IFRS 17 Implementation

A Nordic perspective on what we have learned

Summer 2025

Version 1.1a

Contents

1 Executive Summary

IFRS 17 has now been in force for two full reporting years and has provided new insight into the pension and insurance industry.

In this paper we have made a quantitative and qualitative comparative analysis of the IFRS 17 implementation on a representative set of pension and insurance companies in the Nordics in order to understand how the standard has been applied.

Our analysis shows a relatively consistent and robust implementation where especially the following should be noted:

- Under half of the Nordic insurance industry reports under IFRS 17
- The Life insurance companies analysed have applied IFRS 17 on roughly half of their total liabilities, and the other half is measured under IFRS 9
- GMM, VFA and PAA have all been applied by the Life insurance companies, whereas only PAA has been applied by the Non-life insurance companies
- Both the risk adjustment level, the discount rates applied, and distribution of coverage units are generally on the same level across the companies with a few notable exceptions
- None of the companies use Adjusted Operating Profit performance metrics as is common in the UK.

We had high expectations for the benefits of implementing IFRS 17 when the standard was introduced. To some extent our expectations have been met. Further benefits may accrue as the accounting language becomes more familiar and accounting practices converge.

We expected a larger proportion of the total balance sheet to be reported under IFRS 17 and less under IFRS 9.

Further, the fact that IFRS 17 has only been implemented for a subset of the companies in the Nordics may challenge the further development and improvement of implementation as well as the ability to provide better comparisons of the performance of the companies across the region and between different regions throughout the world.

Still, we believe that there is potential for further reporting improvements and alignment in the years to come which in turn will provide us with increased transparency as well as even better insight on the performance and risks leading to improved asset allocation for investors.

2 Introduction

This paper follows up on the development of IFRS 17 reporting after the release of the second year of annual reporting under IFRS 17. The paper takes its starting point in the Nordic region and is hopefully relevant for other geographies.

The first annual reports complying with the IFRS 17 Standard (hereafter referred to as *both IFRS 17 and the standard*) were published in 2024 and revealed promising signs.

It was immediately apparent that a strong effort had been put into the implementation and the corresponding reporting.

Also, the reporting provided new and meaningful insight into the performance of the businesses.

Several papers concerning IFRS 17 published by various organisations during 2024 have already provided a good overview of the implementation.

2.1 Content of this paper – a Nordic perspective

Here, we zoom in on the IFRS 17 implementation in the Nordic region based on the 2022-2024 reporting and provide our view on what can be expected in the years to come.

Below we will use 2024 as the year of comparison unless otherwise stated.

The paper centers around a comparison of the companies split between Life and Non-life respectively on the following topics:

- Accounting policies
- Contractual Service Margin (CSM)
- Risk Adjustment (RA)
- Transition.

The paper concludes with reflections on what to expect from the IFRS 17 reporting in the years to come.

2.2 Reference companies

In the Nordics, IFRS reporting is required for listed companies. We will focus on the IFRS 17 reports published by 6 life and pension insurance companies as well as 3 Non-life insurance companies in the Nordics, which we consider representative for understanding the IFRS 17 implementation in the Nordics.

Measured by market share, these companies cover approximately half of the total Nordic Life and Non-life industry.

We will allow ourselves to refer to these two groups in general terms as "Life" and "Non-life" respectively, despite the fact that the companies analysed only provide us with a sample of the Nordic Life and Non-life companies respectively. Below is an overview of the companies used for this paper[1].

Since the IFRS reporting for DNB, Nordea and SEB is only indirectly available as part of consolidated Bank groups, a quantitative comparison is not always possible.

Hence, this paper takes on a quantitative approach where applicable supplemented by a qualitative approach where the figures are not easily available. Hereunder, the paper contains a comparison of selected parts of the accounting policies and key reporting elements.

Life	Non-life
Danica (Denmark)	Gjensidige[2] (Norway/Sweden/Denmark)
DNB (Norway)	Sampo[3] (Finland/Sweden/Denmark/Norway/Baltics/United Kingdom)
Mandatum (Finland)	Tryg (Denmark/Sweden/Norway)
Nordea (Sweden/Finland/Norway/Denmark)	
SEB (Sweden)	
Storebrand (Norway/Sweden)	

[1] No Icelandic companies are included in the analysis due to the size of the companies, but it is our understanding that the conclusions also reflect the IFRS 17 implementation in Iceland.

