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# *Insurance Contracts –* Field-test

**This field-test is carried out by EFRAG with the National Standard Setters ANC, ASCG, FRC and OIC in coordination with the IASB staff. Additionally, Insurance Europe will encourage their members to participate.**

**EFRAG staff will aggregate the results of all the questionnaires received on an anonymous basis in any reports in such a way that no individual company or person can be identified. The output of the field-test will be shared between EFRAG, the National Standard Setters, the European Commission and the IASB.**

**Unless participants explicitly request anonymity, the information provided in the questionnaires will be shared with the IASB staff and the name of participants in the field-test will be made public in a list of participants.**

**More detailed information is available on EFRAG’s website (www.efrag.org).**

# Background

1. The IASB has published in June 2013 the Exposure Draft *Insurance Contracts*. This Exposure Draft revises the Exposure Draft *Insurance Contracts* published in July 2010 (the ‘2010’ ED) and is referred to in this questionnaire as ‘the revised proposals’ or ‘the new requirements’. The objective of the new requirements is to establish the principles that an entity should apply to report useful information to users of its financial statements about the nature, amount, timing and uncertainty of cash flows from insurance contracts.
2. The IASB proposes that an entity should measure insurance contracts using a current value approach that incorporates all of the available information in a way that is consistent with observable market information.
3. Different accounting models for insurance contracts are currently applied in different jurisdictions. Thus, the IASB’s proposals might affect reporting entities in different ways and intensity.
4. EFRAG and National Standard Setters are performing a joint field-test, in coordination with the IASB staff, on whether the new requirements are operational, what their impact would be and the costs and benefits associated with introducing them. This exercise is focused on the practical application of the new requirements and is not intended to gather any opinions, but solely facts and objective data.
5. The field-test is intended to serve as input to the European Commission’s endorsement process and to EFRAG, National Standard Setters and the IASB to help them formulate their views on the impacts of the application of the new requirements.
6. However, EFRAG is also interested in your views and opinions on the ED; therefore we encourage you to submit separately a response to EFRAG’s draft comment letter on the ED. Similarly, National Standard Setters also encourage participants to submit to them separately any views and opinions as part of their due processes on their comment letters to the IASB.

# Coordination with the IASB outreach

1. In setting up this field-test exercise, EFRAG and National Standard Setters have coordinated with the IASB staff in order to avoid creating overlap in their respective outreach activities. In addition, the IASB has organised field work with non-European Union participants.
2. The IASB’s field work exercise focuses only on the five areas subject to re-exposure through a set of specific questions. These questions are the same as questions included in Part 3 of this questionnaire.

# Objective of the field-test

1. The purpose of the field-test is to:
	* Test the operationality and practicability of the IASB’s proposals, i.e. whether the new requirements will operate as intended by the IASB;
	* Assess the main impacts of the IASB’s requirements, compared to the participant’s current accounting, to different types of insurance contracts;
	* Assess the understandability and usefulness of the information, including disclosures, that will result from applying the requirements; and
	* Evaluate the costs and benefits of the new requirements and estimate the effort required to implement and apply them.
2. Participants are also encouraged to identify any areas of the future standard where they believe the drafting of the proposals is insufficiently clear or does not reflect the IASB’s intentions.
3. EFRAG and National Standard Setters welcome in particular the participation of insurance companies (life and non-life), reinsurers, bank-insurers and conglomerate groups as they are most likely to be affected by the IASB’s proposals.

# What you are invited to do

1. EFRAG staff and National Standard Setters have developed this questionnaire to facilitate the data collection and processing of the findings.
2. Participants are expected to:
3. Undertake some preparatory work (paragraph 14)
4. Test the revised proposals and document the findings in the questionnaire (paragraph 15);
5. Submit the questionnaire to your designated point of contact (paragraph 16); and
6. Discuss the findings in a workshop (paragraphs 17-18).

*Preparatory work*

1. Participants are asked to:
* Select portfolios for testing.

You will be asked to test the proposals by applying them to the portfolios you select. Participants can choose to include either the whole portfolio or a representative portion of the portfolio selected.

We encourage participants to select representative portfolios of their main activities that they expect are the most likely to be affected by the IASB’s proposals. Although we would like to test different types of portfolios that may be affected differently by the IASB’s new requirements; participants need to consider their time constraints when making the selection; this is in order to ensure that it is feasible to test the contracts (or portion) included in the portfolio.

