Insurers' 2024 annual financial statements

Real-time IFRS 17

—

April 2025

What did we look at?

We have analysed the 2024 annual reports of **55** insurers, comprising those of:

- **50 insurers** reporting for the second time under IFRS 17 *Insurance Contracts* for the year ended 31 December 2024; and
- **five insurers** reporting under IFRS 17 for the first time*.

Our analysis focused on the following.

Accounting policies and disclosures

We share our key observations on the insurers' IFRS 17 and IFRS 9 *Financial Instruments* accounting policies, significant judgements and disclosures, including a deep dive into:

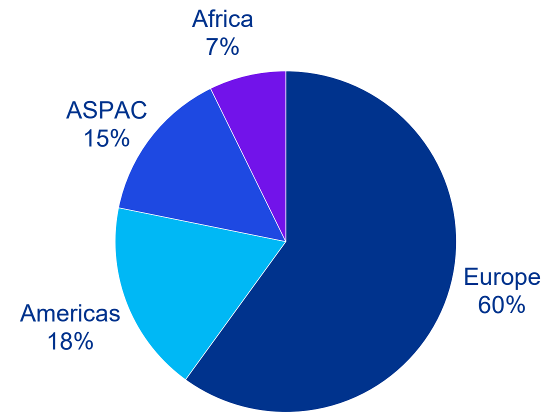
- changes in accounting policies and estimates;
- measurement model criteria;
- discount rates;
- contractual service margin (CSM) and coverage units; and
- confidence level and risk adjustment for non-financial risk (RA).

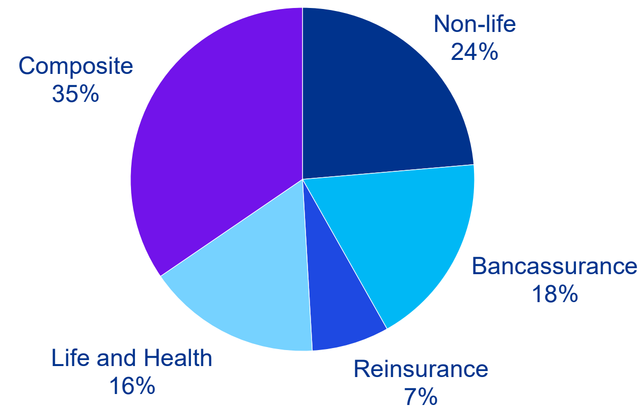
Key performance indicators (KPIs)

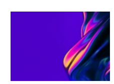
We also share our key observations on the KPIs reported by the 55 insurers.

* This includes four insurers with a 30 June 2024 year end and one insurer with a 31 December 2024 year end.

Domicile and segments of the insurers sampled
(By number of insurers)







For more information, visit and bookmark our Real-time IFRS 17 page.

Executive summary

Our key observations

Our observations in this report are based on our understanding and interpretation of what insurers have disclosed in their reports so far.

Accounting policies, significant judgements and disclosures

- IFRS 17 introduced standardised accounting principles; however, the **accounting policy choices and judgements applied** by insurers mean there are still many differences in how insurers measure their insurance contract liabilities.
- In the 2024 reporting cycle, we have seen insurers provide **more clarity and company-specific detail**, which helps users understand and compare disclosures. For example, discount rate and coverage unit disclosures are more detailed for some insurers.
- Some insurers have begun to **refine their IFRS 17 accounting policies**. We observed some that have changed their accounting policy choices and corrected prior-period errors; some have changed their risk adjustment methodology and confidence levels.
- Insurers' disclosures still **vary in the level of detail** provided: some insurers are still using **boilerplate language** to describe their accounting policies and significant judgements. For example, disclosures regarding the measurement model and the eligibility/qualification assessments remain mostly generic.

See our summary findings.

Key performance indicators

- Insurers across all segments use alternative profit metrics that they often refer to as 'operating profit'; however, how these metrics are calculated varies substantially. Insurers now need to start considering whether these metrics meet the definition of **management-defined performance measures (MPMs)** under **IFRS 18 *Presentation and Disclosure in Financial Statements***. They also need to consider whether disclosures about these metrics will need to be enhanced to meet the requirements of IFRS 18.
- Life & Health and composite insurers continue to use **KPIs that integrate the CSM**, providing new ways for users to analyse profitability and company value.
- Non-life insurers are continuing to report **combined ratios** that incorporate IFRS 17 elements, but **differences in methodology remain**.

See our summary findings.

Summary findings – Accounting policies and significant judgements

Our summary of insurers' IFRS 17 and IFRS 9 accounting policies and significant judgements

Detail disclosed on accounting policies and significant judgements varied

Some insurers provided more company-specific detail on classification, coverage units and discount rates

8 of 21 EU insurers
(2023[1]: 8 of 21)
applied the EU exemption for annual cohorts

8 of 55 insurers
(New)
disclosed changes in IFRS 17 accounting policies, judgements or estimates

55% of insurers
(2023: 54%)
applied the OCI[2] option for insurance liabilities. The proportion varies by region – e.g. insurers in Europe tend to apply the OCI option

25% of insurers
(2023: 30%)
measured the majority of investments in equity instruments at fair value through OCI

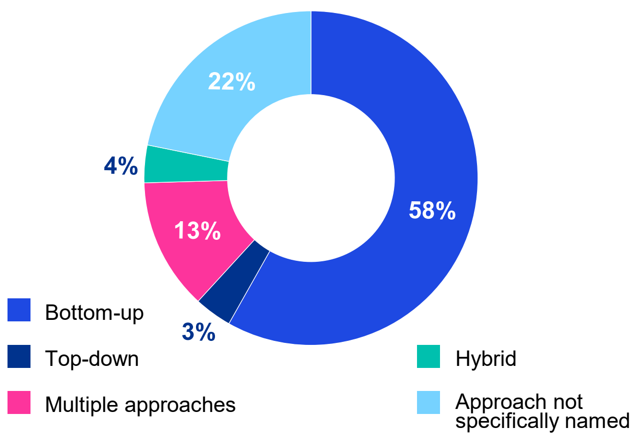
8 of 47 insurers
(New)
discounted the liability for remaining coverage (LRC) measured under the premium allocation approach (PAA)

33 of 47 insurers
(New)
discounted the liability for incurred claims measured under the PAA

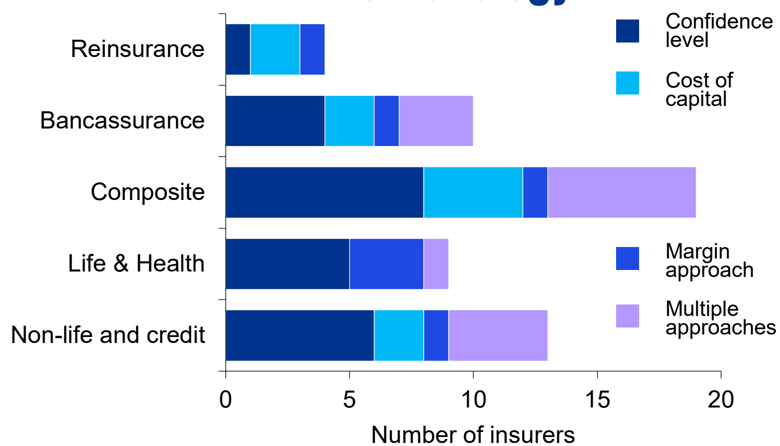
19 of 47 insurers
(2023: 16 of 47 insurers)
applied the option to expense certain insurance acquisition cash flows (IACF) when incurred under the PAA

18 of 36 insurers
(2023: 17 of 36 insurers)
applied the risk mitigation option for contracts measured under the variable fee approach (VFA)

Discount rate methodology



Risk adjustment methodology



[1] Comparative numbers in this report have been updated for changes in the population in our sample of insurers.
[2] Other comprehensive income.

Summary findings – KPIs

Our high-level observations on insurers' KPIs

L&H insurers

- Life and health (L&H) metrics **often feature the CSM**, including
  - New business values
  - New business profitability
  - Value metrics

Non-life insurers

- Generally continue to **use the same new business metrics** as before adopting IFRS 17 – e.g. gross written premiums
- The **combined ratio** now generally uses IFRS 17 line items, but insurers have differing methodologies. This makes comparisons challenging

Profitability metrics

- Insurers across **all segments use alternative profit metrics** but the methodologies used vary substantially
- This means there is comparability over time for an individual insurer, but **comparison between insurers is more difficult**

Accounting policies and disclosures

Topics	Page
Changes in accounting policies and estimates	8
PAA and VFA accounting policies	10
Discount rates	12
Contractual service margin	16
Risk adjustment and confidence level	18
Other IFRS 9 and IFRS 17 disclosures	19

Changes in accounting policies

Insurers have begun to refine their accounting policies; alignment between insurers is increasing in some regions

Changes in accounting policies

Companies may voluntarily change accounting policies if they result in reliable and more relevant information. Since the adoption of IFRS 17, some insurers have changed their IFRS 17-related accounting policies as they benchmarked themselves against their peers and deepened their understanding of IFRS 17.

In the FY24 financial statements, **two insurers** disclosed a change in their IFRS 17-related accounting policies. The changes are disclosed as follows.

- **One insurer** has chosen to present discounting effects relating to the risk adjustment in insurance finance income and expenses rather than the insurance service result.
- The other insurer has changed its treatment of certain payments to be recognised as non-distinct investment components or premium refunds.

