

## Insurance Accounting Insights New IFRS on Insurance Contracts heading towards publication



### **IASB decision to ballot the new standard for Insurance Contracts sets the scene for thinking about implementation**

On 16 February 2016, the International Accounting Standards Board (IASB) decided to commence the balloting process for the new IFRS 4 Phase II – Insurance contracts. In order to reach this conclusion, the IASB considered that the due process requirements have been met and that re-exposure is not necessary.

This means that the IASB is now drafting the final text of the improved and long awaited Insurance Contracts standard. Its publication is expected towards the end of 2016/early 2017. During the balloting process the IASB will:

- Discuss any sweep issues that may arise during the drafting process.
- Decide on the mandatory effective date. This will be decided when the drafting of the new standard is sufficiently progressed to give them confidence that the publication date is fairly certain. The IASB has publicly committed to allow approximately three years from the publication of the new IFRS before it becomes mandatory. This would suggest that a late 2016/early 2017 publication would result in the mandatory effective date being set for 1 January 2020, at the earliest.
- Conduct outreach activities with selected external interested parties to ensure that the final wording is interpreted consistently with the IASB's decisions and to avoid any issue of clarity of articulation.

There has been a recommendation from some constituents to add an additional year for the implementation of this new regulation given its complexity and pervasiveness. If this request is granted, the IASB may set the effective implementation for the new Insurance Standard for periods beginning on 1 January 2021.

Deloitte believes that the IASB would not contemplate any later date than 2021 because of its decision to limit the deferral of the other major IFRS impacting insurers only for a finite period ending at that date (the “sunset clause”). This second major IFRS impacting insurance companies is IFRS 9 – Financial Instruments, which will apply to all other companies by 1 January 2018 but it is expected to be deferred for certain insurance entities that qualify for it. The deferral would automatically expire by the earliest of the mandatory effective date of the new IFRS on insurance contracts or 1 January 2021.

Deloitte and the Economist Intelligence Unit have confirmed in two [global surveys](#) that the implementation time frame will be extensive, the costs material and it will impact several dimensions of the operating models of many insurers. The research clearly indicates that this regulatory change is not a mere accounting exercise and the majority of the executives interviewed confirmed their organizations have already started preliminary activities such as training their future implementation teams on the new requirements, assessing the impact the requirements will have on systems and processes and develop budgets for the implementation work.

### **Deloitte technical assistance and insights**

Please visit the Deloitte IFRS Insurance dedicated [website](#) for our briefings, webcasts and newsletters on the IFRS Insurance developments and their impact on your business.

Deloitte regular technical updates on the IASB Insurance Contracts project are available in our dedicated page of [IASPlus](#), the #1 website for global accounting news.

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