10th Webinar on General Insurance

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Impact of IFRS 17 on Financials of Global Companies

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Recap of IFRS 17

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- Purpose and Objective
- Scope of IFRS 17
- Key Policy Choices
- Changes in Key KPIs
- Challenges

Results from Global companies reporting on IFRS 17

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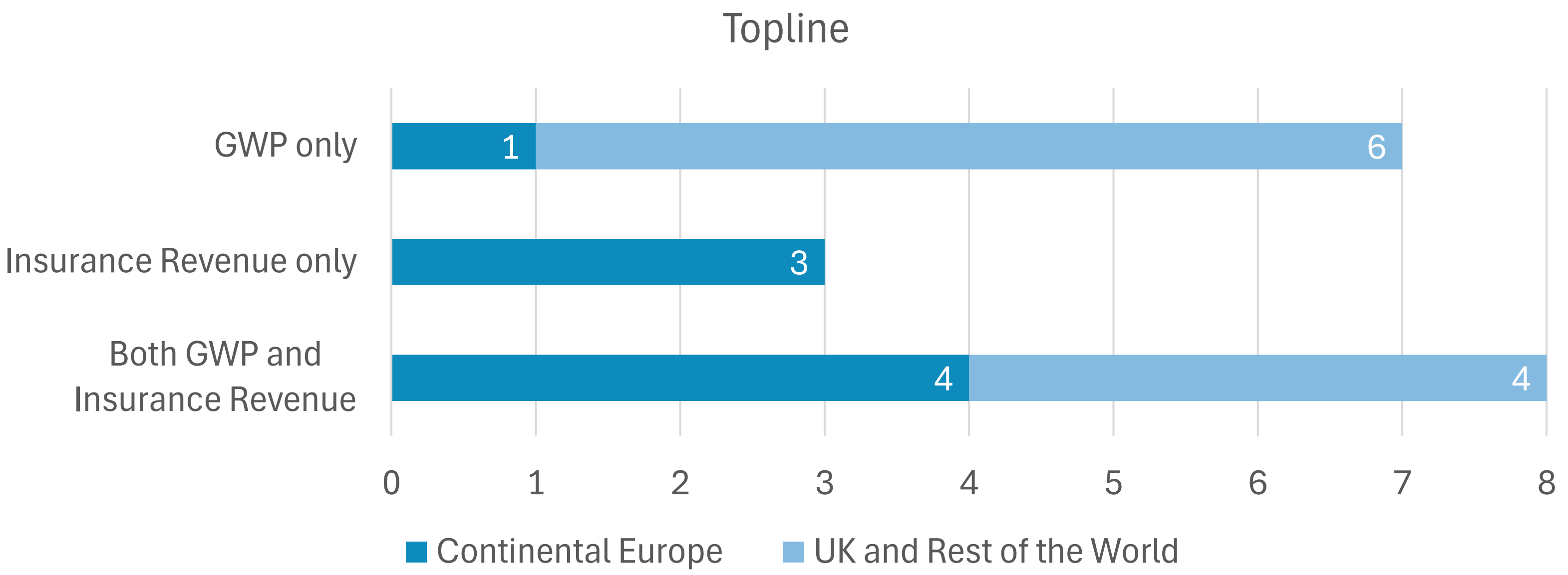
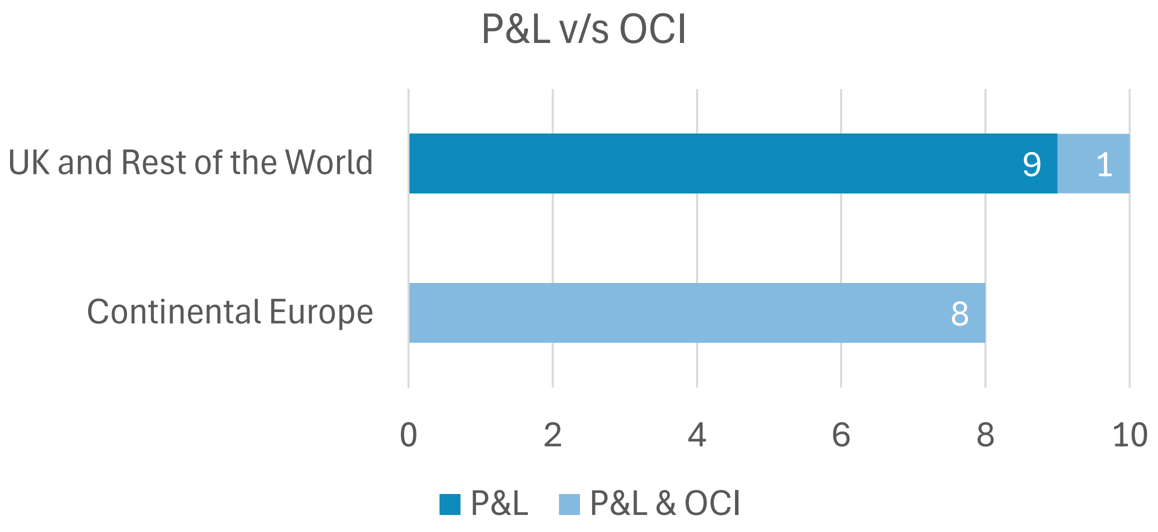
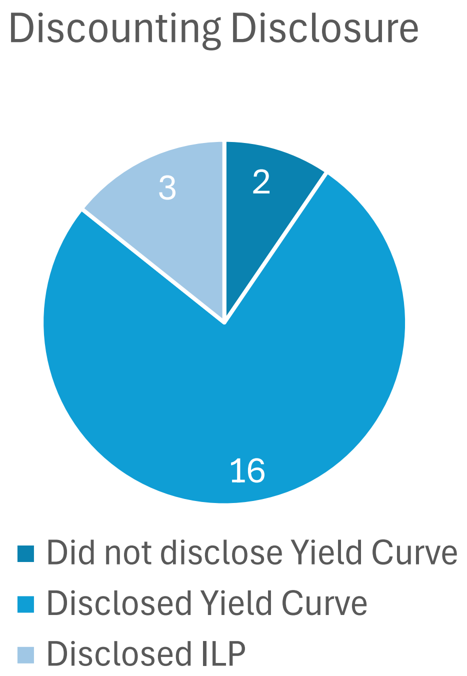
Gross Written Premiums (GWP) and Insurance Revenue