Correction of errors

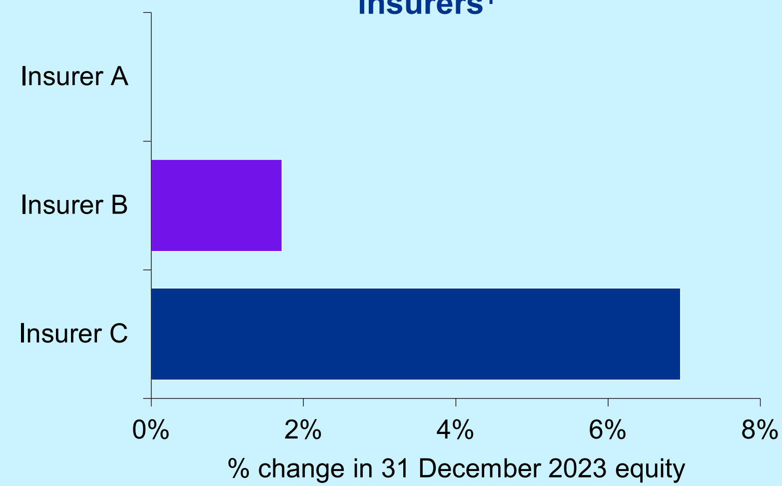
We also observed **two insurers** that corrected errors related to their IFRS 17 accounting in previous reporting periods. The errors related to:

- modelling and calculation methodology; and
- treatment of cash flows as directly or non-directly attributable expenses, such as insurance acquisition cash flows, marketing and administrative expenses.

Companies are required to correct material errors retrospectively.

Changes in accounting policies are generally required to be applied retrospectively, as if the new accounting policy had always applied. Therefore, companies need to restate prior-period balances, including equity. The impact for relevant insurers is illustrated below.

Impact on 31 December 2023 equity from changes in IFRS 17-related accounting policies and corrections of errors for relevant insurers[1]



[1] Insurer C's result is the net of changes in accounting policies and corrections of errors.

Changes in accounting estimates

Insurers have updated their assumptions; some have changed their measurement techniques

Change in estimates

IFRS 17 requires companies to update their estimates each reporting period to reflect current assumptions – e.g. the discount rates used to measure the fulfilment cash flows. In addition, companies may need to change inputs or measurement techniques if there are changes in the circumstances on which their estimates were based, or because of new information or more experience.

In their FY24 financial statements, **six insurers** updated their measurement techniques. The changes related to:

- risk adjustment methodology and confidence level applied; and
- methodology and inputs used to measure and allocate fulfilment cash flows to groups of insurance contracts.

The impact of an IFRS 17-related change in estimate (including assumption changes) will either:

- **adjust the CSM or loss component*** if it relates to future services;
- be recognised as **insurance service expense*** if it relates to past service; or
- be recognised as **insurance finance income or expense*** if it relates to a change in financial risk.

29 insurers provided a separate table identifying specific assumptions and methodology changes, including the impact of those changes. This can be helpful to provide users with clarity and a deeper understanding of the nature of the changes.

The following reconciliation of the insurance contract liability by measurement component illustrates the impacts of changes in estimates.

Analysis by measurement component – Contracts not measured under the PAA

		2024			
				CSM (see (D))	
In millions of EUR	*Note*	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach
Opening assets		(791)	21	62	7
Opening liabilities		43,498	1,190	3,502	477
Net opening balance		**42,707**	**1,211**	**3,564**	**484**
Changes in the statement of profit or loss and OCI					
Changes that relate to current services					
CSM recognised for services provided	10	-	-	(355)	(47)
Change in risk adjustment for non-financial risk for risk expired		-	(253)	-	-
Experience adjustments		27	-	-	-
Changes that relate to future services					
Contracts initially recognised in the year	(C)(i)	(504)	235	-	-
* Changes in estimates that adjust the CSM		(278)	(7)	52	4
* Changes in estimates that result in losses and reversals of losses on onerous contracts		(68)	(14)	-	-
Changes that relate to past services					
* Adjustments to liabilities for incurred claims		12	(3)	-	-
Insurance service result		**(811)**	**(42)**	**(303)**	**(43)**
* Net finance expenses from insurance contracts	11	2,686	-	224	31
Effect of movements in exchange rates		(377)	(11)	(32)	(4)
Total changes in the statement of profit or loss and OCI		**1,498**	**(53)**	**(111)**	**(16)**

Source: IMG Illustrative disclosures for insurers (2024 edition).

PAA and related accounting policies

Insurers do not always apply the same accounting policies as their regional peers

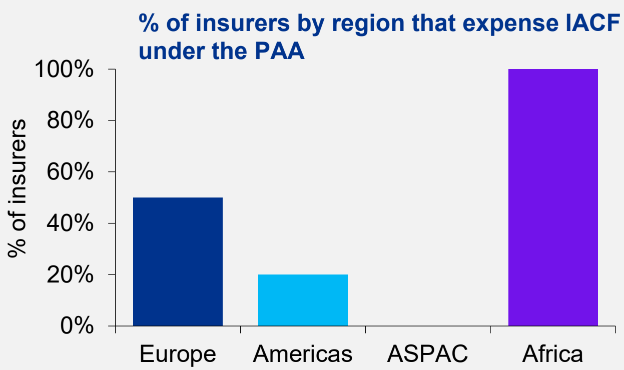
PAA eligibility assessment

Insurers wanting to apply the PAA for contracts with coverage periods greater than 12 months need to assess whether the liability for remaining coverage (LRC) measured under the PAA does not differ materially from that measured under the general measurement model (GMM).

Last year, we reported that insurers provided little to no information on this assessment. Although many of the insurers specified the products to which they applied the PAA, their FY24 reports showed only limited improvement in the disclosures of their assessments. Only **four insurers** provided the specific assumptions tested, including:

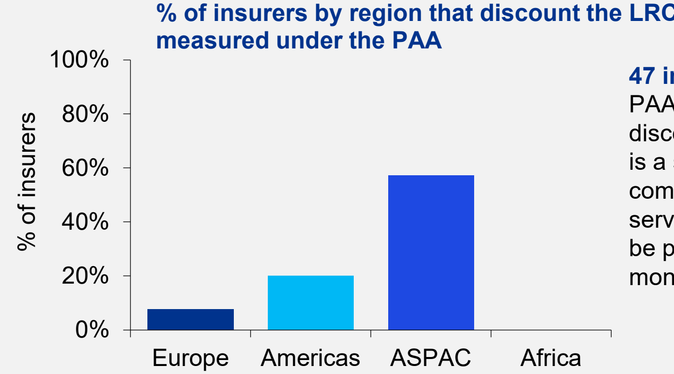
- the impact of different release patterns from the LRC on profit or loss;
- the impact of discount rates and financial risks; and
- whether there is significant variability in the timing and size of cash flows.

47 insurers applying the PAA can choose to expense insurance acquisition cash flows instead of deferring them when each contract in the group of contracts has a coverage period of less than 12 months.

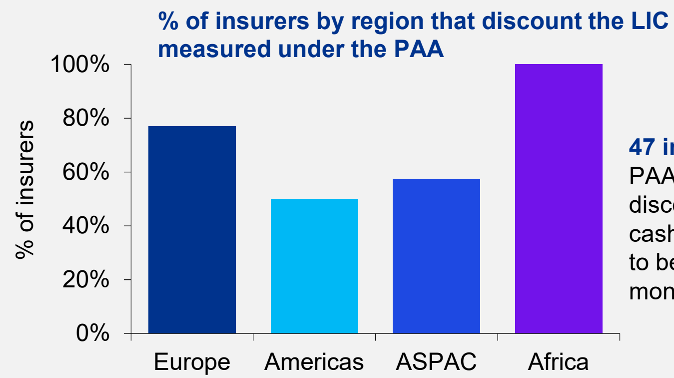


PAA accounting policies

The PAA provides a simplified measurement model for eligible contracts compared with the GMM. Specific accounting policy choices are also available for some contracts measured under the PAA.



47 insurers applying the PAA are required to discount the LRC if there is a significant financing component, unless the services are expected to be provided within 12 months.



47 insurers applying the PAA can choose not to discount the LIC if the cash flows are expected to be settled within 12 months.

VFA and related accounting policies

Insurers' accounting policies for VFA vary widely

VFA qualification requirements

36 insurers applied the VFA to contracts that meet specific criteria, including that the insurer expects to pay to the policyholder an amount equal to a **substantial share** of the fair value returns on the underlying items.

Compared with only five insurers in their FY23 report, **nine insurers** disclosed in their FY24 report the percentage they interpret as 'a substantial share' when assessing the VFA qualification criteria.

Of these nine insurers:

- **seven insurers** stated that they interpret a substantial share to mean greater than 50%;
- **one insurer** deemed participation of 80% or more as equivalent to a substantial share; and
- **one insurer** deemed participation of 70% or more as equivalent to a substantial share and stated that judgement would be applied to a participation between 50% and 70%.

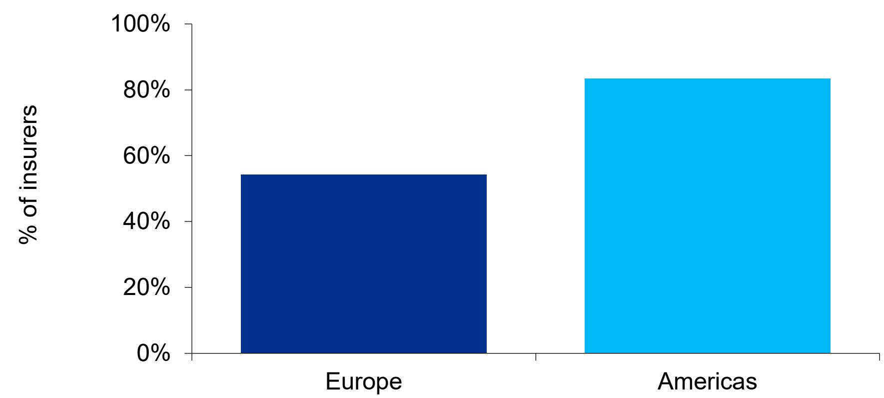
VFA accounting policy choices

The risk mitigation option (RMO) allows insurers to recognise certain changes in financial risk in profit or loss instead of adjusting the CSM. This is intended to reduce accounting mismatches between insurance contracts measured under the VFA and non-derivative financial instruments, derivatives or reinsurance contracts held that mitigate risks from those insurance contracts.

Insurers are required to disclose the effect of applying the RMO on the adjustment to the CSM in the reporting period.

No insurers in ASPAC or Africa disclosed that they applied the RMO.

