



Amendments to IFRS 4

**Applying IFRS 9 *Financial Instruments* with
IFRS 4 *Insurance Contracts***

25 June 2020

[kpmg.com/ifrs](https://www.kpmg.com/ifrs)



Addressing differing effective dates

“The revised insurance contracts standard has been issued with a new effective date of 1 January 2023. The temporary exemption to applying IFRS 9 has been aligned to the same date.

“The amendments to IFRS 4 provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9 and IFRS 17 but include various complexities.”



Joachim Kölschbach,
KPMG's global IFRS
insurance leader

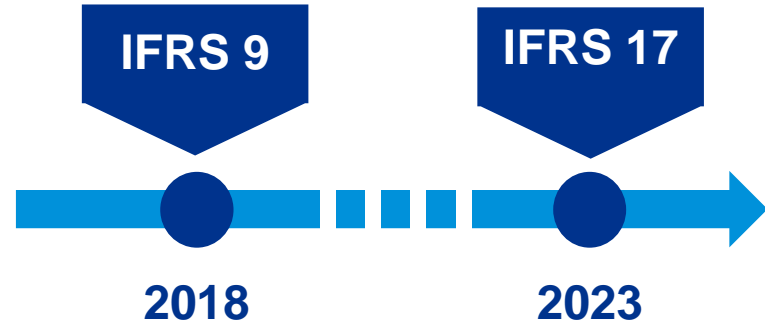
What's the issue?

Differing effective dates may result in...



Temporary volatility
and accounting
mismatches

and



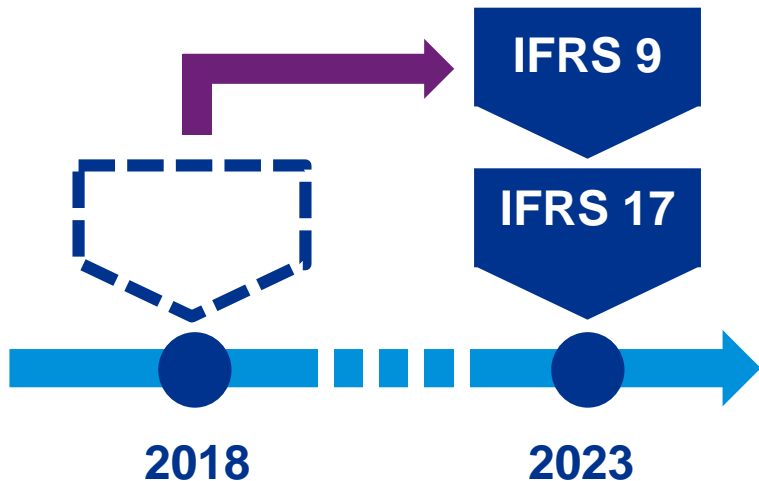
Two implementation projects in
a short period



