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Thematic note on implications of International Financial Reporting Standards (IFRS) for risk-based solvency (RBS) implementation

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This document was prepared by Risk-based Solvency Implementation Forum (RBSIF) in consultation with IAIS members.

This document is available on the IAIS website (www.iais.org).

Content overview

Acronyms

ASBJ	Accounting Standard Board of Japan
CSM	Contractual Service Margin
CPC	Comitê de Pronunciamentos Contábeis (Brazilian Accounting Pronouncements Committee)
ECL	Expected Credit Loss
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EMDE	Emerging Markets and Developing Economies
EU	European Union
EFRAG	European Financial Reporting Advisory Group
FHSI	Financial Health and Stability Indicators
FSI	Financial Soundness Indicators
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GAAP	Generally Accepted Accounting Principles
GCC	Gulf Cooperation Council
GMM	General Measurement Model
GPFR	General Purpose Financial Reporting
GWP	Gross Written Premium
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICP	Insurance Core Principles
ICS	Insurance Capital Standard

IFRIC	International Financial Reporting Standards Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
Ind AS	Indian Accounting Standards
KPIs	Key Performance Indicators
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
MASB	Malaysian Accounting Standards Board
MAV	Market-Adjusted Valuation
MFRS	Malaysian Financial Reporting Standards
MOCE	Margin Over Current Estimate
OCI	Other Comprehensive Income
P&C	Property and Casualty
PAA	Premium Allocation Approach
RBS	Risk-based Solvency
RBSIF	Risk-based Solvency Implementation Forum
SPPI	Solely Payments of Principal and Interest
SUSEP	Superintendência de Seguros Privados
UPR	Unearned Premium Reserve
VFA	Variable Fee Approach

1 Background and introduction

1.1 Background

1. **The IAIS is committed to helping its members from emerging markets and developing economies (EMDEs) to keep pace and/or support their insurance markets' growth.** Through cooperation with implementation partners and regional associations of supervisors, the IAIS will extend its geographical reach and bolster its capacity-building efforts.[1]
2. **The Risk-based Solvency Implementation Forum (RBSIF)** was established in March 2022 to support EMDEs in enhancing their observance of IAIS supervisory material and strengthening members' supervisory frameworks with respect to Risk-based Solvency (RBS) frameworks.
3. **The RBSIF published its members-only Guidance on transitioning to an RBS regime (Guidance)** on 17 December 2024.[2] This Guidance covers the practical aspects of implementing an RBS regime, covering quantitative, qualitative and disclosure components, as well as procedural aspects of managing the transition, and is targeted at supervisors in EMDEs.

1.2 Introduction

4. **This thematic note has been developed in line with Core Objective 3 of the IAIS Strategic Plan 2025–2029 to support members in implementing a modern RBS regime built on the foundation of International Financial Reporting Standards (IFRS) 17.** The note builds on the Guidance, where it was noted that IFRS 17 may provide a starting point for the valuation component of RBS, and develops this in more detail.
5. **Insurance Core Principle (ICP) 14 (Valuation) establishes the requirements for valuation of assets and liabilities of an insurer for solvency purposes.** ICP 14 considers the valuation requirements that should be met for the purpose of the solvency assessment of insurers. This is within the context of IAIS RBS requirements (see ICP 17 (Capital adequacy)).
6. **It is important to note that valuation for solvency purposes differs in purpose from general purpose financial reporting (GPFR).** It should be noted that GPFR is produced for insurer stakeholders, principally shareholders and creditors, and does put significant focus on determining profit for distribution in a particular reporting period. This purpose is not fully aligned with a supervisor's purpose of assessing the economic solvency position of an insurer at a point in time. This is the reason why supervisors in some advanced markets have chosen to develop bespoke valuation approaches for solvency purposes.
7. **The cost-benefit trade-off for EMDEs may be different, and the implementation in many jurisdictions of IFRS 17 from 1 January 2023 may provide more confidence in basing valuation for solvency purposes on GPFR,** even if some adjustments are considered desirable to achieve the necessary comparability and consistency of results for solvency assessment.

[1] IAIS Strategic Plan 2025—2029.

[2] Guidance on transitioning to a risk-based solvency (RBS) regime.

