakeholders such as preparers and users to complete the initial consultation and expects to present the final draft RfI at the September 2026 Board meeting for Board approval to publish.

Timeline

The expected high-level timeline of this project, including key activities and milestones, is as follows:

Date	Key activities and milestones
February 2026	The UKEB approved the Project Initiation Plan
Q2–Q3 2026	Assessment of third parties to commission a study on capital market effects
Q2–Q3 2026	Initial consultation and desk-based research
July 2026	Draft RfI for Board's discussion and feedback
September 2026	Final RfI to the Board for approval
September / October 2026	Publication of RfI
RfI consultation period (90 days): [DD MMM YYYY–DD MMM YYYY]	
Q4 2026 / H1 2027	Outreach based on RfI and external report results

Date	Key activities and milestones
Q2 2027	Draft sections of the UKEB PIR Report to the Board
Q3 2027	Full draft report of the UKEB PIR Report to the Board
Q4 2027	Final UKEB PIR Report Due Process Compliance Statement
Q1 2028	Due Process Compliance Statement for noting
H1 2028	Board to consider whether it will hold a 'lessons learnt' session

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Appendix A: Initial consultation

What is involved in a UKEB Post-implementation Review (PIR)

A1. As one of the mandatory milestones laid out in the UKEB Due Process Handbook, the UKEB Secretariat has been carrying out an initial consultation which comprised the following activities to date:

a) Engaged with a wide range of UK stakeholders, mostly through one-on-one interviews, including preparers, users, professional services firms and institutes, as well as an industry body.

b) Consulted UKEB advisory and working groups.

c) Presented at an academic conference (the European Accounting Association's IFRS 17 workshop).

A2. The content of the final UKEB PIR report will comprise:

a) an overview of the UKEB PIR process and its timeline;

b) background information on the international accounting standard under review;

c) a summary of the evidence gathered and findings;

d) a summary of the outreach activities and sources of stakeholder comments (after publication of the request for information); and

e) the UKEB's conclusions from the review.

A3. The report will focus solely on significant UK post-implementation issues, if any. The output of the UKEB PIR will also be used to influence the IASB.

Output from initial consultation

A4. The Secretariat has been conducting consultation with stakeholders to obtain an initial assessment of key matters to be considered for the UKEB PIR of IFRS 17.

A5. Questions in the draft Request for Information (RfI) presented at this Board meeting are based on the initial consultation to date. The technical accounting matters most commonly raised as significant UK post-implementation issues by stakeholders have been separately identified in Section 3 of the draft RfI.

Qualitative interviews and other stakeholder engagement

A6. At the time of writing this paper, the Secretariat has conducted qualitative interviews and other stakeholder engagement (e.g. presentations) with the following stakeholders:

UKEB PIR of IFRS 17–Stakeholder engagement to date	
Stakeholder type	**Number**
Preparers	**12**
Of which:	
Composite insurer	1
Life insurers	6
Non-life insurers	5
Users	**9**
Of which:	
Analysts	6
Credit rating agencies	3
Professional services firms, institutes and industry body	**6**
Total	**27**

UKEB Advisory Groups and Working Groups

A7. The Secretariat presented at the Academic Advisory Group (AAG), Financial Instruments Working Group (FIWG), Investor Advisory Group (IAG), Accounting Firms and Institutes Advisory Group (AFIAG) and Preparer Advisory Group (PAG) in Q2 2026.

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Appendix B: UKEB Post-implementation Review of IFRS 17 *Insurance Contracts*: Draft Request for Information

DRAFT FOR DISCUSSION

Call for comments on the Request for Information of UKEB Post-implementation Review of IFRS 17 *Insurance Contracts*

Deadline for completion of this Request for Information:

Close of business, [XXXXXX DD MMM YYYY]

Please submit to:

UKEndorsementBoard@endorsement-board.uk

Introduction

B1. IFRS 17 *Insurance Contracts* (the Standard) replaced IFRS 4 *Insurance Contracts*. It established principles for the recognition, measurement, presentation and disclosure of insurance contracts (which IFRS 4 did not prescribe).

