

Analysis of annual reports

IFRS 17 focus

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Introduction

- Henny Verheugen is a consulting actuary and principal in the Amsterdam office of Milliman
- Education as actuary and auditor
- Started his career in 1985
- Worked for a.s.r., EY, Aviva and Milliman (since 2006)
- Closely following developments in the area of
 - IFRS 4 – LAT and phase 2
 - TEV, EEV and MCEV
 - Solvency II
 - IFRS 17
- Coordinating the worldwide data collection and analysis activities of IFRS and financial information.



Agenda



- Background
- Methodology and Assumptions
- Financial position
- Performance
- Connection with value
- Observations and lessons learned

Background



Milliman has a database with data from over 80 insurance companies worldwide

The extracted data covers:

- Balance sheet
- Income statement
- Movement of PVFCF, RA and CSM
- New business information
- CSM maturities
- Discount rates
- Methodological information

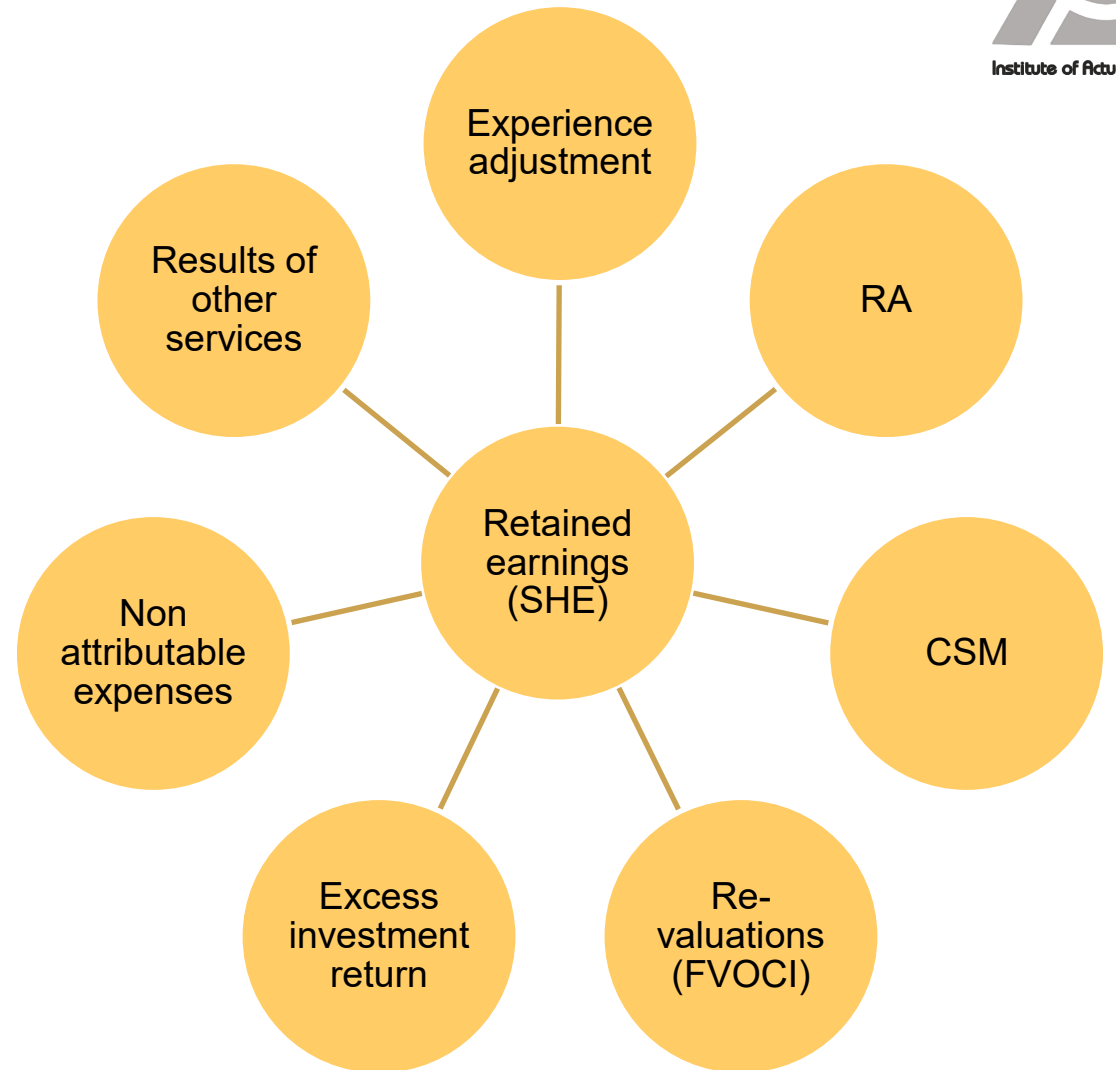
Information is used to benchmark the company's

- Financial position via the balance sheet and the sources of future income
- Composition of the P&L
- KPI's around value and performance

- Analysis of the financial results of companies from Canada, Europe and Hong Kong.
- European companies are a selection from members of the CFO Forum and are representative for the insurance industry (life, non life and reinsurance).
- Focus on the financial position and performance over 2024 using relevant KPI's
- Amounts are in reporting currency x million
- Data is extracted from annual reports. We did our best to check all the data, nonetheless, there may be omissions in the data in this presentation.
- Information in this presentation is for educational purposes only and should not be used for investment decisions.

Accounting

- Accounting doesn't change the nominal amount of profits over the duration of a contract, because the relation with the policyholder doesn't change due to accounting.
- It is merely timing when gains or losses are presented and how those are categorized. Ultimately all components end in retained earnings.
- The value of the company may change due to the timing and the performance measures (like ROE) will change.
- It is important to make the accounting decisions which are in line with the view of the company.



Discount rate

The discount rate and illiquidity premium play an important role in the profit emergence. In most countries the discount rate can be determined by the companies. In other countries the discount rate is determined by a central authority.

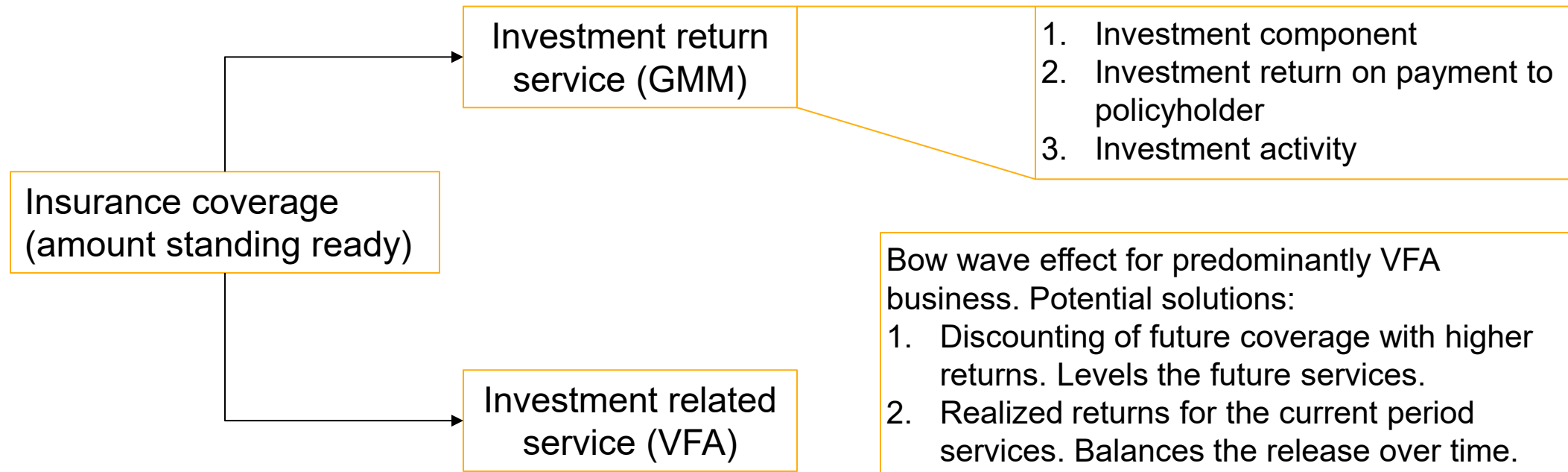
There is a lot of variation in the disclosure of the methods and results of the discount rates in the annual reports. Very few companies disclose the risk free rate and the illiquidity rate.