2 Description of IFRS-based insurance balance sheets

2.1 Adoption and application of IFRS by insurers

8. **The adoption of IFRS has seen significant global uptake, with over 140 jurisdictions requiring or permitting their use for publicly listed companies.**[3]
9. **Using IFRS as the valuation basis for an RBS regime only makes sense where all insurers already must apply IFRS.** This is far from the case in all jurisdictions. As such, this thematic note is most relevant to those jurisdictions where IFRS is applied to all insurers or expected to be applied in the future.
10. **In the European Union (EU), application of IFRS is required via an endorsement process,**[4] **which allows for modifications to be made to the adopted standards. This was the case with IFRS 17.** IFRS adoption is mandatory for all listed companies in the EU, but not for other companies; therefore, not all insurers apply IFRS to financial reporting.
11. **Other non-EU European countries have differing approaches.** Norway requires IFRS for listed companies due to its membership of the European Economic Area (EEA), whereas Switzerland permits, but does not require, IFRS for domestic public companies and listings by foreign companies. In the UK, IFRS is required for the consolidated financial statements of UK companies whose securities are admitted to trading on a UK regulated market. UK-adopted international accounting standards are IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) with some limited modifications. The UK permits optional application of IFRS for all companies. As a result of the manner of adoption of IFRS in Europe, IFRS does not apply to all insurers in Europe, only to listed insurance companies or holding companies of insurance groups.
12. **In Africa, IFRS adoption varies, with some jurisdictions fully adopting IFRS for into law for all companies including insurers (for example, South Africa), while others are at different stages of implementation.** In Kenya, IFRS applies to listed companies and financial institutions as well as some government-owned companies and, as a result, it applies to all insurers. In other African countries IFRS has been adopted for all publicly accountable entities, which includes insurers; examples are Ethiopia, Eswatini, Rwanda, Angola and Ghana. In Guinea, Guinea-Bissau and Cameroon, IFRS is only required for listed companies and companies making a public call for capital (100 shareholders or more); it is not clear to what extent this application covers insurers. As a result, IFRS is applied by many insurers in Africa.
13. **In Asia, IFRS has been widely adopted, but with notable exceptions including large nations such as Japan, China and India that do not require IFRS reporting.** Japan permits voluntary application of IFRS for consolidated financial statements by listed companies if they meet certain criteria, otherwise local Japanese GAAP (Generally Accepted Accounting Principles)[5] generally apply. China's national accounting standards are largely aligned with the IFRS, and the country pledged to adopt IFRS for reporting by domestic

[3] See IFRS page on Why global accounting standards?

[4] The endorsement process for IFRS in the EU involves the European Financial Reporting Advisory Group (EFRAG) providing technical advice to the European Commission, which then drafts a regulation for approval by the Accounting Regulatory Committee, followed by scrutiny from the European Parliament and the Council of the European Union.

[5] Since 2005, the IASB and the Accounting Standards Board of Japan (ASBJ) have been working together to achieve convergence of IFRS and Japanese GAAP. However, the Japanese GAAP has not yet been aligned with IFRS 17.

companies starting from 1 January 2026.[6] South Korea has applied a similar approach to Europe with an endorsement process, and applications to companies with listed securities and its variations from IFRS have been to add additional disclosure requirements. Hong Kong Financial Reporting Standards are converged with IFRS and apply to all companies (ie, applicable to Hong Kong incorporated insurers), whereas all insurance companies in Chinese Taipei are required to fully adopt IFRS for their financial reporting. Indian Accounting Standards (Ind AS) are substantially converged with IFRS as issued by the Board. However, India has not adopted IFRS for domestic company reporting and has not made a formal commitment to do so. In contrast, many smaller Asian nations have adopted IFRS completely or substantially for all companies, not just listed companies, for example in the Philippines and Singapore. Some Asian nations have adopted IFRS for all publicly accountable entities, including all insurers, for example in Thailand, Sri Lanka and Indonesia. In Malaysia, the Malaysian Financial Reporting Standards (MFRS) issued by the Malaysian Accounting Standards Board (MASB) are fully convergent with IFRS. All insurers, both listed and non-listed, are required to implement MFRS.

