



In transition

The latest on IFRS 17 implementation

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The IASB extends the effective date of IFRS 17 and the IFRS 9 temporary exemption to 1 January 2023

At a glance

On 17 March 2020, the IASB ('Board') tentatively decided:

- to defer the effective date of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023; and
- to extend the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to an annual reporting periods beginning on or after 1 January 2023.

The Board directed the staff to start the balloting process of the amendments to IFRS 17. The Board also decided that it would issue the amendment to IFRS 4 - reflecting the extension of the fixed expiry date for the temporary exemption from applying IFRS 9 - separately from the amendments to IFRS 17.

Subject to any sweep issues identified during the balloting of the amendments, the Board has now completed its planned re-deliberations of the feedback on the Exposure Draft. The Board expects to issue the amendments to IFRS 17 in the second quarter of 2020.

The views in this In transition are based on our observations from the 17 March 2020 meeting, and they might differ in some respects from the official report of the meeting that will be published by the IASB in an IASB Update at a later date.

Background

1. On 26 June 2019, the Board published the Exposure Draft, 'Amendments to IFRS 17' ('ED'). The ED responded to some of the concerns and challenges raised by stakeholders, proposing amendments intended to support entities implementing IFRS 17. The proposals were intended to reduce implementation costs and to make it easier for entities to explain results from applying IFRS 17 to users of financial statements.

2. Since the ED's 90-day comment period ended on 25 September 2019, the Board discussed the feedback from outreach and comment letters on the ED, and it decided on an approach for re-deliberating the matters raised by respondents.

3. As part of that approach, the Board has indicated that:

- It would finalise some of the proposals in the ED without substantive re-deliberation.
- It would not consider further some of the topics identified in the feedback from respondents, thus reducing uncertainty about any possible amendments to IFRS 17.
- It would continue to apply the criteria that the Board set when deciding to propose amendments to IFRS 17. Thus, the Board would seek to ensure that any amendments to IFRS 17 do not:
 - change the fundamental principles of the standard, because that would result in a significant loss of useful information for users of financial statements relative to that which would otherwise result from applying IFRS 17;
 - unduly disrupt implementation already underway; or
 - further delay the effective date of IFRS 17.

4. A summary of the amendments to IFRS 17 that the Board has tentatively decided on are included in the table at the end of this publication.

Items discussed during the March Board meeting

5. At its March 2020 meeting, the Board considered:

- the effective date of IFRS 17 (incorporating the amendments);
- the fixed expiry date of the temporary exemption from applying IFRS 9, 'Financial Instruments', in IFRS 4; and
- its compliance with the applicable due process, and whether it has undertaken sufficient consultation and analysis to begin the balloting process for the amendments to IFRS 17 and the amendment to IFRS 4.

Effective date of IFRS 17

6. The Board tentatively decided to defer the effective date of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

PwC Observation:

In deliberating the effective date of IFRS 17, the Board acknowledged that some stakeholders had requested additional time to implement IFRS 17, but also noted concerns that any deferral of the effective date beyond a year would further delay much-needed improvements to existing accounting practices for insurance contracts, particularly in light of recent developments in financial markets due to the impact of COVID-19. It also noted that a small number of insurers from Asia, Africa and Europe opposed any further deferral because it would risk a loss of momentum in implementation projects and would increase implementation costs.

The Chairman explained that he was voting in favour of the staff recommendation with considerable chagrin, as he had hoped IFRS 17 would be implemented before the next financial crisis. However, he did not want companies in countries that had worked expeditiously to implement IFRS 17 to be placed at a disadvantage because of uncertainties surrounding endorsement mechanisms in other jurisdictions. Other Board members similarly noted their reluctance. Nonetheless, the Board tentatively decided to defer the original effective date of IFRS 17 by two years, to annual reporting periods beginning on or after 1 January 2023.

IFRS 9 temporary exemption in IFRS 4

7. The Board tentatively decided to extend the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

PwC Observation:

In previous deliberations, the Board has been clear that it does not regard as a given that entities should be required to apply IFRS 9 only when they apply IFRS 17. The Basis for Conclusions on the ED had specifically noted that any further extension beyond 1 January 2022 would be undesirable.

Board members expressed concern that extending the temporary extension for IFRS 9 to 1 January 2023 would mean that some entities - including some with significant holdings of financial assets - would be permitted to

initially apply IFRS 9 five years after its effective date of 1 January 2018. Board members also noted that their previous decision to defer the fixed expiry date of IFRS 9 had balanced the need to implement IFRS 9 on a timely basis with the benefits of not requiring companies to make two major accounting changes in a short period of time. Although this would still be the case, if the Board had known then what it knew now, it would not have allowed implementation of IFRS 9 to be delayed, given that there was no longer a short period of time between the effective date of IFRS 9 and the revised effective date of IFRS 17. However, the Board concluded that the benefits of extending the relief by yet a further year, to maintain the alignment of the initial application of IFRS 17 and IFRS 9 for specified insurers, would outweigh the disadvantage of a further delay to the implementation of IFRS 9 by those insurers.

