



# IFRS 9 FOR INSURERS

With the effective date for IFRS 17 being less than ten months away, financial statements for insurance companies are expected to undergo major changes. A key area that may be easily overlooked as insurers prepare to implement IFRS 17 is IFRS 9 given that insurers are among the largest holders of financial instruments within the economy.

IFRS 9 became effective on 1 January 2018, but insurance entities were given the option to be exempted from applying IFRS 9 thereby continuing to apply IAS 39 until annual periods beginning before 1 January 2023, same as IFRS 17. This temporary exemption from IFRS 9 was instituted by the International Accounting Standards Board (IASB) to avoid potential undesirable consequences, such as additional accounting mismatches and volatility in profit or loss.

The temporary exemption from IFRS 9 to allow for the simultaneous implementation of both IFRS 9 and 17 presented a problem that was soon picked up by insurers. IFRS 17 requires companies to present one restated comparative period and IFRS 9 permits but does not require restatement of comparative periods and prohibits companies from applying IFRS 9 to financial assets derecognized in the comparative period. Thus, if an entity had any financial assets that it derecognized within the comparative period, it would have been forced to prepare comparative financials by either applying only IAS 39 or a mixture of IAS 39 and IFRS 9. This would result in potential operational complexities giving rise to significant accounting mismatches between financial assets and insurance

contract liabilities in the comparative period.

This was resolved by the IASB when they released the IFRS 17 and IFRS 9 comparative information amendment in December 2021. This allows for the application of IFRS 9 on financial assets derecognized in the comparative period provided the required criteria is met.

For entities that did not exercise the temporary exemption and applied IFRS 9, IFRS 17 allows the entities to redesignate financial assets at the initial application of IFRS 17 to ensure that accounting mismatches are eliminated.

Transition reliefs are also available for insurers dependent on whether an insurer applied for the temporary exemption from IFRS 9 or not.

If you liked this article and would like to learn more about IFRS 17, do not hesitate to call us on **+263 8688 007098** or email us at [marketing@tas.co.zw](mailto:marketing@tas.co.zw)



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