

STAFF PAPER

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Project	Amendments to IFRS 17		
Paper topic	Effective date of IFRS 17 and IFRS 9 temporary exemption in IFRS 4		
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Purpose of the paper

1. This paper discusses staff analysis and recommendations about the amendments proposed in the Exposure Draft *Amendments to IFRS 17* relating to:
 - (a) the effective date of IFRS 17 *Insurance Contracts*; and
 - (b) the fixed expiry date of the temporary exemption from applying IFRS 9 *Financial Instruments* in IFRS 4 *Insurance Contracts*.
2. This paper follows the tentative decision of the International Accounting Standards Board (Board), at its November 2019 meeting, to consider further the feedback from outreach and comments letters on these proposed amendments.

Summary of staff recommendations

3. The staff recommend the Board:
 - (a) defer the effective date of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023; and
 - (b) 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.

Structure of the paper

4. For each of the two topics in paragraph 1 of this paper, the paper provides:
 - (a) background information about the Board’s proposal in the Exposure Draft; and
 - (b) the staff analysis, recommendation and question for Board members.
5. There are two appendices to this paper:
 - (a) Appendix A—Summary of the feedback on the Exposure Draft on the proposed deferral of the effective date of IFRS 17; and
 - (b) Appendix B—Summary of the feedback on the Exposure Draft on the proposed extension of the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4.

Effective date of IFRS 17

Background

6. An entity is required to apply IFRS 17 for annual reporting periods beginning on or after 1 January 2021. An entity can choose to apply IFRS 17 before that date but only if it also applies IFRS 9 on or before the date of initial application of IFRS 17.¹ In setting this effective date, the Board allowed a period of three and half years from the issuance of the Standard to its effective date.
7. The Exposure Draft proposed deferring the effective date of IFRS 17 by one year so that entities would be required to apply IFRS 17 for annual reporting periods beginning on or after 1 January 2022.

¹ In addition, an entity can apply IFRS 17 before 1 January 2021 only if the entity also applies IFRS 15 *Revenue from Contracts with Customers* on or before that date. The Exposure Draft proposed deleting that reference to IFRS 15 because IFRS 15 must be applied for annual reporting periods beginning on or after 1 January 2018.

8. As explained in the Basis for Conclusions on the Exposure Draft,² the Board's proposal to defer the effective date of IFRS 17 by one year reflects a balance between:
- (a) providing certainty about the effective date of IFRS 17 considering the uncertainty caused by the Board's decision in October 2018 to explore possible amendments to IFRS 17; and
 - (b) requiring IFRS 17 implementation as soon as possible because:
 - (i) IFRS 17 is urgently needed to address many inadequacies in existing accounting practices for insurance contracts; and
 - (ii) undue delay in the effective date of IFRS 17 would increase workload and costs, particularly for entities that are advanced in their implementation projects.
9. At its November 2019 meeting, the Board noted that almost all respondents to the Exposure Draft supported the Board's proposal to defer the effective date of IFRS 17. The Board therefore agreed the feedback provided support to confirm the proposal to defer the effective date of the Standard.
10. However, although a small number of respondents were concerned about any possible further deferral of the effective date, some respondents specifically said the Board should defer the effective date of IFRS 17 by more than one year. Some respondents also commented on the importance of entities in jurisdictions around the world being able to initially apply IFRS 17 at the same time (Appendix A to this paper includes the summary of the feedback on the Exposure Draft presented to the Board in November 2019).
11. Accordingly, this paper considers whether the Board should confirm the proposal in the Exposure Draft to defer the effective date of IFRS 17 by one year to annual reporting periods beginning on or after 1 January 2022 or extend the proposed deferral beyond that date.

² See paragraph BC114 of the Basis for Conclusions on the Exposure Draft.

Staff analysis and recommendation

12. In considering this matter, there are three main themes in the feedback on the Exposure Draft to take into account:
- (a) the concerns expressed about any further deferral of the effective date;
 - (b) the view that more time is required for implementation; and
 - (c) the view that there should be a consistent effective date around the world.