B2. The Standard was issued by the International Accounting Standards Board (IASB) in May 2017 and amended in June 2020 and December 2021. It is effective for annual reporting periods beginning on or after 1 January 2023.

B3. The UKEB approved the adoption of the amended IFRS 17 for use in the UK on 16 May 2022. At that time, it concluded that the implementation of IFRS 17 was likely to lead to a 'significant change in accounting practice'. Therefore, it is subject to the requirements in paragraph 3 of Regulation 11 of SI 2019/685[1] which requires the UKEB to:

a) carry out a review of the impact of the adoption of the standard; and

b) publish a report setting out the conclusions of the review no later than 5 years after the date on which the standard takes effect.

B4. These requirements mean that the UKEB will publish this report by 1 January 2028. It will not alter or affect the endorsement and adoption decision made by the UKEB in 2022.

Purpose of the UKEB PIR

B5. The primary focus of this UKEB Post-implementation Review (PIR) is to assess whether the endorsement and adoption of IFRS 17, for application by UK companies, had the intended effect.

B6. When adopting a standard for use in the UK, the UKEB assesses whether:

a) the standard meets the technical accounting criteria of understandability, relevance, reliability and comparability;

b) the use of the standard is likely to be conducive to the long term public good in the UK; and

c) the standard is not contrary to the principle that the accounts must give a true and fair view.

B7. The UKEB will take a holistic approach to this PIR, consistent with the endorsement and adoption of IFRS 17. This means that the UKEB will consider the standard as a whole, including the disclosures it requires and its interaction with other UK-adopted international accounting standards.

[1] The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 no. 685 (SI 2019/685)

Invitation to Comment

B8. The UKEB would like to understand UK stakeholders' views on the impact of the adoption of IFRS 17 for the use in the UK.

Summary of questions

B9. The Request for Information sets out the questions in seven sections, as follows:

a) **Section 1:** Overall assessment of IFRS 17

b) **Section 2:** Usefulness of information resulting from the implementation of IFRS 17 in the UK

c) **Section 3:** Specific technical accounting matters to be explored

d) **Section 4–6:** Implementation costs of IFRS 17 in the UK, capital market effects and wider economic effects

e) **Section 7:** Other matters

B10. Responses to these questions will inform the UKEB's report concluding the UKEB PIR, which in turn will be used to influence the IASB.

Guidance for responding to questions

Who should respond to this Request for Information (RfI)?

B11. Stakeholders with an interest in the quality of accounts prepared in accordance with IFRS Accounting Standards.

How to respond to this RfI?

B12. Please download this document, answer any questions on which you would like to provide views, and return it to UKEndorsementBoard@endorsement-board.uk by close of business on [XXXXXX DD MM YYYY].

B13. **You may choose not to respond to all the questions in this RfI.**

Privacy and other policies

B14. The data collected through submitting this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our Privacy Statements and

Notices and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)[2].

B15. The UKEB's policy is to publish on its website all responses to formal consultations issued by the UKEB unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. If you do not wish your signature to be published, please provide the UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature. Other than the name of the organisation/individual responding, information contained in the "Your Details" document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other response document submitted; therefore, only information that you wish to be published should be submitted in such responses.

2 These policies can be accessed from the footer in the UKEB website: https://www.endorsement-board.uk

Your details

B16. Name: Click or tap here to enter text.

B17. Email address: Click or tap here to enter text.

B18. Are you:

A preparer of company accounts prepared under IFRS	☐
A user of company accounts prepared under IFRS	☐
An accounting firm or institute (or part of)	☐
An industry body (or part of)	☐
A regulator	☐
Other	☐

If your response was 'Other', please describe: Click or tap here to enter text.

B19. Are you responding:

On behalf of an organisation	☐
As an individual	☐

B20. If you are a **preparer** responding on behalf of an organisation,

Please indicate the name of your organisation: Click or tap here to enter text.

B21. Is your organisation an entity listed on a UK regulated market?

