

# IFRS 17 – Proposed deferral of effective date to 2022

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## Proposal to defer insurance standard by one year and extend temporary exemption from IFRS 9

### Highlights

- IASB proposes that IFRS 17 be effective for annual periods beginning on or after 1 January 2022
- Extension to temporary exemption from applying IFRS 9 also proposed
- Next steps – Insurers need to maintain the pace of progress on implementation



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### In response to stakeholders' concerns and implementation challenges regarding the new insurance contracts standard, IFRS 17, the IASB has recently raised the possibility that the standard could be amended.

At its November 2018 meeting, the IASB tentatively decided to propose that:

- the mandatory effective date of IFRS 17 be deferred by one year to 2022; and
- the fixed expiry date for the optional temporary exemption from applying IFRS 9 *Financial Instruments*, granted to insurers meeting certain criteria, also be deferred by one year to 2022.

This means that all companies preparing financial statements under IFRS would be required to apply both IFRS 9 and IFRS 17 for annual periods beginning on or after 1 January 2022.

In making this decision, the Board acknowledged that if any amendments to IFRS 17 were proposed, then uncertainty about the effect of the amendments could disrupt the progress of preparers' implementation. This disruption could occur even if any amendments served to ease implementation.

As with all Board decisions, this decision will be considered tentative until the Board has completed its normal due process.

“Although the IASB has proposed a one-year deferral of the effective date of IFRS 17, it's important that insurers maintain the pace of progress on implementation. There's still so much to do!”

Joachim Kölschbach,  
KPMG's global IFRS insurance leader

### Temporary exemption from applying IFRS 9 extended

Some stakeholders were concerned that if the Board defers the mandatory effective date of IFRS 17, then preparers and users of financial statements would experience two major accounting changes in a short period of time. This is because insurers would still be required to apply IFRS 9 by 2021 at the latest and IFRS 17 by 2022, resulting in disadvantages, such as project costs, and significant effort for both preparers and users of financial statements.

The IASB acknowledged that additional implementation time would help mitigate any disruption from potential amendments.

The Board agreed that a result of the proposed deferral of IFRS 17's effective date would be that the benefit of extending the fixed expiry date of the temporary exemption from applying IFRS 9 would outweigh the disadvantage of further delay to the improved information that would result from insurers applying IFRS 9.

The Board therefore tentatively decided that it is appropriate to propose a one-year extension to the period that the temporary exemption is available to insurers.

### Next steps

Further actions will follow the Board's normal due process and are therefore expected to result in the development of an exposure draft followed by a public comment period. The Board is expected to consider whether to **explore other amendments to IFRS 17** at its December 2018 meeting. This process may result in additional tentative decisions to change the requirements of IFRS 17.

Although the Board has tentatively decided to propose a one-year deferral of the effective date of IFRS 17, insurers still need to proceed at pace with plans for implementation. There is much that needs to be done in what is still a relatively short time. Listen to our **IFRS Today podcast** to find out more.

Stay tuned for our next web article, which will keep you up to date on the outcome of these important discussions.

Visit [kpmg.com/ifrs17](https://kpmg.com/ifrs17) to read all of our insights on the new insurance contracts standard. Also, our insights on insurers' progress with IFRS 17 and IFRS 9 implementation can be found on our **In it to win it** web page.

You can also visit [kpmg.com/trg](https://kpmg.com/trg) to find out more about the implementation challenges discussed by the IASB's Transition Resource Group for Insurance Contracts.