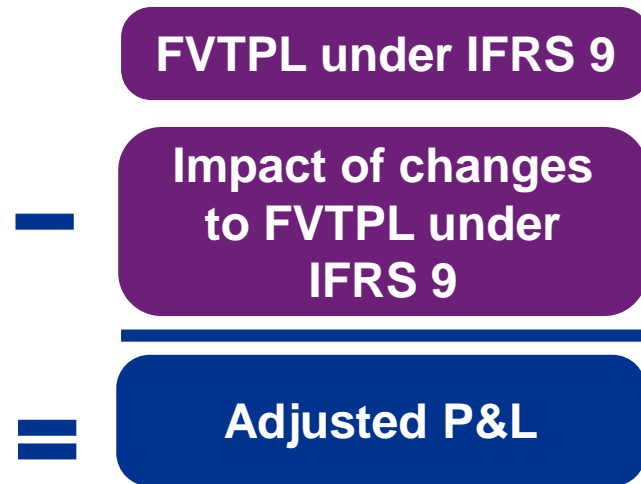
Optional solutions

Two solutions

Temporary exemption from IFRS 9



Overlay approach

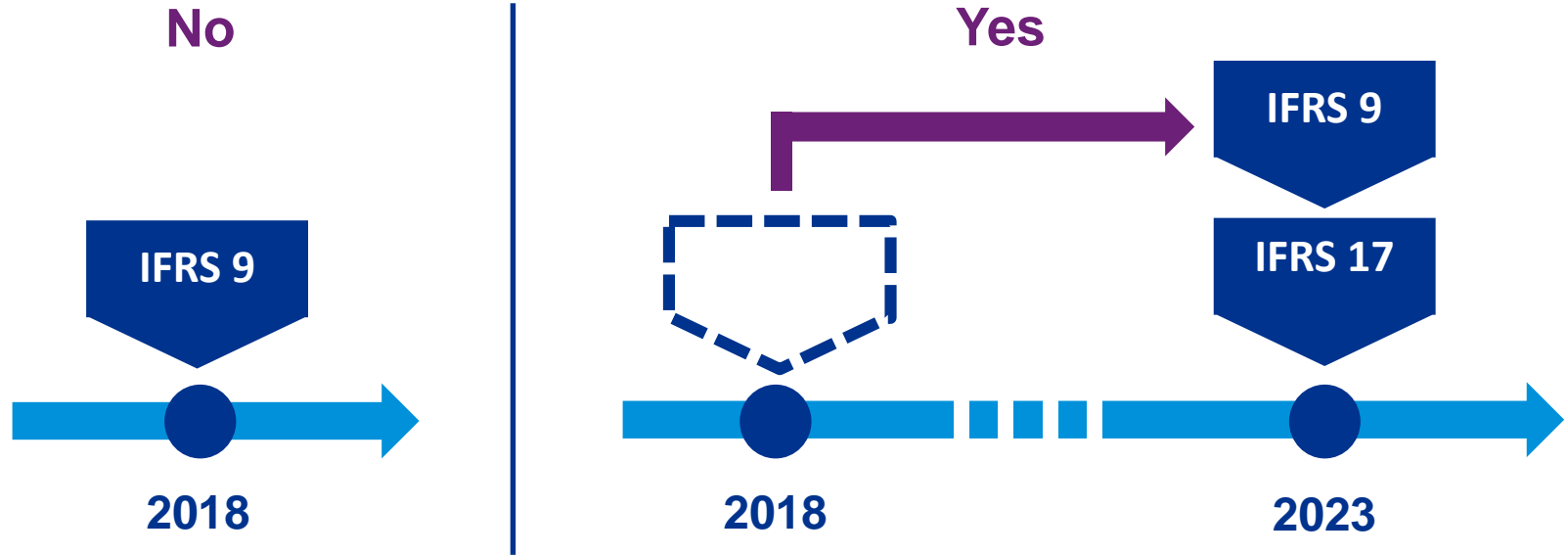




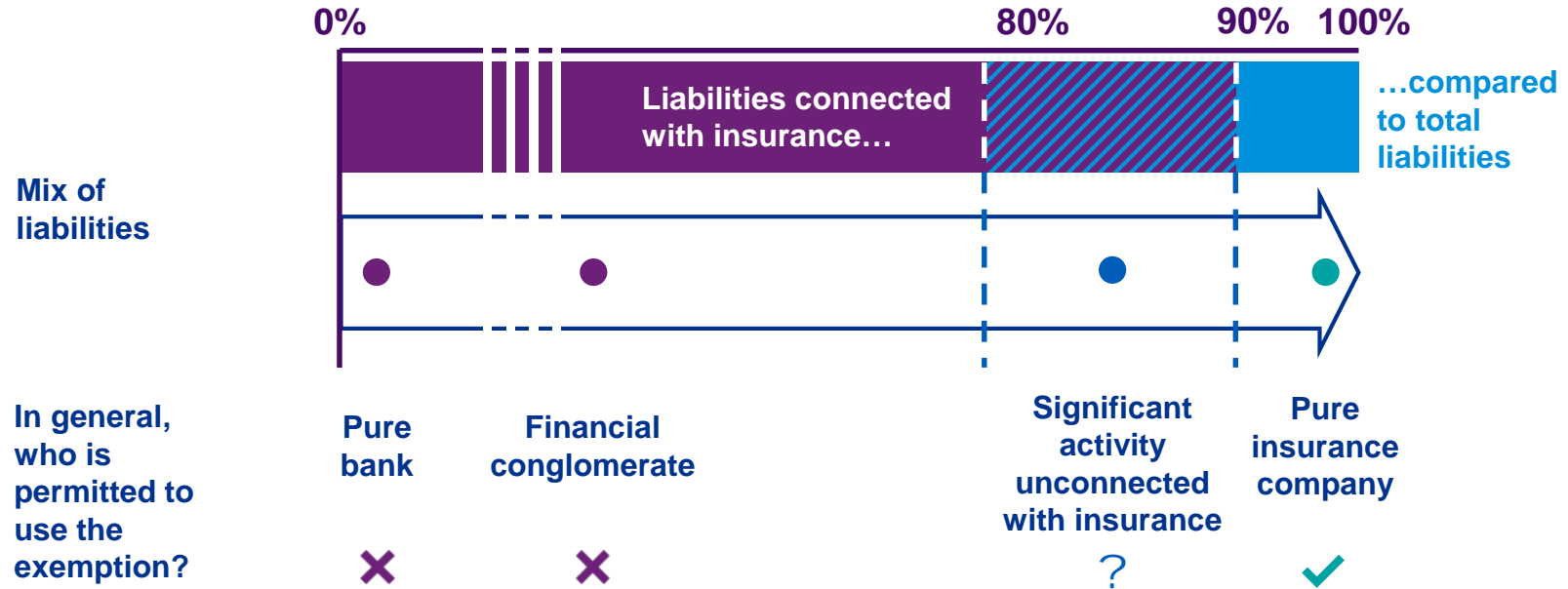
Temporary exemption from IFRS 9

Qualifying for the temporary exemption

Are entity's activities predominantly 'connected with insurance'?



Assessing predominance



Complete assessment at the annual reporting date immediately before 1 April 2016