Listed–Main market	☐
Listed–AIM	☐
Listed–other market (e.g. Aquis)	☐
Unlisted	☐

B22. If you are a **user** responding on behalf of an organisation,

Please indicate the name of your organisation: Click or tap here to enter text.

B23. Please indicate your user type

Analyst–sell-side	☐
Analyst–buy-side	☐
Credit rating agency	☐
Lender	☐
Other	☐

If your response was ‘Other’, please describe: Click or tap here to enter text.

B24. Do you consent to be contacted to clarify any aspects of your response or with follow-up questions?

Yes	☐
No	☐

B25. Do you consent to participate in other UKEB stakeholder outreach activities in the future?

Yes	☐
No	☐

Request for Information

Section 1: Overall assessment of IFRS 17

B26. The UKEB concluded in its endorsement criteria assessment (ECA)[3] that IFRS 17 met all endorsement criteria described in paragraph B6. In particular, the UKEB's ECA concluded that:

a) IFRS 17 sets out clear principles that can be applied to insurance contracts prevalent in the UK and that will result in understandable, relevant, reliable and comparable information for users of the accounts.

b) The application of IFRS 17:

i. would lead to an overall improvement in the quality of financial reporting for insurance contracts by specifying a comprehensive set of recognition, measurement, presentation and disclosure requirements for the first time;

ii. was not expected to result in significant additional ongoing costs for preparers in the insurance sector. Moreover, the standard was expected to deliver benefits to users of accounts, particularly increased comparability and transparency; and

iii. was not expected to have an adverse effect on the UK economy, including on economic growth. This was concluded after considering the potential consequences of not adopting IFRS 17, alongside with other relevant economic factors.

c) IFRS 17 is not contrary to the true and fair view principle set out in Regulation 7(1)(a) of SI 2019/685.

B27. The UKEB also concluded as part of the ECA that the impact of IFRS 17 on non-insurance companies in the UK was expected to be minor even though a significant impact on individual entities could not be ruled out.

B28. Feedback from stakeholders during the initial consultation is summarised below:

a) Users of financial statements generally indicated that the implementation of IFRS 17 in the UK led to an overall improvement in the quality of financial information provided by insurers. See also Section 2 of this RfI.

b) Stakeholders have identified certain technical accounting issues, which were also considered as part of the ECA. See also Section 3 of this RfI.

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3 The UKEB's endorsement criteria assessment: IFRS 17 *Insurance Contracts*

c) Preparers generally indicated that the one-off implementation costs of IFRS 17 were significant, especially for life or composite insurers. Preparers noted an increase in ongoing reporting costs as compared to reporting under IFRS 4, however these have largely been subsumed into business-as-usual costs. Users reported spending a significant amount of time to familiarise with IFRS 17 when the Standard was first introduced. See also Section 4 of this RfI.

d) Preparers have not yet observed capital market effects as a result of the adoption of IFRS 17. See also Section 5 of this RfI.

e) Preparers generally indicated that the explicit consideration of onerous contracts under IFRS 17 has affected product offering decisions in some circumstances and has enhanced governance processes internally. They did not observe any significant impact of the adoption of IFRS 17 on competition. See also Section 6 of this RfI.

B29. Some stakeholders from non-insurance companies[4] that issue contracts in the scope of the Standard noted that:

a) it is worth exploring whether further scope exclusions need to be included in IFRS 17; and

b) there are often costs associated with assessing whether a contract is within the scope of IFRS 17, with potentially limited benefits.

Section 1: Overall assessment of IFRS 17	
Question(s)	
1.	In your view, and with reference to paragraphs B5–B7 of this RfI on the purpose of the UKEB PIR, has the adoption of IFRS 17 for use in the UK had the intended effect?
2.	Are you aware of non-insurance companies in the UK that apply IFRS 17? If so, is there a common type of contract amongst the contracts in scope of IFRS 17? Does the application of IFRS 17 create a significant issue for the companies affected?