Concerns about any further deferral of the effective date

13. All regulators and some users of financial statements responding to the Exposure Draft, although agreeing with the Board's proposal to defer the effective date of IFRS 17 by one year, either opposed or expressed concerns about any further delay to the effective date beyond 1 January 2022. They said this would further delay much-needed improvements to existing accounting practices for insurance contracts.
14. Similarly, a small number of insurers from Asia, Africa and Europe opposed any further deferral of the effective date of IFRS 17. They said that any further deferral would risk a loss of momentum in implementation projects and would increase implementation costs, for example because of the need to extend implementation projects and maintain existing systems.
15. Accordingly, consideration of any further deferral of the effective date of IFRS 17 beyond 2022 needs to take into account the cost of that deferral, namely:
- (a) further delaying the provision of significantly improved information to users of financial statements; and
 - (b) disruption to implementation projects that are already well advanced.

More time required for implementation

16. In contrast, some respondents, mainly insurers or their representative bodies from all regions but also some national standard-setters, said the Board should defer the effective date of IFRS 17 by more than one year to allow for a well-controlled and robust implementation. These respondents said that despite significant resources being dedicated to IFRS 17 implementation, more time is required to implement the Standard because of matters such as:

- (a) challenges in developing systems, particularly for smaller insurers, exacerbated by constraints in the availability of suitable external resources and delays in vendors delivering software;
 - (b) the time required to determine the appropriate application of IFRS 17 to the wide variety of insurance contracts and to resolve the technical questions arising during implementation;
 - (c) the time required to align regulatory reporting and taxation requirements with IFRS 17;
 - (d) the need to prepare users of financial statements for the significant changes introduced by IFRS 17; and
 - (e) the effect of the proposed amendments on implementation projects already under way.
17. Therefore, some of these respondents suggested 1 January 2023 as a more realistic effective date for IFRS 17—ie five and half years after its issuance.³
18. The matters discussed in paragraphs 16(a)–16(d) of this paper are similar to those considered by the Board in November 2018 when it decided to propose to defer the effective date to 2022.⁴ At that time, the Board noted that it had set the effective date of IFRS 17 in the full knowledge that the Standard represented a fundamental change to accounting for insurance contracts for most entities issuing these contracts and would place significant demands on resources. Accordingly, the Board concluded that these concerns had been anticipated in setting the original effective date of IFRS 17 and did not in themselves justify its deferral.
19. Nonetheless, the staff acknowledge that implementation by 2022 would be demanding, particularly for smaller insurers. The Board did not previously discuss the particular implementation challenges for smaller insurers. However, the staff think it would not be feasible for the Board to appropriately identify a population of such insurers around the world to which the Board could provide additional relief (for instance, by setting a later effective date compared to larger insurers) given variations

³ By way of comparison, IFRS 9 and IFRS 15 came into effect about three and half years after their issuance, and IFRS 16 after three years.

⁴ At its April 2019 meeting, the Board considered the proposed amendments to IFRS 17 as a whole and confirmed its tentative decision from the November 2018 meeting relating to the effective date of IFRS 17.

in local markets. The staff expect that as larger insurers advance with their implementation projects, additional resources should become available to smaller insurers.

20. Regarding the concern in paragraph 16(e) of this paper, a small number of insurers said the Board should defer the effective date of IFRS 17 by more than one year because the Board's proposed amendments to the Standard have disrupted implementation projects, in some cases necessitating the reworking of systems already developed. They also noted that the Board expects to issue the final amendments in mid-2020, which is only six months before the proposed revised transition date for an entity initially applying IFRS 17 on 1 January 2022.
21. The Board acknowledged when considering the proposed revised effective date that exploring possible amendments to IFRS 17 would inevitably cause some disruption to IFRS 17 implementation because of the uncertainty about which of the Standard's requirements would change. It was for that reason the Board decided to propose deferring the effective date of IFRS 17 by one year to 1 January 2022. However, the overall objective of the Board's project is to ease implementation of IFRS 17 and the Board has been careful not to open fundamental aspects of the Standard. The project should therefore not have caused entities to stop their implementation projects. Furthermore, the Board expects to issue the final amendments to the Standard in mid-2020, consistent with its original aim. This would still allow a period of about 18 months before the effective date of 1 January 2022 proposed in the Exposure Draft.
22. The staff acknowledge that some of the proposals in the Exposure Draft necessitate additional implementation effort (for example, those relating to the treatment of insurance acquisition cash flows, the need to consider investment services in addition to insurance coverage when determining the pattern of release of the contractual service margin, and the recovery of losses from reinsurance contracts held when underlying insurance contracts are onerous). However, the Board proposed these amendments in response to strong stakeholder support for them, given that they would make it easier for entities to explain their results to users of financial statements.
23. Similarly, in the redeliberations of the matters raised by respondents to the Exposure Draft, the Board has been careful to ensure that any changes to the proposals in the Exposure Draft do not unduly disrupt implementation. In that regard, the staff think

that changes that might necessitate additional implementation effort are the extension of the proposed amendment for reinsurance contracts held when underlying insurance contracts are onerous and the requirement to include some costs related to investment activities as cash flows within the boundary of an insurance contract.⁵