- The SWAP rate in the relevant currency is used as risk free rate by almost all companies. If there is no active SWAP market, alternatives are government bond rates and high rated bonds.
- An illiquidity premium is added which is based on the characteristics of financial instruments of the company. Mortgages and loans are mostly used as instrument to determine the illiquidity premium.

Risk Free (based on sample and estimated)	1	5	10	20	ILP (based on sample and estimated)	1	5	10	20
Euro lower	2,2%	2,1%	2,3%	2,3%	Euro lower	0,2%	0,2%	0,2%	0,2%
Euro upper	2,7%	2,4%	2,5%	2,5%	Euro upper	1,1%	1,2%	1,2%	1,2%
GBP	4,5%	4,0%	4,1%	4,3%	GBP lower	1,4%	1,4%	1,4%	1,4%
					GBP upper	1,7%	1,8%	1,7%	1,7%

Insurance contract service

- The Contractual Service Margin is released in the P&L because of the transfer of insurance contract services (coverage units). Services provided / Services to be provided for the remaining coverage units.
- Discounting of future coverage units is allowed



Transition approaches

- At transition, the CSM was determined for the opening balance sheet. A high CSM reduces the amount of retained earnings at transition but results in higher profits post-transition.
- The FVA is an exit value; transition of liabilities to a third party.
- MRA and FRA look at the historical developments and the pricing of the contracts.
- For legacy portfolios FRA was not possible for the majority of the business. Option FVA or MRA.
- Balancing act what gives the best reflection of value/future performance.
- MRA has to be as close as possible to FRA.

FVA mostly selected for business with losses in the past. For instead due to mortality rates (longevity), morbidity and/or expenses.

The modified retrospective approach was used for business with less risks and was linked to the use of the variable fee approach. The MRA leads to a higher CSM than the FVA for most VFA business (amongst others due to the bow wave effect).

Transition – CSM per YE2024

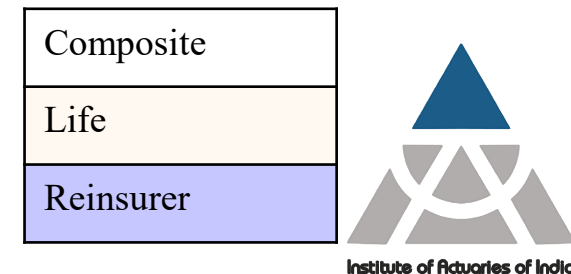
Transition method	FRA	MRA	FVA
Canada	32%	0%	68%
China	11%	76%	13%
Germany	29%	45%	26%
France	48%	37%	16%
Hong Kong	42%	13%	45%
Italy *)	89%	8%	4%
South Korea	49%	10%	41%
Netherlands	42%	5%	54%
Switzerland	25%	40%	35%
UK	52%	16%	32%

- Some companies (for instance in Italy) used the carve out option for VFA business with hedging/risk mitigation. But that is a minority.
- Differences in the approach to determine the Fair Value.
 - Direct approach (calculation of the technical provision with different assumptions and sometimes contract boundary) and
 - Indirect approach (projection of the future profits)
 Generally, preferences per country. For instance in Canada and Israel the method was determined by the industry and actuaries.

Financial position YE 2024 (on a subset)

In reporting currency x million	Total BS amount	Equity including revaluations excl minority parts	Revaluations of (re)insurance and assets backing those	Insurance contracts (liabilities minus assets)	(Non participating) investment contracts
Ageas €	98.455	7.752	-2.390	64.812	15.030
Allianz €	1.044.578	60.287	-5.233	800.369	-
Aviva GBP	353.883	7.809	-	124.151	179.142
Axa €	653.762	49.943	-	489.616	-
Generali €	538.647	30.389	-	438.150	-
Hannover Re €	65.665	11.795	-285	47.413	-
L&G GBP	544.167	3.053	112	95.648	323.957
Munich Re €	286.515	32.642	-1.862	215.089	-
NN €	210.375	19.831	9.036	147.132	3.859
Phoenix GBP	307.857	1.213	-	115.791	170.747
Scor €	37.348	4.524	-1.243	20.570	-
Swiss Re USD	127.229	21.892	1.755	80.446	-
Zurich USD	358.005	25.472	1.223	229.711	66.507
Aegon USD	327.390	9.187	-3.706	188.234	91.669
Canada Life CAD	461.204	20.909	-	191.386	233.153
Manulife CAD	978.818	50.972	11.218	522.844	322.941
Sun Life CAD	370.721	25.557	-	167.011	140.367
iA Financial Grp CAD	109.861	7.467	-	74.938	20.778
AIA USD	305.454	40.490	-3.914	220.440	6.967
FWD USD	53.712	6.012	-292	40.963	32

assets and liabilities netted



The amounts of the insurance and investment contracts contain the amounts for the segregated fund business.

FVOCI accounting is not used by all companies. Revaluations give a mixed picture and indicates that there are mismatches between the assets and liabilities (volume and duration). For companies with a relatively high amount of revaluations, the application of the FVOCI stabilizes the future results.

In case of a positive amount, the future interest accretion in P&L on liabilities is reduced.

The Canadian and UK companies have substantial portfolios of investment contracts. Unit linked business and segregated fund business with minimal insurance covers.

Relative margins

In reporting currency x million	Insurance contracts (liabilities minus assets)	CSM YE	RA YE	CSM / Ins contracts	RA / Ins contracts
Ageas	64.812	3.662	428	5,7%	0,7%
Allianz	800.369	56.065	5.053	7,0%	0,6%
Aviva	124.151	9.626	1.454	7,8%	1,2%
Axa	489.616	35.400	1.629	7,2%	0,3%
Generali	438.150	31.228	1.684	7,1%	0,4%
Hannover Re	47.413	8.981	4.184	18,9%	8,8%
L&G	95.648	15.529	2.572	16,2%	2,7%
Munich Re	215.089	27.859	5.002	13,0%	2,3%
NN	147.132	7.950	1.289	5,4%	0,9%
Phoenix	115.791	5.231	1.206	4,5%	1,0%
Scor	20.570	5.311	4.084	25,8%	19,9%
Swiss Re	80.446	20.621	8.231	25,6%	10,2%
Zurich	229.711	16.901	2.525	7,4%	1,1%
Aegon	188.234	8.964	3.618	4,8%	1,9%
Canada Life	191.386	14.083	6.608	7,4%	3,5%
Manulife	522.844	26.765	22.995	5,1%	4,4%
Sun Life	167.011	13.028	8.963	7,8%	5,4%
iA Financial Grp	74.938	6.485	3.928	8,7%	5,2%
AIA	220.440	58.575	4.033	26,6%	1,8%
FWD	40.963	5.280	656	12,9%	1,6%

assets and liabilities netted

CSM and RA flow in the P&L. CSM can also be used to strengthen the BE and/or RA.

