



# New insurance contracts standard

## Introducing IFRS 17

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Gary Reader  
KPMG's Global Head of Insurance

### Insight and analysis on the impact of IFRS 17 *Insurance Contracts*

#### Highlights

- Increased transparency brings other impacts on insurers' financial reporting
- Impact on insurers is significant, but will vary between insurers and jurisdictions
- Effective date is January 2021 – Start looking at how it will affect your business now
- Find out more – View our SlideShare presentation



Joachim Koelschbach  
KPMG's Global IFRS Insurance Leader

### The new insurance contracts standard – IFRS 17 – brings fundamental changes to international insurance accounting.

IFRS 17 will give users of financial statements a whole new perspective. The ways in which analysts interpret and compare companies internationally will change. The standard places insurers reporting under IFRS on a level footing, opening up the 'black box' of current insurance accounting.

The new standard brings both benefits and challenges for insurers, who will need to gain an understanding of the accounting changes and the impacts on their businesses.

### "The greater comparability and greater transparency that IFRS 17 provides should be a clear benefit to analysts and users of financial information."

Gary Reader,  
KPMG's Global Head of Insurance



Mary Trussell  
KPMG's Global Insurance Accounting Change Leader

#### What's new in IFRS 17?

Increased transparency about the profitability of new and in-force business will give users more insight into an insurer's financial health than ever before.

- Separate presentation of underwriting and finance results will provide added transparency about the sources of profits and quality of earnings.
- Premium volumes will no longer drive the 'top line' as investment components and cash received are no longer considered to be revenue.
- Accounting for options and guarantees will be more consistent and transparent.

These have the potential to reduce the cost of capital for leading insurers. Greater comparability could facilitate merger and acquisition activity, encourage greater competition for investment capital and help gain the trust of investors.

At the same time, there are likely to be a number of other effects. For example, there could be greater volatility in financial results and equity due to the use of current market discount rates. Insurers may also need to revisit the design of their products and other strategic decisions, such as investment allocation.

### **Significant but varying impacts**

The impact of the new standard will vary significantly between insurance companies. Implementing it will require substantial effort, and new or upgraded systems, processes and controls.

The task will be even more challenging given the long time horizons over which many insurance companies operate and the legacy systems that many still use.

**“There will be no ‘one-size-fits-all’ effect for insurers. But every insurer is certain to see impacts on its reported numbers in one way or another. Their significance will depend on an insurer’s previous accounting policies – which have differed across jurisdictions and, in some cases, even within jurisdictions.”**

Joachim Koelschbach,  
KPMG’s Global IFRS Insurance Leader

While IFRS 17 represents the biggest accounting change for insurers in many years, the impacts will be felt far beyond accounting, in areas such as finance, actuarial, IT, and even the regulatory departments.

**“In general, the more insurance products that are offered, and the more jurisdictions that an insurer operates in, the more costly and time consuming implementation will be – but so too is the potential to benefit from the changes. For the confident, change is opportunity.”**

Mary Trussell,  
KPMG’s Global Insurance Accounting Change Leader

### **Effective date and next steps**

IFRS 17 takes effect in January 2021. That may seem a long way off, but the timescale will be a challenge for many. A co-ordinated response will be essential. Finance, Actuarial and IT functions will need to work closely together like never before.

You need to start the implementation process now. Companies should start with an initial impact assessment, then move onto analysing their insurance contracts for product-by-product impacts.

### **Find out more**

Our [web article](#) features a SlideShare presentation with a high-level summary of the proposals. You can also visit our hot topics pages – [IFRS – Insurance](#) and [Navigating the new world](#) – to find out more about how IFRS 17 will impact your business.