What are 'liabilities connected with insurance'?

Liabilities comprising...

Contracts within the scope of IFRS 4, including unbundled deposits and derivatives

Investment contracts measured and designated at FVTPL

And...

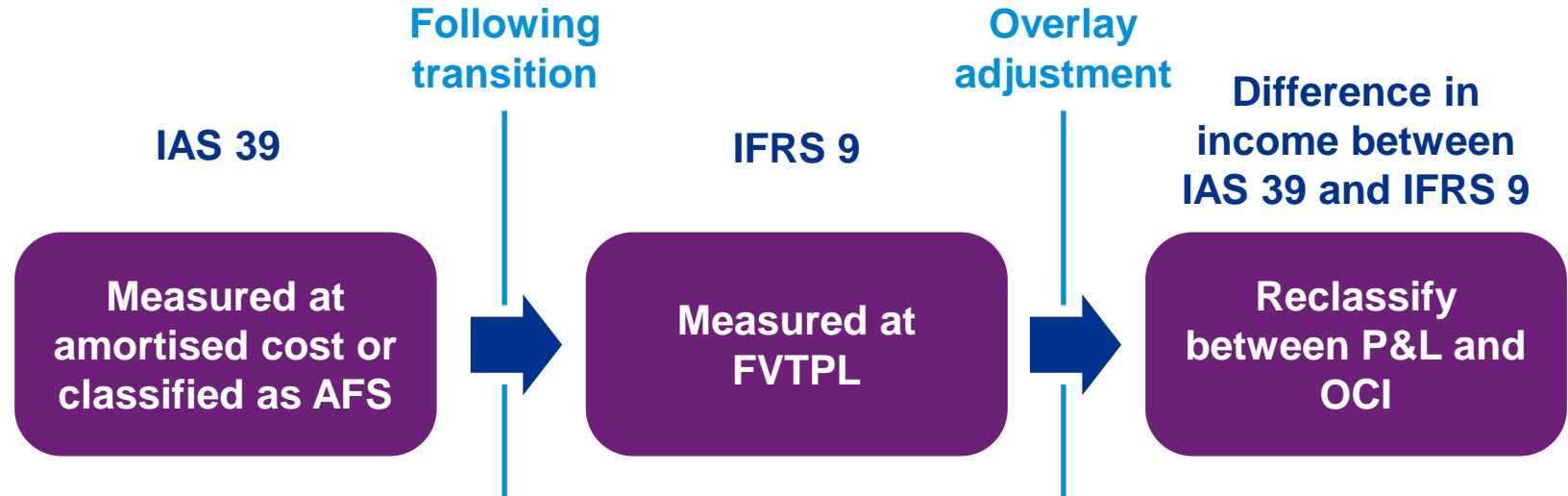
Liabilities arising from issuing or fulfilling obligations under these contracts, such as debt included in regulatory capital