Section 2: Usefulness of information resulting from the implementation of IFRS 17 in the UK

B30. Feedback from the UKEB's initial consultation indicated that the introduction of IFRS 17 led users to update their valuation models, although it did not

4 For the avoidance of doubt, insurance companies that are subsidiaries of non-insurance companies (e.g. banks) are not included within this definition.

fundamentally change the way they evaluate insurance entities. The extent of IFRS 17 information utilised (including through the use of IFRS-based alternative performance measures), and therefore the extent of change, varies across users.

B31. Both generalist and specialist users of financial statements generally indicated in the initial consultation that the implementation of IFRS 17 in the UK led to an overall improvement in the quality of financial information provided by insurers as compared to IFRS 4. This was consistent with the expectations set out in the ECA. Some stakeholders noted an increase in the level of engagement from generalist users.

B32. In particular, most users during the initial consultation emphasised the following benefits under IFRS 17, that aligned with the ECA, namely:

a) Improved comparability amongst insurers globally, including within multinational groups.

b) Enhanced understandability and transparency of the revenue and profit recognised in the period, due to the elimination of gain on initial recognition through the deferred profit mechanism (i.e. Contractual Service Margin, CSM), especially in the life insurance business. With the CSM providing a more meaningful pattern of profit recognition that better reflects the underlying economics of the insurance business, analysts' forecasts can rely on higher quality data points to enhance accuracy.

c) Closer alignment to the regulatory reporting framework applied in the UK, Solvency II.

d) Separation of underwriting and investing results in the income statement.

B33. While users noted that there is an overall improvement in financial reporting under IFRS 17, in the initial consultation they also raised a number of issues similar to those considered in the ECA, such as:

a) The number of accounting policy choices and available interpretations under IFRS 17 leading to a relative lack of comparability.

b) The CSM being measured at locked-in interest rates under the General Measurement Model (GMM), discussed in more detail in Section 3.1.

c) Discount rates, discussed in more detail in Section 3.3.

B34. As part of the initial consultation, but not noted in the ECA, users also highlighted:

a) Concerns about the disclosures of financial information provided under IFRS 17 being disaggregated by measurement model instead of by business or segmental mix. Users suggested that disclosures driven by the underlying product economics would provide more decision-useful information.

b) A spectrum of views on whether the volume of disclosures required under IFRS 17 was too high.

Section 2: Usefulness of information resulting from the implementation of IFRS 17 in the UK
Question(s)
1. In your view, is the usefulness of financial information resulting from the implementation of IFRS 17 in the UK largely in line with initial expectations? Please explain why. 2. Do the requirements in IFRS 17 provide a clear and sufficient basis for entities to make appropriate judgements and that the requirements can be applied consistently? Please explain why.

Section 3: Specific technical accounting matters to be explored

Technical accounting matter 1: Interest accretion at the locked-in rate for CSM under the GMM

B35. In the UKEB's initial consultation, stakeholders indicated that the requirement to lock-in the discount rate at initial recognition when measuring the CSM under GMM gives rise to counterintuitive results in the income statement. This technical accounting matter was one of the significant issues considered in the IFRS 17 ECA[5].

B36. The majority of stakeholders, preparers and users alike, observed that this requirement:

a) Affects understandability, as insurers may recognise an overall loss in the period despite a favourable change in insurance assumptions. This is due to the difference in discount rates used between the CSM and the other components of the insurance contract balances. The reverse can also happen where an overall profit is recognised in the period even though the insurance assumptions have changed unfavourably.

b) Reduces relevance given the use of historical rates especially when compared with:

i. financial assets, which are typically subsequently measured at fair

[5] Please refer to pages 150 to 152 of the IFRS 17 ECA for a detailed assessment of the issue.

value; and

ii. the fulfilment cash flows within the same insurance contract balances, which are measured using current discount rates.

B37. The above effects are heightened for contracts with longer duration such as annuities, given their sensitivity to interest rate movements. To reduce the accounting impact, some annuity providers have either purchased or reclassified significant amounts of debt securities to be held at amortised cost.

B38. The UK annuity market is sizable and the CSM for annuities across the life insurers operating in the UK is considerably larger than other insurance products[6]. A significant proportion of this business used the fair value approach for transitioning to IFRS 17 for which the locked-in rate used to measure the CSM on transition was mostly determined on 1 January 2022, when interest rates were significantly lower than current rates[7]. The long-term nature of the annuity business means that this difference in interest rates is likely to persist for a number of years.

