

**Implementation of IFRS 17 *Insurance Contracts*
Process adopted by MASB**

AOSSG Interim meeting, 17 September 2021

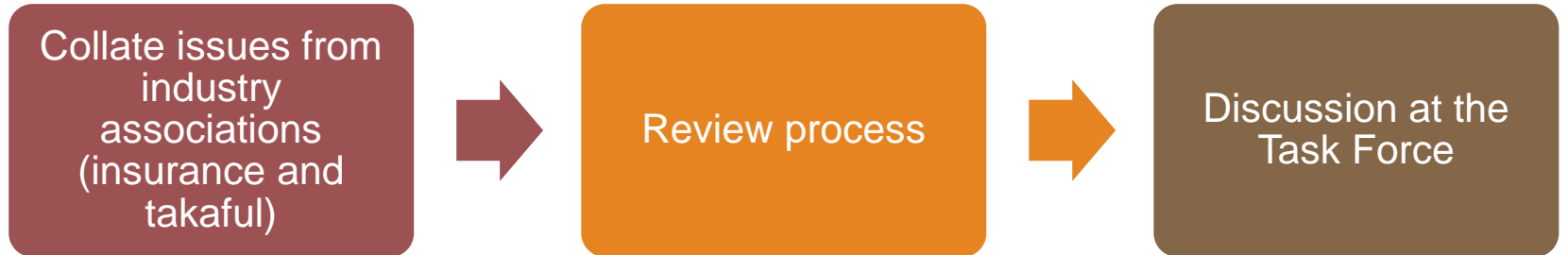
Implementation of IFRS 17 in Malaysia

- ▶ IFRS 17 *Insurance Contracts* is adopted by MASB as Malaysian Financial Reporting Standard (MFRS) 17.
 - ▶ MFRS 17 is word-for-word IFRS 17 including its mandatory effective date, i.e., 1 January 2023
- ▶ MASB established MFRS 17 Implementation Task Force (Task Force) in January 2021:
 - ▶ to facilitate implementation and consistent application of MFRS 17 during the transitional period from MFRS 4 (IFRS 4) to MFRS 17
- ▶ The Task Force comprises Members from:
 - Preparers (5 for conventional and 3 for Takaful)
 - Major firms (4*)
 - Regulator (1);and Observers (3) representing the industry's associations

*Two are appointed as Project Manager for issues relating to Insurance (Conventional) and Takaful respectively

Implementation of IFRS 17 in Malaysia

▶ Process adopted by the Task Force



Issues submitted should include all details required as prescribed in Issues Submission Form

Secretariat will analyse each of the issue received:

- To cross-check if the issue had been discussed by IASB TRG and/or in other jurisdictions
- To form a preliminary view for discussion by the Task Force

Discussion of the Task Force will be documented via meeting summaries and will be distributed to the Task Force for records

Other education materials

Issues Bulletin 1

Insurance Contracts: Definition and Scope for Takaful

Issues Bulletin 2

Columnar Presentation of Takaful Funds in Takaful Entity Financial Statements

Issues Bulletin 3

Reporting Qard in the Takaful Fund Column within Takaful Entity Financial Statement

Appendix: Issues discussed by the Task Force (January-July 2021) - Conventional

No	Issue
1	Cash flows: Interaction between MFRS 17 and other MFRSs
2	Contract modification: The exercise of right included in the terms of a contract
3	Reinsurance: Treatment of reinsurance cash flows for the participating contracts - presentation of the direct and reinsurance contract held revenue and service expense
4	Contract Boundary issue for insurers that has unilateral right to cancel policy
5	Investment component for participating product – determining non-distinct investment component
6	Application of mutualisation for participating products in accordance with IFRS 17.B67-B68
7	Application of IFRS 17.B128(c) for participating products for the difference between the expected asset share balance and actual asset share balance
8	Treatment of orphan estate in relation to IFRS 17.B71



Appendix: Issues discussed by the Task Force (January-July 2021) - Conventional

No	Issue
9	Treatment of orphan estate as Liability for Remaining Coverage or Liability for Incurred Claims?
10	Reinsurance cash flow and CSM in participating products – how to reflect claims/bonus from underlying item variances from reinsurance contract in underlying contract.
11	Treatment of bancassurance upfront payments – is it an IFRS 17 acquisition cash flows?
12	Insurance acquisition cash flows – How should an entity recognise insurance acquisition cash flows as expenses when incurred applying IFRS 17.59(a)?
13	Premium allocation approach optionality in IFRS 17.59(a) to expense or defer acquisition cash flows for transition calculation purposes
14	Calculation of the Loss Recovery Component for losses-occurring reinsurance contracts held (application of IFRS 17.66A in conjunction with IFRS 17.B119C)
15	Coverage units determination for annuities contracts to appropriately reflect the service provided

Appendix: Issues discussed by the Task Force (January-July 2021) - Takaful

No	Issue
1	Wakalah* fee expense – Acquisition or maintenance expense from the Takaful Fund perspective
2	Application of risk adjustment for Liability for Remaining Coverage for takaful contracts – in relation to columnar presentation of takaful company
3	Treatment of unallocated surplus – Liability for Remaining Coverage or Liability for Incurred Claims?
4	Application of IFRS 17.B128(c) for takaful – presentation of non-investment component experience variance in Takaful Fund

**Wakalah* (agency contract) fee is a “service fee” paid by Takaful Fund to Takaful Operator.

THANK YOU