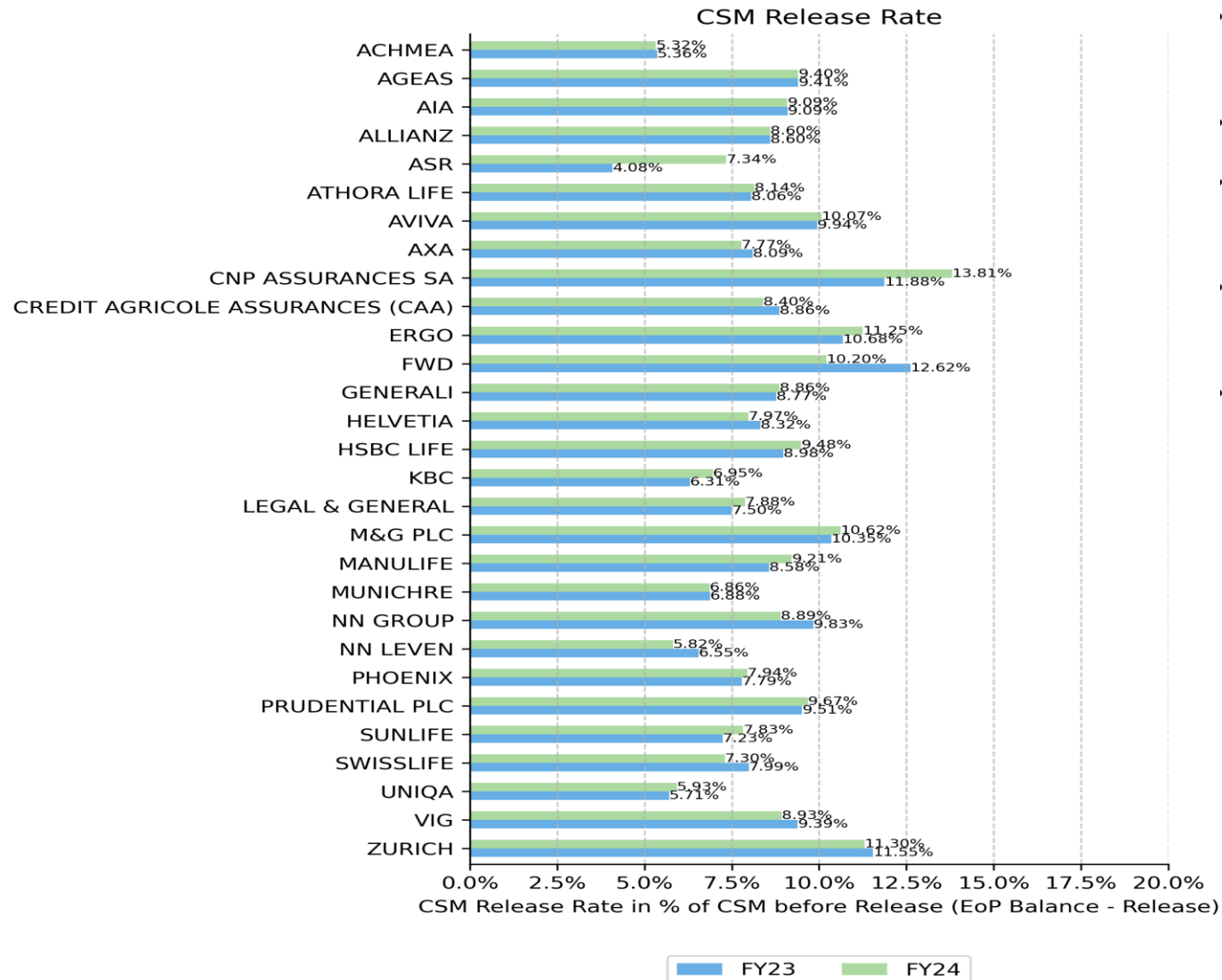
Reinsurers and companies with a relatively high volume of non-life business have a higher ratio. Mainly due the type business (protection business with low PVFCF and shorter durations).

CSM ratio is for many companies in the range 3% - 6%. RA ratio is for many companies below 1%. RA is for Canadian companies relatively high.

Amount of the CSM is for some companies dependent of the transition approach. Companies that strengthened their reserves in the past had a preference for the fair value approach.

