


IFRS 17

Insurance Contracts

Martin Edelmann
Vice-Chair, Islamic Finance Consultative Group
Member, International Accounting Standards Board


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One

accounting model for all insurance contracts in all IFRS jurisdictions—replaces IFRS 4



Who is affected?



450
listed insurers
using IFRS
Standards



\$13 trillion
total assets of
those listed
insurers

When?



2021
mandatory
effective date of
IFRS 17

What changes?



More
useful and
transparent
information



Better
information
about profitability

Today's agenda

- Why IFRS 17 has been developed
- What changes
- How IFRS 17 works
- Implementation support
- Investor reactions to IFRS 17



Why IFRS 17 has been developed

Accounting policies applied under IFRS 4

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Top-20 listed insurers using IFRS Standards

Accounting policies applied to insurance contracts issued	Number of companies	Total assets (US\$ trillions)
Based on guidance in:		
• a mix of national GAAP	8	4.1
• US GAAP	3	1.6
• Canadian GAAP	4	1.4
• other national GAAP	5	2.0
Total	20	9.1

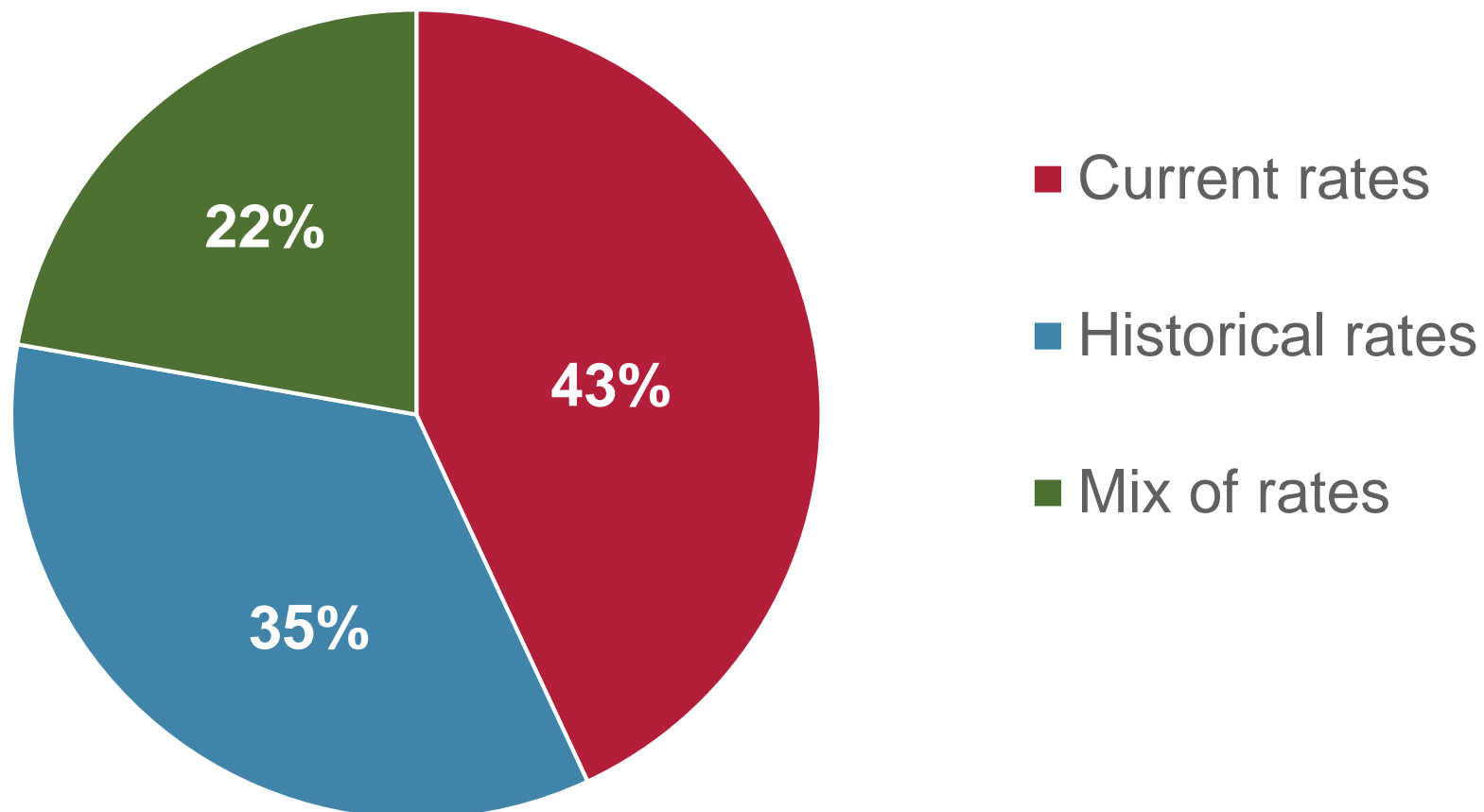
Source: Effects Analysis on IFRS 17

Insurance accounting today

- Same insurer—two different GAAP

(in millions of currency units)	GAAP 1	GAAP 2	Difference	
Revenue	9,010	11,244	(2,234)	-25%
Operating income	1,606	748	858	53%
Total equity	10,375	4,567	5,808	56%

IFRS insurers—discount rates used today



Discount rates used for a sample of life insurers (2015)
Source: Effects Analysis on IFRS 17



