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IFRS 17 – explaining results in the new world

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Key global observations

1

Alignment of life and non-life reporting

- Rise of Return on Equity (albeit adjusted for CSM and possibly risk adjustment)
- Focus on gross revenue and new and renewal business
- Move away from a net revenue basis and ratios due to contract boundary differences
- CSM a key focus, including for new business

2

Investment returns and asset/ liability matching

- Greater consistency of the impact of discounting and other financial risks, as these are all reported in IFIE alongside the investment returns
- Expected to provide more insights into the impact of asset/liability matching

3

Onerous contracts and loss component

Two schools of thought:

- Considered not a major focus for investors as it is just a timing difference
- Significant focus in the non-life industry on which products are driving the loss component - expecting a significant range of outcomes depending on approaches taken and level of aggregation applied

4

Confidence levels

- Wide range of emerging confidence levels (e.g. 60% to 99%)
- Recent Australian release showing different confidence levels for LRC and LIC
- Some considering risk adjustment add Back to Equity

5

Who Wins?

- Life industry due to the greater consistency in accounting globally and also ability to compare to non-life products
- Investors - bigger pool of insurers to choose from
- Potential pressure on non-life insurers given more choices for investors but may attract a broader range of investors

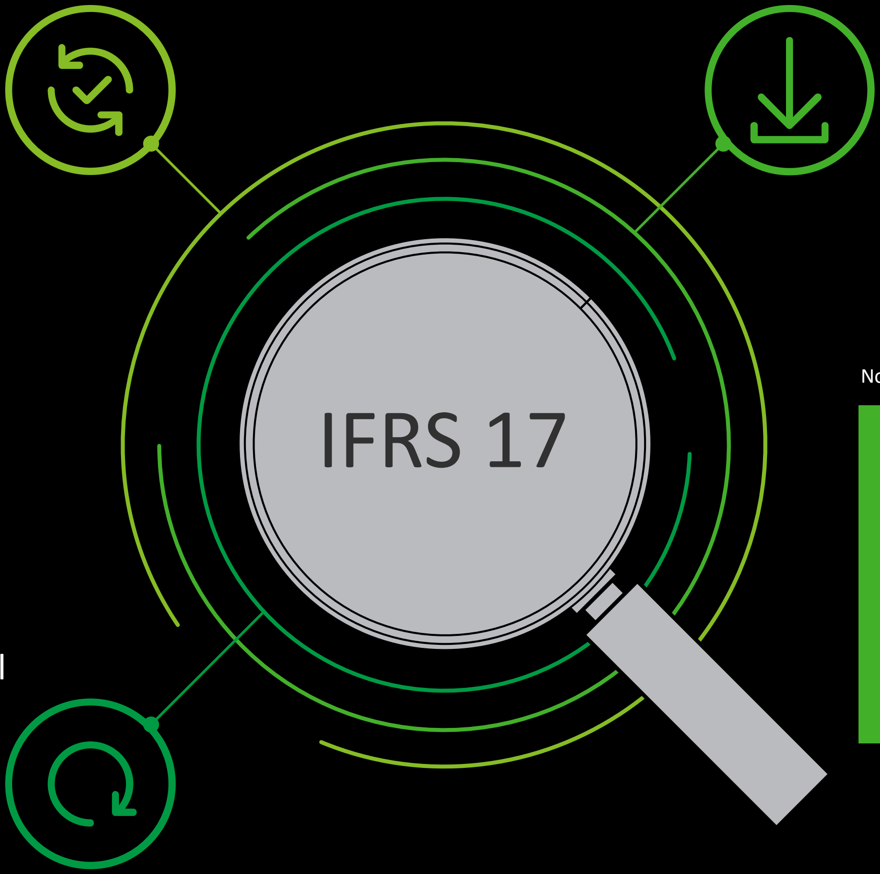
Key themes from global information reported to date

Key messages

- No change to strategy
- No change in economics of the contract
- No changes to dividend capability
- Minimal/limited impacts to capital requirements

KPIs

KPIs are being contemplated and utilised where appropriate by insurers, but there is still diversity in application/interpretation