* Provide some general information and an overview of the portfolios selected (Parts 1 and 2 in the Questionnaire) and indicate whether you are interested in attending a workshop.

Participants are asked to provide an overview of the portfolios selected, once they have selected them for testing. By doing this, we will be able to assess whether the main types of insurance businesses will be covered by the field-test and to better organise the workshops.

* Read the IASB’s Exposure Draft *Insurance Contracts.*

Participants are urged to take note of any areas on the IASB’s proposals where they believe the drafting is insufficiently clear or does not reflect the IASB’s intentions and report such findings throughout the questionnaire.

* Determine the financial reporting period/s for which the field-test would be applied.

Participants will need to choose the initial date at which they will apply the new requirements (i.e. transition date for the purposes of the field-test) and the number of financial periods for which they will prepare the statement of financial position and the profit and loss and other comprehensive income statement.

*Test the proposals and document your findings*

1. Participants are asked to:
* Apply the proposals to each portfolio subject to the field-test and extend the field-test to the financial instruments and non-financial assets related to the portfolios being tested, if you have specific assets backing insurance contracts.

In particular, you should measure the insurance contract liability for each of the portfolios selected as of the initial and closing dates of reference. Please note that the contractual service margin would have to be determined as of the initial date you select, applying the transition requirements included in the IASB’s proposals.

Participants should apply IFRS 9 *Financial Instruments* (as modified by the IASB’s ED *Classification and Measurement: Limited Amendments to IFRS 9*) to account for the financial assets, and other applicable IFRS to account for non-financial assets. Testing both assets and liabilities will better highlight whether there are any accounting mismatches and how the performance of the portfolios selected is represented, including short-term volatility movements.

* Prepare the profit or loss and other comprehensive income statement in accordance with the IASB’s proposals for the financial reporting period/s you selected, and include income and expense arising from the financial and non‑financial assets related to the portfolio being tested.

Preparing these statements will help us in assessing whether the IASB’s proposals achieve their overall objective to report useful information to users of an entity’s financial statements about the nature, amount, timing and uncertainty of cash flows from insurance contracts.

* Prepare the selected disclosures included in the Appendix to the Questionnaire for a financial reporting period and assess at a high-level the remaining disclosures in the IASB’s proposals.
* Assess the costs and benefits of the IASB’s proposals and their operational difficulty.
* Document your observations and findings in English in the sections specified.

If you have any questions about how to document in this questionnaire, please contact your designated point of contact. Participants are encouraged to contact their own National Standard Setters (as per the table below) where possible; otherwise participants should contact EFRAG.

*Submit the questionnaire*

1. Participants are asked to submit the questionnaire by 11 October 2013 to their designated point of contact:

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| ***Country*** | ***Organisation*** | ***Contact name*** | ***Phone number*** | ***E-mail address*** |
| Italy | OIC | Roberta Luly | +39-066976681 | rluly@fondazioneoic.it |

*Workshops*

1. In addition to this questionnaire, EFRAG and National Standard Setters will organise workshops to discuss the preliminary findings of the field-test based on the portfolios tested by participants. These workshops will be organised in cooperation with the IASB staff. The workshops will offer the possibility to discuss the findings with peers in the same industry and the IASB staff, and to improve the understanding of the proposals.
2. If you are interested in participating in these workshops, please contact your designated point of contact as mentioned in paragraph 16.

# Outline of the questionnaire

1. This questionnaire is structured as follows:
* Part 1: General questions and contact information
* Part 2: Description of the portfolios subject to the field-test
* Part 3: Assessing the changes introduced by the ED
* Part 4: Assessing the impact and costs and benefits of a Standard for Insurance Contracts
* Part 5: Other questions
1. We appreciate that participants might not respond to some of the questions, because questions are not applicable, information might not be available, you may not be able to perform the detailed calculations required by the new requirements in the time available, the expected impact is immaterial, or you do not wish to answer certain questions. We ask you to respond only to those questions that are applicable in your circumstances and for which you have the information, and indicate the reasons for not responding to a question.
2. In addition, you are requested to explain in the questionnaire the assumptions and judgements made in answering the questions, as well as the simplifications used, along with the reasons for selecting the chosen alternatives.
3. The purpose of this field test is to gain an understanding of the impact of the new requirements on the measurement of insurance contracts. We believe that our analysis and conclusions of the field-test will be improved if substantiated with facts. Consequently we would ask that responses are substantiated with facts.

