

DEFERRAL OF EFFECTIVE DATE FOR IFRS 17 *INSURANCE CONTRACTS*

INTERNATIONAL FINANCIAL REPORTING BULLETIN
2018/06



Summary

IFRS 17 was issued in May 2017 with an effective date of annual reporting periods beginning on or after 1 January 2021. For insurance entities that meet certain specified criteria, an option has been given to defer the effective date of IFRS 9 to coincide with the adoption of IFRS 17.

Subsequent to the release of IFRS 17, stakeholders have expressed concerns around certain aspects of IFRS 17, including the cost and complexity of implementing certain aspects of the new standard.

Recently, the IASB has begun work to determine whether amendments should be made to IFRS 17, with a number of potential topic areas brought forward by IASB staff. The IASB has decided that any amendments to IFRS 17 must meet strict criteria, in that they must avoid significant loss of useful information for users and not unduly disrupt implementation processes under way. The Board has yet to make any decisions on whether any of these topic areas warrant amendments to IFRS 17 based on those narrow criteria.

However, on 14 November 2018, the IASB tentatively decided to make the following amendments to IFRS 17 and IFRS 4 (the existing insurance contracts standard):

1. To defer the effective date of IFRS 17, delaying it from 1 January 2021 by one year to 1 January 2022.
2. To defer the fixed expiry date for the optional temporary exemption from IFRS 9 by one year to 1 January 2022 to correspond with the new effective date of IFRS 17.

The Board tentatively decided to defer the effective dates of IFRS 17 and IFRS 9 for insurance entities to provide preparers the time necessary to incorporate any of the revisions that the IASB ultimately does decide to incorporate into IFRS 17. The proposed deferral will be open to public consultation prior to coming into effect.

What should entities do in response to the tentative decision?

The IASB encourages entities to continue their IFRS 17 transition activities, as they note that any amendments are expected to be narrow in scope. Entities should consult with their local regulators and tax authorities to determine whether the delay in the effective dates of IFRS 17 and 9 will have consequential effects on amendments to other areas affecting insurance entities (e.g. capital requirements, progress reports on implementation projects, etc.).

STATUS

Tentative decision

EFFECTIVE DATE

To be confirmed

ACCOUNTING IMPACT

Effective date of IFRS 17 for all entities and optional deferral of the effective date of IFRS 9 for certain insurance entities



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