14. **In the Middle East, the Gulf Cooperation Council (GCC) region countries like Saudi Arabia, the United Arab Emirates and Qatar have integrated IFRS into their financial reporting frameworks for all companies, listed and unlisted.** Jordan and Lebanon have adopted IFRS for all listed companies and financial institutions, thereby including insurers. Israel requires IFRS for all companies, either listed or unlisted, and the insurance supervisor (the Capital Market, Insurance and Savings Authority) requires the use of IFRS. In Iran, all listed companies, banks and financial institutions including insurers are required to use IFRS. In Iraq, only banks are required to use IFRS, and insurers are not permitted to use IFRS.
15. **Amongst Central American, South American and North American countries, adoption of IFRS is mixed, as set out in the following examples.** Costa Rica requires IFRS to be used by listed companies and financial institutions, including insurers. In Nicaragua, companies can use either IFRS or US GAAP. Brazil has endorsed IFRS[7] (with only minor modifications) for all listed entities, and Superintendência de Seguros Privados (SUSEP) requires the use of IFRS for insurers. In Argentina, despite the requirement for IFRS to be used by all domestic public companies, the Superintendency of Insurance applies its own accounting regulations for insurers.[8] In Chile, while IFRS has been adopted as the national accounting standards for all companies, adoption is not complete in the insurance sector, where IFRS 17 has not been implemented. In Paraguay, IFRS is permitted but used by only a few large listed companies. In Peru, IFRS applies to all listed companies except for financial institutions such as banks and insurers. These financial institutions apply local accounting standards established by the supervisor, which is substantially aligned with IFRS. In Mexico, all listed companies must follow IFRS, except for financial institutions which includes insurance companies. Canada requires all publicly accountable entities, including insurers, to apply IFRS. The United States continues to use GAAP, though it permits IFRS for foreign companies listed on its exchanges.
16. **In Oceania, the application of IFRS is quite comprehensive. Australian Accounting Standards are aligned with IFRS and therefore require application of IFRS for all**

[6] According to requirements of China's Ministry of Finance, all publicly listed insurance companies in China already implemented IFRS 17 and 9 since 1 January 2023, and the implementation date for other insurance companies is 1 January 2026.

[7] The Comitê de Pronunciamentos Contábeis (CPC), the Brazilian Accounting Pronouncements Committee, is responsible for the issuance of accounting standards.

[8] This is similar to banks in Argentina, which must apply accounting regulations issued by Banco Central de Republica Argentina.

"reporting entities", which includes all insurers. There are some additional disclosure requirements. New Zealand is fully converged with IFRS (except for additional disclosure rules) and is specifically required for insurers and more broadly for all publicly accountable entities. In Fiji and Papua New Guinea, a very similar application of IFRS is used as in New Zealand.

17. **A number of jurisdictions have adjusted the implementation of IFRS in one important aspect for insurers, by delaying in the effective implementation date for IFRS 17.** Some examples of countries that delayed the IFRS 17 effective date until 1 January 2025 are Israel, Sri Lanka,[9] Cambodia, Indonesia, Thailand and Nepal. The Philippines and Costa Rica have delayed adoption of IFRS 17 until 1 January 2027 and 1 January 2028, respectively.
18. **What stands out from this analysis is that in many advanced economies, particularly in Europe, a choice has been made to only selectively apply IFRS for large publicly listed companies.** In EMDEs, implementation of IFRS is more comprehensive and insurers, irrespective of their size and sophistication, will need to apply IFRS and, in particular, IFRS 17. This creates challenges for small insurers in jurisdictions with limited access to necessary expertise. There are examples of audit reports being qualified for some insurers, which is a significant reputational risk for those insurers and a sign that their financial statements and potentially supervisory reporting is unreliable.

2.2 Description of IFRS

19. **For insurers, there are two key accounting standards that have the most material effect on their balance sheet.** IFRS 17, applicable to insurance contracts, introduces a comprehensive framework for the recognition, measurement, presentation and disclosure of insurance contracts. This standard will determine the value of what are referred to in ICP 14 and ICP 17 as technical provisions. IFRS 9 (Financial instruments) deals with the recognition and measurement of the most significant assets on an insurer's balance sheet – financial instruments such as bonds and shares. Together, they set out the requirements for measurement of the most material components of the two sides of an insurer's balance sheet. For insurers, IASB delayed the implementation date of IFRS 9 so that it could be implemented at the same time as IFRS 17 to reduce the possibility of accounting mismatches.

