ASC
ACCOUNTING STANDARDS COUNCIL
SINGAPORE

11 December 2018

Dear Chief Executives

DEVELOPMENTS IN IASB'S IMPLEMENTATION SUPPORT FOR IFRS 17 *INSURANCE CONTRACTS*

The Accounting Standards Council (ASC) wishes to share specific developments announced by the International Accounting Standards Board (IASB) in relation to IFRS 17 *Insurance Contracts*.

Background

In March 2018, the ASC adopted IFRS 17 without modification into SFRS(I) 17 *Insurance Contracts* and SFRS 117 *Insurance Contracts*. The standards are applicable for annual reporting periods beginning on or after 1 January 2021, with earlier application permitted.

Further to our letter to Singapore insurers on the issuance of the standards, the ASC has been monitoring international developments on IFRS 17 as part of its ongoing standard-setting activities.

The IASB has been working to support insurers in the implementation of IFRS 17 and to respond to implementation challenges, including possible amendments to IFRS 17 if required. The IASB has been informed of implementation challenges and concerns about uncertainties that arose regarding possible amendments to IFRS 17 that may be needed to address those challenges, and which may result in potential undue disruption to the implementation of IFRS 17.

IASB's tentative decisions

In response to the above concerns, the IASB decided to provide a clear direction to help insurers with their planning.

Specifically, in October and November 2018, the IASB tentatively decided on the following matters:

(a) To propose deferring the effective date of IFRS 17, and extending the temporary exemption[1] from applying IFRS 9 *Financial Instruments* for eligible insurers, by one year to 1 January 2022.

[1] Broadly, IFRS 4 *Insurance Contracts* permits an insurer to defer applying IFRS 9 for annual periods beginning before 1 January 2021, if its activities are predominantly connected with insurance, among other conditions.

Address: The Secretariat, Singapore Accounting Standards Council,
10 Anson Road, #05-18, International Plaza, Singapore 079903.
Website: www.asc.gov.sg Email: MOF_Feedback_ASC@mof.gov.sg Fax: (65) 6226 3386

(b) To apply the following criteria for evaluating possible amendments to IFRS 17, in addition to demonstrating a need for the amendments:

   (i) the amendments would not result in significant loss of useful information relative to that which would otherwise be provided by IFRS 17; and

   (ii) the amendments would not unduly disrupt implementation already under way or risk undue delays in the effective date of IFRS 17, which is needed to address many inadequacies in the existing wide range of insurance accounting practices.

For further details, please refer to the IASB *Update* at https://www.ifrs.org/news-and-events/updates/iasb-updates/#iasb-updates.

The IASB will consider at future meetings, whether the implementation challenges indicate a need to amend the requirements of IFRS 17, and if so, the possible amendments to IFRS 17.

The IASB will follow its due process, which includes public consultation, for the proposed one-year deferral and any proposed amendments to IFRS 17.

Implications for Singapore insurers

The ASC's policy position has been to align Singapore accounting standards with IFRS Standards as issued by the IASB. The adoption of, and continuing alignment with, IFRS 17 will promote transparency, market confidence and international comparability.

Following from the IASB's tentative decisions, the ASC urges Singapore insurers against suspending, delaying or reducing the pace of implementation of SFRS(I) 17 or SFRS 117.

The ASC encourages Singapore insurers to follow the IASB's deliberations on possible amendments to IFRS 17, in addition to the discussions of the IASB's Transition Resource Group. This will allow Singapore insurers to adjust their implementation plans to avoid undue disruption, and to make good progress in implementation.

Where amendments are proposed by the IASB, the ASC will consult Singapore insurers on those proposals through public consultation and/or the joint Insurance Contracts Working Group of the ASC and the Institute of Singapore Chartered Accountants. Singapore insurers are encouraged to provide feedback on such proposals, which will be considered when the ASC responds with our comments to the IASB.

Yours sincerely.

Kevin Kwok
Chairman, Accounting Standards Council

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