Consistent effective date around the world

24. Some respondents—mainly insurers or their representative bodies from all regions but also some standard-setters—said it is important that the initial application of IFRS 17 is aligned in major markets around the world. They note that IFRS 17 is the first global insurance accounting Standard and will significantly affect insurers’ financial statements. They said there is a risk of confusion if users of financial statements around the world receive the new information provided by IFRS 17 at different times.
25. In this context, some of these respondents commented on uncertainties and delays in endorsement processes around the world and the consequential uncertainty about the effective dates that might be set in some jurisdictions. They expressed concerns that if the Board confirms the proposed effective date of 1 January 2022, in practice insurers around the world might first report applying IFRS 17 at different times. In their view, aside from the potential risk of confusing users of financial statements, this:
 - (a) could disrupt implementation, because insurers that first apply IFRS 17 might subsequently have to reconsider previous accounting policy judgements when other insurers initially apply the Standard at a later date; and
 - (b) might be operationally complex for an entity that has financial reporting obligations in different jurisdictions with different effective dates.
26. Additionally, in their view, the uncertainties and delays surrounding endorsement in some jurisdictions might put pressure on other jurisdictions to defer the effective date.

⁵ Refer to (a) IASB *Update* December 2019—the Board tentatively decided to extend the scope of the amendment to IFRS 17 proposed in the Exposure Draft to require an entity to adjust the contractual service margin of a group of reinsurance contracts held, and as a result recognise income, when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous contracts to that group; and (b) IASB *Update* February 2020—The Board tentatively decided to require an entity to include, as cash flows within the boundary of an insurance contract, costs related to investment activities to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder, even if the entity has concluded that the contract does not provide an investment-return service.

27. Accordingly, many of these respondents said the Board should defer the effective date of IFRS 17 by more than one year.
28. As for any new Standard, the Board set the effective date of IFRS 17 so that jurisdictions would have sufficient time to incorporate the new Standard into their legal systems. How those incorporation processes develop is not normally a matter for the Board to consider. However, the current situation for IFRS 17 is unusual because the Board has already accepted the need to change the effective date of IFRS 17 before the Standard is implemented. Therefore, in considering the revised effective date, the Board needs to be aware of the potential consequences of the current uncertainties and delays in endorsement processes around the world.
29. The staff acknowledge the concern expressed by some insurers about initially applying IFRS 17 in advance of others—ie being a ‘first mover’. In the case of most new Standards, this would not be a significant concern. Indeed ‘first movers’ can be helpful to the overall implementation process. However, in the case of IFRS 17, the Standard introduces significant changes to insurers’ financial statements and the extent of those changes will vary given the variety of insurance accounting practices currently in use. There is a risk, consequently, that if IFRS 17 is not applied at the same time in major jurisdictions, the market might not appropriately distinguish the effects of IFRS 17 on insurers from the effects of changes in their underlying financial position and performance.

Staff conclusions and recommendation

30. The significant improvements to insurance accounting introduced by IFRS 17 are urgently needed—a point reiterated by all regulators and users of financial statements responding to the Exposure Draft. Many of these respondents either opposed or expressed concerns about any further delay to the implementation of IFRS 17 beyond the revised effective date of 1 January 2022 proposed in the Exposure Draft.
31. The staff are not convinced that entities necessarily require more than a one-year deferral of the effective date to be able to implement IFRS 17. Furthermore, the staff remain of the view that the effects of any disruption caused by the Board’s amendments to IFRS 17 have already been adequately anticipated in the proposed

one-year deferral of the effective date. The staff nonetheless acknowledge that implementation by 2022 would be demanding for some insurers.