B39. Potential solutions suggested by stakeholders during the UKEB's initial consultation to reduce the above accounting mismatch include:

a) Measurement of the CSM at current rates, which could also increase comparability with the Variable Fee Approach (VFA).

b) Allowing an option to designate financial assets to be subsequently measured at amortised cost.

c) Allowing some form of risk mitigation[8] or hedge accounting[9].

Section 3.1: Interest accretion at the locked-in rate for CSM under the GMM
Question(s)
1. Do you consider that this is a significant issue? Please explain. 2. If you believe that this is a significant issue that needs to be addressed, how could it be addressed? Please also explain how the benefits of an alternative approach could outweigh the costs.

6 Please refer to page 32 of PwC's publication IFRS 17 Full Year 2025 and Wider Reporting Matters.

7 Please refer to page 20 of PwC's publication IFRS 17 Full Year 2025 and Wider Reporting Matters.

8 Paragraphs B115–B118 of IFRS 17 includes a risk mitigation option for contracts measured under the Variable Fee Approach. The IASB has also issued the Exposure Draft *Risk Mitigation Accounting—Proposed amendments to IFRS 9 and IFRS 7* with a comment and fieldwork deadline of 30 November 2026. At the time of publishing this RfI, the UKEB has published its Draft Comment Letter with a comment deadline of 21 October 2026 and intends to submit a Final Comment Letter by the IASB's deadline.

9 [At the time of publishing this RfI, the IASB has published its RfI for the Post-implementation Review of IFRS 9—Hedge Accounting].

Technical accounting matter 2: Contracts acquired in their settlement period

B40. The UK insurance market has seen a number of acquisitions of large listed and unlisted UK insurers in recent years.

B41. As part of the process of acquiring or transferring[10] existing insurance contracts, a portion of those contracts are likely to be in their settlement period, giving rise to this technical accounting matter. This technical accounting matter was one of the significant issues considered in the IFRS 17 ECA[11].

B42. Feedback from stakeholders in the UKEB's initial consultation suggests that the main concern relates to the acquisition of insurance contracts originally measured under Premium Allocation (PAA) which are required to be measured under GMM after acquisition.

B43. This typically occurs as a result of the claims settlement period being considerably longer than the coverage period for certain general insurance products. Given the requirement to assess the contracts at the date of acquisition[12] and the change in insured event[13], meeting the eligibility criteria for measurement under PAA[14] becomes difficult for such contracts after acquisition.

B44. Stakeholders, primarily preparers, observe that the current accounting treatment for such contracts:

a) Affects understandability since:

i. insurance revenue, including any profits, is recognised as a result of a transfer of contracts even though the service received by the policyholder has not changed and the premium received from the policyholder has already been fully recognised as insurance revenue in the transferring entity; and

ii. the CSM is typically minimal on initial recognition which means that relatively small changes in the timing or amount of the settlement of the claim could result in the contracts becoming onerous.

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10 The relevant accounting requirements (paragraphs B93–B95F of IFRS 17) apply similarly irrespective of whether the transfer of insurance contracts falls within the scope of IFRS 3 *Business Combinations*.

11 Please refer to pages 157 to 159 of the IFRS 17 ECA for a detailed assessment of the issue.

12 Paragraph B93 of IFRS 17.

13 See paragraph B5 of IFRS 17, which applies to retrospective reinsurance contracts such as adverse development covers as well. Such reinsurance contracts may also be used in portfolio transfers.

14 Paragraphs 53–54 of IFRS 17.

b) Reduces comparability for an extended period of time as insurance revenue is recorded in the income statement until the ultimate cost of the claim is determined, which is typically when the claim is settled.

B45. General feedback from stakeholders on the higher operational cost and complexity of applying GMM over PAA also suggests that the potential change in measurement model as a result of such transactions may have wider economic implications, especially where the acquirer only applies PAA to their insurance contracts.