What changes

Main improvements introduced

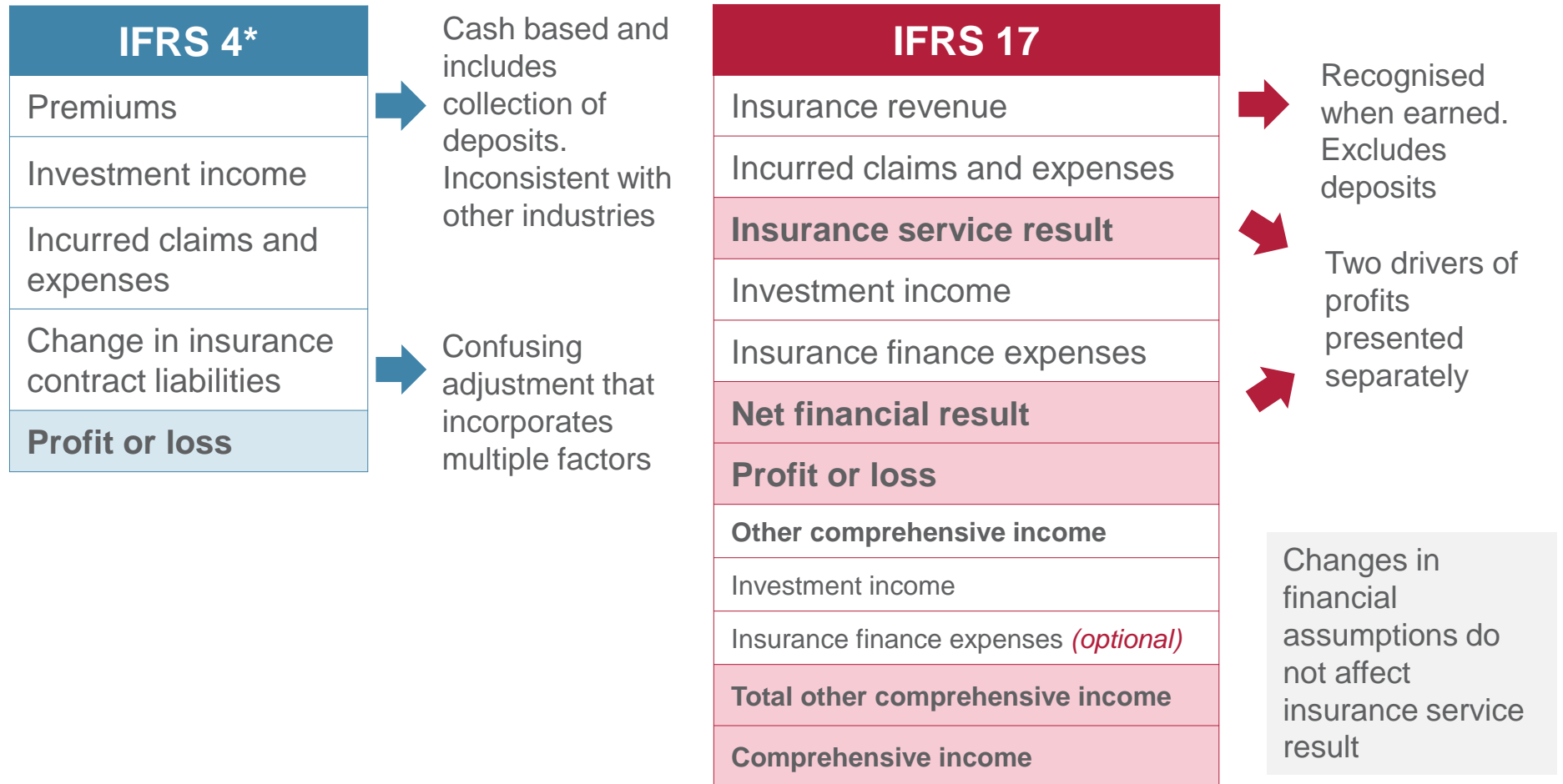
More useful
and
transparent
information

- Current assumptions regularly updated
- Options and guarantees fully reflected
- Discount rates reflect characteristics of the insurance liability

Consistent
recognition of
revenue and
profits for
insurance
services

- Revenue recognition more consistent with other IFRS Standards
- Profits recognised as the insurance coverage is provided
- Additional metrics to evaluate performance

Improved performance reporting



(*) Common presentation in the statement of comprehensive income in applying IFRS 4

Improved balance sheet presentation

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IFRS 4*
Assets
Reinsurance contract assets
Deferred acquisition costs
Value of business acquired
Premiums receivable
Policy loans
Liabilities
Insurance contracts liabilities
Unearned premiums
Claims payable



Multiple line items

Inconsistent measurement



Difficult to understand changes

IFRS 17
Assets
Reinsurance contract assets
Insurance contract assets
Liabilities
Insurance contracts liabilities
Reinsurance contract liabilities