- Divergence in the move towards using insurance revenue across regions
- GWP (and/or NWP) was disclosed by all companies in the UK and rest of the world. .

P&L vs OCI and Discounting

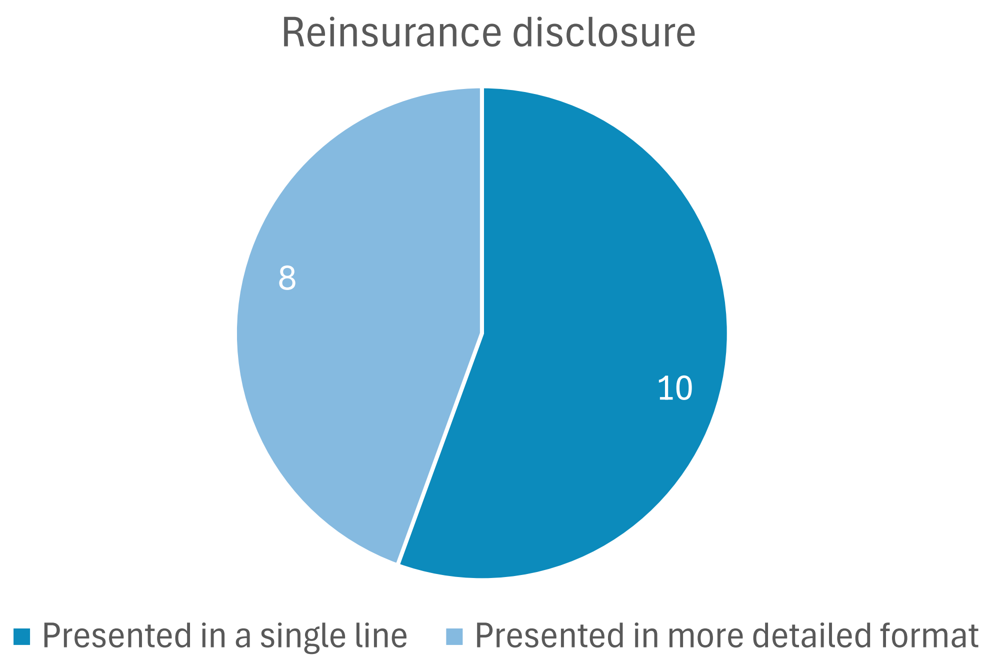




- Choice to disaggregate IFIE between OCI & P&L
- Using OCI limits the volatility in the income statement.