Section 3.2: Contracts acquired in their settlement period
Question(s)
3. Do you consider that this is a significant issue? Please explain. 4. If you believe that this is a significant issue that needs to be addressed, how could it be addressed? Please also explain how the benefits of an alternative approach would outweigh the costs.

Technical accounting matter 3: Discount rates

B46. Under the requirements of IFRS 17, the discount rates used affect the net financial results in the income statement and the value of the insurance contract balances, including the amount of CSM (if any), on the balance sheet.

B47. During the UKEB's initial consultation, stakeholders have raised two main concerns on the IFRS 17 requirements related to discount rates:

a) limited disclosure on the illiquidity premium included in the discount rates; and

b) whether the application of discounting to the insurance contract balances for non-life insurance business provides decision-useful information.

B48. As noted in the ECA, IFRS 17 does not mandate any particular discount rate and typically allows a choice between using a top-down approach or a bottom-up approach to determine the discount rates. This technical accounting matter was one of the priority issues considered in the IFRS 17 ECA[15].

B49. Determining the discount rate, which is important in understanding the insurer's financial performance and financial position, requires considerable judgement. For example, the top-down approach under IFRS 17 involves determining the

15 Please refer to pages 45 to 51 of the IFRS 17 ECA for a detailed assessment of the issue.

discount rate based on a reference portfolio of assets after certain adjustments which involves significant judgement.

B50. In particular, some users and professional services firms have noted that there is limited disclosure on the illiquidity premium included within the discount rates used, which affects understandability and comparability. The illiquidity premium is, at a high level, derived from the return above the risk-free rate earned on illiquid assets, which is not directly observable. Therefore, it is the component of the discount rate that is most subject to judgement.

B51. In addition, and for non-life insurance business only, a number of preparers and users had mixed views on whether the application of discounting to non-life insurance contract balances provided decision-useful information:

a) Some stakeholders suggested that discounting introduces unnecessary market volatility and judgement into insurers' results, as non-life insurance is generally short-term business where the focus is on underwriting profitability. Discounting can therefore affect the understandability of the financial results. IFRS 17's requirement on discounting also affects comparability since not all insurance contracts measured under PAA are required to be discounted[16] and insurers did not typically apply discounting for non-life insurance business under IFRS 4.

b) Some believed that discounting is useful in understanding the insurers' results, especially for casualty business with long claims settlement periods, e.g. employers' liability insurance.

c) Others could see the merits of both views and wanted to know both the discounted and undiscounted figures, which suggests that the current level of disclosure or disaggregation may not be at the desired level.

Section 3.3: Discount rates
Question(s)
5. Do you consider that this is a significant issue? Please explain. 6. If you believe that this is a significant issue that needs to be addressed, how could it be addressed? Please also explain how the benefits of an alternative approach would outweigh the costs.

16 Paragraphs 56 and 59(b) of IFRS 17.

Section 4: Prevalence and magnitude of one-off and ongoing costs to implement IFRS 17 in the UK

One-off implementation costs for preparers

B52. During the initial consultation, and in line with the views in the ECA:

a) Preparers generally indicated that the implementation of the IFRS 17 GMM model was costly and operationally complex.

b) In contrast, where insurers were able to adopt the simplified PAA model for most or all of their insurance contracts, particularly in the non-life insurance business, implementation costs were relatively low.

c) Preparers reported that the concurrent implementation of IFRS 9 *Financial Instruments*[17] was relatively straightforward, leading to minimal additional implementation costs.

B53. During the initial consultation, preparers largely attributed one-off monetary implementation costs to:

a) External consulting (e.g. training, technical accounting and actuarial advice).

b) Staff headcount increases.

c) Accounting software and other development costs (e.g. the development of a CSM calculation engine, development of data repositories).

d) Review of accounting policies and methodologies by accounting firms.

B54. Preparers interviewed during the initial consultation also commented that they incurred considerable opportunity costs, attributed to allocation of existing staff time to the IFRS 17 implementation project, including senior management. They reported that resources were routinely re-prioritised from other projects of operational and commercial importance.