[2] For Gjensidige the Life business is disregarded in the comparison as the company is predominantly Non-life.

[3] Sampo and Mandatum demerged on 1 October 2023, but Mandatum was reclassified as a disposal group already 31 March 2023. Hence, we have used the numbers unadjusted for both companies.

3 Accounting policies

IFRS 17 is a principle-based standard. Hence, there is a significant element of judgment and decision-making when determining significant accounting choices. This has led to some variety in the accounting choices applied in the Nordics.
Some of the differences can be explained by company and product specific differences. Potentially, different judgments have also been applied when determining what should be measured under IFRS 17 – more on that in Section 4.2 below.

3.1 Measurement methods

All companies provide a qualitative explanation of the measurement methods applied, i.e. General Measurement Method (GMM), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA) respectively, for their financial reporting under IFRS 17.

Some companies have also disclosed quantitative information on the proportion of the liabilities measured applying the different methods.

All Non-life Companies have applied PAA only.

Of the six Life companies, only Mandatum did not apply the PAA[3].

All Life companies split their liabilities between VFA/GMM and PAA. Further, Mandatum and DNB report the split between GMM and VFA. Based on the reported figures it seems fair to say that the remaining four predominantly have measured their liabilities under VFA.

When the actual figures are added together for all the companies considered here approximately 95% of the Life company liabilities are measured under VFA/GMM and 5% under PAA. This was expected due to the predominantly long duration in the Nordic life and pension insurance contracts where there is still an element of direct participation features in the guaranteed products issued.

These assessments are within the business classified under IFRS 17. As we will explain later a significant part of the liabilities are classified under IFRS 9.

Discount rates

IFRS 17 requires the entity to apply discounting in order to reflect the time value of money of the cash flows and the financial risks associated with the expected cash flows.

Generally, all the Nordic Life companies and Tryg have applied discounting in their local GAAP reporting up to 2022.

On the other hand, Gjensidige and Sampo have both increased their use of discounting on especially the Liability for Incurred Claims (LIC) compared to their local GAAP reporting.

Under IFRS 17 two methods to determine the discount rate(s) are allowed, namely the top-down or the bottom-up approach. The top-down approach takes its starting point in specific assets and strips out credit risk elements, whereas the bottom-up approach starts with a risk-free rate and adds an illiquidity component.

The discount rate applied should also reflect the liquidity of the cash flows, though the standard does not provide a strict prescription of how to determine the discount rate.

This has led to some variety amongst the Nordic Life and Non-life companies.

DNB, Nordea, SEB and Storebrand have applied the bottom-up approach whereas Mandatum has applied a top-down approach.

Danica and Storebrand have applied EIOPA+VA[4]. SEB and Tryg have applied EIOPA.

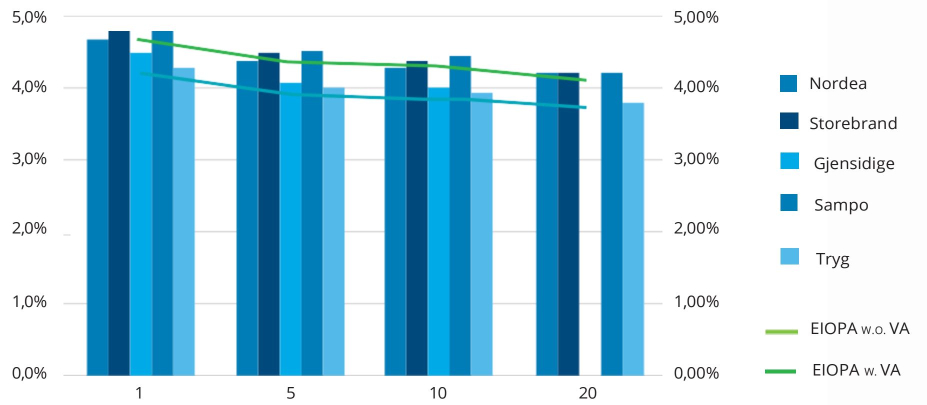
Measurement method distribution EoY2024

Company		VFA	GMM	VFA+GMM	PAA
Life	Danica	Predominantly VFA		96%	4%
	DNB	95%	3%	98%	2%
	Mandatum	59%	41%	100%	0%
	Nordea	Predominantly VFA		99%	1%
	SEB	Predominantly VFA		49%	51%
	Storebrand	Predominantly VFA		97%	3%
	Total	**Predominantly VFA**		**95%**	**5%**