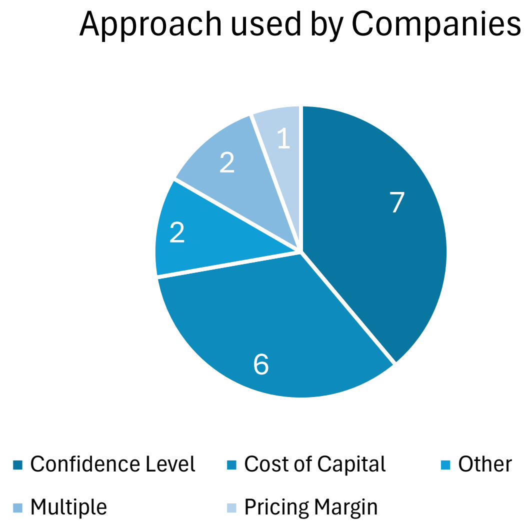
- Bottom-up approach has been used for discounting for all companies.
- Variability in yield curves used by companies due to mainly choice of ILP

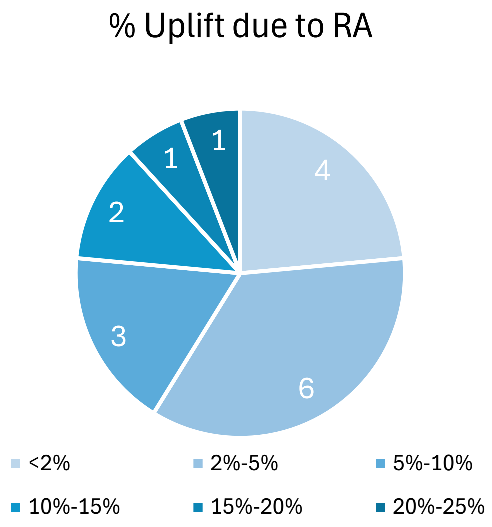
Reinsurance disclosure

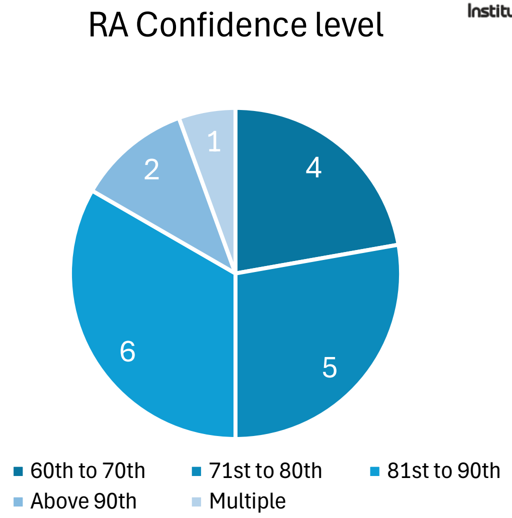


- IFRS 17 allows companies to present the income & expenses from a group of RI contracts as single amount or separately.
- It will depend on the disclosure requirement as laid down by the regulator