Simplified presentation on the balance sheet

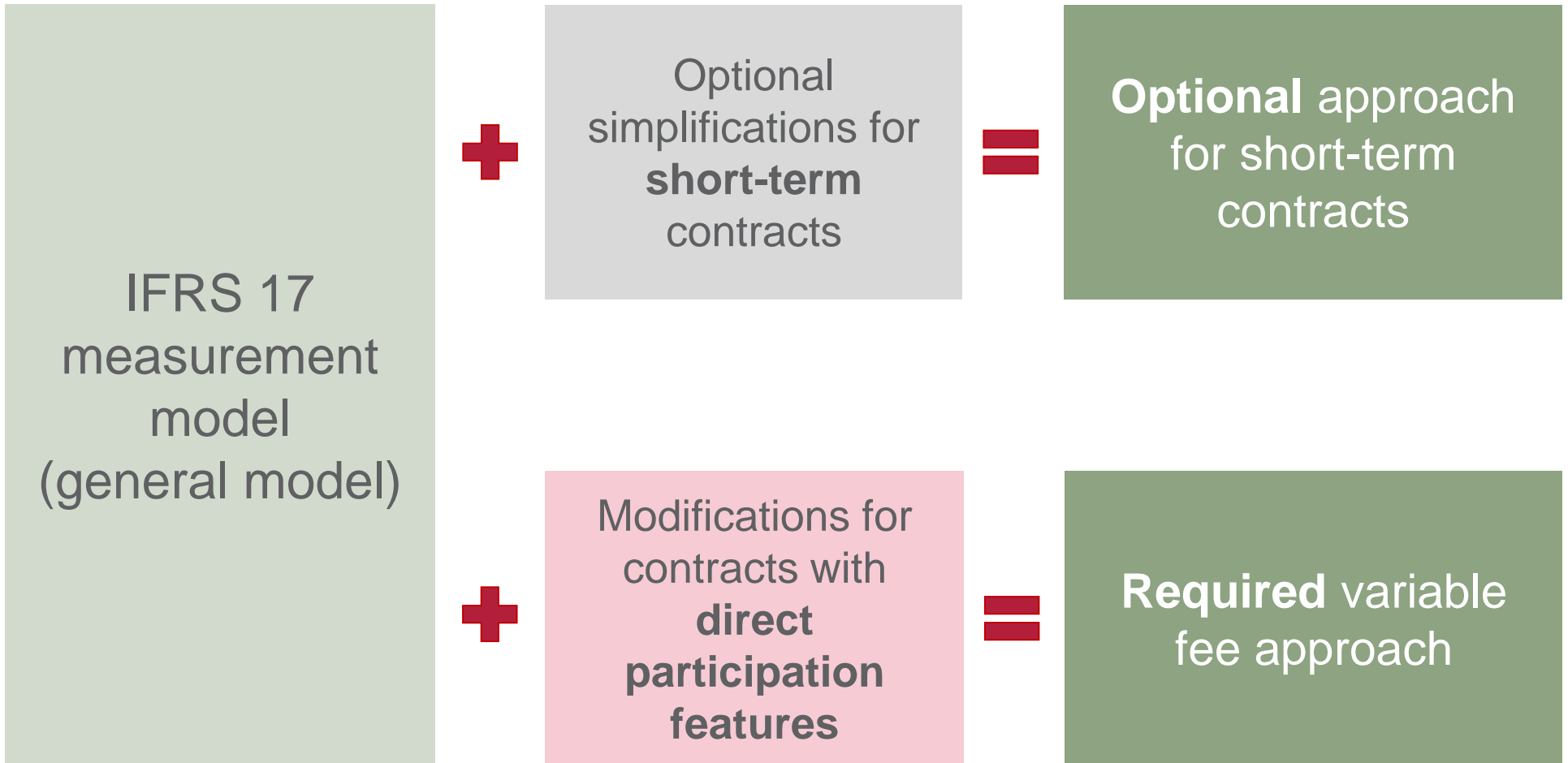


Groups in an asset position presented separately from groups in a liability position

(*) Common presentation in the balance sheet in applying IFRS 4

How IFRS 17 works

One measurement model