32. The staff are also mindful that any further deferral of the effective date might cause some insurers to incur more implementation costs and, therefore, may appear to penalise those that started their implementation as soon as IFRS 17 was issued and reward those that have been slower to implement.
33. That said, the staff acknowledge the desire for insurers in some of the major jurisdictions around the world to be able to initially apply IFRS 17 at the same time given the significance and extent of the changes the Standard introduces. At present, because of potential delays and uncertainties surrounding endorsement mechanisms in some jurisdictions, it is uncertain whether that would be the case if the Board confirms the proposed one-year deferral of the effective date.
34. Therefore, on balance, although the staff are aware of the costs of further delaying the implementation of IFRS 17—particularly for users of financial statements—the staff recommend the Board defer the effective date of IFRS 17 by two years to annual reporting periods beginning on or after 1 January 2023. The staff think this additional deferral should allow sufficient time for an orderly introduction of the amended IFRS 17 into legal systems around the world. It would therefore enable more entities around the world to initially apply IFRS 17 at the same time for the benefit of users of financial statements. As a consequence, it would also ease the implementation challenges some entities are facing and help improve the quality of the initial application of IFRS 17.

Need for stability

35. At its February 2020 meeting the Board completed its redeliberations of the technical topics it decided in November 2019 that it would consider further in the light of feedback on the Exposure Draft. At this meeting the staff are asking the Board for permission to begin the balloting process. The plan remains to issue the final amendments in mid-2020.
36. It is now important that IFRS 17 is, and is seen to be, stable to allow sufficient time for an orderly introduction of the amended IFRS 17 into legal systems around the world.

Question 1 for Board members

Do you agree the Board should defer the effective date of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023?

Fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4**Background**

37. IFRS 9, which replaced IAS 39 *Financial Instruments: Recognition and Measurement*, became effective for annual reporting periods beginning on or after 1 January 2018. In 2016, the Board introduced a temporary exemption from applying IFRS 9 until annual reporting periods beginning on or after 1 January 2021 for entities whose activities are predominantly connected with insurance. The Board concluded that for such entities, in that limited three-year period, the temporary exemption reduces costs in a way that outweighs the disadvantages arising from entities continuing to apply IAS 39 rather than IFRS 9.
38. In developing this temporary exemption, the Board noted that it had addressed concerns about the additional accounting mismatches and volatility in profit or loss that might arise when IFRS 9 rather than IAS 39 is applied in conjunction with IFRS 4 by introducing an overlay approach. The overlay approach permits all entities issuing insurance contracts to recognise in other comprehensive income, rather than in profit or loss, amounts resulting from those additional accounting mismatches and volatility. However, the Board also noted that the overlay approach results in additional costs compared to applying IFRS 9 without the overlay approach or allowing some insurers to continue to apply IAS 39.
39. The Exposure Draft proposed a one-year extension of the temporary exemption from applying IFRS 9 so that an entity applying the exemption would be required to apply IFRS 9 for annual reporting periods beginning on or after 1 January 2022. Although reluctant to do this, the Board concluded that on balance the benefit of extending the period that the exemption is available by one year, so that insurers could initially apply IFRS 17 and IFRS 9 at the same time, outweighed the disadvantages of an

additional one-year delay to the improved information resulting from insurers applying IFRS 9.

40. At its November 2019 meeting, the Board noted that, overall, respondents to the Exposure Draft supported the Board’s proposal to further delay the implementation of IFRS 9 for some insurers to continue to enable them to initially apply IFRS 17 and IFRS 9 at the same time. The Board therefore agreed the feedback provided support to confirm the proposal to extend the temporary exemption from IFRS 9 (Appendix B to this paper includes the summary of the feedback on the Exposure Draft presented to the Board in November 2019).
41. If the Board agrees with the staff recommendation to defer the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023, the question arising is whether the Board should also extend the temporary exemption from IFRS 9 by a further year to annual reporting periods beginning on or after 1 January 2023.
42. This question requires separate consideration from the question of whether to further defer the effective date of IFRS 17. In originally granting the temporary exemption, and subsequently in proposing its extension, the Board was clear it has not concluded that entities should be required to apply IFRS 9 only when they apply IFRS 17. It was for that reason the Board originally set a *fixed* expiry date for the temporary exemption. Furthermore, the Exposure Draft explained that the Board reached its conclusion that the benefit of extending the temporary exemption outweighs the disadvantages of doing so in the context of a *one-year* extension. The Board specifically noted that any further extension beyond 1 January 2022 would be undesirable.⁶

Staff analysis and recommendation

43. Considering any further extension to the temporary exemption from applying IFRS 9 is a question of balancing the need for the improved information resulting from IFRS 9 against the benefit for entities being able to initially apply IFRS 17 and IFRS 9 at the same time.