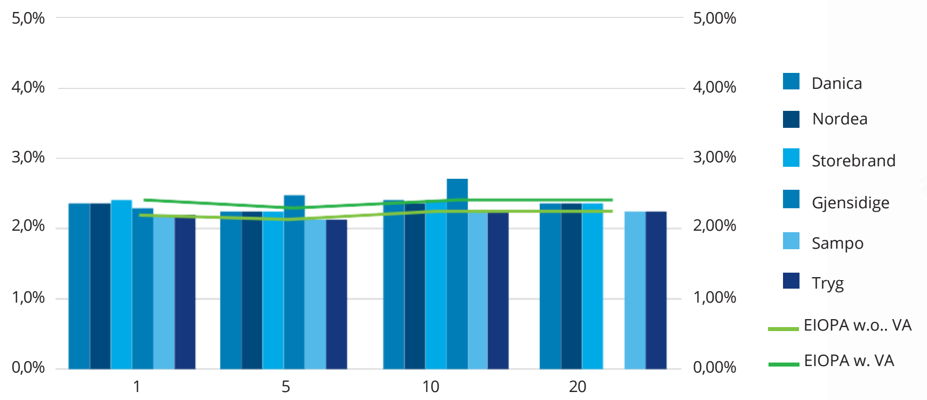
This split noted in the table above is consistent with the split observed for the major European insurance companies such as Allianz, Axa, Generali and Zurich.

[3] Except for Mandatum's reinsurance contracts held.
[4] The interest rates used under Solvency II: Risk-free interest rate term structures – EIOPA.

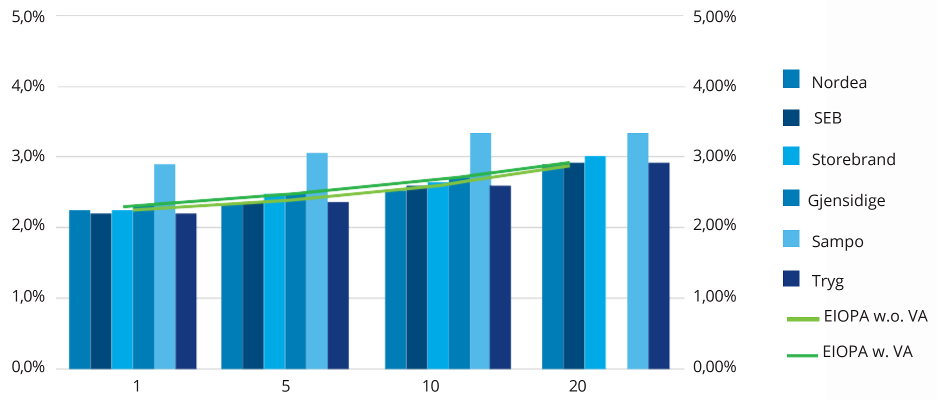
NOK Discount rates applied EoY2024



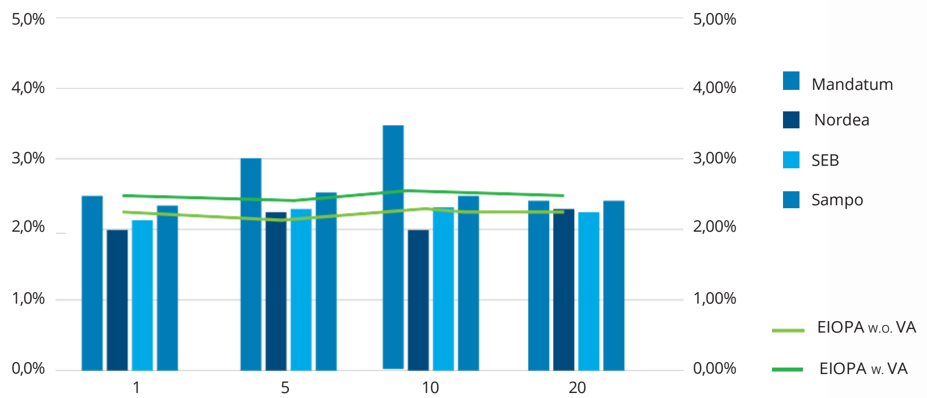
DKK Discount rates applied EoY2024



SEK Discount rates applied EoY2024



EUR Discount rates applied EoY2024



Nordea's discount rates are close to EIOPA+VA except for their Euro discount rates that are below EIOPA+VA.