% of insurers by region that apply the RMO under the VFA



Discount rates – Accounting policies and significant judgements

Observations on the discount rate methodologies disclosed by insurers

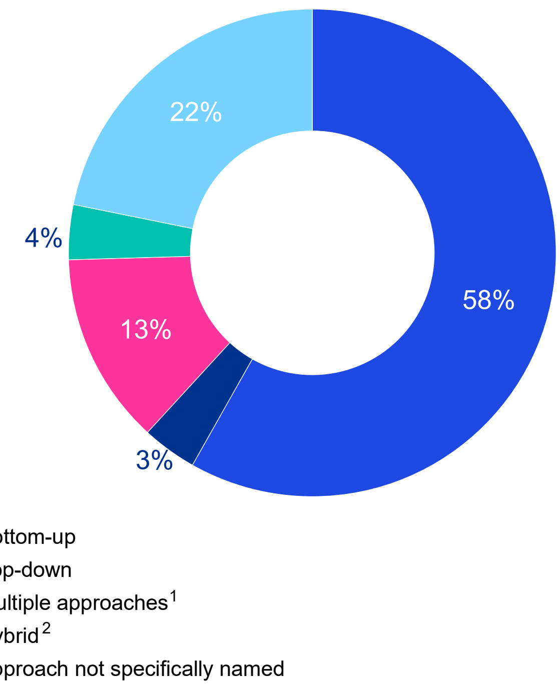
When determining discount rates, IFRS 17 allows a choice between the bottom-up and top-down approaches.

Most of the insurers explicitly disclosed which approach they applied to determine discount rates. **12 insurers** disclosed their methodology but did not name a specific approach (bottom-up or top-down).

The extent of disclosures on discount rate methodologies varied. Our key observations on the insurers' discount rate methodologies include the following.

- More insurers disclosed the methodology applied to determine risk-free rates under the **bottom-up approach** in FY24 compared with FY23. Using swap rates remained a popular method. Many of the European insurers used the rates published by European Insurance and Occupational Pensions Authority (EIOPA) as a basis for their IFRS 17 discount rates.
- The methodology for determining **illiquidity premiums** (ILPs) varied. **13 insurers** disclosed using different ILPs for different products. **11 insurers** reported determining the level of the ILP as constant over time; **seven insurers** reported determining the ILPs as a term structure (i.e. varying ILPs at different tenors). Several insurers reported that they reassess the ILPs on a quarterly or annual basis. **16 insurers** disclosed the ILPs separately from the risk-free discount rate.
- More insurers disclosed the last liquid point for which they used **observable market data** in FY24 compared with FY23. These insurers typically used 30 years as the last liquid point for EUR and USD.
- Most insurers did not disclose the method applied to **interpolate** and **extrapolate** discount rates to the ultimate forward rate. Smith-Wilson was the most commonly disclosed method amongst the insurers.
- The **ultimate forward rate** was generally based on long-term interest and inflation rates or leveraged from a regulatory framework. **Eight insurers** disclosed their ultimate forward rates; six of these revised them compared with FY23.
- **Five insurers** reported using the assets related to the portfolio of insurance contracts as the reference portfolio when determining the discount rate under the **top-down approach**.

Discount rate methodologies as disclosed by the insurers



[1] Some insurers applied different approaches for different products (multiple approaches)

[2] Some insurers stated that they used elements of both approaches (a hybrid approach)

Disclosures – EUR discount rates

Highest and lowest yield curves used in discounting differ significantly

52 insurers disclosed the discount rates (or the range of yield curves) used to discount cash flows that do not vary based on the returns on underlying items.

31 insurers disclosed one or more EUR yield curves.

The diagram† shows that the highest and lowest observed rate in the EUR yield curves disclosed by the 31 insurers differed by **258** basis points (bps) for the 30-year rate (FY23: 246 bps at the one-year rate for 31 insurers).

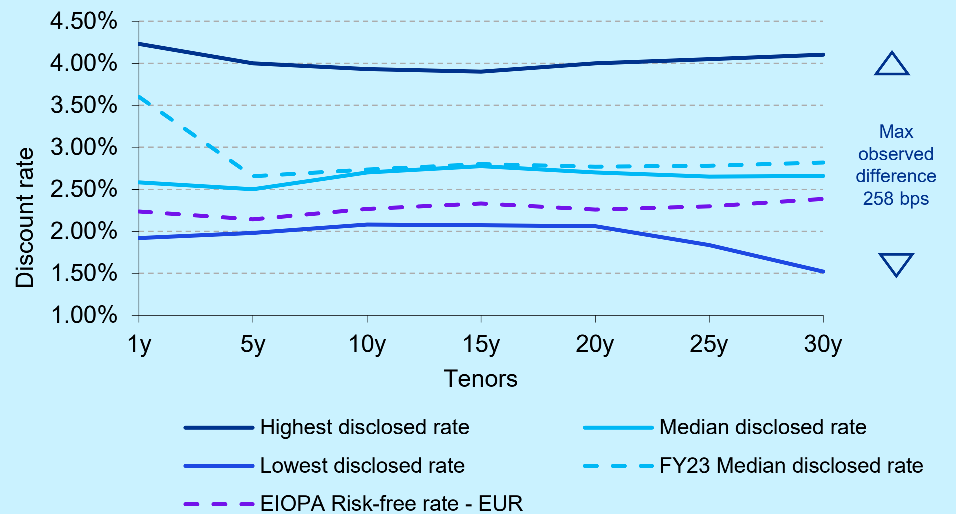
Four insurers disclosed an **EUR ultimate forward rate** varying between 3.20% and 3.40% (FY23: 3.15% – 3.45%).

Eight insurers disclosed their EUR illiquidity premium separately from the risk-free rates. The range was 0 – 128bps (FY23: 0 – 108 bps).

EUR discount rates at lower tenors tended to be lower in FY24 compared with FY23; discount rates in higher tenors remained relatively stable.

† Presented here for illustrative purposes only.

EUR discount rates disclosed at 31 December 2024[1,2,3,4]



1 Some insurers disclosed multiple yield curves for different countries or products. For the **31 insurers** that disclosed an IFRS 17 EUR yield curve, we observed 63 different yield curves.

2 The IFRS 17 yield curves shown reflect the highest/median/lowest rates we observed for each tenor and not those for a specific insurer. We interpolated any missing data through a simple average of the two nearest data points. The highest/median/lowest data points for 15y and 25y are based on this interpolated calculation.

3 The EIOPA risk-free rate for the Eurozone was used as a reference rate. This rate is shown for illustrative purposes only.

4 Some judgement is involved in determining whether certain risks are included in the risk adjustment or the discount rate, which may impact the discount rates disclosed.

Disclosures – USD discount rates

Highest and lowest yield curves used in discounting differ significantly

26 insurers disclosed one or more USD yield curves.

The diagram† shows that the highest and lowest observed rate in USD yield curves disclosed by the **26 insurers** differed by **266** bps for the 30-year rate (FY23: 264 bps at the 20-year rate for 26 insurers).

Although the insurers in the Americas generally disclosed higher discount rates compared with those in Europe, the range of discount rates applied by insurers in Europe was more varied.

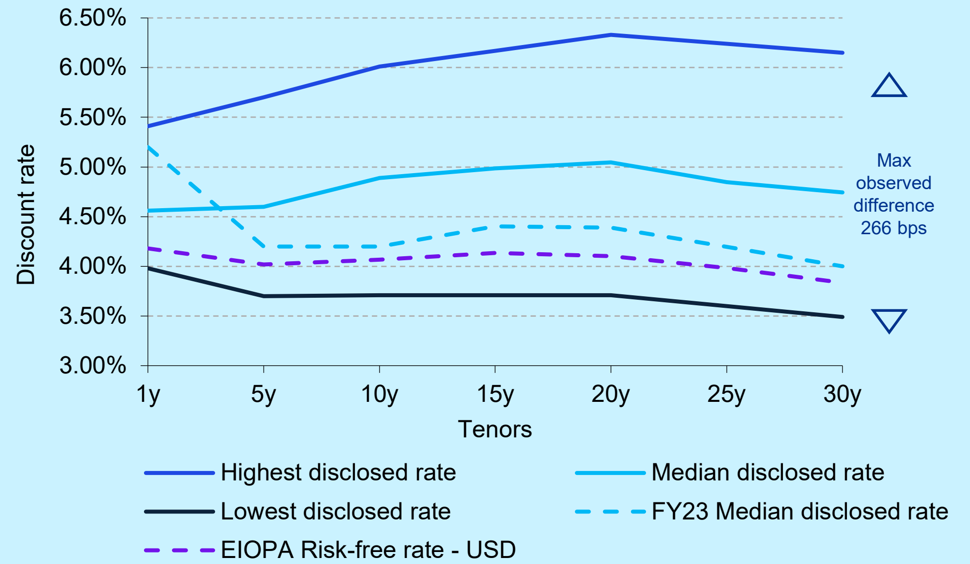
Five insurers disclosed a **USD ultimate forward rate**, which varied between 3.30% and 5.15% (FY23: 3.45% – 5.15%).

Three insurers disclosed their USD illiquidity premium separately from the risk-free rates. The range was 60 – 87bps (FY23: 60 – 109 bps).

USD discount rates in the near term tended to be lower in FY24 compared with FY23; discount rates in the long term were higher in FY24 compared with FY23.

† Presented here for illustrative purposes only

USD discount rates disclosed at 31 December 2024[1,2,3,4]



1 Some insurers disclosed multiple yield curves for different countries or products. For the **26 insurers** that disclosed a USD yield curve, we observed 39 different yield curves.

2 The yield curves shown reflect the highest/median/lowest rates we observed for each tenor and not those for a specific insurer. We interpolated any missing data through a simple average of the two nearest data points. The highest/median/lowest observations for 15y and 25y are based on this interpolated calculation.

3 The EIOPA risk-free rate for the USD was used as a reference rate. This rate is shown for illustrative purposes only.

4 Some judgement is involved in determining whether certain risks are included in the risk adjustment or the discount rate, which may impact the discount rates disclosed.

