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IFRS 17: Information about early adoption Issues Paper

Objective

- 1 The objective of this session is to provide EFRAG Board and TEG with information about those entities in Europe who want to early adopt IFRS 17 in 2022 as requested by EFRAG Board.

Background

- 2 IFRS 17 will be amended to reflect an effective date of 1 January 2023 and IFRS 4 will reflect the same effective date for IFRS 9. EFRAG Board wanted to understand the extent of entities who may be interested in adopting IFRS 17 early.

Sources of information

- 3 EFRAG asked participants to the limited update of the case study about their intentions around early adoptions. Furthermore, Insurance Europe and members from CFSS were also asked for information about insurers intending to early adopt the standard.

Information received

Limited update of the case study

- 4 19 participants of the 23 responses received will adopt IFRS 17 on 1 January 2023.
- 5 Three participants are considering early adoption and their decisions will depend on a combination of the following factors:
 - (a) A common effective date across all entities in the group;
 - (b) Deferral would increase the implementation costs as the IFRS 4 systems would need to be maintained in addition to the IFRS 17 systems;
 - (c) A clear tendency within its peer group to early adopt or not;
 - (d) Level playing field: first mover advantages and disadvantages;
 - (e) Readiness of the organisation and alignment with auditors;
 - (f) Progress of standard-setting process and delivery of software.
- 6 For one of these participants the decision is driven by the fact that as it has followed its parent and has adopted IFRS 9 already. Therefore, IFRS 17 is expected to mitigate current accounting mismatches.
- 7 Another participant supports an early application option to have the flexibility to adopt in 2022 as its planning scenario and expressed a strong interest in a timely finalised endorsement process to remove uncertainty about the uncertainty.
- 8 One participant did not respond to the question.

EFRAG CFSS members

- 9 Austria, Denmark, Norway, Romania, United Kingdom – no insurer indicated that they will early adopt the standard.
- 10 The German insurance industry considers it important that the early adoption option remains available. The decision to early adopt or not will depend on various factors which cannot necessarily be foreseen now, but include:
 - (a) the exact wording of the final amendments;
 - (b) their readiness process- and system-wise,
 - (c) the then existing economic, prudential and legal environment;
 - (d) the competitive situation; etc.

This position is also supported by the German government.

Insurance Europe outreach

- 11 Insurance Europe kindly agreed to collect this information from their members and requested information from Belgium, Czech Republic, Denmark, Finland, Germany, Greece, Italy, the Netherlands, Portugal, Sweden, Slovakia and the United Kingdom.
- 12 Belgium indicated that no groups have committed to early adoption, but two groups requested the option to early adopt.
- 13 Similarly, in Germany, there were no commitments to early adoption, but the industry supports an early application option.
- 14 All other markets reported adoption is planned for 2023. Subsidiaries were excluded to avoid double-counting with the results of groups.

Question for EFRAG Board and TEG

- 15 Does EFRAG Board and TEG have any further comments on this information?