IFRS 17 core requirements

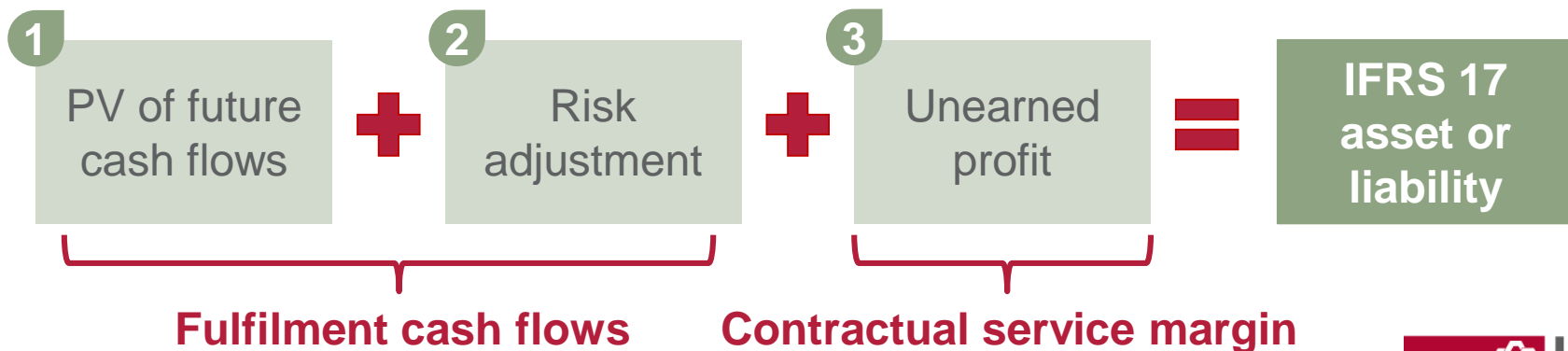
All insurance contracts measured as the sum of:

- **Fulfilment cash flows**

1. Present value of probability-weighted expected cash flows—reflects financial risk
2. Plus an explicit risk adjustment for non-financial risk (eg insurance risk)

