



## Update on IFRS 17 adoption in Asia-Oceania region October 2023

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### Background

- 1 At the September 2023 World Standard-setters Conference, standard setters from the Asia-Oceania region reported on a number of matters related to adopting IFRS 17 *Insurance Contracts*, including:
  - (a) whether and, if so, when IFRS 17 is being adopted; and
  - (b) key challenges of implementing IFRS 17.

### Timing of adoption

- 2 Most Asia-Oceania region jurisdictions reported adopting IFRS 17 for periods beginning on or after **1 January 2023**.
- 3 A significant minority are adopting later – for example, for periods beginning on or after **1 January 2025**. One jurisdiction is planning to adopt IFRS 17 for periods beginning on or after **1 January 2026**.
- 4 Of the jurisdictions with significant Islamic financial product markets in which Takaful contracts form a large proportion of insurance contracts issued and held, some are adopting IFRS 17 for Takaful contracts and some are not.

### Key challenges

- 5 The key challenges indicated for the Australian market included:
  - loss portfolio transfers and adverse development covers, particularly when there are accounting mis-matches for an insurer that holds an adverse development cover because it has a liability for incurred claims for the underlying contracts and an asset for remaining coverage for the reinsurance contract held
  - non-distinct investment components, including measurement and disclosure challenges
  - determining coverage units
  - identifying inflation that is part of insurance finance income or expense
  - determining the extent to which aspects of IFRS 17 apply to the PAA.
- 6 Other jurisdictions typically identified more generic challenges including:
  - cost of implementation
  - complexity of IFRS 17
  - lack of qualified staff
  - lack of capacity to analyse the results, perform sensitivities and develop projections
  - need to upgrade of accounting systems infrastructure
  - need for a greater level of granularity of data about insurance contracts
  - limited specific guidance in IFRS 17 on some topics



- tax-related issues.

### **Post-implementation review**

- 7 The IASB is likely to wait until most jurisdictions have one or two years of experience of applying IFRS 17 before conducting a formal post-implementation review. Since some jurisdictions have a 2025 application date, the formal post-implementation review is unlikely to be conducted before 2026/2027.
- 8 The IASB's focus in a post-implementation review is likely to be on whether the requirements are functioning as intended.