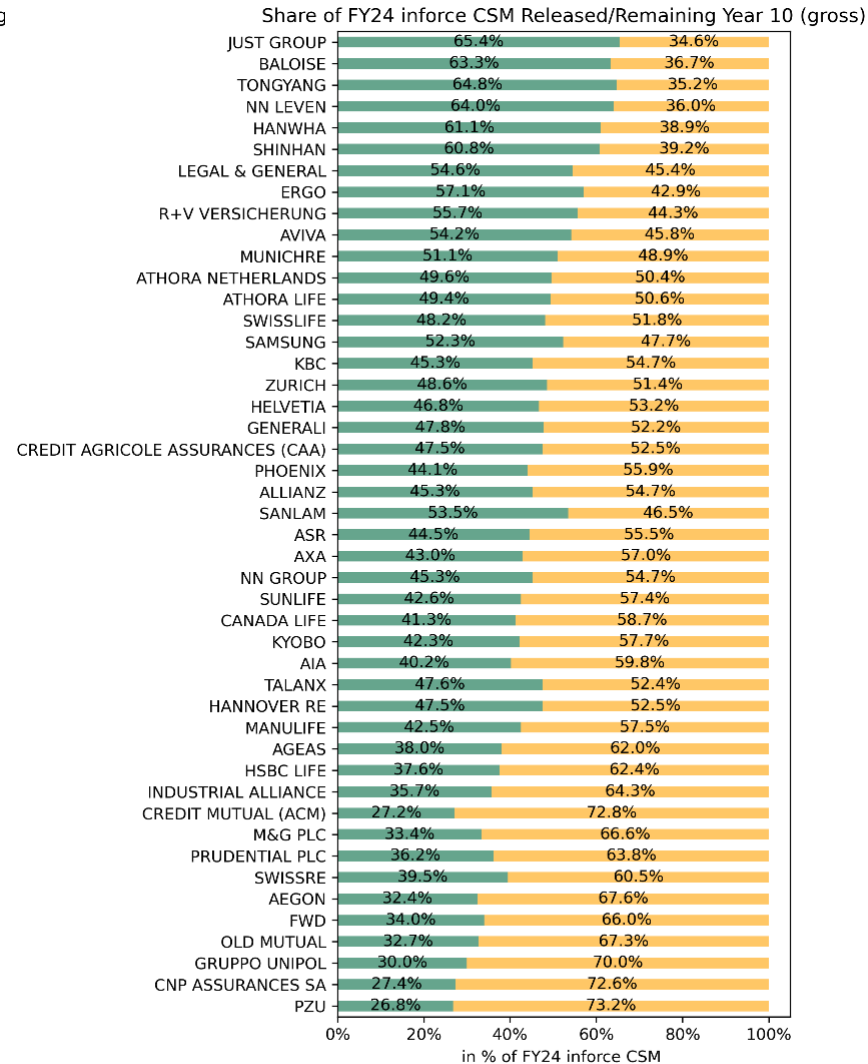
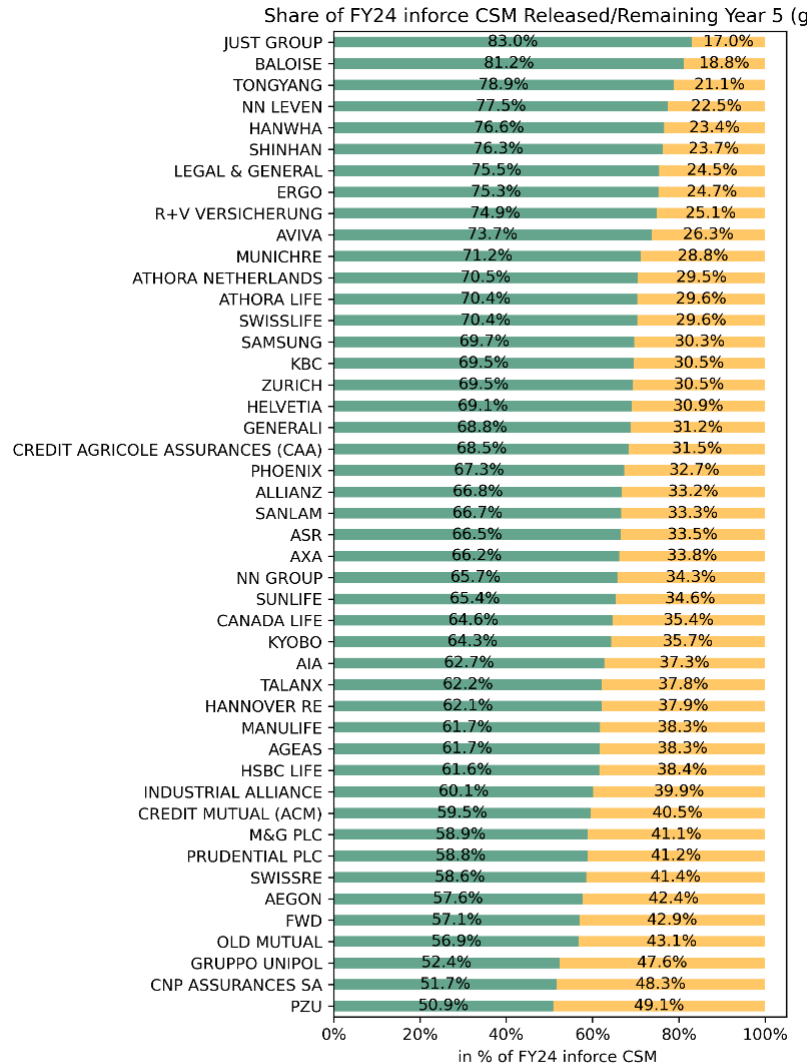
A high CSM reduced the amount of equity at transition. Companies with recent high volumes of new business and/or acquisitions used the FRA relatively more.

CSM Release in 2023 and 2024



- The release rate is calculated as release of CSM / CSM before release per YE.
- Release rates are in the range of 6% to 15%.
- The release rates of the CSM are relatively stable for most companies.
- Where the VFA is used the mechanisms to mitigate the bow wave effect are used frequently.
- Risk mitigation option is applied by several companies, but not that common.

What are the maturities of the CSM; two time periods.



- The annual reports contain a segmentation of the CSM per maturity. There are differences in the segmentation, but the per 5 and 10-year terms can be constructed for almost all companies.
- The table is ranked by remaining CSM after 5 years.
- There are some shifts in the ranking from 5 to 10 years, but overall, quite limited. That indicates that durations of liabilities of companies are comparable.

Risk Adjustment Methodology/Confidence Level

Number of companies	Europe	Asia	South Africa	Canada
CoC approach	X			
VaR approach	X	X	X	
Margin in BE				4
Other	X			
Bandwidth Confidence interval	65%-75%	75%	75%-80%	80%-95%

Many companies use a confidence level of 75%. All the South Korean companies apply the level, but also in Europe many companies apply that level.

Hence, there are local instructions from accounting boards or self regulation by companies with their actuaries.

- The Risk Adjustment approach can be determined by the company and diverse approaches are used. The CoC and VaR approaches are the most popular approaches in most regions.
- Companies tend to follow what they have to do for local solvency or accounting purposes. For instance, in Europe the CoC approach is used because it is used for the Solvency II risk margin. All Canadian companies use a margin approach on the best estimate assumptions.
- The Standard requires that a confidence level is presented. There is a lot of variety in the presentation of these numbers.
- Some companies present the confidence level over a one-year time horizon, while others use an ultimate horizon. Some present a range while others present a single number.

Development of the CSM

Detailed overview of the impact of changes in PVFCF by Canadian companies. Best practice.



	CSM YE / CSM YS	(New business CSM -/- Release) / CSM YS	Interest and FX / CSM YS	Changes / CSM YS
Ageas	94,1%	-2,5%	5,9%	-9,4%
Allianz	104,2%	1,7%	3,0%	0,9%
Aviva	114,4%	-3,0%	3,4%	9,6%
Axa	101,4%	-2,2%	0,5%	2,9%
Generali	98,2%	-0,5%	0,4%	-1,8%
Hannover Re	111,7%	-10,1%	8,2%	13,6%
L&G	103,6%	-2,9%	3,2%	3,3%
Munich Re	109,5%	3,0%	3,2%	3,3%
NN	114,0%	-2,8%	0,3%	15,8%
Phoenix	109,4%	-0,8%	2,7%	7,7%
Scor	86,2%	-3,9%	4,9%	-18,8%
Swiss Re	89,8%	-5,7%	0,7%	-5,1%
Zurich	101,0%	-4,2%	-4,5%	8,7%
Aegon	110,3%	-5,1%	9,3%	5,5%
Canada Life	105,5%	-2,2%	3,7%	4,1%
Manulife	121,1%	2,3%	8,3%	10,5%
Sun Life	110,0%	2,8%	3,2%	4,0%
iA Financial Group	115,0%	-0,5%	1,1%	10,2%
AIA	105,5%	3,1%	0,9%	1,5%
FWD	100,6%	14,0%	-2,2%	-11,2%

Most companies show an increase of the CSM. Scor and Swiss Re have a decrease.

Most European companies have a negative organic growth (more CSM release than generation of CSM due to new business).

Companies selling business in Asia generated a positive organic growth.

Interest and FX have a substantial effect for companies with business in different currencies. Also VFA business is impacted by changes in the interest rate.

The increase is for many companies realized due to favorable changes in the PVFCF related to future service.

What happened (examples):

- NN; change in the approach of the RA
- Phoenix: Decrease in the PVFCF. Adjustment of the longevity assumptions and effect of change of the variable fee of VFA business.
- Scor: Strengthening of the RA.
- Manulife: review of non financial assumptions and RA (Canada and Asia) led to release of PVFCF. US strengthening of PVFCF.
- Industrial Alliance: positive effect from update of expense assumptions. Mortality and morbidity slightly negative.