Risk Adjustment

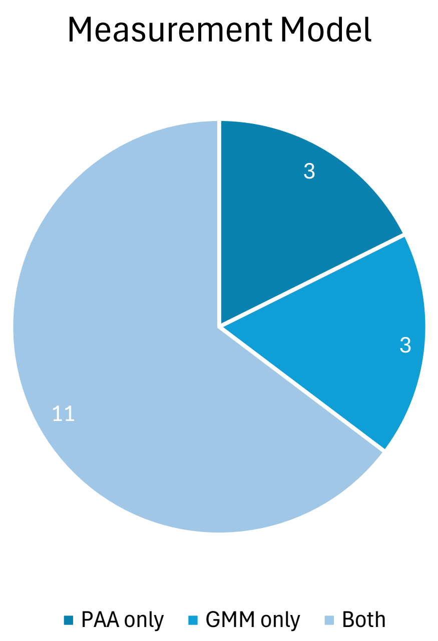






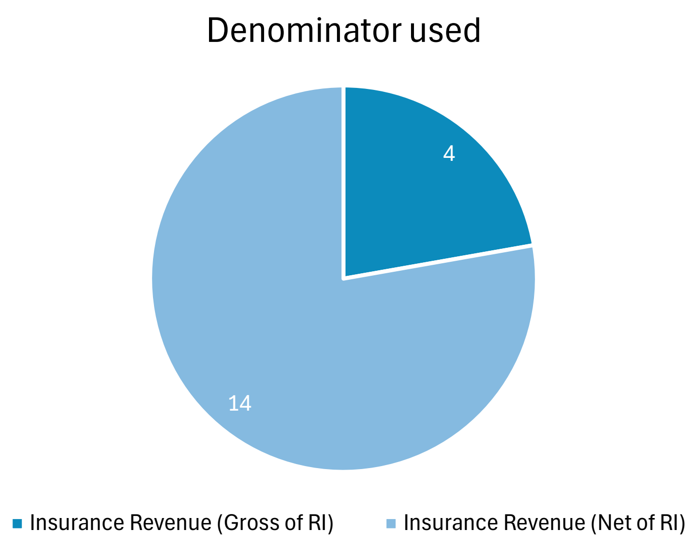
- Most European companies have less 4% uplift due to RA.
- Uplift due to RA is driven largely by choice of confidence interval
- Diversification Benefit is also taken into consideration while calculating Risk Adjustment

Measurement Model



- Also, an 80 non-life company survey had been conducted in Asia, where more than 80% companies opt for full PAA
- PAA Eligibility testing is required for long term contracts to determine the measurement model
- If more long-term contracts are failing PAA, then GMM will have to be applied.

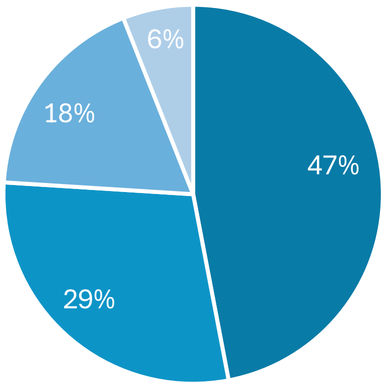
Combined Operating Ratio



- COR is not a required IFRS 17 disclosure, but GI companies continue to disclose this ratio as key KPI
- Companies have used varying definition to calculate IFRS 17 COR
- Only 2 companies allowed for Non-attributable expenses in COR

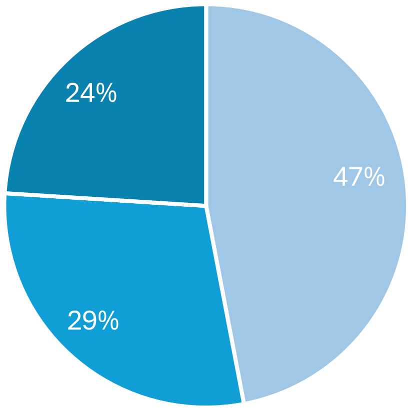
Data & Systems

Finance Department



- 50-75% on data enhancement and the rest on analysis
- 25-50% on data enhancement and the rest on analysis
- 10-25% on data enhancement and the rest on analysis
- >90% on analysis and the rest on data enhancement

