



Insurers – Reporting now and into 2023

IFRS 17 and IFRS 9 – A new era

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What's the issue?

IFRS 17 and IFRS 9¹ will bring significant change to financial reporting for insurers.

Pre-transition disclosures on the impact of these standards will be required in 2022 annual financial statements.

Investors, regulators and other stakeholders will expect these to be robust. Therefore, providing timely and useful information will be critical.



What's the impact?

Reporting in the new era will be more transparent and comparable.

Inadequate pre-transition disclosures in your 2022 annual financial statements could send a loud and clear message that you are not ready.

2023 interim and annual financial statements may look completely different from those published in 2022.



What's next?

Identify known or reasonably estimable information for reporting in your pre-transition disclosures this year end.

Consider what additional information you may need to provide to meet stakeholder expectations.

Plan for your 2023 interim and annual financial statements now.

1. In this document, the initial application dates for both IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* (the standards or both standards) is 1 January 2023. Initial application dates of the standards may vary between individual insurers.

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For reporting in 2022 and 2023

Understand the new requirements

Refine your accounting decisions

Plan your 2022 annual financial statements

Remain agile in your communication strategy



Review your journey to delivery

Ensure appropriate controls are in place

Plan for your 2023 interim financial statements

01 Understand the new requirements

- IFRS 17 and IFRS 9 have different requirements on transition.
- Both at and after transition new accounting mismatches may arise, which you may need to identify and explain.
- To reduce these accounting mismatches on transition, for financial asset comparative information, you may choose to:
 - restate comparative information;
 - apply a [classification overlay approach](#); or
 - not restate comparative information.
- Updated transition disclosures will be required in periods following transition for contracts to which the modified retrospective or fair value approach was applied.



The classification overlay approach can be applied to all financial assets on an instrument-by-instrument basis.

Determining your approach to comparative information for financial assets is critical to determine the impacts to your opening balance sheet.

Applicable standards – Assuming 1 January 2023 date of initial application

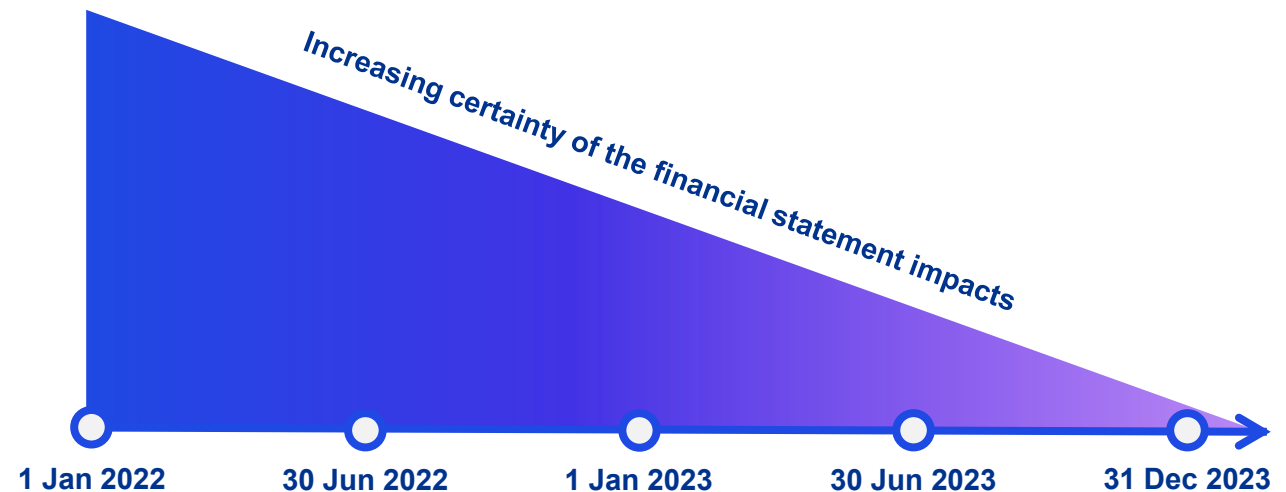
	FY22		FY23		Equity adjustment
	2022	2021	2023	2022	
Insurance contracts	IFRS 4 ¹	IFRS 4	IFRS 17	IFRS 17	1 January 2022
Financial assets/ liabilities	IAS 39 ²	IAS 39	IFRS 9	IFRS 9 or IAS 39	1 January 2022 and/or 2023
Transition disclosures	IAS 8 ³		IFRS 7 ⁴ , IFRS 17 and IAS 8		

1. IFRS 4 *Insurance Contracts*
2. IAS 39 *Financial Instruments: Recognition and Measurement*.
3. Pre-transition disclosures under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
4. IFRS 7 *Financial Instruments: Disclosures*.