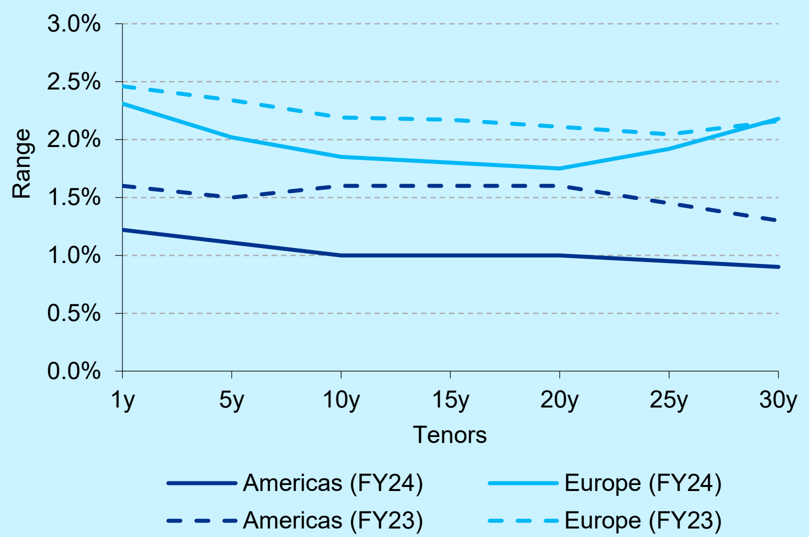
Disclosures – Discount rates by region 2024

Insurers based in the Americas have a smaller range between disclosed yield curves than insurers in Europe

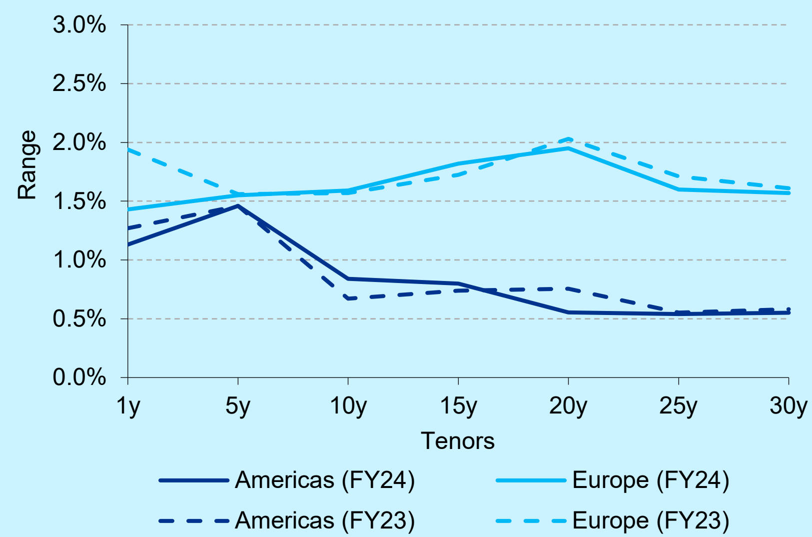
The range[1] of EUR and USD discount rates observed for the European insurers was higher than the range observed for those in the Americas. The magnitude of the range in yield curves is largely attributable to ILPs. For example, the lowest rates had a zero ILP and the highest rates were generally highly illiquid top-down rates applied to pension/annuity products.

Overall, USD discount rate ranges were broadly consistent with the USD ranges observed for FY23; EUR discount rate ranges tended to be lower in FY24 compared with FY23.

Range between highest and lowest EUR discount rates disclosed at 31 December 2024



Range between highest and lowest USD discount rates disclosed at 31 December 2024



[1] The range for each region has been calculated as the difference between the highest and lowest discount rates disclosed, per tenor, for that region. The lower the range, the smaller the difference between the highest and lowest discount rates disclosed.

Disclosures – Expected CSM release

Disclosures demonstrate differences in expected profit recognition profiles

Insurers applying the GMM or variable fee approach (VFA) are required to disclose the **amounts of CSM they expect to recognise in profit or loss across future years**. Insurers' disclosures differed in the time bands disclosed, as follows.

- ***Near term:*** Some provided the expected CSM release for each individual year up to Year 5; others provided the CSM release for time bands of less than one year, 1–3 years and 3–5 years. Some provided time bands of less than one year and 1–5 years.
- ***Long term:*** Some provided only a single time band for 10+ years; others provided more detail – e.g. 10–20 years and 20+ years.

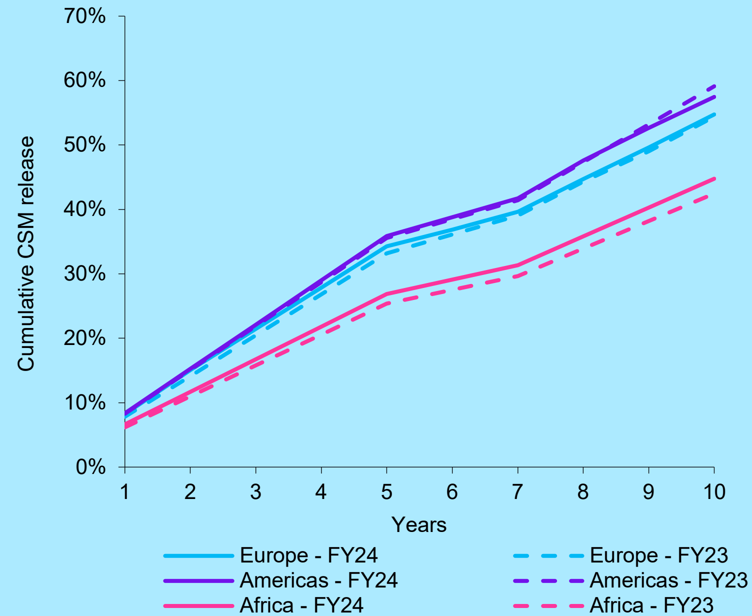
Five insurers included future expected interest accretion in the CSM release disclosure, meaning that the total expected CSM release is not equal to the CSM amount included in the balance sheet.

In the diagram, we have normalised the time bands to illustrate the insurers' median expected CSM recognition for the first 10 years, by region. Note that each line does not represent an individual insurer; it represents the median expected release for the specific year.

We observed that the insurers in the Americas expect to recognise their CSM balance in profit or loss relatively sooner than those in other regions. The amount of CSM recognised in profit or loss is driven by the expected **duration** of the insurance contracts measured under the GMM or VFA, as well as the **coverage units**.

Expected release patterns are relatively similar compared to FY23.

Expected recognition of CSM in profit or loss as disclosed by regions for FY23 and FY24[1,2]



1 Lines for each region represent the median CSM release for each year based on insurers' disclosures at 31 December 2023 and 31 December 2024. ASPAC insurers could not be included as their disclosures use different time bands.

2 The diagram is for illustrative purposes only. In particular, the insurance contracts may differ in length and nature, and the coverage unit determination may vary. We used a simplified average interpolation to determine the annual release when this was not specifically disclosed for an individual year.

Determining coverage units

Insurers provided varying levels of detail on determining coverage units

Each reporting period, insurers release part of the CSM to reflect the services provided in that period to the policyholders of a group of insurance contracts. They determine this amount by:

- identifying the coverage units in the group of contracts;
- allocating the CSM at the reporting date (before recognising any release to profit or loss to reflect the insurance contract services provided) equally to those coverage units it has provided in the current period and those it expects to provide in the future; and
- recognising in profit or loss the amount allocated to coverage units provided in the period.

Determining coverage units requires significant judgement.

Insurers provided disclosures in FY24 on **determining coverage units** in varying levels of detail.

- **36 insurers** (2023: 34) provided specific information – e.g. which coverage units they have used for a certain product.
- **11 insurers** (2023: 12) provided only boilerplate information.

IFRS 17 requires disclosure of the relative **weighting used in determining coverage units** for insurance contracts that provide both insurance coverage and investment services. The weighting used needs to reflect the insurance and investment services an insurer provides.

Common approaches reported for FY24 include weighting according to:

- the expected present value of future cash flows for each service; and
- the quantity of benefits for each service and the expected duration.

The table below summarises **common coverage units determined by insurers** for each product, based on their FY24 reporting.

	Coverage unit
Immediate annuity	Annual payment
Deferred annuity	Transfer amount during deferral phase and annual payment during payment phase
Term life and other contracts where the benefit is a single lump sum payment	Sum assured
Non-life	Expected or earned premiums
Reinsurance contracts held	Reflects underlying contracts' benefits
Unit-linked and other contracts with investment related services	Account value

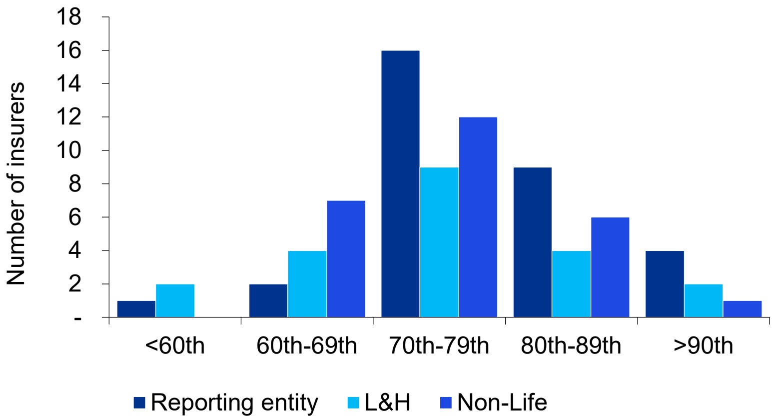
Risk adjustment and confidence levels

Insurers have reported a wide range of confidence levels and different confidence level calculation bases

Insurers are required to disclose the confidence level used to determine the risk adjustment or the corresponding confidence level if a different technique was used to determine the risk adjustment. This enables users to understand the differences in insurer-specific risk appetites.

In FY24, we observed that **three insurers** using the confidence level technique changed their confidence level from FY23.

Number of insurers by disclosed confidence level[1,2]



[1] This chart uses the middle of the range disclosed if an insurer disclosed a range instead of a point estimate.