**Questionnaire**

**Part 1: General questions and contact information**

Please provide the following details about your company:

1. Short description of your activity/industry:
* Name of listed group with IFRS consolidated financial statements
* Country where the parent company is located
* Size of the company: total balance sheet, total premiums written, total net fees, total insurance reserves, and number of employees (please indicate the date of reference)
* Main businesses and type of insurance activities which you are involved with and their relevance

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1. Contact details including e-mail address:

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**Part 2: Description of the portfolios subject to the field testing**

1. Please provide the identification name and overview of each portfolio selected. In doing so, please describe:
2. The main features of the portfolio (e.g. type of contracts, number of contracts within the portfolio, insured events, relevant underlying risks, average duration, expected maturity and options and guarantees provided to policyholders).
3. Whether the portfolio is made up of contracts that specify a link to the returns on underlying items that the participant is required to hold (please see paragraphs 34-35 of the ED). If so, please provide information about:
* The type of link to the underlying items (e.g. whether the policyholder is entitled to the performance of a specified pool of insurance contracts or pool of assets; or in the profit or loss of the company that issues the contract);
* Any options and guarantees embedded in the contracts;
* The type of discretion over the amount and/or timing of the surplus, whether it is constrained by legal or regulatory requirements, and how the contribution principle is applied.
1. Whether the portfolio is made up of contracts with cash flows that are expected to vary directly with returns on underlying items that the participant is **not** required to hold (please see paragraph 60(h) of the ED). If so, please provide information about:
* The type of link to the underlying items (e.g. whether the policyholder is entitled to the performance of a specified pool of insurance contracts or pool of assets; or in the profit or loss of the company that issues the contract;
* Any options and guarantees embedded in the contracts;
* The type of discretion over the amount and/or timing of the surplus, whether it is constrained by legal or regulatory requirements, and how the contribution principle is applied.
1. The characteristics of the investments backing the portfolio when such investments are specifically allocated to the portfolio, and how you expect to measure them under IFRS 9 (as modified by the limited amendments to the classification and measurement requirements).
2. The main sources of profitability of the portfolio (e.g. risk protection, investment spread, or asset management fee).

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1. Do the portfolios selected cover the most significant businesses that you are involved with? Please indicate the relevance of the portfolios selected in terms of the total premiums and reserves.

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1. Do the portfolios selected fall:
2. under the general measurement and presentation requirements
3. the simplified approach for measuring the liability for remaining coverage
4. the measurement and presentation exception for contracts that require the entity to hold underlying items and specify a link to the returns on those underlying items, or
5. the presentation exception to include in profit or loss the effect of the unwind of the discount rate based on an updated discount rate for cash flows that are expected to vary directly with returns on underlying items (but which do not fall into the measurement sub (c) above) under the conditions indicated in par. 60 (h) of the ED.

Considering all types of portfolios the entity manages, please indicate:

1. which of the abovemeasurement/presentation categories do you expect each portfolio type to fall in (the portfolio type may be identified based on both the type of business [e.g. life and non-life, participating and non-participating, etc.] and the characteristics of the cash flows of the underlying contracts? and,
2. what is the relative weight of each group identified above (i.e. insurance portfolios types sorted by the expected measurement and presentationclassification) on the total volume of portfolios being managed by the entity (as measured in terms of volume of yearly written premiums, or related liabilities,etc.)?

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1. Are the portfolios selected reinsured? If so, please indicate which portfolios are affected and the characteristics of the reinsurance contract.

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**Part 3: Assessing the changes introduced by the ED**

This part contains the same set of questions as the field work carried by the IASB staff with entities outside the European Union. Please answer the following questions for each of the portfolios tested.

***Adjusting the contractual service margin (paragraphs 30–31, B68, BC62-BC41 and IE9-IE11)***

*Unless you elect to simplify the measurement of the liability for the remaining coverage using the premium-allocation approach set out in paragraphs 38-40 to eligible contracts, we would like you to apply the revised proposal to adjust the contractual service margin for differences between the current and previous estimate of the present value of future cash flows that relate to future coverage and other future services.*

*Please note that you would have to estimate retrospectively the contractual service margin as of the initial reporting date of reference considering the new requirements on transition. The questions regarding the transition to the future standard on insurance contracts are set out in Q18-Q20.*

1. Please explain the information that you considered in applying the revised proposal. It would be helpful if your explanation includes:
2. what information was considered in assessing whether the differences in current and previous estimate of future cash flows should adjust the contractual service margin, and any additional assumptions you made, and why;
3. the level at which you have adjusted the contractual service margin; and whether this level would be the same for the purposes of measuring the contractual service margin and its allocation to profit or loss; and
4. any additional information that you would have liked to use, but which would require undue cost or effort to obtain and why.

