

CPA Canada handbook – accounting, part I highlight summary no. I.38 January 2017

(Note: Any changes to previously issued standards are identified in the effective date guidance in each affected standard.)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

IFRS 4 *Insurance Contracts* has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in September 2016. The amendments introduce two voluntary options for dealing with transitional challenges arising from implementing IFRS 9 *Financial Instruments* before implementing the upcoming replacement standard for IFRS 4. The amendments give:

- all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the replacement standard for IFRS 4 is issued (the "overlay approach"); and
- entities whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021 (the "deferral approach"). Entities that defer the application of IFRS 9 continue to apply IAS 39 *Financial Instruments: Recognition and Measurement*.

For entities choosing the overlay approach, the amendments are effective from the date at which IFRS 9 is applied for the first time.

For qualifying entities choosing the deferral approach, the amendments are effective for annual periods beginning on or after January 1, 2018.

Other editorial changes and corrections introduced in January 2017

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