02

Review your journey to delivery

- Understand the information that you are required to report in your:
 - 2022 interim and annual financial statements; and
 - 2023 interim and annual financial statements.
- The financial statement impacts of the standards will become more certain as the effective date approaches. This means that more and higher quality quantitative information is expected to be available.
- Review your communication strategy, including:
 - **What** information is known or reasonably estimable for disclosure.
 - **When** you will communicate this information – e.g. at the same or a different time as your financial statements.
 - **Where** you will communicate this information – e.g. in your financial statements or also in additional published information.



Consider external factors that may impact your journey to delivery, including the views of your relevant regulatory body, when determining your communication strategy.

03 Refine your accounting decisions

- Uncertainty will decrease as you get closer to the effective date and your accounting policies and judgements are refined.
- You may want to refine your decisions for many reasons, including:
 - IFRS Interpretations Committee (the Committee) agenda decisions or amendments to the standards;
 - input from audit committees or those charged with governance;
 - information obtained from dry runs;
 - understanding of your peers' policies and judgements; and
 - external auditor challenge.
- If they are refined, then you will need to reflect this in your communication and reporting to stakeholders.
- Therefore, it is important to engage your external auditor early to evaluate the appropriateness of your accounting policies and judgements.

Agenda decisions	Key points of the Committee's decisions
Final agenda decision Transfer of Insurance Coverage under a Group of Annuity Contracts	<ul style="list-style-type: none"> • Coverage units for insurance coverage should be based on the amount the policyholder can validly claim in each period.
Tentative agenda decision Multi-currency Groups of Insurance Contracts	<ul style="list-style-type: none"> • Consider all risks, including currency exchange rate risks, when identifying portfolios of insurance contracts. • The contractual service margin (CSM) is treated as a monetary item. • Develop an accounting policy to determine which currency or currencies the CSM is denominated in.



As you benchmark your reporting against peers in 2024 and beyond you may choose to refine your accounting decisions further.



Consider whether your accounting policies conform with the Committee's agenda decisions now. This is important because implementing agenda decisions after the first interim financial statements may cause retrospective restatements and confusion for stakeholders.

Keep up to date with future submissions to the Committee that may impact you.

04

Ensure appropriate controls are in place

To produce information that is reliable, accurate and auditable, you will need to have appropriate controls over your processes.

Transition processes

- Do not forget transition controls.
- Even if they are performed only once, they relate to major change – e.g.:
 - initial IFRS 9 classification and measurement;
 - fair value approach calculations and inputs; and
 - modified retrospective approach calculations.

Temporary processes

- Some business-as-usual processes may not have been operational by 1 January 2022 and/or may not be operational by 1 January 2023. Therefore, you may need to implement temporary processes.
- These processes will also need appropriate controls – e.g. management review controls.

Business-as-usual processes

- Design and implement controls early to ensure the information you provide is reliable – e.g.:
 - CSM reporting tool calculations;
 - expected credit loss models; and
 - determining discount rates and risk adjustment for non-financial risk.



Appropriate controls over the transition process, initial assessments or temporary processes are just as important as those over business-as-usual processes.

Design, implement and/or review your controls across these processes now. Engage your external auditor to assess their design and operating effectiveness.

05

Plan your 2022 annual financial statements

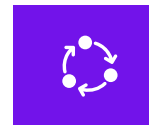
- Under IAS 8, you will need to disclose known or reasonably estimable information that is relevant to assessing the possible impacts of the standards on your financial statements in the period of initial application.
- This information will be useful if it describes the expected impacts on:
 - the balance sheet, including insurance contract liabilities and opening equity;
 - the statement of profit or loss and OCI, including insurance revenue;
 - operating segments;
 - the expected profitability patterns of insurance contracts; and
 - key performance indicators (KPIs) – i.e. existing KPIs that will be used on an ongoing basis and new KPIs.
- This information also needs to be consistent with information you provide outside your financial statements – e.g. investor calls and management discussion and analysis (MD&A).

Insurers need to consider their pre-transition disclosures carefully. Information about the following may be known or reasonably estimable when 2022 annual financial statements are issued.



Accounting policies

Explanations of the nature of the changes in accounting policies.



Transition approaches

Approaches used under IFRS 17, including whether and how the classification overlay approach will be applied for financial assets.



Judgements and estimates

Key judgements and estimates made (e.g. the methodology you expect to use to determine discount rates, risk adjustment for non-financial risk, identification of coverage units and expected credit losses).



Quantitative information

Ranging from expected impacts on shareholders' equity to completely restated balance sheets and a comparative statement of profit or loss and OCI under the standards. When precise information is unavailable, a range of values or percentages may be available.