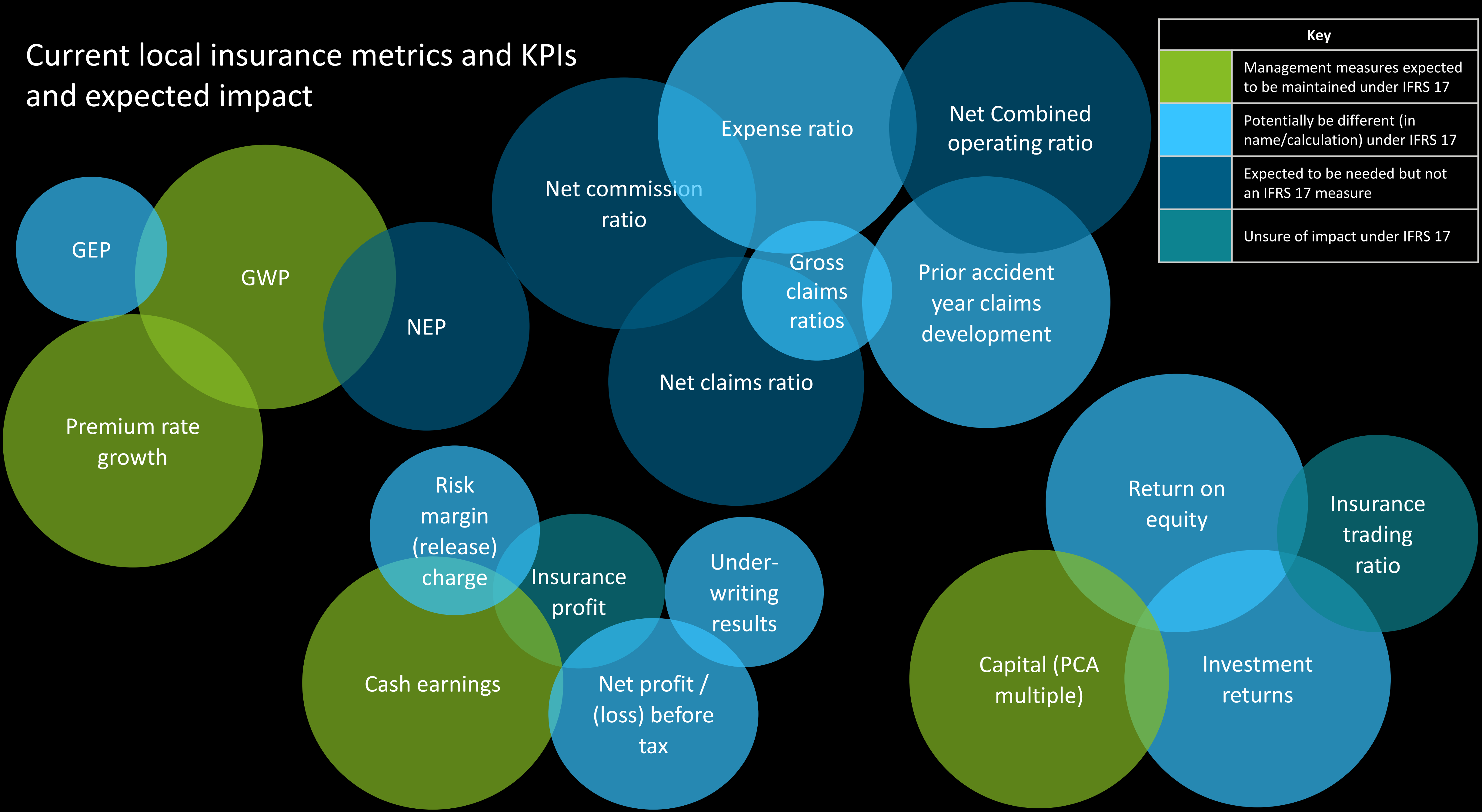
Information released to date

- Qualitative policy choices
- Opening balance quantification highlighting: Equity, CSM, Risk Adjustment, Discount Rate, other one-off changes
- Limited P&L information/expectations

Notable observations

Most insurers expect **some degree of drop in transition equity balance** upon adoption	For insurers with long duration contracts, the **CSM is viewed to be a key profitability metric and will be heavily integrated into core communication/ reporting**	Only a **subset of insurers have disclosed risk adjustment quantifications**

Current local insurance metrics and KPIs and expected impact



Key	
	Management measures expected to be maintained under IFRS 17
	Potentially be different (in name/calculation) under IFRS 17
	Expected to be needed but not an IFRS 17 measure
	Unsure of impact under IFRS 17

Approaches emerging in the local market

Gross reporting

Leaning towards reporting reinsurance income and expenses as separate line items on the face of the financial statements. This follows through to the roll-forward reconciliation tables and sensitivity analysis.

Granularity of disclosures

More than half of entities plan to use the reporting entity as the level of aggregation for insurance / reinsurance contracts issued and held (as an example, in relation to the roll-forward reconciliation tables).

CDTs

CDTs, leaning to disclosure net of reinsurance, however the view is still very mixed. In addition, majority are expecting to disclose the risk adjustment, effect of discounting and claims handling expenses as reconciling items to the LIC.

Confidence level

Leaning towards net of reinsurance, with majority of life insurance entities planning to disclose the confidence level of both LIC and LRC combined, whereas most health insurance and non-life insurance entities planning to disclose separately for LIC and LRC.

Link to AASB 17 TRG Survey: Here

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