[2] This chart shows the confidence level disclosed for L&H and non-life segments, if that information was provided.

Differences in how the confidence level was disclosed were as follows.

Confidence level	Disclosures observed in the insurers' reports
Level of aggregation	**32** disclosed the confidence level for the **reporting entity** **28** disclosed the confidence level for **L&H segments** and **non-life segments** separately Some of these insurers provided group and segment disclosures
Target or actual	**Eight** disclosed a **target** rather than an **actual** confidence level
Single number or range	**40** disclosed a **single number; 13** disclosed a **range; two** disclosed both
Time horizon	**Four** stated that the confidence level disclosed is based only on a **one-year calibration**. This means the disclosure does not reflect the insurer's confidence in fulfilling its remaining obligations over the full duration. **14** stated that the confidence level was based on a **full-time horizon** **29** did not state whether the confidence level is based on a one-year or full-time horizon **Eight** disclosed confidence levels on both a one-year calibration and a full-time horizon. The confidence levels were between 5 and 29 percentage points lower when calibrated on a full-time horizon basis compared with the one-year view.
Reinsurance	**16** stated that the confidence level disclosed is after reinsurance; **eight** before reinsurance **31** did not specify whether the confidence level disclosed is before or after reinsurance

Company-specific disclosures

Insurers are providing more detailed disclosures but variety remains

Company-specific vs boilerplate

Insurers' 2024 reporting shows an increase in the number of insurers providing company-specific disclosures, including on the following areas.

- PAA eligibility assessment
- VFA qualification assessment
- Discount rates
- Coverage units
- Risk adjustment

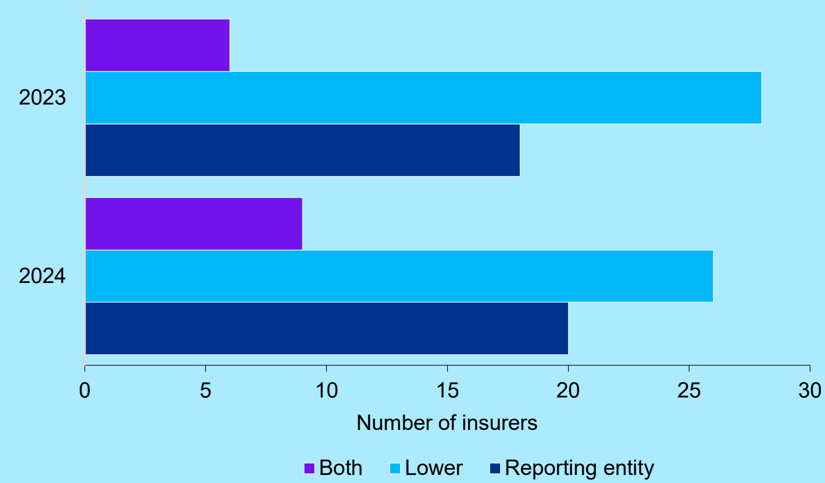
Level of aggregation of disclosures

Insurers provided the required IFRS 17 reconciliation disclosures at different levels of aggregation.

- **35 insurers** disclosed the reconciliations of insurance contract liabilities at a lower level of aggregation than the reporting entity (usually segment or product line).
- The most common basis for disclosure at a lower level was by operating segment.
- Only **three insurers** provided the reconciliations separately for contracts measured under the VFA from the GMM.

The level of aggregation for various disclosures also differs within the same insurer – e.g. the level used for roll-forward schedules sometimes differed from that used for discount rates or the risk adjustment. This may make a deeper analysis of IFRS 17 information more challenging.

Level of aggregation of insurance contract liability reconciliations[1,2]



[1] The insurance contract liability reconciliations refers to the reconciliation from opening to closing balances of:

- the LRC and LIC; and
- the CSM, the present value of future cash flows and the risk adjustment for non-financial risk.

[2] 2023 numbers were sourced from the 2023 annual or interim financial statements, where available.

Claims development disclosures

Claims development tables show different reconciling items

Non-life insurers

Insurers are generally required to disclose actual claims compared to previous estimates of the undiscounted amount of the claims (i.e. claims development). The disclosure generally starts with the period when the earliest material claim(s) arose, and for which uncertainty remains at the reporting date about the amount and timing of the claims payments, but companies are not required to disclose more than 10 years.

Our key observations are as follows.

- **12 insurers** provided a **gross development table**; **eight insurers** provided only a **net table**; and **20 insurers** provided **both a gross and a net table**. **One insurer's** disclosure did not state if it was gross or net, nor did it reconcile to the LIC balance.
- The remaining **14 insurers** did not disclose a claims development table. These insurers were mostly bancassurers or L&H insurers; the claims settlement period for **life insurance is typically short-tail**.
- The time periods disclosed varied. **18 insurers** disclosed the claims development for a 10-year period (including the current reporting period); **17 insurers** disclosed the claims development for less than 10 years; and **six insurers** disclosed the claims development for more than 10 years.
- Companies need to reconcile the disclosure about claims development with the aggregate carrying amount of the groups of insurance contracts. The insurers presented various **reconciling items**, as shown in the table.

	Number of insurers making adjustment
Risk adjustment	32
Effect of discounting	39
Loss adjustment and other expenses	14

Sensitivity disclosures

Insurers' sensitivity disclosures show insurers use a wide range of stresses in their analysis

Sensitivity analysis

Insurers are required to present a sensitivity analysis for insurance and market risks and disclose how changes in risk variables would impact profit or loss and equity.

Some insurers also reported the impact on CSM, LRC and the LIC. This allows users to understand the sensitivity of the CSM to future assumption changes. Users can compare an insurer's reported changes in estimates that adjusted the CSM to these theoretical assumption changes to gain an understanding of the size of assumption changes if not explicitly disclosed by the insurer.

Insurance risk assumption	Range of stress	Median stress applied
Mortality	0.2-10%	5%
Morbidity	1-10%	5%
Surrender/lapse rates	5-20%	10%
Expenses	1-20%	10%
Inflation	0.2-1%	1%
Claims (non-life)[1]	1-20%	5%

[1] The claims (non-life) assumption refers to changes in the costs of claims. Some insurers disclose a change in the loss ratio, which is also captured in this line.

Transition-related disclosures

Most insurers have not disclosed the assumptions or policies related to transition balances in their 2024 reports

Transition-related disclosures

Most insurers applied the modified retrospective approach (MRA) or the fair value approach (FVA) to at least some of their business when they first applied IFRS 17.

IFRS 17 requires insurers to separately disclose the CSM as at the reporting date and the insurance revenue for the reporting period for groups of contracts measured under the MRA or FVA. **All but four insurers** met this disclosure requirement.

At the reporting date, insurers that applied the MRA or FVA measured a portion of their CSM balance using different assumptions and under different approaches to those for groups of contracts:

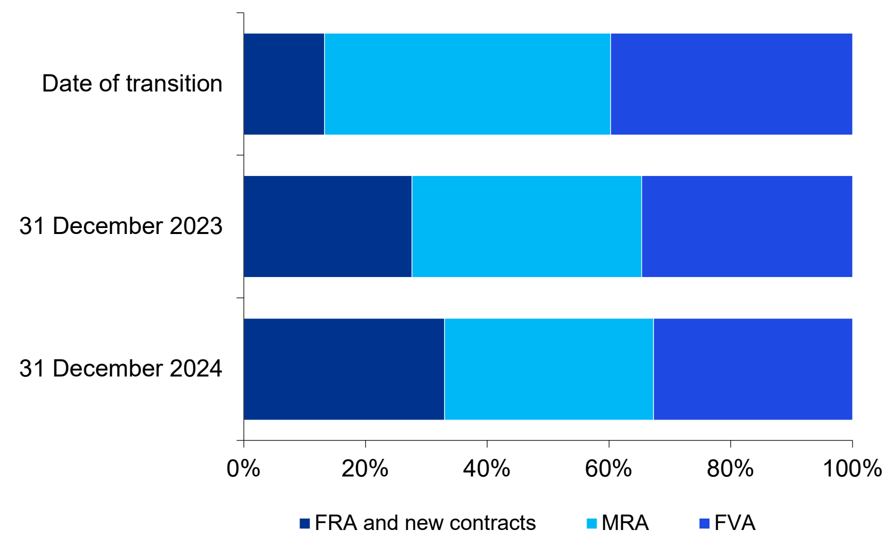
- measured under the full retrospective approach (FRA); and
- issued after the date of transition.

We observed that most insurers stopped providing disclosures in their FY24 reports on the methodology behind the CSM measured under the MRA or FVA.

The graph summarises the insurers' disclosures of the proportion of CSM balances by transition approach applied as at the date of transition, and as at 31 December 2023 and 2024 respectively.

We can observe that the 'FRA and new contracts' CSM balance is increasing over time as expected due to the inclusion of new business. The CSM balance for MRA and FVA will decrease as services are provided; however, this may be offset by any favourable assumption changes that relate to future service and are recognised in the CSM for the related groups of contracts.

Proportion of CSM balances by transition approach applied as at each of the date of transition, FY23 and FY24[1]



[1] **Eight insurers** applying the EU annual cohort exemption are excluded from the table. These insurers used different approaches for providing this disclosure as at 31 December 2023 and 2024 – e.g. some excluded the CSM of the relevant groups from the disclosure; some included the CSM in the 'FRA and other' column even if they used the MRA or FVA at the date of transition; and some provided no disclosure at all.