Our forthcoming Illustrative pre-transition disclosures publication will help you prepare the disclosures required under IAS 8.

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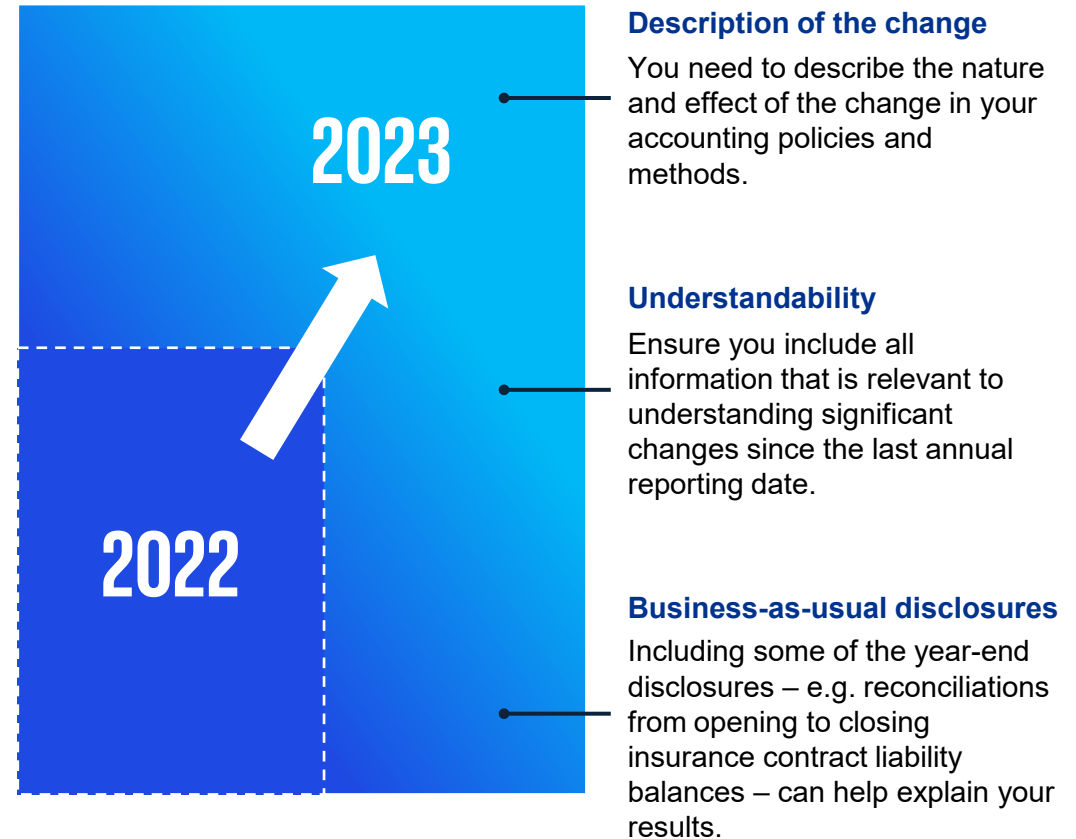
Plan for your 2023 interim financial statements

- Your 2023 interim financial statements will be the first financial statements presented under the standards.
- Comparative information for:
 - insurance contracts will need to be restated; and
 - financial assets may be restated or subject to a classification overlay.
- You need to decide whether you will present a complete or a condensed set of interim financial statements.
- Condensed interim financial statements are intended to provide an update on the last annual financial statements – i.e. they focus on new activities, events and circumstances for the year to date.
- As the last annual financial statements were prepared under IFRS 4 and IAS 39, your first set of condensed interim financial statements will need to include additional information to help readers understand the nature and effect of the changes in accounting policies and methods.



Consider the needs of your stakeholders, including the views of your relevant regulatory body, when determining the information included in your 2023 interim financial statements.

Information provided in your condensed interim financial statements



07 Remain agile in your communication strategy

- Internal and external factors will influence what you report.
- You will need to:
 - build on what you have already reported;
 - keep up to date with relevant external influences;
 - not wait for all uncertainties to be resolved to report possible impacts of the standards; and
 - keep the momentum going, be agile and respond to changes or developments that impact your company.



Stakeholders expect timely communication to understand the impact of the standards on your company. Consider what other information you can provide to help them understand your transition journey – e.g. supplementary investor packages.

Keeping in touch



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[Illustrative disclosures for insurers | Guide to annual financial statements | IFRS 17 and IFRS 9](#)



[Interim reporting choices under IFRS 17](#)



[IFRS 9 for insurers | Are you good to go? | Application guidance](#)



[Uncertain times | Financial reporting resource centre](#)



[First Impressions | Insurance contracts 2020 edition | IFRS 17](#)



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