



Insurance amendments – IFRS 9 temporary exemption

20 July 2016



Joachim Koelschbach
Partner
KPMG AG
Wirtschaftsprüfungsgesellschaft

“This month’s decision will ease the implementation burden on preparers that apply the temporary exemption.”

- Joachim Kölschbach, KPMG’s global IFRS insurance leader

The IASB expects to issue its final insurance amendments in September 2016

Highlights

- What’s the issue?
- What did the IASB decide?
- What’s the impact?
- Next steps

At its July meetings, the IASB discussed revisions to the disclosure requirements for the temporary exemption from applying IFRS 9 *Financial Instruments*, based on constituent feedback.

The Board revised the proposed disclosure requirements for the temporary exemption, limiting the need to perform a solely payments of principal and interest (SPPI) assessment to those financial assets that are not held for trading or managed on a fair value basis.

What’s the issue?

During the Board’s redeliberations of its proposed amendments to IFRS 4 *Insurance Contracts*, it initially decided to require entities that apply the temporary exemption to disclose the fair value and change in fair value during the reporting period separately for financial assets with contractual cash flows that are and are not SPPI, as defined in IFRS 9.

This would have required entities that apply the temporary exemption to complete an SPPI assessment for all financial assets.

However, various constituents expressed concern that this would result in excessive costs because entities may no longer need to perform the SPPI test for some assets on implementation of IFRS 9 – as some assets would be measured at fair value through profit or loss (FVTPL) irrespective of their cash flow characteristics.

What did the IASB decide?

The Board agreed that an entity should disclose the fair value and change in fair value at the reporting date for the following two groups of financial assets separately:

- those financial assets that pass the SPPI assessment, excluding financial assets that are held for trading or that are managed on a fair value basis; and
- all other financial assets (i.e. any financial assets that do not pass the SPPI assessment, or are held for trading or managed on a fair value basis).

What's the impact?

The IASB decision may make the fair value disclosures less costly and complex to apply for entities applying the temporary exemption, and more consistent with the disclosures required for entities applying IFRS 9.

Next steps, effective date and transition

The final amendments to IFRS 4 are expected to be published in September.

The Board is also continuing its balloting process for the forthcoming insurance contracts standard and expects to discuss the effective date in the third quarter of 2016. It expects to issue the final standard around the end of 2016.

Visit our [IFRS – Insurance](#) hot topics page for the latest developments in the insurance contracts project.