⁶ See paragraph BC116 of the Basis for Conclusions on the Exposure Draft.

Need for IFRS 9

44. The reasons the Board originally set a fixed expiry date of 1 January 2021 for the temporary exemption from IFRS 9 and the Board’s reluctance to extend the exemption beyond 2021 still exist. In particular, extending the temporary exemption:
- (a) delays the application of significant improvements to the accounting requirements for financial instruments by some insurers, many of whom are significant holders of financial assets, particularly in relation to the expected credit loss impairment model and the associated disclosures. Having better information about credit risk is especially important in the current low interest rate environment if insurers invest in lower quality assets to obtain a higher yield.
 - (b) results in continuing cost and complexity for users of financial statements that compare insurers to each other and to other entities, because of the continuing existence and use of different Standards for financial instruments.
 - (c) is inefficient for the Board and its stakeholders, because it requires the continued maintenance of IAS 39.
45. It is noteworthy that if the Board were to extend the temporary exemption from IFRS 9 to 1 January 2023, 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. IFRS 9 was in part developed in response to events in the last financial crisis, addressing deficiencies of IAS 39 that became more apparent in that crisis to the detriment of users of financial statements. The longer IFRS 9 is not being applied by all entities, the greater the risk of history repeating itself.
46. For some of these reasons, a European national standard-setter and a securities regulator representing Europe, although agreeing with a one-year extension of the temporary exemption from IFRS 9, emphasised the importance of not further delaying its application.

Benefit of maintaining alignment of initial application of IFRS 17 and IFRS 9

47. In proposing the extension of the temporary exemption from IFRS 9 to 1 January 2022, the Board acknowledged there would be a benefit of a one-year extension to the period for which the cost relief of the temporary exemption would be available to some insurers so they could apply IFRS 17 and IFRS 9 at the same time.
48. Some respondents—mainly located in Europe—who agreed with the proposal to extend the exemption said that it is essential that the Board aligns the effective dates of IFRS 17 and IFRS 9 because:
- (a) insurers would otherwise be required to make two significant sets of accounting changes in a short period of time, resulting in significant costs for preparers and users of financial statements; and
 - (b) alignment leads to improved information given the inherent linkage between the two Standards and avoids the potential for accounting mismatches across their implementation periods.
49. Accordingly, a small number of these respondents also specifically said that it is essential that the Board maintains this alignment if the Board defers the effective date of IFRS 17 beyond 1 January 2022. In other words, they said any further deferral of IFRS 17 should result in a corresponding extension of the temporary exemption from IFRS 9.
50. In contrast, a small number of respondents—located in Australia, Germany, New Zealand and South Africa—noted they would be unaffected by any extension of the temporary exemption from IFRS 9 because they have already implemented the Standard in advance of IFRS 17. In that regard, some of these respondents also noted that IFRS 17 specifically addresses entities that apply IFRS 9 before IFRS 17 in allowing specified redesignations of financial assets for such entities.⁷

Additional disclosures

51. One European user representative body, although agreeing with the proposed extension of the temporary exemption from IFRS 9, suggested the Board introduce

⁷ Paragraphs C29–C33 of IFRS 17 set out the transition reliefs the Board permitted on redesignation of financial assets at the date of initial application of IFRS 17 for an entity that had applied IFRS 9 to annual reporting periods before the initial application of IFRS 17.

additional disclosure requirements to reduce the gap in information between insurers applying IAS 39 and other financial institutions applying IFRS 9.

52. This is also a valid point for consideration if the Board were to further extend the temporary exemption from IFRS 9. Indeed the Board itself previously noted the undesirability of any further extension in the absence of more robust disclosures about expected credit losses.⁸ However, the staff think the loss of information arising from some insurers not applying IFRS 9 needs to be factored into the Board’s consideration of whether to further extend the temporary exemption from IFRS 9. At this stage of the project, the staff think it would not be feasible for the Board to enhance the disclosure requirements in paragraphs 39B–39J of IFRS 4.