Insurers' financial assets

Insurers invest in a wide variety of investments

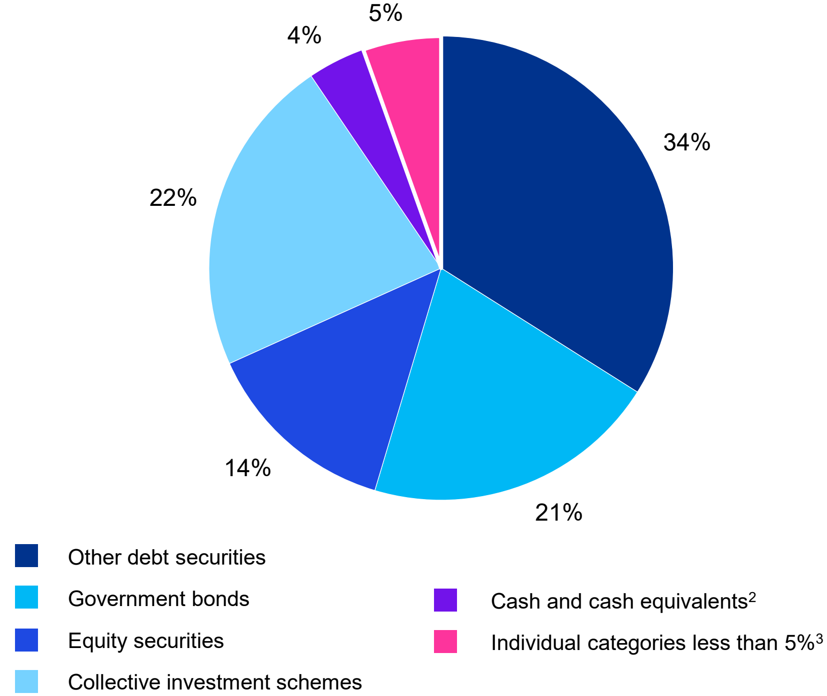
Insurers invest premiums collected into various types of financial assets. An insurer's investment strategy will be driven by various factors, including the nature and duration of the insurance liabilities.

The graph shows the assets by type as reported by the insurers at 31 December 2024.

40 insurers applied hedge accounting, with **13 insurers** applying macro fair value hedge accounting. This means they have taken the option to continue applying IAS 39 *Financial Instruments: Recognition and Measurement* to eligible hedges instead of IFRS 9.

These insurers might be impacted by the International Accounting Standards Board's (IASB) project on Dynamic Risk Management, which, if and when completed, may replace the hedging requirements in IAS 39. An exposure draft on this project is expected in H2 2025; look out for KPMG materials on the project.

Percentage of total investments by asset type[1]



[1] Insurers often used different categories or did not provide the same breakdown – e.g. they did not separate government bonds from other debt instruments – meaning that the above graph is an approximation. Bancassurers have been excluded from this graph. We have included cash and cash equivalents as an investment.

[2] Cash and cash equivalents also includes deposits with financial institutions.

[3] The 'Individual categories less than 5%' category includes: derivative assets, associates held by participating funds, investment property, owner-occupied property at fair value and equity-accounted investees.

Insurers' financial assets

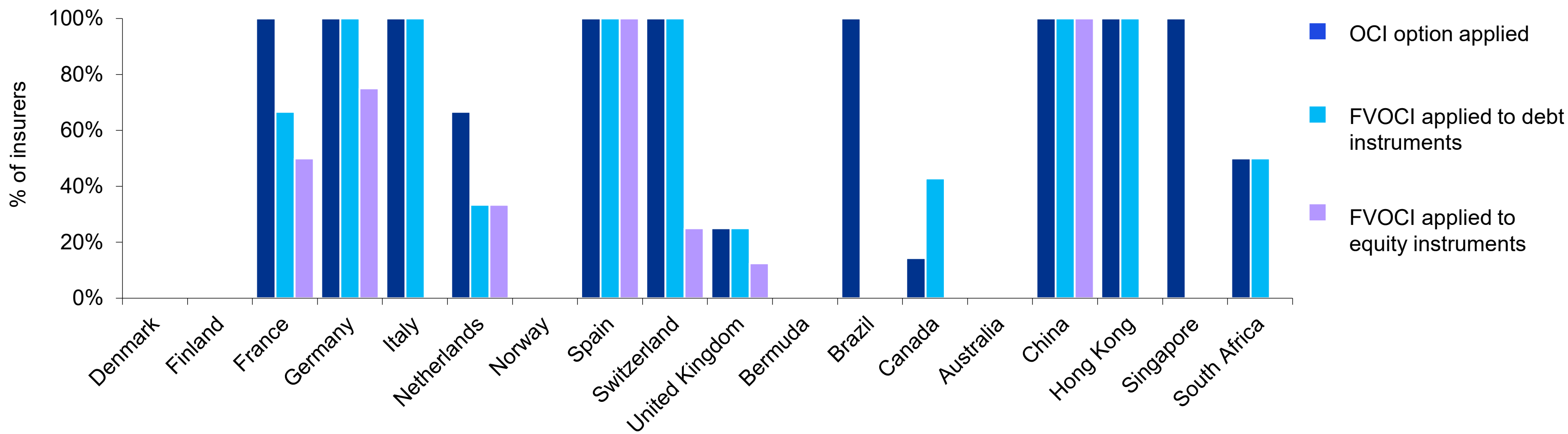
Insurers' IFIE choices align with their financial instrument measurement approaches

IFRS 17 allows a company to present insurance finance income and expense (IFIE) wholly in profit or loss or to disaggregate it between profit or loss and OCI. A key benefit of this option is to reduce accounting mismatches between the insurance contracts and the assets backing the insurance contracts, primarily measured under IFRS 9, and reduce volatility in the income statement.

Most of the insurers chose to apply the option to disaggregate IFIE into profit or loss and OCI (OCI option). We observed that insurers in the same region tend to make similar choices – e.g. most of the insurers in Europe and ASPAC applied the OCI option; most in the Americas did not.

We observed that insurers categorised their debt and equity instruments consistently with the use of the OCI option for IFIE from insurance contracts. For example, the insurers in Australia and Scandinavia predominantly measured their financial assets at fair value through profit or loss and recognised IFIE solely in profit or loss. Conversely, the OCI option was popular with the insurers in France and Germany where applying the fair value through OCI (FVOCI) approach to assets is also common.

Percentage of the insurers by country that apply the OCI option to IFIE[1] and/or measure debt and equity instruments at FVOCI[2]



[1] OCI option applied to at least some groups of insurance contracts.

[2] FVOCI is applied to the majority of debt and/or equity instruments.

Key performance indicators

New business CSM metrics

New business CSM disclosures provide insights into insurers' profitability and growth

What disclosures and metrics do insurers provide for new business?

Insurers are required to disclose in the financial statements the effects of non-PAA contracts initially recognised during the reporting period (as illustrated in the table below).

32 insurers reported **CSM initially recognised** in the period (new business CSM) as a KPI. This was more common for L&H insurers. Some grouped the new business CSM with new business RA to present 'deferred profit' or made certain adjustments – e.g. adjustments for reinsurance or non-directly attributable expenses.

Nearly all insurers with non-life business continue to report gross written premiums as their primary new business metric.

Effects of contracts newly recognised in the year

In millions of EUR	Profitable contracts issued	Onerous contracts issued	Total
2024			
Claims and other insurance service expenses payable	8,959	410	**9,369**
Insurance acquisition cash flows	637	26	**663**
Estimates of present value of cash outflows	**9,596**	**436**	**10,032**
Estimates of present value of cash inflows	(10,109)	(427)	**(10,536)**
Risk adjustment for non-financial risk	213	22	**235**
CSM	**300**	**-**	**300**
Losses recognised on initial recognition	-	31	31

Source: Extract from KPMG's Illustrative disclosures for insurers (2024 edition).

New business CSM metrics (cont.)

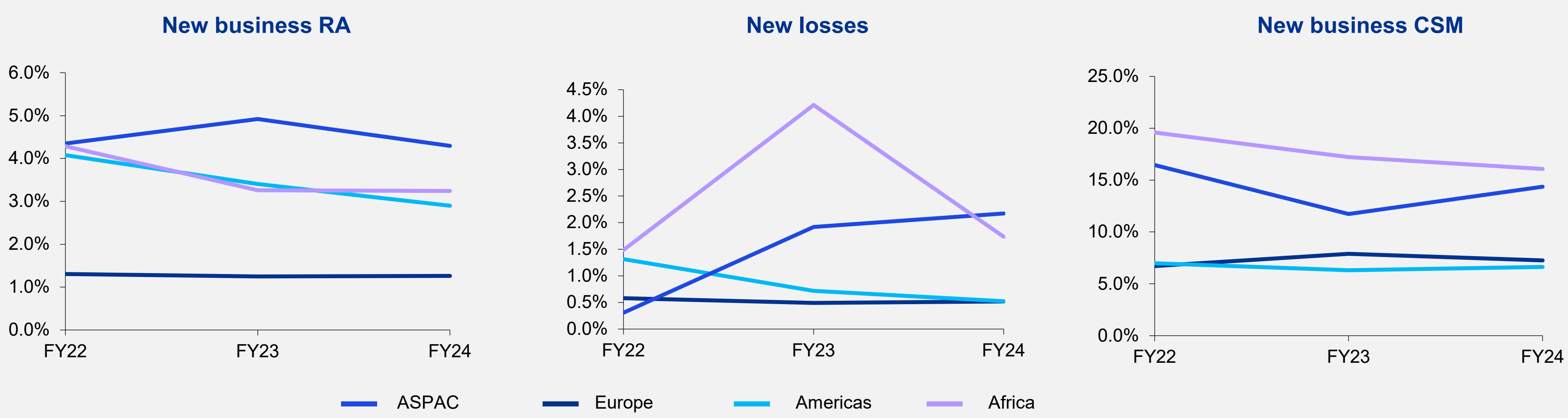
New business CSM disclosures provide insights into insurers' profitability and growth

New business profitability by region

These graphs show the mean percentages by region for the following.

- **New business RA:** calculated by dividing new business RA by expected future cash inflows for new business (the proxy for new business premiums).
- **New losses**: calculated by dividing new losses by the proxy for new business premiums.
- **New business CSM:** calculated by dividing new business CSM by the proxy for new business premiums.

Although not the only driver, higher risk adjustments have resulted in lower CSMs and vice versa. The new business RA decreased in ASPAC, Africa and the Americas from FY23 to FY24. Together with other impacts, such as discount rate movements, this has contributed to the movements in new business CSM as shown below.