Despite applying slightly different principles the resulting discount rate levels are close – albeit not identical – and close to EIOPA+VA.

The outlier here is Mandatum that has applied higher Euro discount rates than its peers.

Sampo also deviates as the Sampo discount rates are higher than EIOPA+VA for the Swedish discount rates, on par for the Euro discount rates and lower for both the Norwegian and the Danish discount rates.

As the liabilities are typically sensitive to even minor changes in the discount rates these differences may lead to a potential difference between fulfillment cash flows between companies that have similar underlying obligations and hence expected cash flows. This potentially affects the CSM/Loss Components where applicable and consequently the shareholder equity under IFRS 17.

We would expect the methods applied to converge towards a more standardized approach in the years to come. This, in effect, will lead to more comparable fulfilment cashflows, CSM and shareholder equity.

3.2 Classification and grouping

The grouping and classification is heavily dependent on the terms and conditions of the contracts the companies have issued as well as each Life company's judgment of whether different elements of the contract can be meaningfully separated.

Some Life companies have treated a contract containing e.g. both a savings, a mortality and a disability element as one contract whereas others have split according to e.g. savings and risk. Treating combined risks such as both savings, mortality and disability as one contract resembles IFRS 17:9 closely, whereas the latter split between e.g. savings and risk resembles a continuation of the previous approach to unbundling.

The Non-life companies have largely maintained their reporting from local GAAP/IFRS 4 with lines of business not changing significantly in their reporting.

3.3 Groups and onerousness

One of the fundamental principles underlying IFRS 17 is the requirement to report an expected loss generating business separately from profitable business. This principle has led to loss components for all the Life companies – some of which were already reported under local GAAP and IFRS 4 reporting.

When compared to the total liabilities these loss components are not significant.

On the other hand, when compared to the shareholders' equity the proportion is more visible, as for example Danica's loss component, which tops the list, has reduced the shareholders' equity by 8% at year-end 2024. This is not a big surprise as the Danish Life companies have struggled with increasing disability claims combined with a strong focus on pricing in the Danish corporate life and pension insurance industry.

We expect that the IFRS 17 requirement of explicit reporting on the loss component will increase the focus on pricing of potentially loss-generating products even more than is already the case today. Previous reporting requirements were less specific and had no explicit requirement to report loss components, and so some loss-generating portfolios might have been absorbed by profitable portfolios in the reporting.

The EU has allowed European insurance companies to be exempt from applying the IFRS 17 annual cohort requirement for intergenerationally-mutualised and cash-flow matched contracts. According to the annual reports this has been used by Danica, DNB, SEB and Storebrand, but not by Mandatum or Nordea.

3.4 Contract boundaries

All annual reports describe how the contract boundaries are determined and comply with the standard.

We observe each of the Nordic countries has had industry groups helping with the interpretation of the typical products sold in the industry. Hence, within each country, there seems to be a similar interpretation of the contract boundaries for similar products. Between countries, seemingly similar products have short contract boundaries in some countries and long contract boundaries in other countries. This may be well-justified by differences in the terms and conditions of contracts in different countries.

Assessment of contract boundaries involves a significant element of judgement. We expect accounting practice will evolve and converge so that companies over time will apply similar contract boundaries if their contractual terms and conditions are similar.

3.5 Investment components

All Life companies report investment components in their disclosure figures.

There are no formal disclosure requirements regarding the investment component specifically. Still, Mandatum specifies the relevant products – individual life policies – that include unit-linked savings and with-profit savings. The savings part for these products is reported as an investment component.

DNB and Nordea describe the definition of an investment component – more or less identical to the definition in the IFRS 17 standard. No information about e.g. which products contain an investment component is disclosed.

Neither Danica nor SEB have disclosed supplementary information about the investment component.

Finally, Storebrand differs slightly, as the company reports that their portfolio of collective pension contracts always ends up paying the so-called premium reserve to "a policyholder" due to the local regulation of the surplus-distribution. Hence Storebrand have concluded that these products fulfil the investment component definition and report accordingly.

No Non-life companies have reported investment components.

3.6 Contractual Service Margin

3.6.1 Methods

One of the main changes in the reporting under IFRS 17 compared with requirements under local GAAP is the introduction of the Contractual Service Margin for non-PAA business, where entities are required to determine the profit that the entity expects to earn from providing insurance services. Further, IFRS 17 also determines the earnings pattern over time through the coverage units, which is the measure for service provided.

