

Does PAA really simplify implementation?

A session to raise questions to lead towards future pathway

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Who uses what: measurement model choices across peers

GLOBAL PEERS · IFRS 17

Group	P&C / non-life
Allianz	~99% PAA; ~1% GMM/VFA (accident with premium refund on VFA)
Zurich	~99% PAA; GMM e.g. Japan personal accident
Munich Re	PAA for P&C reinsurance and ERGO P&C
Swiss Re	GMM for all, incl. P&C Re, Corporate Solutions, retro held
AXA XL Re	PAA for the bulk of P&C
AXA, Generali	PAA for most P&C; GMM for multi-year contracts
Hannover Re, SCOR	GMM for most P&C Re; both report a P&C CSM

INDIA · LIVE ON IND AS 117 FROM FY27

4 General and 4 SAHIs went live in FY 27; the rest have forbearance to FY28

General SBI General* · Acko General · Kiwi General · ECGC

Health Star Health* · Niva Bupa* · Aditya Birla Health · Galaxy Health

Measurement model: not disclosed company by company. Expected measurement model is PAA for annual GI and health books; multi-year health and long-term motor TP face the eligibility test.

** Q1 FY27 results already reported under Ind AS*

Primary insurers converge on PAA for P&C. Reinsurers split: Munich Re stayed on PAA, Swiss Re chose GMM everywhere.

Sources: Allianz IFRS 9/17 investor conference (Nov 2022); IFRS 17 at Zurich; Munich Re IFRS 9/17 FAQ; Swiss Re AR 2024; AXA XL Re 2023 FS; IRDAI press release (Sep 2026)

WHY PAA LOOKED LIKE THE OBVIOUS ANSWER

IGAAP TODAY → PAA UNDER IND AS 117

UPR (1/365, 1/n)	→	**LRC**
DAC / commission	→	**Acquisition costs**
Premium deficiency	→	**Loss component**
Outstanding + IBNR	→	**LIC**

For a one-year book, this is almost a relabelling.

IN INDIA NON-LIFE BOOK IS NOT ALL ANNUAL

- Motor TP: 3 years for cars, 5 for two-wheelers, paid upfront
- Multi-year health policies with a single premium
- Long-term home and dwelling covers
- Renewal rules in health that limit the ability to reprice
- Engineering covers that run with the project, not the calendar
- Risk-attaching reinsurance running beyond 12 months

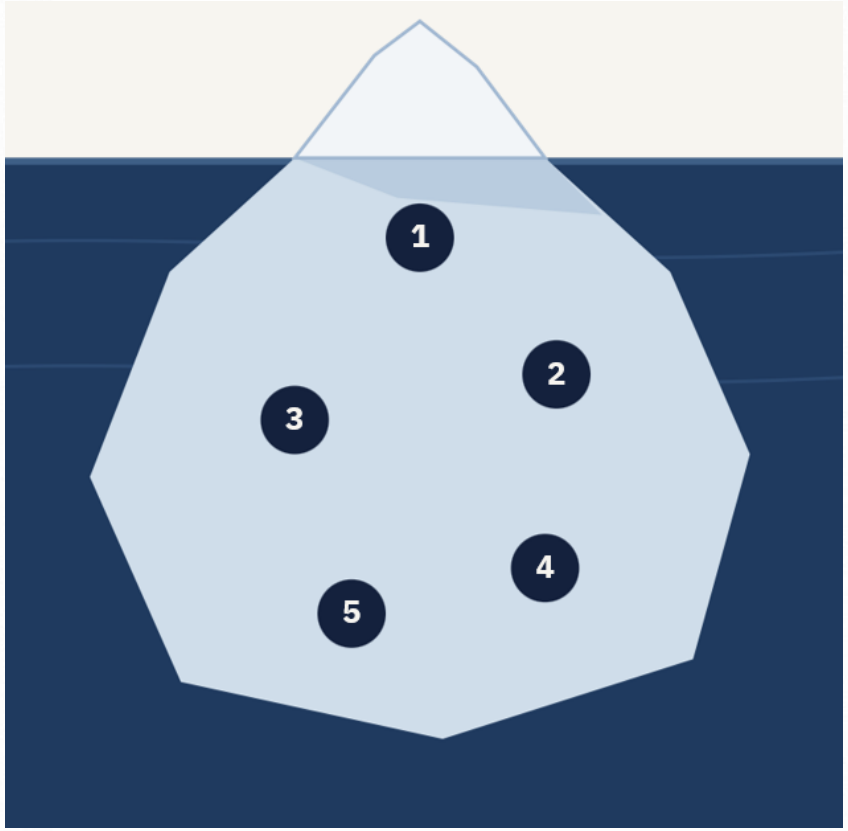
For reference: in Asian markets already on IFRS 17, 86% of general insurers chose PAA alone (CAS research paper, 2025)