[17] In June 2020, the IASB published an amendment to IFRS 4 to extend the temporary exemption from applying IFRS 9 until annual periods beginning before 1 January 2023. This amendment maintains the alignment of the effective dates of IFRS 9 and IFRS 17 for insurers meeting the eligibility criteria specified in paragraph 20B of IFRS 4. Most UK insurers applied IFRS 9 and IFRS 17 on the same date.

Section 4.1: Prevalence and magnitude of one-off costs to implement IFRS 17 in the UK for preparers
Question(s)
1. For your organisation, were the one-off monetary costs to implement IFRS 17 largely as the UKEB expected? Please explain why. Please describe how entity-specific facts and circumstances have affected your response. 2. For your organisation, were the one-off opportunity costs to implement IFRS 17 largely as the UKEB expected? Please explain why. Please describe how entity-specific facts and circumstances have affected your response.

Ongoing costs for preparers

B55. At the time of the initial consultation, preparers indicated that the ongoing costs associated with meeting IFRS 17 requirements had largely been subsumed into business-as-usual costs. Preparers generally observed an increase in financial reporting costs as compared to reporting under IFRS 4.

B56. Preparers attributed incremental ongoing costs to:

a) Licencing fees, for example, for accounting software, data processing tools, external data (e.g. yield curves), and data storage.

b) An increase in headcount, as a result of retained staff from the IFRS 17 implementation project to handle its reporting complexity as well as the extent of disclosures required[18].

c) The work required to demonstrate that new groups of insurance contracts written are eligible to be measured under PAA, as this may involve significant judgement.

d) The treatment of onerous contracts and the identification of contract boundaries were also identified as areas that required moderate ongoing effort.

e) A permanent increase in audit fees since implementation, due to the considerable time and effort needed to audit the disclosures, as well as the supporting systems and data required under IFRS 17.

B57. The feedback received is consistent with the ECA.

[18] Some preparers noted however that increase in headcount may be also due to a positive economic trend in the insurance sector.

Section 4.2: Prevalence and magnitude of ongoing costs to implement IFRS 17 in the UK for preparers
Question(s)
3. For your organisation, are the ongoing costs to implement IFRS 17 largely as the UKEB expected? Please explain why. Please also describe how entity-specific facts and circumstances have affected your response.

Costs for users

B58. During the initial consultation, users indicated that when IFRS 17 was first introduced, they spent significant time to familiarise with the requirements of the Standard, interpret the new line items and disclosures, and adapt their models. This feedback is broadly in line with the ECA.

Section 4.3: Prevalence and magnitude of costs for users related to the adoption of IFRS 17
Question(s)
4. For you or your organisation, were the costs related to the adoption of IFRS 17 largely as the UKEB expected? Please explain why. Please describe how your specific facts and circumstances have affected your response.

Section 5: Capital market effects

B59. In the UKEB's initial consultation, stakeholders noted that:

a) The level of knowledge and familiarity with the financial information provided under IFRS 17 varies among users in part due to the complexity in applying the Standard. IFRS 17 is mostly beneficial to specialist investors who already understand the insurance business. However, some stakeholders indicated that they observed an increase in generalist investors' interest in insurance entities' financial statements.

b) The low number of IFRS 17-based data points (at the time of the initial consultation, four years) limits users' ability to conduct accurate forecasts based on IFRS 17 metrics. However, they indicated that when more data points are available, they'll be able to rely on larger samples to enhance the accuracy of their forecasts.

B60. As a consequence, stakeholders have not highlighted significant capital market effects as a result of the adoption of IFRS 17 (e.g. effects of announcements on stock prices or reductions in cost of capital).

B61. One user suggested that capital markets have the potential to deliver positive effects, such as reductions in the cost of capital in the future.

B62. The feedback received during the initial consultation on capital market effects is consistent with the ECA.

Section 5: Capital market effects	
Question(s)	
1.	In your view, has the application of IFRS 17 in the UK been associated with capital market effects such as increased liquidity of traded securities or a reduction in cost of capital thus far? Please explain why.
2.	In your view, is the application of IFRS 17 in the UK expected to be associated with capital market effects such as increased liquidity of traded securities and a reduction in cost of capital in the future? Please explain why.