Development of the RA in the LRC

	RA YE / RA YS	(New business RA -/- Release) / RA YS	Interest and FX / RA YS	Changes / RA YS
Ageas	110,3%	0,3%	2,3%	7,7%
Allianz	104,9%	-0,9%	3,9%	2,9%
Aviva	101,8%	7,6%	-10,2%	-1,6%
Axa	113,2%	1,4%	0,7%	11,0%
Generali	116,6%	3,7%	1,5%	4,7%
Hannover Re	106,3%	0,6%	3,6%	2,1%
L&G	91,2%	-4,4%	-0,4%	-4,0%
Munich Re	103,9%	2,4%	1,2%	0,4%
NN	71,6%	-1,8%	12,7%	-39,3%
Phoenix	102,9%	2,6%	-2,7%	3,3%
Scor	137,6%	0,3%	1,3%	35,0%
Swiss Re	88,3%	-0,4%	-1,4%	-9,9%
Zurich	93,5%	1,1%	-5,1%	-5,9%
Aegon	102,3%	-5,2%	11,1%	-3,7%
Canada Life	95,9%	-4,2%	3,9%	-3,9%
Manulife	98,0%	-2,0%	7,7%	-7,9%
Sun Life	107,2%	-0,8%	6,3%	1,3%
iA Financial Group	114,0%	2,5%	4,6%	3,4%
AIA	105,1%	5,9%	-3,1%	4,1%
FWD	95,5%	3,9%	-3,9%	-4,5%

Ageas, Axa, Generali, Scor and Industrial Alliance show an increase of more than 10% in 2024.

While NN and Zurich have a decrease of more than 10% in 2024.

Most companies had substantial positive amounts in the category “change of non economic assumptions”. NN and Swiss Re are exceptions.

NN and Manulife used the decrease to realize an increase of the CSM (see prior slide). Not 100% clear what caused the decrease of the RA of NN. Probably change in drivers or diversification.

Swiss Re used the decrease to partly compensate an already large negative impact of the CSM. Not clear how the RA decreased while the change in the non economic assumptions led to an increase of the PVFCF.

New business (gross)

In reporting currency x million	PV Inflow	CSM	RA	LC	CSM + RA / PV Inflow	LC / PV Inflow
Ageas	5.019	283	38	6	6,4%	0,1%
Allianz	89.833	6.148	452	-	7,3%	0,0%
Aviva	11.576	750	222	1	8,4%	0,0%
Axa	25.823	2.232	102	6	9,0%	0,0%
Generali	61.290	2.889	224	13	5,1%	0,0%
Hannover Re	25.745	4.310	333	48	18,0%	0,2%
L&G	15.200	869	336	96	7,9%	0,6%
Munich Re	31.036	3.495	494	24	12,9%	0,1%
NN	7.595	659	101	51	10,0%	0,7%
Phoenix	7.166	405	134	-	7,5%	0,0%
Scor	9.439	1.807	259	54	21,9%	0,6%
Swiss Re	46.676	6.232	1.216	644	16,0%	1,4%
Zurich	17.054	1.311	258	15	9,2%	0,1%
Aegon	6.224	546	120	54	10,7%	0,9%
Canada Life	11.173	913	330	14	11,1%	0,1%
Manulife	41.546	3.195	952	104	10,0%	0,3%
Sun Life	17.721	1.448	530	119	11,2%	0,7%
iA Financial Grp	11.652	655	415	-	9,2%	-
AIA	47.019	7.700	435	110	17,3%	0,2%
FWD	11.066	1.344	98	18	13,0%	0,2%

The reinsurance companies have relatively high margins. This is partly caused by the type of business (protection business) and the level of the acquisition expenses.

Companies with savings and pensions business tend to have lower margins.

The companies outside of the CFO forum have better margins. Especially the companies operating in Asia have high volumes and strong margins in their new business.

Loss components occur on GIC where generally the acquisition costs are relatively high.

PVOutflow / PVInflow on average between 91 and 93%.

Loss component and loss recovery component

In reporting currency x million	Loss component YE	Loss component / Ins contracts	Loss recovery component YE	Loss recovery component / LC	Change in LC due to changes
Ageas	110	0,2%	-	0,0%	8
Allianz	328	0,0%	19	5,8%	-
Aviva	458	0,4%	56	12,2%	106
Axa	1.634	0,3%	60	3,7%	-
Generali	929	0,2%	36	3,9%	277
Hannover Re	836	1,8%	23	2,8%	481
L&G	1.081	1,1%	916	84,7%	306
Munich Re	1.231	0,6%	-	0,0%	-83
NN	274	0,2%	-	0,0%	-45
Phoenix	511	0,4%	40	7,8%	-33
Scor	733	3,6%	26	3,5%	501
Swiss Re	2.159	2,7%	6	0,3%	1.074
Zurich	1.867	0,8%	284	15,2%	17
Aegon	2.625	1,4%	1.745	66,5%	1.118
Canada Life	282	0,1%	100	35,5%	50
Manulife	2.028	0,4%	636	31,4%	882
Sun Life	589	0,4%	155	26,3%	266
iA Financial Grp	494	0,7%	233	47,2%	97
AIA	396	0,2%	150	37,9%	163
FWD	213	0,5%	31	14,6%	31

All the companies in scope have a loss component. Not all of them have a loss recovery component or only a small loss recovery component.

For most companies the total amount of the LC is the loss accumulated since the transition.

The average LC / Ins contracts is on average 0,4% for entire group and the Canadian companies in isolation.

The loss component increased due to new business and more importantly due to changes in the PVFCF and RA. Amounts that flow in the P&L.

The ratio of the loss recovery component / loss component are low for most of the European companies. The other companies have ratios of around 30%.

Revenue and income

In reporting currency x mio	Insurance revenue	Insurance expenses	Reinsurance result	Insurance result	GISR	NISR
Ageas	7.371	-5.907	-321	1.143	80%	84%
Allianz	97.675	-82.085	-3.303	12.287	84%	87%
Aviva	20.747	-18.240	-689	1.818	88%	91%
Axa	86.078	-73.774	-4.258	8.046	86%	91%
Generali	54.132	-47.556	-600	5.976	88%	89%
Hannover Re	26.379	-21.698	-1.662	3.018	82%	89%
L&G	10.574	-9.091	-159	1.324	86%	87%
Munich Re	61.557	-51.458	-1.180	8.918	84%	86%
NN	10.706	-9.251	-198	1.257	86%	88%
Phoenix	5.139	-4.493	-245	401	87%	92%
Scor	16.126	-14.898	-806	422	92%	97%
Swiss Re	45.598	-39.137	-2.157	4.304	86%	91%
Zurich	59.507	-50.456	-3.031	6.020	85%	90%
Aegon	9.840	-9.790	325	376	99%	96%
Canada Life	21.007	-16.165	-1.584	3.258	77%	84%
Manulife	26.592	-21.822	-769	4.001	82%	85%
Sun Life	22.637	-19.631	85	3.091	87%	86%
iA Financial Group	6.802	-5.587	-175	1.040	82%	85%
AIA	19.314	-13.136	-409	5.769	68%	70%
FWD	2.724	-2.012	-42	670	74%	75%

Most companies have a GISR around 86%. Canada Life, AIA and FWD have relatively lower insurance expenses and higher margins.