Staff conclusions and recommendation

53. Little new information is available over what the Board considered in deciding to propose the extension of the temporary exemption from IFRS 9. The main piece of new information is that the feedback on the Exposure Draft highlights that more of the respondents commenting on this matter think the Board should maintain the alignment of the effective dates of IFRS 17 and IFRS 9 (for those insurers eligible to apply the temporary exemption from IFRS 9) than think there should be no further delay to the implementation of IFRS 9.
54. Despite this feedback, the staff think it would be feasible for the Board to defer the effective date of IFRS 17 to 1 January 2023 but not further extend the temporary exemption from IFRS 9 beyond 1 January 2022 as proposed in the Exposure Draft. The feedback on the Exposure Draft highlights that some entities have already applied IFRS 9 and that IFRS 17 has requirements that will assist entities applying IFRS 9 before IFRS 17 (see paragraph 50 of this paper). And as noted in paragraph 44 of this paper, there remain significant disadvantages from further delaying the introduction of the improved information from IFRS 9.
55. Nonetheless, the staff acknowledge that if the Board were to defer the effective date of IFRS 17 to 1 January 2023 but confirm the one-year extension of the temporary exemption from IFRS 9 to 1 January 2022, preparers and users of financial statements will experience two sets of major accounting changes in a short period of time.

⁸ See paragraph BC116 of the Basis for Conclusions on the Exposure Draft.

56. The Board has previously agreed on two occasions that the benefits in providing reliefs to specified insurers from the costs of the overlay approach in IFRS 4 outweigh the disadvantages of delaying the implementation of IFRS 9. The staff acknowledge that on the first occasion (on introducing the exemption in 2016) the Board decided that delay should be for only a fixed period (until the original effective date of IFRS 17), and on the second occasion (on issuing the Exposure Draft) the Board was reluctant to extend that fixed period. Nonetheless, the staff think that the benefit of extending the relief by a further year to maintain the alignment of the initial application IFRS 17 and IFRS 9 for specified insurers, could outweigh the disadvantage of a further delay to the implementation of IFRS 9 by those insurers.
57. Given this, on balance, the staff recommend the Board 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.

Question 2 for Board members

Do you agree the Board should 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?

Appendix A—Summary of the feedback on the Exposure Draft on the proposed deferral of the effective date of IFRS 17

- A1. Almost all respondents supported the Board’s proposal to defer the effective date of IFRS 17. The remainder of respondents did not express a view on the proposal but commented on the importance of entities in jurisdictions around the world applying IFRS 17 for the first time at the same time. The importance of having the same effective date of IFRS 17 in different jurisdictions around the world was also noted by some respondents who agreed with the Board’s proposal.
- A2. Of the respondents who agreed with the Board’s proposal:
- (a) almost half of the respondents generally agreed with the Board’s proposal and rationale for a one-year deferral.
 - (b) some respondents expressed the view that the Board should defer the effective date of IFRS 17 by more than one year to allow more time for implementation, particularly for smaller entities. Most of those respondents suggested 1 January 2023 as a possible effective date for IFRS 17.
 - (c) a small number of respondents—including all regulators, some insurers from Germany, South Korea and South Africa and two user representative bodies—opposed any deferral of the effective date beyond 1 January 2022 because this would further increase implementation costs or further delay improvements in existing insurance accounting practices that are urgently needed.

Appendix B—Summary of the feedback on the Exposure Draft on the proposed extension of the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4

- B1. Overall, respondents supported the Board’s proposal to further delay the implementation of IFRS 9 for some insurers to continue to enable them to first apply IFRS 17 and IFRS 9 at the same time.
- B2. Some respondents—mainly located in Europe—expressed the view that the alignment of insurers applying IFRS 17 and IFRS 9 for the first time at the same date is essential.
- B3. In contrast, a small number of respondents—located in Australia, Germany, New Zealand and South Africa—noted they have already implemented IFRS 9 and therefore, the proposed amendment does not affect them.
- B4. Users of financial statements who commented on the proposal to further delay the implementation of IFRS 9 for some insurers by one year did not oppose the proposal. However:
- (a) a global user representative body specialised in the insurance industry noted that it had not agreed with the need for the temporary exemption from applying IFRS 9 when it was introduced in 2016.
 - (b) a European user representative body, which expressed the view that insurers should continue to be able to apply IFRS 17 and IFRS 9 for the first time at the same date, suggested introducing additional disclosure requirements on financial asset ratings to reduce information gaps between insurers and other financial entities until insurers apply IFRS 9. This respondent noted that investments in credit assets are an increasing risk in the insurance industry particularly in jurisdictions where insurers have increased their investment in government bonds and the interest rates on those bonds have for years been, and remain, low.