The Non-life companies use PAA for their business and hence they are not covered in this section.

The disclosure around coverage units and how they are determined is generally limited to the definitions in the standard and therefore lacks specificity. Storebrand is the only company that specifies the methods to a certain extent and explains by major product categories. Storebrand is also the only company that addresses the so-called bow wave effect. Storebrand makes an adjustment for this for their business measured under the VFA method.

The issue is that most actuarial valuation models do not allow for the risk premium in asset returns and therefore there is a potential systematic valuation variance as risk premium is realized, which is then added to the CSM for future release. Hence, the name bow wave.

For more information about the bow wave effect, see e.g. ESMA's IFRS 17 Report issued 25. October 2024, which also quote Storebrand's annual report for 2024.

3.6.2 Development and release

From the companies' annual reports for 2023 and 2024 we can find the amount of recognised CSM and its development over time. This is summarized in mEUR in the table below.

It is observed that the CSM in DNB, Mandatum, Nordea and SEB decreases by between 1% and 9% from 2022 to 2023, whereas Storebrand's CSM increases by 13% and Danica's by 24%. The opposite is observed 2023 to 2024 where DNB's CSM increases by over 30% followed by Storebrand by 25%. Also, Mandatum's and Nordea's CSM increases by 8% and 9% respectively. Danica's CSM decreases by 1% whereas SEB's CSM decreases two years in a row – by almost 11% from 2023 to 2024.

Several factors influence the development such as changes in the discount rate, whether the portfolios with CSM are in run-off or not etc., but since CSM is generally sensitive towards movements in discount rates a substantial part of the movement over the two years can explained by increasing discount rates.

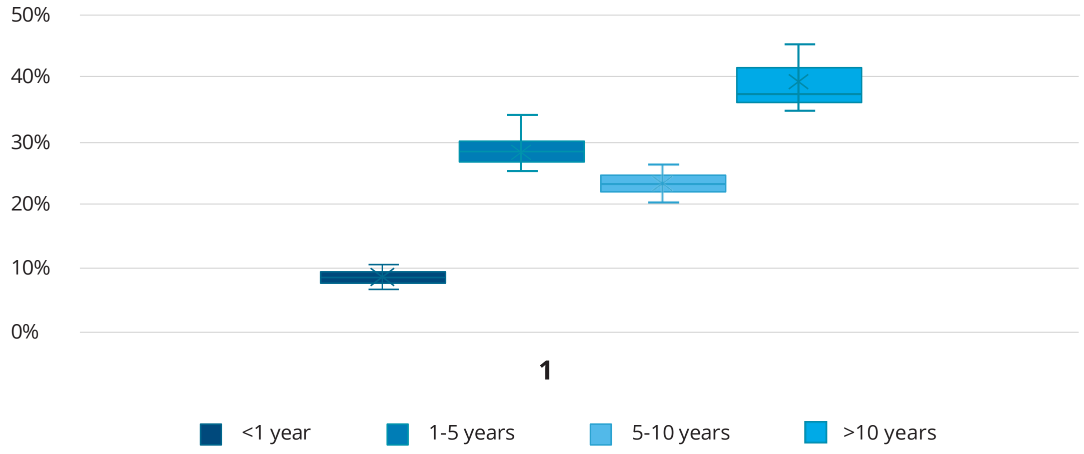
Below is an illustration of the expected recognition of the CSM in the future periods relative to the total release as per IFRS 17:109. The highest, lowest and average is shown for the four time bands "<1 year", "1-5 years", "5-10 years" and ">10 years". We have harmonised the reported numbers across those four time bands. It shows that the expected future CSM release is very similar for the companies and around 40% is expected to be recognised as profit in more than 10 years from the reporting date.

However, the expected release in the first year after the reporting date is very similar across the 6 Life companies with an expected release of 9% of CSM at the beginning of the year. This is in line with studies of European companies in connection with the introduction of IFRS 17. I.e. on average approximately 10% of the CSM balance is released to profit in the year following the reporting date.