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1. Did you encounter any operational difficulties in adjusting the contractual service margin for differences between the current and previous estimate of the present value of future cash flows related to future coverage and other future services? If so, what are they? Based on this, are there any practical suggestions you would make to assist with implementing the proposals that are consistent with the objectives of the ED?

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***Contracts that require the entity to hold underlying items and specify a link to returns on those underlying items (paragraphs 33–34, 66, B83-B87, BC42-BC71 and IE23–IE25)***

*For contracts that require an entity to hold underlying items and specify a link between the payments to the policyholder and the returns on underlying items, we would like you to test the measurement and presentation exception when there is no possibility of economic mismatch. To do this, entities may need to decompose the cash flows of the contract and would:*

*- Measure the fulfilment cash flows that are expected to vary directly with returns on underlying items by reference to the carrying amount of the underlying items. Changes in these cash flows would be recognised in profit or loss or other comprehensive income on the same basis as the recognition of changes in the value of those underlying items.*

*- Measure the fulfilment cash flows that are not expected to vary directly with returns on underlying items in accordance with the general requirements of the ED (i.e. using the expected value of the full range of possible outcomes to measure insurance contracts and taking into account risk and the time value of money). Accordingly, please also answer the questions set out in Q7-Q8. For presentation purposes:*

 *- Changes in the cash flows that are expected to vary indirectly with the returns on the underlying items would be recognised in profit or loss,*

 *- Changes in the cash flows that are not expected to vary with the returns on the underlying items would be recognised in profit or loss and other comprehensive income in accordance with the general requirements in the ED. Please also answer the questions set out in Q15-Q17.*

1. Please explain the information that you considered in applying the revised proposal. It would be helpful if your explanation includes:
2. what information was considered in assessing whether (i) the contract specifies a link to the returns on underlying items and (ii) decomposing the cash flows, and any additional assumptions you made, and why;
3. any information in the reference data that was not considered relevant to this assessment and why;
4. any additional assumptions and information used; and
5. any additional information that you would have liked to use, but which would require undue cost or effort to obtain and why.

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1. Did you find that the proposals for contracts that specify a link to the returns on underlying items that the entity is required to hold is sufficiently clear and can be applied consistently? If not, please explain why not?

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1. Did you encounter any operational difficulties in applying the proposals for contracts that specify a link to the returns on underlying items that the entity is required to hold? If so, what are they? Based on this, are there any practical suggestions you would make to assist with implementing the proposals that are consistent with the objectives of the ED?

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1. Considering these contracts as a whole (i.e. considering all the set of cash flows arising from the contracts), do the revised proposals result in a faithful representation of the underlying economics and performance of these contracts? Please consider the revised proposals together with the new requirements to adjust the contractual service margin and to segregate the effects of the underwriting performance from the effects of the changes in the discount rates.

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***Presentation of insurance contract revenue and expenses (paragraphs 56–59, B88-B91, BC73-BC91 and IE12-IE18)***

*We would like you to apply the revised proposal to present revenue and expenses in profit or loss for all insurance contracts. The proposals require that an entity shall present insurance contract revenue that depicts the transfer of promised services arising from the insurance contract in an amount that the entity expects to be entitled to in exchange for those services.*

*The proposals also require that an entity excludes from insurance contract revenue and incurred claims presented in the statement of profit or loss and other comprehensive income any investment components, defined as amounts that an insurance contract requires the entity to repay to a policyholder even if an insured event does not occur.*

1. Please explain the information that you considered in applying the revised proposal. It would be helpful if your explanation includes:
2. what information was considered in (i) determining the revenue and expenses and (ii) excluding the investment components from the revenue and expenses recognised;
3. any information in the reference data that was not considered relevant to this assessment and why;
4. any additional assumptions and information used; and
5. any additional information that you would have liked to use, but which would require undue cost or effort to obtain and why.

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1. Did you encounter any operational difficulties in applying the proposals on recognising insurance contract revenue and expenses? If so, what are they? Based on this, are there any practical suggestions you would make to assist with implementing the proposals that are consistent with the objectives of the ED?