- **Contractual service margin**

3. The unearned profit from the contracts



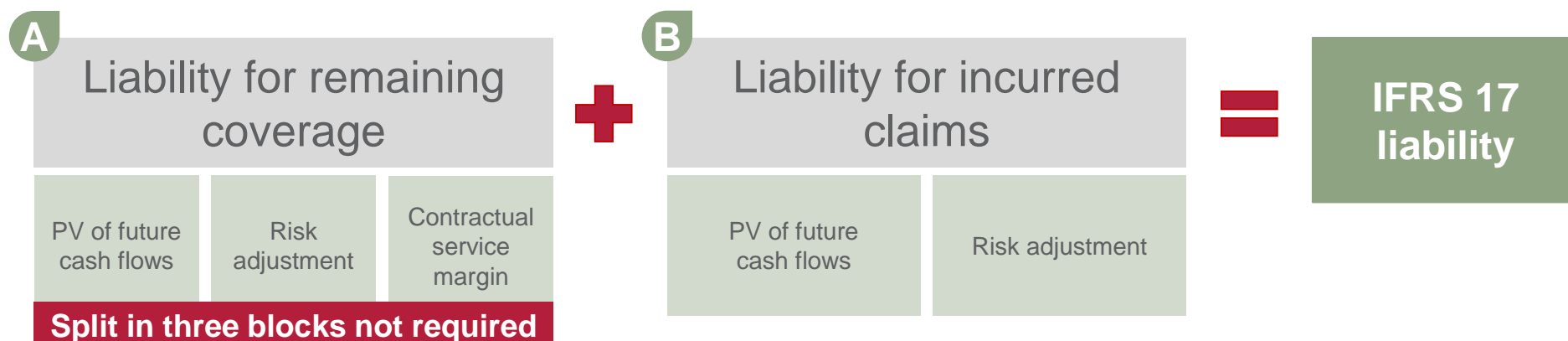
Snapshot on measurement

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	Initial measurement	Subsequent measurement
1 PV of future cash flows	Current assumptions	Current assumptions
2 Risk adjustment	Current assumptions	Current assumptions
3 Unearned profit—contractual service margin	The amount that results in no gain recognised in profit or loss	Update by reflecting: <ul style="list-style-type: none">• Time value of money• Adjustments related to future service• Allocation of the amount earned for services provided

Optional simplified approach—overview

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A Simplified measurement

B Measurement under the general model, but discounting of claims to be settled within 1 year not required

Variable fee approach compared with general model

	1 PV of future cash flows	2 Risk adjustment	3 Unearned profit
Initial recognition	✓ No difference	✓ No difference	✓ No difference
Subsequently	✓ No difference	✓ No difference	✗ Difference in how unearned profit is adjusted for changes in financial variables

Applying IFRS 17 for the first time

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	1 PV of future cash flows	2 Risk adjustment	3 Unearned profit
Existing contracts (eg contracts written before 2020)	✓ Usual IFRS 17 measurement	✓ Usual IFRS 17 measurement	✗ Transitional measures
New business (eg contracts written after 2020)	✓ Usual IFRS 17 measurement	✓ Usual IFRS 17 measurement	✓ Usual IFRS 17 measurement

- Transitional measures (by group of contracts)
 - Full retrospective approach
 - Modified retrospective approach—proxy of full retrospective approach
 - Fair value approach
- Separate disclosures for each transition method