CSM EoY2024 mEUR

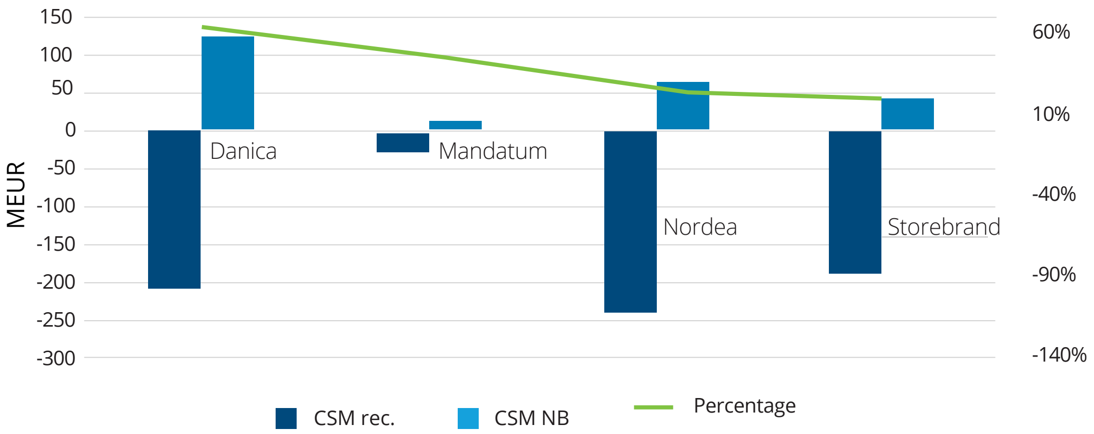
Company		2022	2023	2024
Life	Danica	1,808	2,242 (+24%)	2,220 (-1%)
	DNB	1,083	988 (-9%)	1,296 (+31%)
	Mandatum	468	461 (-2%)	498 (+8%)
	Nordea	1,587	1,572 (-1%)	1,717 (+9%)
	SEB	127	117 (-8%)	104 (-11%)
	Storebrand	895	1,015 (+13%)	1,269 (+25%)

% of CSM released in the period high-low-average



If we take a closer look at the actual CSM generated from new business in the figure below, we see between 20% and 60% of CSM recognition comes from new business for the 4 Life companies that have included the figures, showing that a significant part of the Nordic business reported under IFRS 17 is in run-off.

CSM movement analysis
Recognition vs. new business



3.7 Risk Adjustment

The table below shows the methodologies applied as well as the confidence level for the companies analysed. It also shows the risk adjustment measured against the best estimate liability (gross) for the three years reported.

The table shows a clear difference between the Life and the Non-life companies, where Life typically has a risk adjustment around 1% and Non-life a risk adjustment around 5% of the best estimate liabilities even though the confidence levels are not entirely the same.

Danica seems to be the outlier. However, Danica also has classified much more of their savings business as insurance compared to the other companies (se Section 4.2).

It should be mentioned that the risk adjustment levels observed here are lower than the risk measure used in the market consistent embedded value reporting "Cost of capital charges for non-hedgeable risks", where a study carried out by Deloitte in 2012[5] showed that 60% of companies in this 2012-study had a "cost of capital charges for non-hedgeable risks" above 2.5%. This measure was developed by the industry and can be considered as a forerunner to the IFRS 17 risk adjustment. The embedded value measure, however, is not directly comparable to the IFRS 17 risk adjustment as the embedded value measure also included some financial risk and the calibration applied was different.

The Non-life companies generally disaggregate the change in the risk adjustment between the insurance service result and the insurance finance income or expenses. This is not the case for the Life companies.

[5] Ref: Deloitte 2012. Embedded Value Results Overview – Still adding value.

RA % of IFRS 17 BEL EoY						
Company		**Method**	**Percentile**	**2022**	**2023**	**2024**
Life (mainly)	Danica	Safety margin on parameters	>85%	0.6%	0.4%	0.4%
	DNB	Solvency II method	88%	0.9%	1.0%	0.8%
	Mandatum	Confidence level approach	85%	1.1%	1.0%	1.0%
	Nordea	Single equivalent stress scenario approach	78%	1.0%	0.7%	0.8%
	SEB	Not specified	80%	1.1%	1.1%	1.0%
	Storebrand	Solvency II method	>95%	1.3%	1.4%	1.4%
Non- life (mainly)	Gjensidige[1)]	Percentile approach, ultimate risk	85%	5.9%	5.6%	4.7%
	Sampo	Confidence level technique	75%-85%	4.3%	4.1%	4.7%
	Tryg	Statistical methods (cost of capital)	75%	4.3%	4.9%	4.8%

1) General insurance only

4 Transition

4.1 Approach

All the 2023 annual reports include a section regarding transition approaches. Mandatum, Nordea and SEB used all three approaches, i.e. full retrospective approach, modified retro-spective approach and fair value approach, in their transition to IFRS 17, DNB and Storebrand used two out of three approaches and Danica only used the fair value approach which in general seems to dominate the transition.