Aegon and Scor have relatively high expenses and impact from the increase of the loss component.

The reinsurance activity costs on average about 3% of insurance revenue

Aegon and Sunulife have a positive contribution from their reinsurance activity.

GISR = Insurance service expenses / Insurance revenue

NISR = (Insurance service expenses + Reinsurance result) / Insurance revenue

Revenue and income

In reporting currency x mio	Insurance result	Net Investment result	Fee income	Non attributable operational expenses	Other income and expenses excl Non attributable expenses	Result pre tax and discontinued business
Ageas	1.143	1.464	-	-1.623	591	1.575
Allianz	12.287	4.574	8.559	-10.582	-822	14.016
Aviva	1.818	290	1.410	-2.200	-51	1.267
Axa	8.046	3.952	246	-2.562	295	9.978
Generali	5.976	1.823	1.566	-1.403	-1.923	6.041
Hannover Re	3.018	678	-	-714	233	3.213
L&G	1.324	574	864	-2.877	657	542
Munich Re	8.918	1.198	-	-3.579	1.225	7.762
NN	1.257	1.436	440	-1.325	128	1.936
Phoenix	401	138	1.027	-2.110	-563	-1.107
Scor	422	405	-	-442	-206	177
Swiss Re	4.304	2.086	-	-2.135	-122	4.133
Zurich	6.020	2.842	2.436	-2.864	32	8.465
Aegon	376	722	2.378	-2.961	145	660
Canada Life	3.258	1.015	2.853	-3.088	-339	3.699
Manulife	4.001	3.521	7.293	-4.564	-3.161	7.090
Sun Life	3.091	1.934	8.581	-8.766	-501	4.339
iA Financial Group	1.040	819	1.744	-2.307	-67	1.229
AIA	5.769	3.961	89	-1.771	-217	7.831
FWD	670	241	36	-550	-213	184

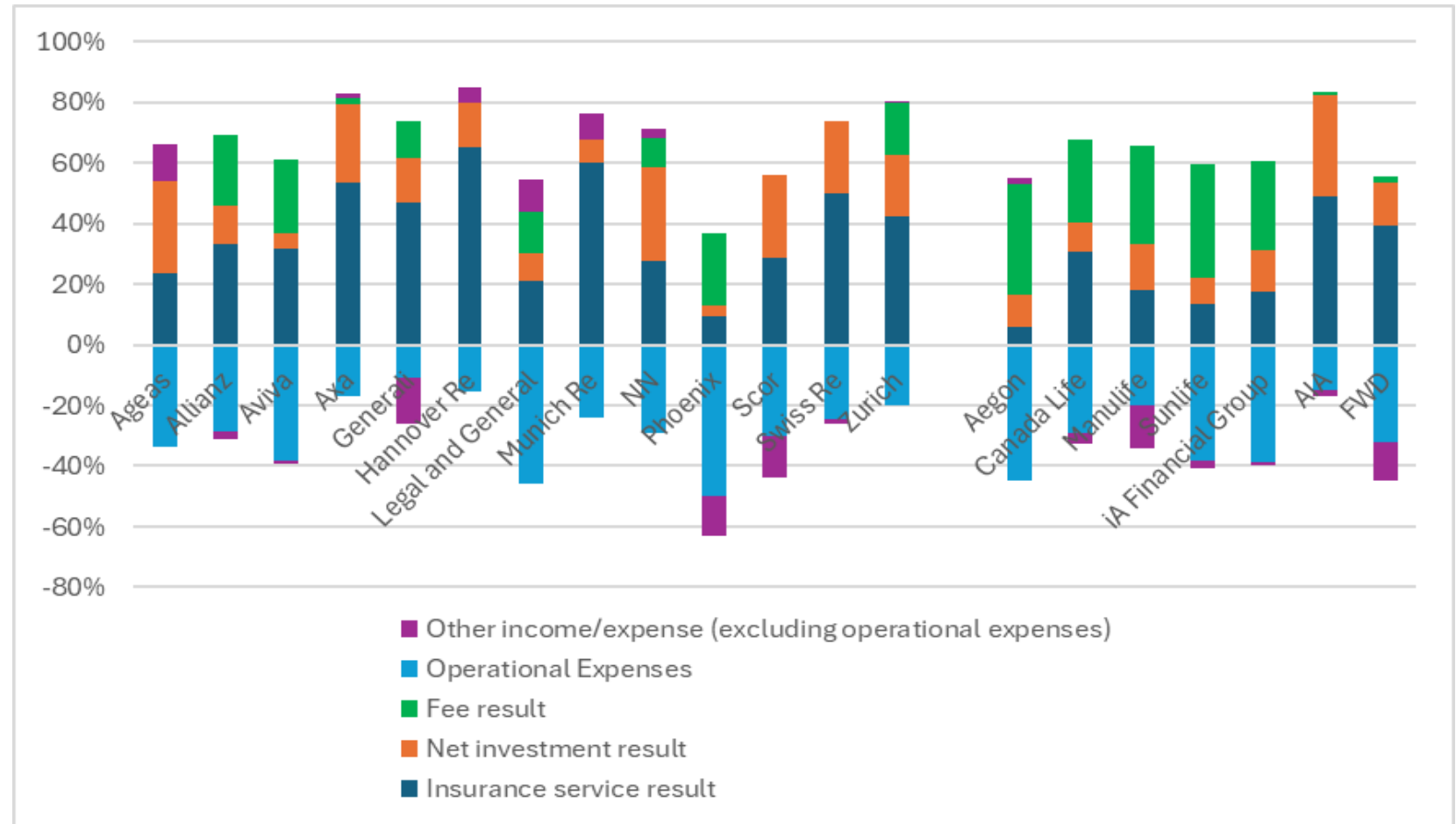
Net investment result is amongst others dependent of the amount of assets, the asset mix, the performance, but also of the profit sharing and the application of the OCI option.

Several companies generate substantial amounts from fee business, like investment funds, wealth management, mortgage business.

The non attributable expenses are presented in the P&L as operational expenses (outside of the insurance service expenses). Companies with more fee business have relatively higher non attributable expenses (because not part of the liability).

Composition of the annual result

- Companies with a substantial business in P&C have a relatively high proportion of insurance result. Examples are the reinsurers and French companies. It is also dependent of the type of profit sharing on the life business causing lower investment results.
- Insurance service result in the Netherlands, the UK and Canada are relatively low. In the UK and Canada most UL/segregated business is classified as investment contract and not included in insurance service result.
- Non attributable operational expenses represent approximately 30-40% of the result with some outliers (positive and negative).
For companies without fee business, the proportion of non attributable expenses is about 20-30% of the total expenses.