Profitability metrics

Many insurers disclosed an alternative profit metric but the calculation methodology varied

Alternative profit metric observations

As noted last year, most insurers report an alternative profit metric, often referred to as 'operating profit' (OP). These metrics provide what management considers more stable earnings from period to period than those derived under IFRS® Accounting Standards. On the next page, we compare net profit under IFRS Accounting Standards with the alternative profit metrics reported by insurers in each region.

The calculation of these metrics differs significantly between insurers. Most calculations start with net profit under IFRS Accounting Standards, but insurers make a significant number of adjustments, as shown in the table.

The IFRS 17-related adjustments relate primarily to IFIE variances, which may offset the adjustments made for investment gains/losses to an extent. Some insurers also made adjustments to exclude the impact of onerous contracts.

Insurers that present these alternative profit metrics will need to consider the new requirements for management-defined performance measures under IFRS 18.

Insurers' adjustments to 'net profit' to arrive at OP metric

'Net profit' adjusted to:	Number of insurers
Exclude:	
Investment variances	27
IFIE variances	6
Acquisitions, restructuring, divestments	21
Corporate transactions/holding expenses	6
Assumption changes and management actions	6
Intangible asset amortisation	23
Non-controlling interests	16
Onerous contracts	4
Finance cost of long-term borrowing	9
Tax (i.e. added back so metric is before tax)	20

Profitability metrics (cont.)

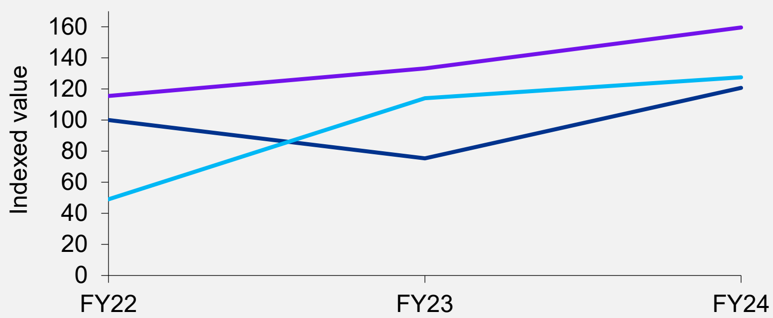
Methodology behind alternative profit metrics varied but may be more stable than net profit or total comprehensive income

History of indexed earnings

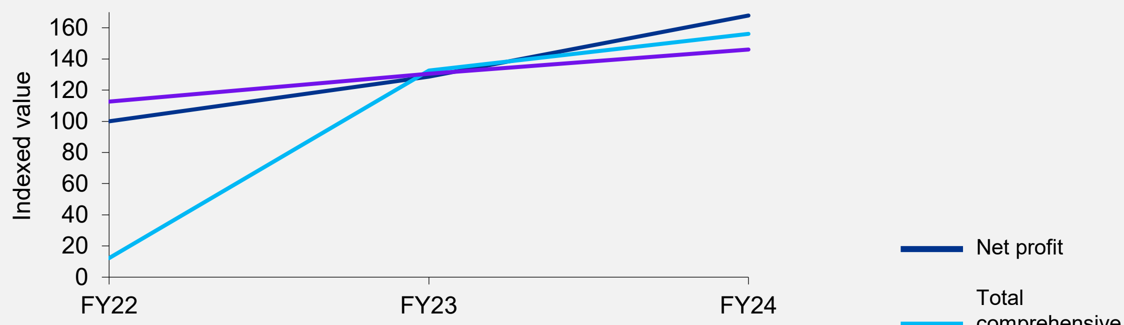
The graphs below show the history of average indexed[1] earnings from FY22 to FY24 for each region.

- **Net profit**: average of indexed net profit after tax as reported under IFRS Accounting Standards by the insurers in each region.
- **Total comprehensive income**: average of indexed total comprehensive income as reported under IFRS Accounting Standards by the insurers in each region.
- **Alternative profit metric**: average of the indexed alternative profit metrics as reported by the insurers in each region.

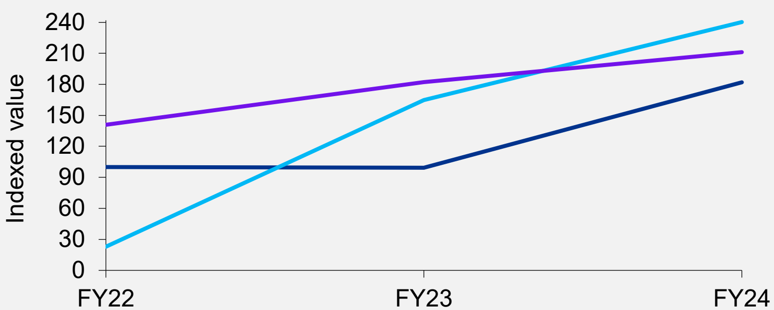
History of indexed earnings - Europe



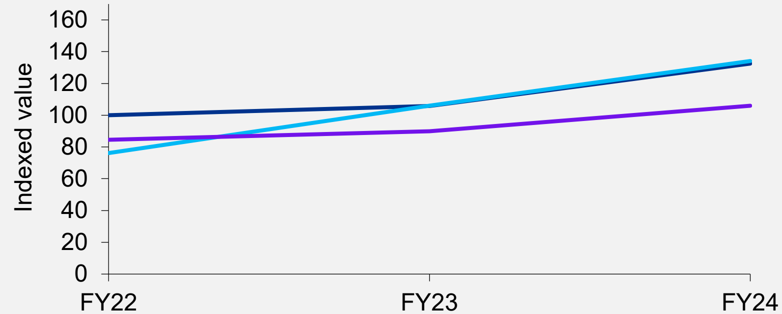
History of indexed earnings - ASPAC



History of indexed earnings - Americas



History of indexed earnings - Africa



1 Profitability metrics reported by insurers have been indexed to FY22 net profit after tax as reported under IFRS Accounting Standards.

Combined ratios

Non-life insurers' updated combined ratios used insurance revenue and expenses but with modifications

Non-life insurers

The table opposite shows the differences we observed in how **27 insurers** calculated the combined ratio in their FY24 reporting, including the adjustments they made compared to the base calculation.

10 insurers continued using a denominator comprising a revenue metric that is not based on IFRS 17 (e.g. earned premiums or gross written premiums).

25 insurers disclosed a discounted combined ratio and **16 insurers** disclosed an undiscounted combined ratio. **Nine insurers** provided the combined ratio on both a discounted and undiscounted basis.

Using the same stated calculation basis can still result in differences in the combined ratio. This is because insurers apply judgement to determine which expenses are 'directly attributable' or 'non-directly attributable', affecting the amount of expenses recognised as insurance service expenses.

We observed a range of **57–98%** of total expenses as being directly attributable, based on the expense disclosures of **22 insurers**. As shown in the table, **18 insurers** adjusted their combined ratio calculation to include other (non-directly attributable) expenses, but the extent to which they include other expenses varied widely.

Adjustments to the combined ratio

Base calculation[1]	Number of insurers making adjustment
Adjusted for effect of reinsurance, of which:	
Both ISE and IR adjusted	17
Reinsurance result adjusted in ISE	14
Only IR adjusted	1
Adjusted to include other expenses[2]	**18**
Other adjustments[3]	**11**

1 Base calculation for the combined ratio is insurance service expenses (ISE) divided by insurance revenue (IR). The table excludes insurers who did not use this base calculation as the starting point for their calculation.

2 The combined ratio therefore includes directly and (some or all) non-directly attributable expenses.

3 Insurers have made various other adjustments to the numerator or denominator – e.g. excluding the impact of onerous contracts or acquired contracts, or excluding certain costs.

Combined ratios (cont.)

Different calculation methodologies have varying impacts on the combined ratio

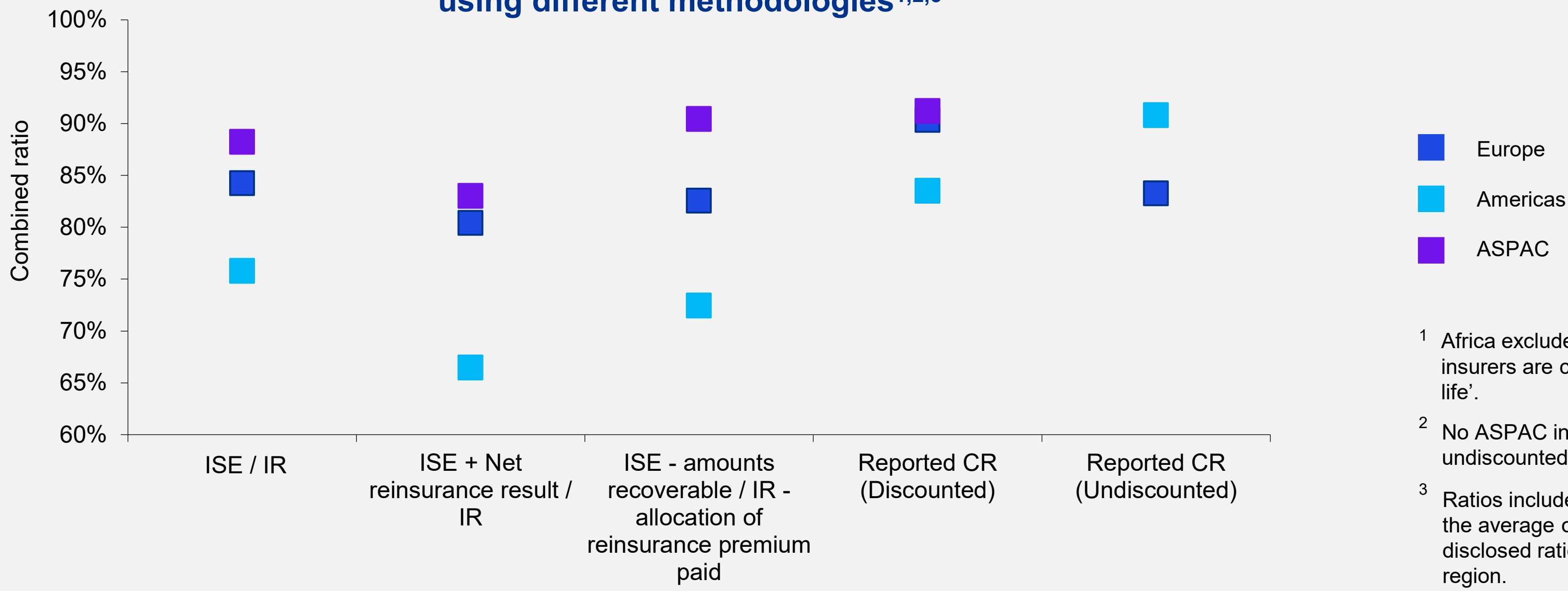
Combined ratios

To demonstrate the impact of differing methodologies for calculating combined ratios, the graph below compares combined ratios calculated using disclosures provided under IFRS 17 and the reported combined ratios for each region.