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***Interest expense in profit or loss (paragraphs 60–68 and BC117-BC159)***

*We would like you to apply the revised proposal to segregate the effects of the underwriting performance from the effects of the changes in the discount rates that unwind over time. In particular, entities would recognise:*

*- In profit or loss interest expense determined on an amortised cost basis; and*

*- In other comprehensive income the difference between the carrying amount of the insurance contract measured using the discount rates that were used to determine that interest expense, and the carrying amount of the insurance contract measured using the current discount rates.*

1. Please explain the information that you considered in applying the revised proposal. It would be helpful if your explanation includes:
2. for which portfolios of contracts and for which components you applied the revised proposal;
3. any additional assumptions you made, and why;
4. any additional information that you would have liked to use, but which would require undue cost or effort to obtain and why; and
5. what information was considered in assessing whether the discount rate used to determine interest expense should be updated.

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1. Did you encounter any operational difficulties in segregating the effects of the underwriting performance from the effects of the changes in the discount rate that unwind over time? If so, what are they? Based on this, are there any practical suggestions you would make to assist with implementing the proposals that are consistent with the objectives of the ED?

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1. How does the presentation of interest expense in profit or loss and changes in the discount rate in OCI interact with IFRS 9? Please describe whether, and which, financial assets related to this contracts would qualify for FV-OCI and the overall effects in profit or loss. Are there any suggestions that you would like to make that are consistent with the objectives of the ED?

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***Effective date and transition (paragraphs C1–C13, BC160-BC191 and IE26–IE29)***

*We would like you to apply the revised proposal to transition. The revised proposals require that an entity should apply the [draft] Standard retrospectively in accordance with IAS 8* Accounting Policies, Changes in Accounting Estimates and Errors *when it is practicable. When it would not be practicable, the revised proposals require a modified retrospective application, which simplifies the transition requirements while maximising the use of objective information.*

1. Please explain:
2. any issues in applying the transitional proposals discussed in the ED, including the impact on the statements of financial position and performance of applying those proposals;
3. what is the earliest date at which you are able to apply the fully retrospective transitional approach;
4. what information/factors contributed most significantly to determining whether retrospective application is impracticable? and
5. what method you have used to estimate the contractual service margin and to determine the discount rate for insurance contracts issued before that earliest practical date;

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1. Did you find that the modified retrospective proposal reduces the cost of retrospective implementation of the ED, and in which cases? If not, please explain why not?

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1. Would you expect any reporting or operational issues if the effective date of IFRS 9 and the future standard on insurance contracts are not aligned? If so, please explain why and whether the IASB’s proposal to allow a number of reclassifications/redesignations of financial assets on transition would mitigate those operational issues.

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***Costs and benefits when compared to the 2010 ED***

*We would like to understand how the costs and benefits of the revised proposals compare to the original proposals of the 2010 ED. Please provide the following information particularly if you have participated in a previous IASB’s field test or your company tested the proposals included in the 2010 Exposure Draft.*

*Costs:*

*The Basis for Conclusions of the ED describes the costs that arise both on initial application and on an on-going basis to be incurred in implementing the new proposals.*

*For each revised proposal tested, please indicate (i) the order of magnitude for those costs, (ii) their nature (e.g. adjusting IT systems, adjusting the operating model for actuarial, finance and risk functions, for educating and training of staff and for investor relationships and communication) and which part of your products will be most affected by the new proposals, and (iii) whether the costs of complying with the new requirements are justified by the benefits that will be provided by the information.*

*Benefits:*

*For each revised proposal tested, please indicate the benefits that you anticipate from adopting the IASB’s revised proposals on insurance contracts.*

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|  | High/Medium/Low costs | Nature of costs and main business affected | High/Medium/Low benefits | Nature of the benefits | Will expected benefits outweigh costs to be incurred? |
| Adjusting the contractual service margin (BC35) compared to recognising those changes in profit or loss when the changes occur |  |  |  |  |  |
| Measurement of contracts that require the entity to hold underlying items and specify a link to returns on the underlying items (BC56-BC62) compared to measuring those contracts under the general approach |  |  |  |  |  |
| Presentation of insurance contract revenue and expenses (B99-BC100) compared to the summarised margin approach |  |  |  |  |  |
| Presentation of interest expense in profit or loss (BC127-BC132) compared to presenting all changes in the insurance liabilities arising from changes in discount rates in profit or loss |  |  |  |  |  |
| Effective date and transition (BC164-BC173) compared to resetting the contractual service margin to zero. |  |  |  |  |  |

1. Please explain how the simplifying assumptions chosen have impacted the assessment above, if any?

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1. Considering the proposed ED as a whole, does the standard improve the transparency of the effects of insurance contracts and reduce diversity in the accounting for insurance contracts compared to the 2010 ED? Please consider whether the resulting information that your company will present to shareholders will give them a faithful representation of the business that will be relevant for making economic decisions.