Overlay approach

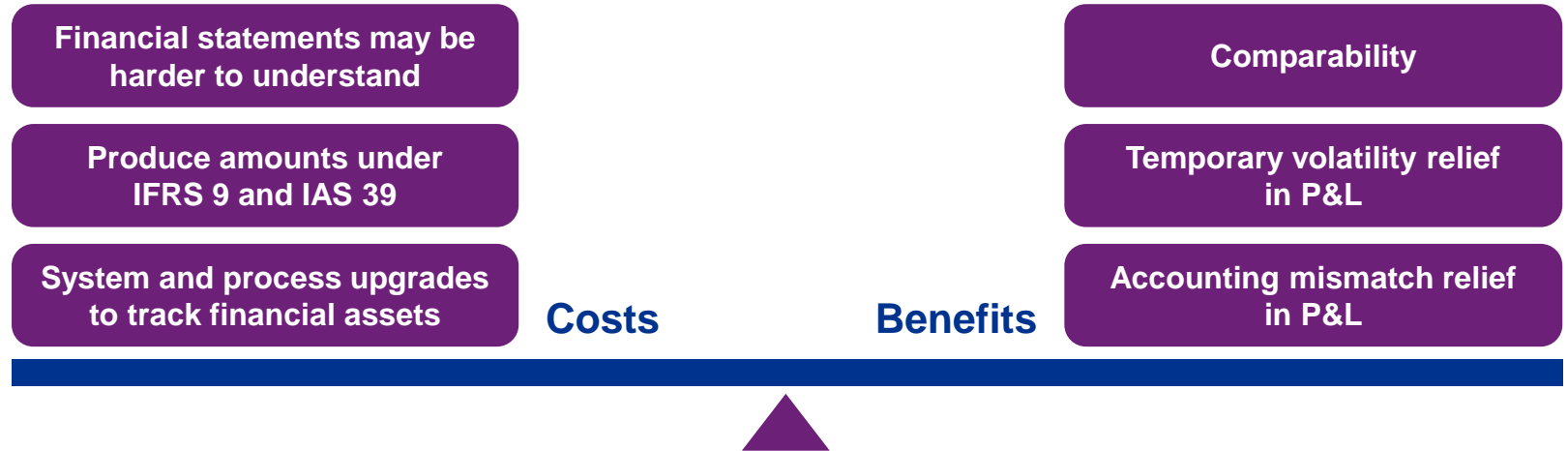
Overlay approach

For designated financial assets...



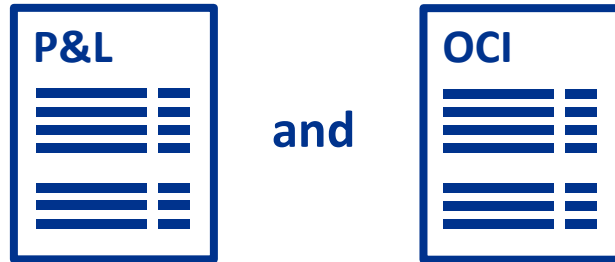
Weighing the costs and benefits

If you apply the **overlay approach**...



Presentation

A company should present the adjustment as a **single line item** in...



[Click icon for an example](#)



Disclosures

Disclosures

The objective is to enable users to understand...

Temporary exemption

How an entity qualified for the exemption

How to compare insurers applying IFRS 9 with those that aren't

Overlay approach

How the adjustment is calculated

The effect on the financial statements

Temporary exemption

Companies applying the temporary exemption will need to disclose...

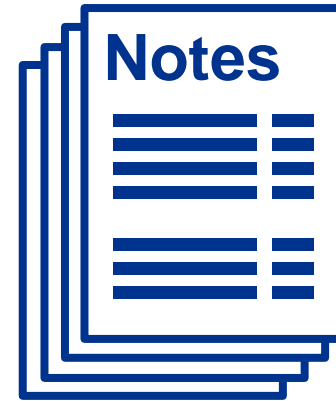
Fair value information separately for:

- **Financial assets that meet the SPPI test unless held for trading or managed on a fair value basis, and**
- **All other financial assets**

Credit risk and quality information

Overlay approach

A company should disclose the effect of the adjustment on each individual P&L line item in the notes

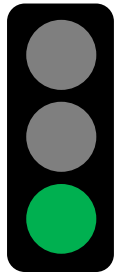




Transition

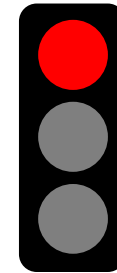
Transition

Additional requirements when a company...



**Starts applying
an approach**

and



**Stops applying
an approach**

The amendments aim for consistency with IFRS 9

Next steps



**Speak to your
usual KPMG
contact**



**Find out more at
home.kpmg/ifrs17**

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