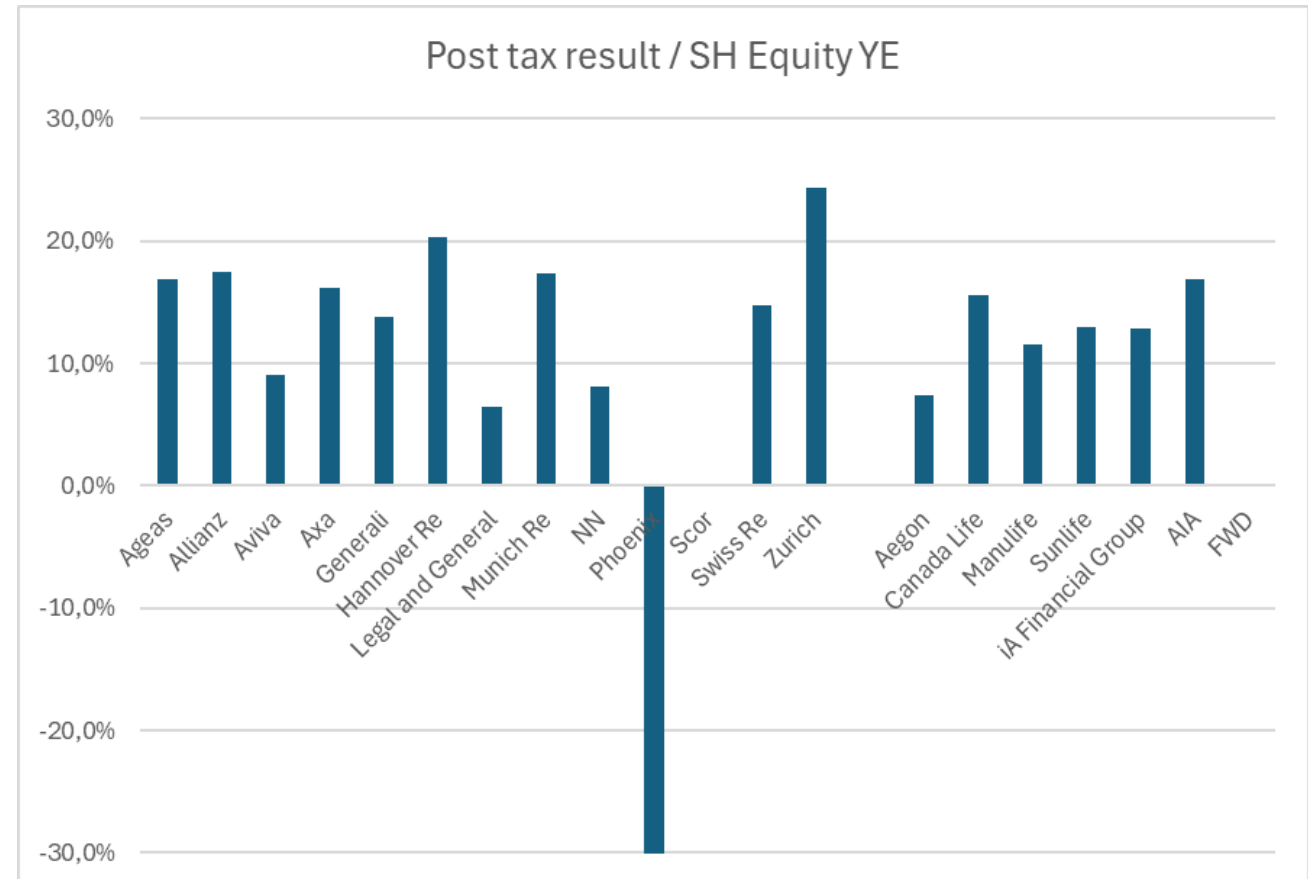


Post tax IFRS Result / IFRS17 Equity

- The ratio is calculated as the net result divided by the year-end amount of equity. It is a simple approach that facilitates easy comparison. This ratio includes real-world returns on investments, income from non-insurance activities, corporate tax, etc.
- Incidental income and expenses can distort the result. Incidental gains and losses are included in this ratio and can cause some high and low (even negative) ratios.

Observations:

- The companies reporting in Canadian Dollars have very comparable ratios.
- Most companies operating in South Korea have comparable ratios too but are lower than the average of the total group.
- The differences between the average 10 year most illiquid rate used for the valuation of insurance liabilities and the ratio are for the most companies between 5% and 10%.

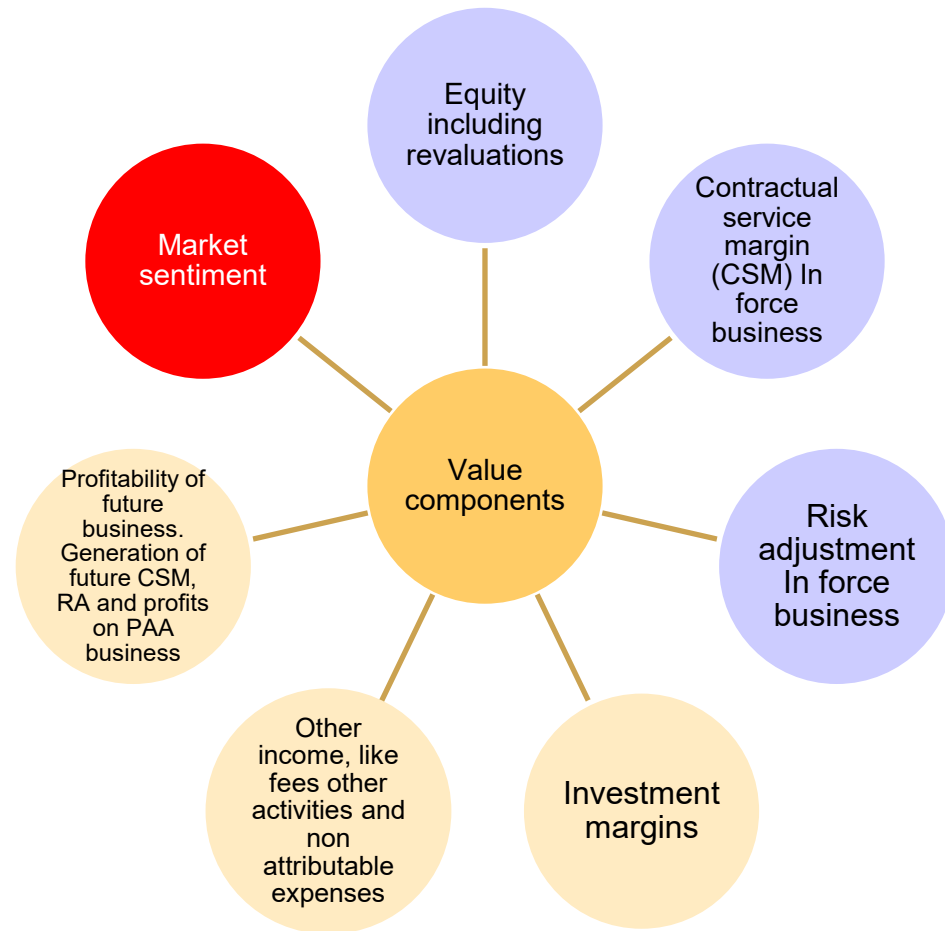


What determines the value of an insurance company

Financial perspective; IFRS based

Value (market capitalization) of the company can be split in three components;

1. The margins captured in the in force portfolio (assets and liabilities)
2. Margins in future business and the strategy to achieve the future goals
3. Market sentiment