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**Part 4: Other questions on the ED**

*Contract boundary, recognition, definition of portfolio, unbundling*

1. Did you encounter any operational issues arising from the recognition point (i.e. the beginning of the coverage period), the definition of the contract boundary or the definition of portfolio in determining the fulfilment cash flows? If yes, please explain.

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1. Please specify which performance obligations to provide goods or services are distinct so as to be unbundled and measured with other applicable IFRS (e.g. revenue recognition standard). Is the unbundling criteria clear enough to be applied in practice? Did you encounter any operational issues? Please explain.

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1. Are the criteria for allocating cash flows between unbundled components clear enough? Did you encounter any operational issues? Please explain.

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1. Please indicate whether accretion of interest on the contractual service margin is significant for the portfolios tested or might be significant for other portfolios.

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*Current estimate of future cash flows*

1. Insurance contracts (as a whole or some of their components) would be measured using the general approach in the ED unless (i) entities are able and elect to apply the simplified approach in the measurement of the liability for remaining coverage, and (ii) for cash flows that vary directly with underlying items in contracts that require the entity to hold underlying items and specify a link to returns on those underlying items. Regarding the estimates of future cash flows, please:
2. Explain any significant differences between the future cash flows to be used under the IASB’s approach and those considered under your current accounting;
3. Describe any practical simplifications that you used in your estimations;
4. Explain whether you encountered any operational issues in calculating the current estimate of future cash flows; and
5. Consider whether the application guidance is at the right level of detail and clear enough. If not, please identify those areas where you believe more clarification is needed.

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*Risk adjustment*

1. Regarding the risk adjustment, please:
2. Explain which technique you used to determine the risk adjustment, why that technique was selected, and whether you expect to use different techniques for different portfolios and why;
3. Describe the extent to which any diversification benefits have been considered, indicating the level at which diversification benefits are reflected, and the impact on the amount of the risk adjustment;
4. Explain whether you encountered any operational issues in calculating the risk adjustment; and whether you could reasonably split the estimated risk adjustment into the following three components: (i) a release from risk as the coverage period expires, (ii) changes in risk that relate to future coverage periods, and (iii) changes in risk that relate to incurred claims; and
5. Consider whether the application guidance is at the right level of detail and clear enough. If not, please identify those areas where you believe more clarification is needed;

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*Discount rate*

1. Regarding the discount rate used to determine the insurance contract liability please:
2. Explain how you have determined the discount rate, including which approach (‘top-down’ or ‘bottom-up’) you have used to determine the discount rate and whether you expect to use different approaches based on the portfolio,
3. Explain whether you encountered any operational issues in calculating the discount rate, including the determination of liquidity premiums (if the ‘bottom-up’ approach was used), and
4. Consider whether the application guidance is at the right level of detail and clear enough. If not, please identify those areas where you believe more clarification is needed.

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*Simplified approach*

1. Please indicate whether the portfolios selected would be eligible for the simplified approach and whether you intend to use this approach for the eligible portfolios. Please also indicate the average duration of the insurance coverage period, whether you intend to use this approach for other eligible portfolios that were not selected in the field-test and what those portfolios would be.

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1. For the portfolios you applied the simplified approach, please explain:
2. Whether the simplified approach provides a simpler way of measuring the insurer’s liability for remaining coverage. If not, please detail the difficulties you encountered,
3. Which portfolios would qualify for the practical expedients granted by the IASB?
4. Consider whether the application guidance is at the right level of detail and clear enough. If not, please identify those areas where you believe more clarification is needed.

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1. Would you be able to apply the IASB’s proposals on the simplified approach to those portfolios for which an equivalent earned premiums method is currently being applied? If not, please explain why.

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*Reinsurance assets (held by cedants)*

Please answer the questions below if your company has entered into a reinsurance contract affecting any of the portfolios selected.