The table below provides an overview of the transition approaches applied by the companies in our study.

Based on our understanding of the annual reports – as none of the Life companies have disclosed a full quantitative break-down of their application of the three approaches – the Life companies have predominantly applied the fair value approach. The reason is most likely due to challenges with finding historical data in combination with predominantly contracts with long duration. Moreover, the companies have to a large extent been able to utilise the SII-figures that they already reported.

The Nordic Non-life companies all applied the full retrospective method due to shorter contract boundaries and the use of PAA.

4.2 Scope of IFRS 17

The IFRS 17 standard requires that contracts with significant insurance risk are to be measured applying IFRS 17.

This has led to an initial assessment of whether or not the products sold have significant insurance risk. In the Nordics under IFRS 4, before IFRS 17 applied, companies already applied the definition of significant insurance risk. It appears on adoption of IFRS 17 the scope of balances in IFRS 17 versus IFRS 4 changed.

A large proportion of the Life companies have concluded that the majority of their business does not contain significant insurance risk as most or all of the insurance risk inherent in the products is not transferred from the policyholder to the Life company. By comparing the liabilities measured under IFRS 17 to the total liabilities this is most clearly seen in SEB where only 14% of the total liabilities are measured under IFRS 17, see table below.

Also, in Norway companies such as Storebrand and DNB have concluded that the majority of their liabilities do not meet the IFRS 17 requirement of "significant insurance risk" with only 43% and 48% of liabilities respectively measured under IFRS 17.

The Finnish company Mandatum is at a similar level with 36% measured under IFRS 17 and Nordea with pension savings liabilities spread throughout almost all the Nordic countries measures 35% of their liabilities under IFRS 17.

Contrary to this the Danish Life company Danica has arrived at the opposite conclusion reporting 94% i.e. almost the whole business as IFRS 17.

Some of the differences can be attributed to the product and customer mix in the respective companies. It is noteworthy that Danica has assessed that effectively all their pension products fall under IFRS 17 which is not the case for the remaining Pension companies.

Company	Fair value approach	Full retrospective approach	Modified retrospective approach
Danica	Yes	No	No
DNB	Yes	Yes	No
Mandatum	Yes	Yes	Yes
Nordea	Yes (mainly used)	Yes	Yes
SEB	Yes (mainly used)	Yes	Yes
Storebrand	Yes (mainly used)	Yes	No
Gjensidige	No	Yes	No
Sampo[6]	No	Yes	No
Tryg	No	Yes	No

[4] Here we have excluded Mandatum.

Below is a comparison of the share of total liabilities reported under IFRS 17.

Company	Reported under IFRS 17 EoY2024
Danica	94%
DNB	48%
Mandatum	36%
Nordea	35%
SEB	14%
Storebrand	43%
Nordics*	47%

*Weighted average based on the actual accumulated liability volume across the companies

In conclusion, our impression is that although the life and pension insurance products sold in the Nordics are similar, the classification in each of the countries has landed quite differently, but still well justified, in each country.

Our expectation prior to IFRS 17 implementation was that the introduction of IFRS 17 reporting would improve the investors and other stakeholders understanding of insurance businesses underlying performance, risk and embedded value through the CSM and Risk Adjustment reporting.

After implementation we realised this expectation has not been fully met given not all business an insurer writes is necessarily accounted for under IFRS 17. The main reason is that fewer products than we anticipated were required to be bundled together and accounted for under IFRS 17 and hence the previous practice of unbundling has continued. Companies have spent significant efforts in judging and documenting their unbundling conclusions given the unbundling requirements are stricter than before IFRS 17 was introduced.

Furthermore, Norwegian companies have also classified profit sharing products, where the majority of the insurance risk premium surplus is returned to the policyholders, as IFRS 9.

Consequently, the introduction of IFRS 17 has only partly improved the comparability across the different companies in the Nordics.

This fact may partly explain why the local governing bodies have been reluctant to implement IFRS 17 in local GAAP reporting. Other factors, such as implementation costs, are also relevant in deciding whether the Insurance and Pension industry throughout the Nordics and internationally were to apply the same accounting standard. Instead, they have kept the current local GAAP reporting requirements even for companies reporting under IFRS 17.