Section 6: Wider economic effects

B63. In the UKEB's initial consultation, stakeholders provided feedback on the following wider economic effects, as summarised below.

B64. **Changes to product offering and pricing:** Feedback from preparers suggested that the explicit consideration of onerous contracts under IFRS 17 has affected product offering decisions in some circumstances because IFRS 17 makes onerous contracts more apparent, both internally and externally.

B65. **Impact on competition:**

a) Preparers did not observe any significant impact of the adoption of IFRS 17 on competition domestically.

b) It was often noted during the initiation consultation that the UK insurance sector went through a series of high-profile acquisitions in the years after the adoption of IFRS 17. Preparers suggested that the acquisitions were not directly attributable to the adoption of IFRS 17, but rather to the underlying economics.

c) Preparers reported that non-life insurance entities, especially those that apply the simplified PAA model to the entirety of their insurance business, have a disincentive to enter into contracts that could be ineligible for PAA. This may limit commercial opportunities and growth in certain business segments.

B66. **Enhanced governance processes:** Preparers generally reported that the adoption of IFRS 17 had a positive impact on internal processes, for example because it improved communication within the organisation and fostered joint work between actuarial and finance departments. It also enhanced the visibility and comparability of insurance business within broader conglomerates. Some preparers and users also believed that IFRS 17 increased the alignment between the IFRS financial statements and Solvency II, therefore making statutory and regulatory reporting more consistent.

B67. **Investment decisions by insurance companies:** Since the implementation of IFRS 17, some annuity providers have either purchased or reclassified significant amount of debt securities to be held at amortised cost to better match the impact of measuring the CSM at locked-in rates. See Section 3.1 for details. The ECA discussed the possibility that IFRS 17 may affect investment decisions by insurance entities but concluded it was not likely to be the case.

B68. **Credit ratings:** Credit rating agencies reported that their ratings of insurance entities were unaltered by the adoption of IFRS 17.

B69. The feedback obtained during the initial consultation on wider economic effects is broadly consistent with the ECA, other than the investment decisions taken by some annuity writers in the UK.

Section 6: Wider economic effects	
Question(s)	
1.	In your view, was the application of IFRS 17 in the UK associated with the wider economic effects described?
2.	In your view, has the application of IFRS 17 in the UK been associated with any other wider economic effects so far?

Section 7: Other matters

Other matters that are relevant to the UKEB PIR of IFRS 17

B70. Stakeholders are welcome to share feedback on any other matters relevant to this UKEB PIR which have not been specifically covered by the sections above in this RfI.

Section 7.1: Other matters that are relevant to the UKEB PIR of IFRS 17	
Question(s)	
1.	Are there any other matters the UKEB should consider as part of the UKEB PIR of IFRS 17? If so, please explain why, including their significance to the UK.

Other matters that could be addressed through a future IASB project

B71. Feedback from stakeholders during the UKEB's initial consultation identified specific technical accounting matters related to the requirements of IFRS 17 that may require addressing by the IASB. To the extent there are other issues in the UK that could be addressed through a future IASB project, the UKEB would like to understand more about them.

Section 7.2: Other matters that could be addressed through a future IASB project
Question(s)
2. Are there any matters, other than those included in Section 3, that could be addressed through a future IASB project? If yes, please describe them and explain why they create a significant issue for UK companies. If you think there is an alternative approach, please describe it, including explaining how the benefits would outweigh the costs.

Annex A: Glossary

Term	Description
CSM	Contractual Service Margin
ECA	Endorsement Criteria Assessment
GMM	General Measurement Model in IFRS 17
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard(s)
IFRS 4	IFRS 4 *Insurance Contracts*
IFRS 9	IFRS 9 *Financial Instruments*
IFRS 17	IFRS 17 *Insurance Contracts*
PAA	Premium Allocation Approach in IFRS 17
SI 2019/685	The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 No. 685
UKEB	UK Endorsement Board
VFA	Variable Fee Approach in IFRS 17