PAA SIMPLIFIES ONE NUMBER. THE REST SITS BELOW THE WATERLINE.

Above the waterline:
The LRC, with no CSM and no coverage units.

Below the waterline:

1. **Eligibility beyond 1 year -** GMM run and scenarios testing
2. **Significant Financing -** accretion at locked-in rates
3. **Claims (LIC) -** discounting, RA, IFIE
4. **Onerosity -** tested by group
5. **Reinsurance held –** has its own eligibility testing



CONSIDERATION 1: ELIGIBILITY IS STILL EVOLVING

ASSUMPTIONS

What is "reasonable"?

- Changing experience of the portfolio for long term products
- Defining scenarios to include variability in assessment

THRESHOLD

Whose materiality?

Relative: 5–10% of GMM LRC.

Absolute: audit materiality or 2–5% GWP.

Practice: 65% pass without modelling.

RE-TESTING

A one-time answer?

Cohorts: each assessed afresh.

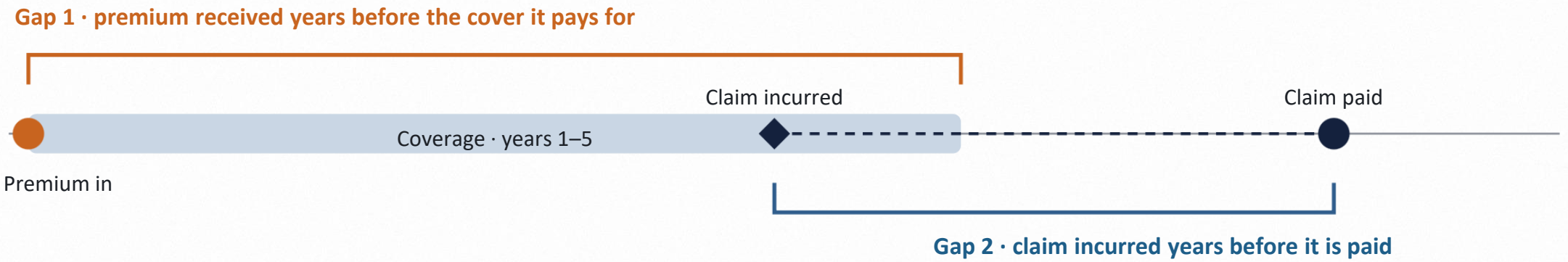
Triggers: new product, Loss Ratio or significant changes in yield.

Practice: few re-test periodically.

A 5-year two-wheeler TP group passes at 10% and fails at 5%. Is that an answer about the product — or about the threshold?

Ind AS 117 paras 53–54 · Sources: CAS Asia survey (2025); AASB TRG paper on PAA eligibility

CONSIDERATION 2: TIME HIDES IN TWO GAPS



GAP 1 · FINANCING (PARA 56)

If financing is significant, the LRC accretes at locked-in rates — the CSM mechanic inside the "simple" model.

