



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

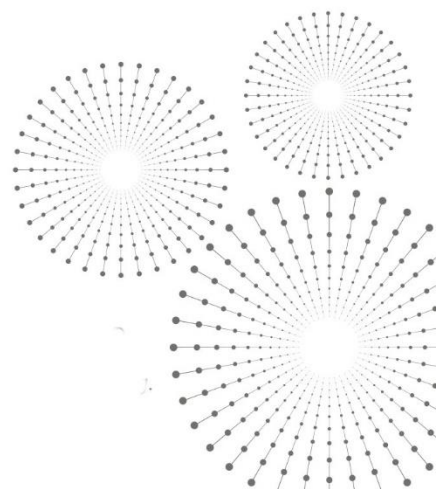
NZASB Exposure Draft 2022-1

Initial Application of PBE IFRS 17 and PBE IPSAS 41—Comparative Information

(NZASB ED 2022-1)

Invitation to Comment

February 2022



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PO Box 11250
Manners St Central, Wellington 6142
New Zealand
<http://www.xrb.govt.nz>

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Information for respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)¹ is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the proposals for application by public sector entities that issue insurance contracts.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to comment on only those questions, or issues that are relevant to you.

Comments should be submitted electronically using our 'Accounting Standards open for consultation' page (Domestic Consultations) at:

<https://www.xrb.govt.nz/consultations/accounting-standards-open-for-consultation/>.

Please indicate whether the comments are made on your own behalf, or on behalf of a group of people, or an entity.

The closing date for submissions is **27 May 2022**.

Publication of submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

¹ The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

List of abbreviations

The following abbreviations are used in this Invitation to Comment.

ED	Exposure Draft
IASB	International Accounting Standards Board
ITC	Invitation to Comment
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
PBE	Public benefit entity

Questions for respondents

	Paragraphs
1 Do you agree with the proposed amendments? If you disagree, please explain why.	13–16
2 Do you agree with the proposed effective date? If you disagree, please explain why.	17
3 Do you have any other comments on the ED?	–

1. Introduction

1.1 Background

1. IFRS 4 *Insurance Contracts* is superseded by IFRS 17 *Insurance Contracts*. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023.
2. IFRS 9 *Financial Instruments* was developed by the IASB over several years, with the final standard becoming effective for annual periods beginning on or after 1 January 2018.
3. In 2016, the IASB issued *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (Amendments to IFRS 4). The amendments permitted eligible entities to:
 - (a) apply the ‘overlay approach’ (apply IFRS 9, and also apply IAS 39 *Financial Instruments: Recognition and Measurement*, to designated financial assets to calculate a single line-item adjustment to profit or loss so that the overall impact on profit or loss is the same as if IAS 39 had been applied); or
 - (b) temporarily defer IFRS 9 (the deferral approach) when their activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with insurers applying IFRS 9. Entities were permitted to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* until the new insurance standard (IFRS 17) became effective.
4. Equivalent amendments were adopted in NZ IFRS 4 *Insurance Contracts* for entities that did not apply Appendix C or Appendix D. However, in December 2016 the New Zealand Accounting Standards Board (NZASB) agreed not to incorporate equivalent amendments into PBE IFRS 4 *Insurance Contracts*.
5. The NZASB issued PBE IFRS 17 *Insurance Contracts* in July 2019 and subsequently amended it in August 2020 to maintain alignment with IFRS 17 and NZ IFRS 17 *Insurance Contracts*.
6. On 9 December 2021 the IASB issued *Initial Application of IFRS 17 and IFRS 9—Comparative Information*. The amendments were issued in response to concerns raised by constituents about the usefulness of the information that would be presented for financial assets in the comparative period on initial application of IFRS 17 and IFRS 9 *Financial Instruments*. The issue arises because the transition requirements in the two standards apply at different dates. IFRS 17 and IFRS 9.²
7. The initial proposals were for entities that first applied IFRS 17 and IFRS 9 at the same time. However, in response to feedback received, the IASB extended the scope of the proposals to also include entities that had applied IFRS 9 before IFRS 17.
8. At its meeting in December 2021 the NZASB approved for issue *Initial Application of NZ IFRS 17 and NZ IFRS 9—Comparative Information*.

² IFRS 9 transition requirements apply on the date of initial application (ie 1 January 2023 for many insurers outside of New Zealand) while IFRS 17 transition requirements apply on the transition date, being the beginning of the previous annual reporting period (ie 1 January 2022 for many insurers), or earlier if the entity voluntarily restates more than one year of comparative information.

1.2 Purpose of this Invitation to Comment

9. The purpose of this ITC and associated Exposure Draft (the ED) is to seek feedback on proposed amendments to PBE IFRS 17 when an entity first applies PBE IFRS 17 and PBE IPSAS 41 *Financial Instruments*.

1.3 Timeline and next steps

10. Submissions on NZASB ED 2022-3 are due by **20 May 2022**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
11. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise and issue the amendments.

2. Overview of Invitation to Comment and ED

2.1 Proposed modifications

13. PBE IFRS 17 *Insurance Contracts* is based on IFRS 17 (and NZ IFRS 17). The NZASB is therefore proposing to incorporate the IASB's amendments *Initial Application of IFRS 17 and IFRS 9—Comparative Information* in PBE IFRS 17 *Insurance Contracts*.
14. The proposals are referred to as the classification overlay. They apply when an entity first adopts PBE IFRS 17 and PBE IPSAS 41 *Financial Instruments*.
15. The proposals will:
 - (a) help insurers to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented in their financial statements when applying PBE IFRS 17 and PBE IPSAS 41 for the first time: and
 - (b) improve the usefulness of comparative information for users of the financial statements by providing an option for the presentation of comparative information about financial assets.
16. The proposals also permit an entity to apply the classification overlay to financial assets derecognised between the transition date and the date of initial application of PBE IFRS 17 for entities that have applied PBE IPSAS 41 before PBE IFRS 17.
17. The IASB's rationale for the amendments can be found on the XRB website at <https://xrb.govt.nz/standards/accounting-standards/for-profit-standards/standards-list/nz-ifs-17/> (please refer to the 'Additional Material' IASB file).

2.2 Effective date

18. The proposed effective date of the modifications is annual financial statements covering periods beginning on or after 1 January 2023, with early application permitted.

Questions for respondents

1. Do you agree with the proposed amendments? If you disagree, please explain why.
2. Do you agree with the proposed effective date? If you disagree, please explain why.
3. Do you have any other comments on the ED?