Implementation support



Webinars



Articles and other materials



Conferences



Transition Resource Group



Education for

- investors
- regulators
- standard-setters

Informal technical discussions with

- regulators
- standard-setters
- audit firms

Board and IFRS Interpretations Committee discussions



Dedicated website page

Public forum for discussion

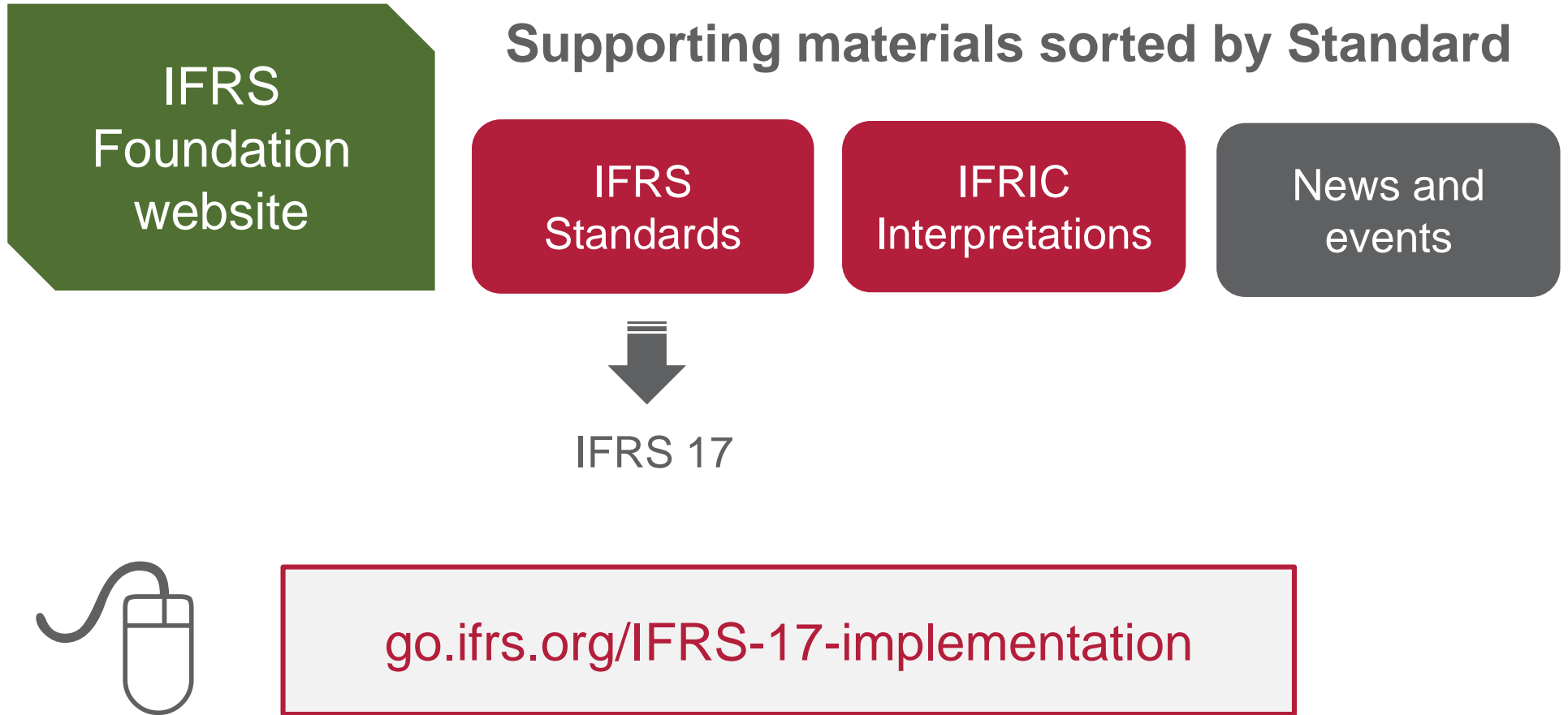
- Meetings webcast
- Papers and summaries publicly available

Limited life during the transition period to the new requirements

- First meeting in February 2018: 22 topics considered
- Next meeting in May 2018

Helps the Board to determine whether actions needed to address questions

- Educational material from TRG discussions
- Very high hurdle for amendments





Investor reactions to IFRS 17

What investors think about IFRS 17

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Over 70 meetings*

30 buy side, 27 sell side, 13 mixed groups, 6 credit rating agencies

Over 370 investors and analysts*

43% Europe, 23% Asia Pacific, 21% Global, 7% Africa, 6% North America

Areas of support

- Information about insurers' performance
- Consistency with other industries
- Disclosures
- Transparency

Areas of concern

- Company-specific judgements
- Accounting options

BUT disclosures will help to assess the effects of judgements and options on comparability

* Between May 2017 and January 2018

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