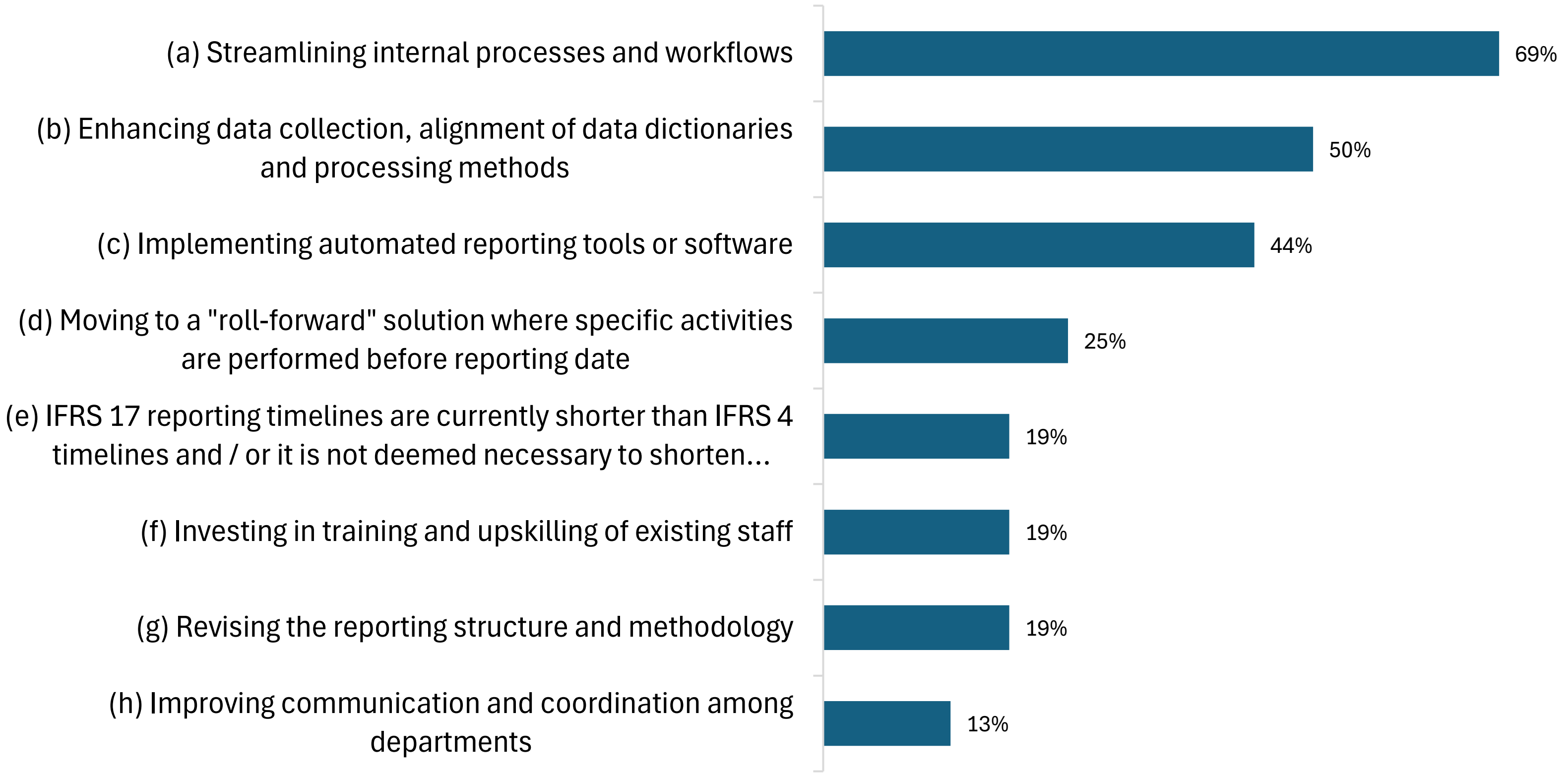
Actuarial Department



- 25-50% on data enhancement and the rest on analysis
- 50-75% on data enhancement and the rest on analysis
- 10-25% on data enhancement and the rest on analysis

- Data system and infrastructure will decide the ease of adoption of IFRS 17.

Reporting Timelines



Key Takeaways from Global Implementation

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- Identify early, the key accounting policy choices that will have a material impact
- Link actuarial and accounting data together. Successful implementation required close collaboration between finance, actuarial, IT, and operations teams.
- Robust governance structure is required due to multiple stakeholders are involved. Regular communication and engagement with all stakeholders ensured alignment and smoother transitions.
- Continuous review and refinement of processes and systems ensured ongoing compliance and efficiency. Establishing feedback mechanisms to capture lessons learned and improve future reporting cycles.
- Integrating IT systems to handle IFRS 17 requirements with existing infrastructure was a significant task for many organizations.
- Firms that invested in data quality initiatives early on were able to address data gaps and inconsistencies more effectively.

Source: (a) PwC: IFRS 17 Postimplementation and Finance Transformation survey; May 2024
(b) PwC: IFRS 17 FY23 UK Reporting Analysis; April 2024

Thank You