Considering the bigger picture, the changes in financial reporting have been relatively minor from IFRS 4 to IFRS 17 for the Non-life insurance companies. Put differently, despite significant changes in the terminology and implementation processes used for the different accounting figures, IFRS 17 has only led to minor changes in the actual figures reported. The most significant changes observed are that more Non-life companies now apply discounting on a larger proportion of their liabilities and have an explicit risk adjustment.

The relative similarity between local GAAP and IFRS 17 has led the Danish regulators to suggest a legislative change to allow for reporting local GAAP under IFRS including IFRS 17 for listed Non-life companies.

Besides this, all Listed Nordic Life and Non-life companies are still obliged to report under local GAAP as the current local tax regulation is typically related to the annual result based on the local GAAP report. Further, the distribution of the annual result between the insurance company and the policyholder for profit-sharing products typically relies on the local GAAP reporting.

4.3 Equity impact

All entities have provided information about the effect of transition to IFRS 17 on their financial statements. In many of the reports the insurer has provided information of the change in the liabilities at initial recognition and all the reports also disclose the change in equity after transition to IFRS 17.

It is important to note that the effect on equity depends on the local GAAP reporting, as the local GAAP equity differs from country to country. Hence the reduction on equity may not be comparable between entities from different countries.

As is seen from the table below , the effect on shareholder equity differs slightly in percentage of BEL between the 6 companies.

It should be mentioned that the companies have introduced IFRS 9 together with IFRS 17. Based on the disclosed information the net effect on the equity from IFRS 9 is negligible or zero.

A closer examination reveals that the equity effect apparently is higher in the Norwegian companies Storebrand and DNB compared to Danica in Denmark, Mandatum in Finland and SEB in Sweden. Nordea is a mixture of almost all the Nordic countries and lies somewhere in the middle.

The differences on transition per country were to be expected as the local Danish and Swedish GAAP reporting apply a market valuation approach similar to Solvency II to a greater extent than the local Finnish and Norwegian GAAP. Norway have applied an amortized cost approach to the liabilities like most other European countries. Finland also applies an amortized cost approach, albeit the change in equity is marginal.

It is also worth noting that even though the introduction of a CSM – or movements between the measurement of future profit in local (Danish/Swedish) GAAP and CSM under IFRS 17 – potentially reduce equity at transition, a transfer from equity to CSM is merely a timing issue as IFRS 17 typically release surplus to equity later than current local GAAP reporting.

Transition impact	ΔEquity mEUR	ΔEquity – % of BEL
Danica	-188	-0.3%
DNB	-864	-4.5%
Mandatum	+9	+0.2%
Nordea	-573	-3.1%
SEB	-27	-0.7%
Storebrand	-808	-2.4%

5 Reflections on the IFRS 17 implementation

For Non-life companies, the transition to IFRS 17 has meant a lot of changes in accounting terminology, but the changes to the KPI's have been limited as both claims ratio and cost ratio is almost unchanged (premiums being the large exception) and has generally been well received by the market.

For Life companies, some expected IFRS 17 would be a modernized version of the former embedded value reporting or a replacement – for European companies – of some of the adjusted Solvency II reporting. This is far from the case among the companies in the analysis. The main reason could be that the fraction of business classified as insurance differs and in many cases is not classified as insurance and hence it is much more difficult to compare companies.

In our publication from 2023 "Financial KPIs in a IFRS 17 World" we described our expectations of seeing more IFRS 17 derived KPIs such as Adjusted Operating Profit type of measures incorporating CSM. These are now widely used in the UK, but they have not gained broader support such as in the Nordics. This partly explained by the extent to which large parts of the insurer's business in the Nordics have not been classified as being accounted for under IFRS 17, rather instead under IFRS 9.

6 What to expect in the years to come

As is clear from the analysis above there are still some key areas to consider for the companies reporting under IFRS 17.

We expect there to be further developments in:

- the reporting of KPI's as a tool to aid comparability
- more detailed reporting to aid understanding of portfolios and segments

Over time we expect reviews and potential updating of accounting policies as insurers compare themselves with peers. This is common in the years following the implementation of a new and comprehensive accounting standard.

We anticipate there could be convergence in areas that currently differ between similar businesses such as e.g. level of the discount rates and risk adjustment, if such differences cannot be easily justified.

Finally, it will be interesting to follow the development in disclosures within the financial statements that insurers may change in order to aid comparison between different insurers, as well as whether the adoption of IFRS 17 has an impact on underlying products and their development.

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