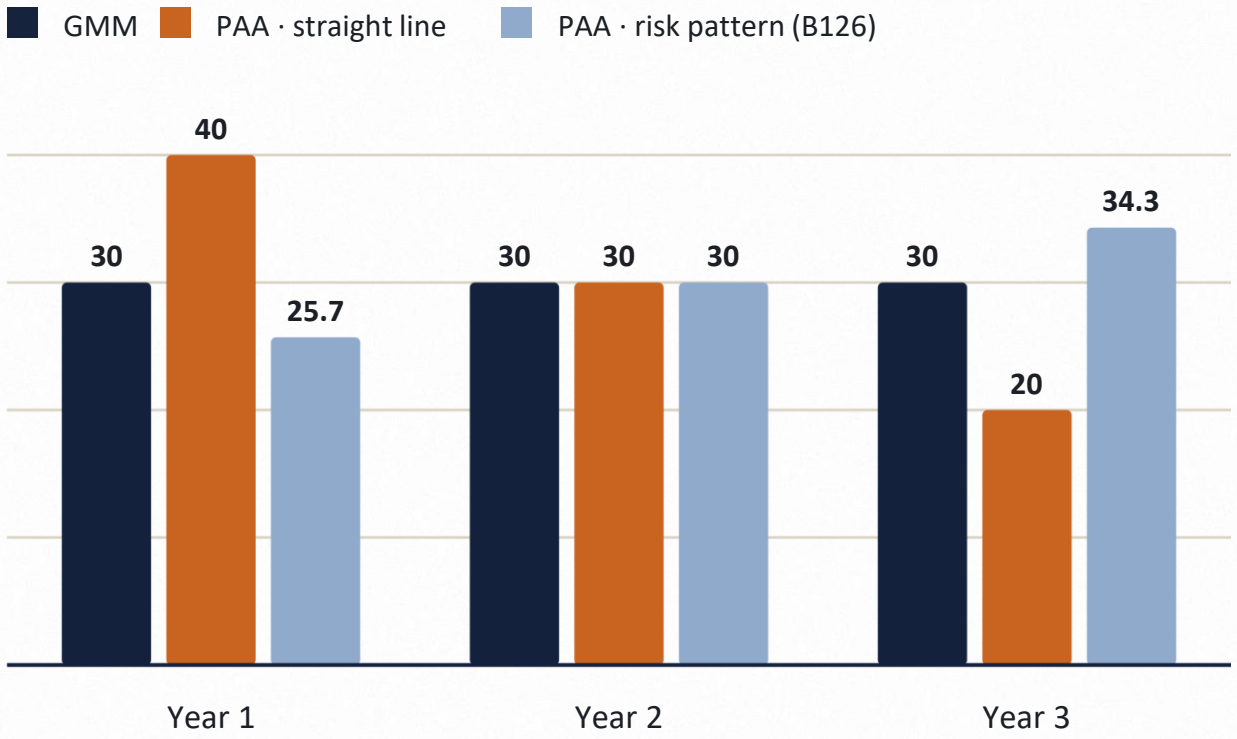
At Indian rates, does a 5-year upfront premium carry no significant financing?

GAP 2 · INCURRED CLAIMS (PARA 59B)

Discounting, a risk adjustment and an IFIE split — the LIC was never simplified, under either model.

If most of the liability is LIC, how much has PAA removed?

Consideration 3: does the model change the answer — or only what we see?



3-year policy, premium 300, claims 60 → 70 → 80. Profit is 90 in total under all three.

CLAIMS REVISED UP

GMM: CSM shrinks — the erosion is visible

PAA: LRC unchanged — silent until tested

Same profit. Not the same picture.

Do our TP and health prices use different loss ratios by year? If not, what does GMM add value?

COMPLIANCE TODAY. CHOICE TOMORROW.

ACT 1 · Compliance: deliver the transition

Ind AS 117 from 1 April 2026 · parallel IGAAP · PAA by default

ACT 2 · 2026–28 — Scrutiny: evidence judgements

Independent validation · audit review · peer benchmarking

ACT 3 · Beyond — Choice: a deliberate decision

Long-term motor, health, property growth · rate shifts

Can we still reassess when the answer changes?

- Maintain GMM-ready data
- Shadow GMM for the largest multi-year portfolios
- Board-approved re-testing triggers



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