Next steps

8. At this meeting, the Board confirmed that:

- it would not need to re-expose the amendments to IFRS 17;
- it has complied with the applicable due process, and
- it has undertaken sufficient consultation and analysis to begin the balloting process for the amendments to IFRS 17 and the amendment to IFRS 4.

9. Accordingly, the Board directed the staff to begin the balloting process. The Board tentatively decided that it would ballot separately the amendment to IFRS 4 - reflecting the extension of the fixed expiry date for the temporary exemption from applying IFRS 9 - and the amendments to IFRS 17. No Board members indicated an intention to dissent from the amendment to IFRS 4 or the amendment to IFRS 17.

10. The staff plan to draft the amendments to IFRS 17 and IFRS 4 and bring any sweep issues identified during the balloting process for discussion at a future meeting. The Board confirmed that it expects that the amendments will be issued in the second quarter of 2020, in line with the Board's plan as stated in the ED.

PwC Observation:

The confirmation that the Board does not need to re-expose the amendment and compliance with the applicable due process and consultation requirements is a formality that needs to be completed before the Board can issue the amendments. Although Board members are asked to give an indication of any intention to dissent, the formal vote to issue the amendments will take place by written ballot.

The Board's decision to ballot the IFRS 9 temporary exemption separately as an amendment to IFRS 4 will be welcome as it will allow endorsement bodies to fast track the extension to the temporary exemption from IFRS 9.

Summary of amendments to IFRS 17

11. Agenda paper 2C for this meeting sets out a useful overview of the amendments to IFRS 17 and their likely effects [paper 2C can be found [here](#)]. The following table summarises the list of topics for which the Board has tentatively decided to amend IFRS 17:

Topic	Board's tentative decision		
	Confirmed amendment as proposed in ED	Confirmed amendment with some changes	Amendment not proposed in ED
Question 1: Scope exclusions			
Scope exclusion for credit card contracts and other similar contracts that provide credit or payment arrangements that meet the definition of an insurance contract		January 2020	
Scope exclusion for loan contracts that meet the definition of an insurance contract	December 2019		

Question 2: Expected recovery of insurance acquisition cash flows			
Expected recovery of insurance acquisition cash flows		December 2019	
Transition relief for insurance acquisition cash flows		January 2020	
Question 3: Contractual service margin attributable to investment services			
Coverage units for insurance contracts with direct participation features		December 2019	
Coverage units for insurance contracts without direct participation features, disclosures and terminology		February 2020	
Question 4: Reinsurance contracts held			
Recovery of losses on underlying insurance contracts		December 2019	
Question 5: Presentation in statement of financial position			
Presentation of insurance contract assets and liabilities at a portfolio instead of group level	December 2019		
Question 6: Applicability of the risk mitigation option			
Applicability of the risk mitigation option for reinsurance contracts held	December 2019		
Applicability of the risk mitigation option for non-derivative financial instruments at fair value through profit or loss			February 2020
Question 7: Effective date			
Deferral of the effective date of IFRS 17		March 2020	
Extension of the IFRS 9, temporary exemption in IFRS 4		March 2020	
Question 8: Transition reliefs			
Transition relief for insurance contracts acquired in a business combination before transition to IFRS 17	December 2019		
Transition relief for the risk mitigation option - application from the transition date	December 2019		
Transition relief for the risk mitigation option - option to apply the fair value approach	December 2019		
Transition relief for investment contracts with discretionary participation features			February 2020
Transition relief for identifying the date a reinsurance contract held was acquired			February 2020
Transition relief relating to interim financial statements			February 2020

Question 9: Minor amendments			
Minor amendments		February 2020	
Topics not proposed in the ED			
Accounting policy choice relating to interim financial statements			February 2020
To include income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows			February 2020

Find out more in PwC's publications and resources related to IFRS 17:

- [In transition INT 2020-02](#)
- [In transition INT 2020-01](#)
- [In transition INT 2019-09](#)
- [In transition INT 2019-08](#)
- [In transition INT 2019-07](#)
- [In brief INT 2019-09 Proposed amendments to IFRS 17, 'Insurance contracts'](#)
- [Illustrative IFRS consolidated financial statements 2019 - Insurance](#)

PwC clients who have questions about this In transition should contact their engagement partner.

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