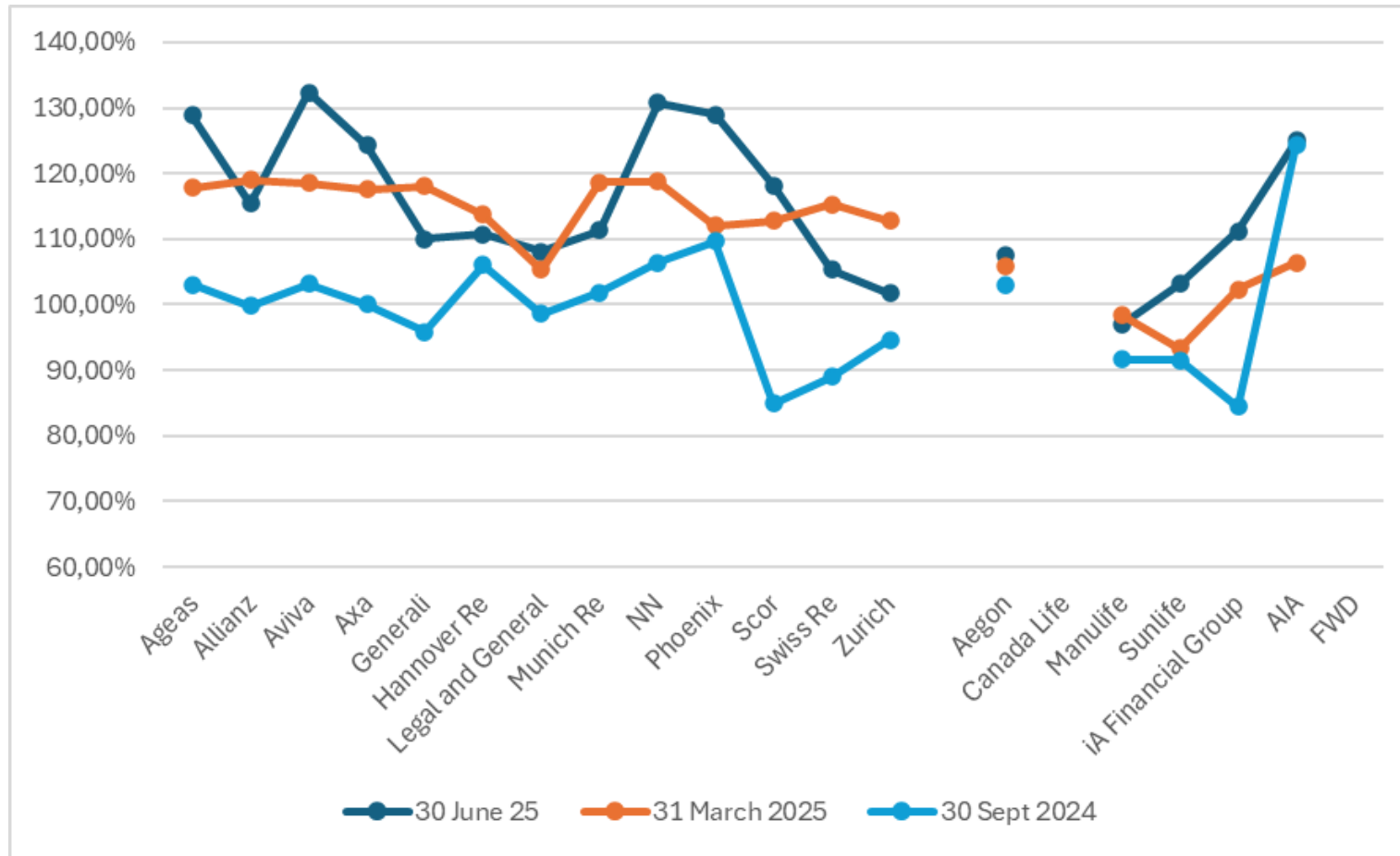


Balance sheet vs market capitalization

In reporting currency x million	Equity including revaluations excl minority parts	Revaluations of (re)insurance and assets backing those	Intangible assets and goodwill	Equity + CSM – Intangibles (CSM and Intangibles post tax)	Market capitalization 31 Dec 2024
Ageas	7.752	-2.390	1.626	9.279	8.541
Allianz	60.287	-5.233	19.126	86.144	114.200
Aviva	7.809	-	3.715	12.242	12.453
Axa	49.943	-	22.564	59.570	72.930
Generali	30.389	-	11.861	45.108	41.489
Hannover Re	11.795	-285	80	18.026	29.112
L&G	3.053	112	480	14.340	13.399
Munich Re	32.642	-1.862	4.262	49.160	64.152
NN	19.831	9.036	1.229	24.818	11.525
Phoenix	1.213	-	1.784	3.798	5.095
Scor	4.524	-1.243	-	8.507	4.234
Swiss Re	21.892	1.755	4.050	36.044	38.271
Zurich	25.472	1.223	8.782	32.406	77.582
Aegon	9.187	-3.706	575	16.066	9.095
Canada Life	20.909	-	9.693	25.299	NA
Manulife	50.972	11.218	11.052	64.092	77.118
Sun Life	25.557	-	-	36.435	49.280
iA Financial Group	7.467	-	3.454	9.998	12.459
AIA	40.490	-3.914	3.478	86.496	76.730
FWD	6.012	-292	3.085	8.207	NA

For several companies the market capitalization is lower than the shareholder equity corrected for the post tax amounts of intangibles, goodwill and the CSM (gross of reinsurance).

Development of the market capitalization



The graph shows the ratio of the market capitalization with the position per 31 December 2024.

All companies show an increase of the market cap vs YE 2024.

Increase in Europe is not easy to clarify given that a substantial part of the value related to the in force.

Observations and conclusions

- The tables used to show the movement of the PVFCF, RA and CSM are very comparable between companies. There are some small differences, but overall same level of detail. There is convergence which will likely continue over time.
- Segmentation of results and movements differs per company and some companies aggregate all information which reduces the story behind the information significantly.
- The more open formulated requirements in the IFRS 17 standard, like information about discount rates, risks and sensitivities lead to more differences and reduce the usefulness of the information for comparability with peers.
- Companies in Western and Continental Europe operate in competitive markets which put pressure on the generated CSM. The run-off of the in-force book generate a stable return, but the results on investments and results from non-life activities are needed to create value for the shareholders.
- The companies operating in Canada and Southeast Asia have substantial margins in their insurance portfolios (CSM and RA) and sell profitable business which stabilizes the level of the CSM and RA.
- The results presented in the annual reports provide insight into the financial position and performance, but determining the value of a company still requires consideration of its full potential, such as real-world returns on the investment portfolio and performance from non-insurance activities, as well as the amounts of required capital for solvency purposes. Ultimately, the value is determined by the expected distributable dividends.

Lessons learned by companies

- Accounting choices have a substantial impact on future profits. Think in an early about stage about OCI accounting, RA, discount rate determination, transition, CSM release pattern, loss recovery component and risk mitigation. Can be done by sensitivity testing in a simplified setting.
- Movement analysis and experience adjustment analysis are key to explain and allocate results. This requires high quality and consistent data from policy admin and finance systems.
- Model and assumption management have to be considered a key financial process. This requires collaboration between Finance, Actuarial Reporting, Actuarial Modelling, IT (Data).
- Dry runs and parallel runs are essential for the improve the processes and for education purposes.
- Communicate in an early stage with stakeholders about expected impact on the financial position, future profits and dividends.
- Dividend policy needs to be brought in line with the new accounting. The switch to IFRS17 can lead to earlier payments of dividends to shareholders.
- Forecasting of results is part of the planning and control cycle and should not be forgotten.