1. Did you encounter any operational issues when applying the IASB’s proposals in measuring reinsurance assets?

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1. How do the proposals relating to reinsurance assets affect your statements of financial position and performance compared to the proposals in the 2010 ED? Please explain whether simplifying the assumptions have impacted this assessment, if any.

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1. Considering the reinsurance contracts that you hold, how do the revised proposals for measuring the reinsurance assets affect your statements of financial position and performance compared to your current accounting? Please explain.

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*Disclosures*

1. For the selected disclosures prepared (please see Appendix), please explain:
2. Which aggregation level has been considered in the field-test in providing the selected disclosures and whether you anticipate to apply the same if the IASB’s proposals were confirmed (i.e. how you would combine the information of the various portfolios/business you are involved with),
3. Your experience in preparing the selected disclosures in terms of additional work and resources needed, and compare it with the current accounting’ disclosures,
4. Any operational issues arising from the collection of the information for meeting the disclosure requirements. Is the information required by the IASB’s proposals collected for other purposes?
5. Whether the drafting of the disclosure requirements is clear enough.

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1. For the remaining disclosure package, please indicate:
2. Any anticipated operational issues arising from the preparation of the disclosure requirements,
3. Whether the drafting of the disclosure requirements is clear enough.

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**Part 5: Assessing the impact and costs and benefits of the insurance contracts standard**

*We would like to assess the main impacts of the IASB’s requirements, compared to your current accounting, to different types of insurance contracts and to understand how the costs and benefits of the proposals compare to your current accounting for insurance contracts. Please consider all the relevant areas of the ED.*

*Costs:*

*For each proposal tested, please indicate (i) the order of magnitude for those costs, (ii) their nature (e.g. adjusting IT systems, adjusting the operating model for actuarial, finance and risk functions, for educating and training of staff and for investor relationships and communication) and which part of your products will be most affected by the new proposals, and (iii) whether the costs of complying with the new requirements are justified by the benefits that will be provided by the information.*

*Benefits:*

*For each proposal tested, please indicate the benefits that you anticipate from adopting the IASB’s proposals on insurance contracts.*

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|  | High/Medium/ Low costs | Nature of costs and main business affected | High/Medium/ Low benefits | Nature of the benefits | Will expected benefits outweigh costs to be incurred? |
| Adjusting the contractual service margin (BC35)  |  |  |  |  |  |
| Measurement of contracts that require the entity to hold underlying items and specify a link to returns on the underlying items (BC56-BC62)  |  |  |  |  |  |
| Presentation of insurance contract revenue and expenses (B99-BC100)  |  |  |  |  |  |
| Presentation of interest expense in profit or loss (BC127-BC132)  |  |  |  |  |  |
| Effective date and transition (BC164-BC173)  |  |  |  |  |  |
| Contract boundary, recognition point, definition of portfolio and unbundling |  |  |  |  |  |
| Current estimate of future cash flows |  |  |  |  |  |
| Risk adjustment |  |  |  |  |  |
| Discount rate |  |  |  |  |  |
| Simplified approach |  |  |  |  |  |
| Reinsurance assets (held by cedants) |  |  |  |  |  |
| Disclosures |  |  |  |  |  |
| Other areas (please specify) |  |  |  |  |  |

1. Please explain how the simplifying assumptions chosen have impacted the assessment above, if any?

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1. Considering the proposed ED as a whole, does the standard improve the transparency of the effects of insurance contracts and reduce diversity in the accounting for insurance contracts? Please consider (i) any changes that would result from applying the ED compared to local accounting requirements and (ii) whether the resulting information that your company will present to shareholders will give them a faithful representation of the business that will be relevant for making economic decisions.

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1. Considering the proposed ED as a whole and the classification and measurement requirements in IFRS 9 for financial assets (as modified by the Exposure Draft Limited Amendments to IFRS 9), please explain the high-level impacts in terms of reported volatility, accounting mismatches and performance reporting.

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*Operational difficulties*

1. How would you rate the overall operational difficulty of applying the new ED as a whole to the portfolios that you have tested? Do you anticipate any requirements to be more difficult than others? If so, please explain.

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1. Do you consider a period of approximately three years would provide you with sufficient time to implement the final standard? Please explain how you made this assessment?

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*Other comments*

1. Do you have any other comments regarding the operationality of the IASB’s proposals?

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**Appendix**

Participants are asked to prepare the following disclosures:

* Reconciliation between information in the primary statements and movements of insurance liabilities schedule.
* Reconciliation from premiums received to revenue.
* Confidence level equivalent disclosure.