It illustrates the following methodologies for calculating combined ratios.

- Insurance service expense (ISE) as a proportion of insurance revenue (IR).
- ISE plus net reinsurance result as a proportion of IR.
- ISE less amounts recoverable from reinsurers as a proportion of IR less the allocation of reinsurance premiums paid.

Combined ratios for the total of all the non-life insurers in each region using different methodologies[1,2,3]



1 Africa excluded because no insurers are categorised as 'non-life'.

2 No ASPAC insurers reported an undiscounted combined ratio.

3 Ratios included in the graph are the average of the calculated or disclosed ratios from each region.

Value and capital metrics

New metrics use shareholders' equity and net CSM to indicate total value of the insurance business

14 insurers reported 'comprehensive equity' – an aggregate of shareholders' equity and the CSM – to indicate the value of the insurance business. The CSM used in the calculation of comprehensive equity is commonly net of tax, reinsurance and non-controlling interests. This is sometimes referred to as 'adjusted book value'.

This is a starting point for a business value metric; however, it may not incorporate the value of all parts of the business – e.g. it may exclude contracts under the PAA that have no CSM or non-IFRS 17 value-generating business (e.g. investment contracts under IFRS 9). We have not observed any insurers making such adjustments to their comprehensive equity.

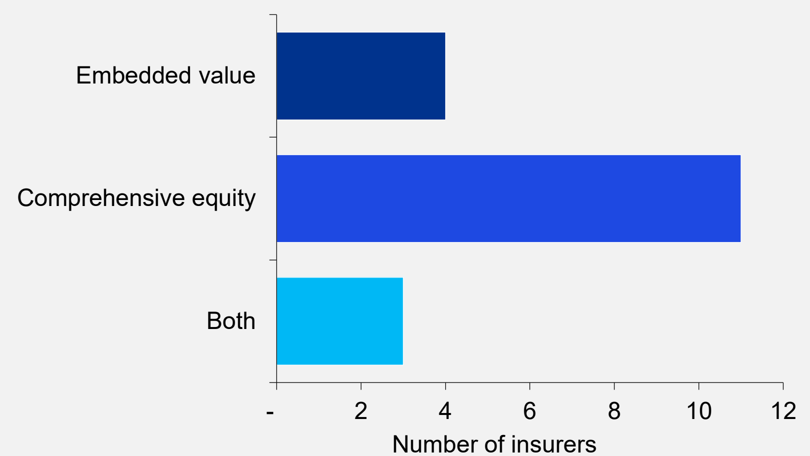
Two insurers stopped presenting embedded value as a key performance indicator in FY24.

34 insurers reported book value, equity or net asset value per share – generally calculated as shareholders' equity divided by the number of shares outstanding at the reporting date (i.e. no inclusion of the CSM).

Most insurers reported a financial leverage ratio or similar debt or gearing ratios. **15 insurers** incorporated the CSM post-tax into their metric since adopting IFRS 17 – e.g. using total gross debt divided by the sum of shareholders' equity, CSM post-tax and total gross debt. This has decreased the leverage ratio.

The number of insurers that provided embedded value[1] and comprehensive equity metrics is as follows.

Value measure reported at 31 December 2024[1,2]



[1] Different bases exist for embedded value – e.g. market-consistent embedded value and European embedded value. See also our previous publication.

[2] Some insurers use elements of embedded value for other metrics – e.g. the value of new business. This diagram shows only embedded value as a total value metric.

What's next?

As part of our real-time IFRS 17 series, we plan to share our analysis of insurers' reporting as they implement IFRS 17 and beyond.

2022 and before

Investor education sessions and targeted updates on IFRS 17 and IFRS 9

FY 2022

FY 2022 financial statements with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* disclosures on IFRS 17 and IFRS 9

Q1 2023

First reporting based on IFRS 17 and IFRS 9 for specific companies

H1 2023

First HY reporting based on IFRS 17 and IFRS 9 – more companies are required to report under the new accounting standards

FY 2023

First FY financial statements based on IFRS 17 and IFRS 9

FY 2024

New observations and changes from insurers' second year of reporting under IFRS 17 and IFRS 9

2025 and beyond

Many jurisdictions delayed the implementation of IFRS 17 and IFRS 9 locally and will be implementing the new accounting standards in the coming years. The International Accounting Standards Board (IASB) will also perform a PIR of IFRS 17.

Keeping in touch

Joachim Kölschbach
Global IFRS Insurance Contracts Leader
KPMG International
jkolschbach_extcolab@kpmg.es

Bob Owel
Global IFRS Insurance Contracts Deputy Leader
KPMG International
bob.owel@kpmgifrg.com

Peter Carlson
Global IFRS Insurance Contracts Deputy Leader
KPMG International
pcarlson@kpmg.com.au

India Preswick
Senior Manager
KPMG International
india.preswick@kpmgifrg.com

With thanks to our additional contributors

Viresh Maharaj | Manish Kumar Bansal | Vicki-Lee Golding
Pragya Seth | Chris Spall | Gina Desai

Follow 'KPMG IFRS' on LinkedIn or visit kpmg.com/ifrs for the latest news.

Whether you are new to IFRS Accounting Standards or a current user, you can find digestible summaries of recent developments, detailed guidance on complex requirements and practical tools such as illustrative disclosures and checklists.

Guide to annual financial statements – Illustrative disclosures for insurers: IFRS 17 and IFRS 9

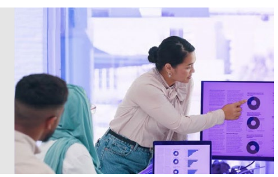
Acquiring insurance contracts

First Impressions – Insurance contracts 2020 edition: IFRS 17

Interim reporting choices under IFRS 17

IFRS 9 for insurers – Are you good to go? Application guidance

First Impressions – Presentation and disclosure: IFRS 18



Appendix

Company selection

Appendix – Company selection

Company	Segment	Domicile
Absa Group Limited	Bancassurance	Africa
Aegon	Composite	Europe
AIA Group Limited	Life & Health	ASPAC
Allianz	Composite	Europe
ASR Nederland	Composite	Europe
Assicurazioni Generali	Composite	Europe
Aviva	Composite	Europe
AXA	Composite	Europe
Baloise Holding	Composite	Europe
Banco Bradesco	Bancassurance	Americas
BNP Paribas	Bancassurance	Europe
CaixaBank	Bancassurance	Europe
Grupo Catalana Occidente	Non-life	Europe
CNP Assurances	Composite	Europe
Coface	Non-life	Europe
Credit Agricole	Bancassurance	Europe
Desjardins Group	Bancassurance	Americas
Direct Line Insurance Group	Non-life	Europe
Discovery Limited (30 June reporter)	Composite	Africa
Fairfax Financial Holdings Limited	Non-life	Americas
Gjensidige Forsikring	Composite	Europe
Great Eastern	Composite	Americas
Great West Life	Life & Health	Americas
Hannover Ruck (Hannover Re)	Reinsurance	Europe
Helia	Non-life	ASPAC
Helvetia	Composite	Europe

Company	Segment	Domicile
Hiscox	Non-life	Americas
HSBC	Bancassurance	Europe
iA Financial Corporation	Composite	Americas
Insurance Australia Group Limited (30 June reporter)	Non-life	ASPAC
Intact Financial	Non-life	Americas
Lancashire	Non-life	Americas
Legal and General	Life & Health	Europe
Lloyds Banking Group	Bancassurance	Europe
M&G	Life & Health	Europe
Manulife Financial	Life & Health	Americas
Mapfre SA	Composite	Europe
Münchener Rückversicherungs-Gesellschaft (Munich Re)	Reinsurance	Europe
NN Group	Composite	Europe
OUTsurance Insurance Company (30 June reporter)	Composite	Africa
Phoenix group Holdings Plc	Life & Health	Europe
PICC Property and Casualty Company Limited	Non-life	ASPAC
Ping An Insurance (Group) Company of China	Composite	ASPAC
Prudential	Life & Health	Europe
QBE Insurance Group	Non-life	ASPAC
Sampo	Non-life	Europe
Sanlam Limited	Composite	Africa
SCOR	Reinsurance	Europe
Storebrand	Composite	Europe
Suncorp Group Limited (HY report)	Bancassurance	ASPAC
SunLife Financial	Life & Health	Americas
Swiss Re (First-time adoption in FY24)	Reinsurer	Europe

Appendix – Company selection (cont.)

Company	Segment	Domicile
Talanx	Composite	Europe
Tryg	Non-life	Europe
Zurich Insurance Group	Composite	Europe

Notes

- Our population includes insurers whose annual report or half-year report was available by our cut-off date of 31 March 2025. These reports were used for the analysis included in the section titled 'Accounting policies and disclosures'. For the analysis in the section titled 'Key performance indicators (KPIs)' we have also used other sources of information, including investor presentations published for the annual 2024 reporting period.
- Some companies have a range of activities within their group. Some L&H, non-life and composite insurers may have segments that also issue reinsurance contracts. These insurers have not been allocated to the reinsurance segment.
- Some companies identify as financial conglomerates with not only banking and insurance activities, but also asset management, technology and other activities. We have generally classified these companies as 'bancassurance'.

KPMG

kpmg.com/ifrs

Publication name: Insurers' 2024 annual financial statements

Publication number: 137886

Publication date: April 2025