2.3 Description of relevant elements of IFRS 17

20. **At the core of IFRS 17 is the General Measurement Model (GMM), which sets out the general philosophy of the standard.** The other two measurement models are modifications or simplifications of the GMM. The GMM requires insurers to measure contracts using four key components: expected future cashflows, a discount rate to reflect the time value of money, a risk adjustment for non-financial risk, and the Contractual Service Margin (CSM), which represents unearned profit. The GMM is the default model and is designed to provide a consistent and transparent view of an insurer's financial position by updating assumptions and remeasuring components annually.
21. **For simpler or shorter-duration contracts, IFRS 17 allows the use of the Premium Allocation Approach (PAA), which is a simplified alternative to the GMM.** The PAA is typically used for contracts with a coverage period of one year or less, or when it can be

[9] Although 1 January 2025 was the general implementation date in Sri Lanka, it has been further deferred for some entities (eg the National Insurance Trust Fund).

demonstrated that the results would not differ materially from the GMM. Under the PAA, the liability for remaining coverage is measured similarly to the unearned premium reserve (UPR) under previous standards, making it operationally easier to implement.[10] However, once a claim is incurred, the measurement of liabilities aligns with the GMM, ensuring consistency in the treatment of claims. The PAA is mostly applicable to typical non-life insurance contracts with a coverage period of one year. These types of policies are often more prevalent in EMDE countries than longer-term life insurance products.

22. **The Variable Fee Approach (VFA) is a specialised model under IFRS 17, applicable to insurance contracts with direct participation features – typically those that are investment-related, such as unit-linked or with-profits products.** Unlike the GMM, the VFA allows for the adjustment of CSM to reflect changes in the insurer's share of the fair value of underlying items, known as the "variable fee". This approach better captures the economic reality of these contracts by incorporating market movements into the measurement of profitability. The VFA thus provides a more accurate reflection of the insurer's performance and helps manage balance sheet volatility more effectively.
23. The three measurement approaches in IFRS 17 are compared below.

Table 1: Comparison of measurement approaches

Feature	GMM	PAA	VFA
Applicability	Default model	Optional for short-duration contracts meeting certain criteria	Contracts with direct participation features
Measurement basis	Cash flows, discounting, risk adjustment, CSM	Simplified: liability for remaining coverage similar to UPR but liability for incurred claims same as GMM	Similar to GMM but adjusts CSM for changes in variable fee
CSM	Required and updated over time	Not part of measurement model	Required and adjusted for changes in insurer's share of returns
Complexity	High	Low	High
Discounting	Required	Optional (if impact is immaterial)	Required
Risk adjustment	Required	Required for incurred claims	Required
Use case examples	Long-term life insurance, annuities	Short-term property & casualty insurance	Unit-linked or with-profits life insurance

24. **One of the characteristics of IFRS 17 is that there is a significant amount of discretion and optionality in the application of the standard.** There is optionality in the approach to discounting. With the measurement of the risk adjustment, there are choices to be made on

[10] Although PAA and UPR are similar concepts, the former is calculated based on premiums received, while the latter is based on premiums issued.

the level of aggregation of portfolios and groups, which may impact on recognition of losses on onerous contracts. There are also discretions on defining what is a coverage unit to determine the release of the contractual service margin (and, therefore, profitability recognition), and there are choices in how acquisition costs can be allocated to groups of contracts and amortised over the coverage period or expensed immediately[11] (again affecting profit emergence). Another choice is whether to recognise changes in interest rates, either in profit or loss or other comprehensive income (OCI).

25. **Despite this optionality, implementing IFRS 17 will undoubtedly create more consistent accounting for insurance contracts across the world because it is based on a consistent set of principles, allowing more meaningful comparison across different insurers' financial reporting.** IFRS 4 was a standard that effectively grandfathered existing approaches to accounting for insurance contracts in countries that adopted it. Therefore, a wide range of accounting practices were permitted under IFRS 4. In terms of consistency, the IASB sets out a comparison[12] of IFRS 4 and IFRS 17, shown below.

Table 2: IFRS 4 versus IFRS 17 – Comparability

IFRS 4 – A lack of comparability	IFRS 17 – A consistent framework
Comparability amongst companies across countries	
Accounting for insurance contracts varies significantly between companies operating in different countries.	Companies will apply consistent accounting for all insurance contracts.
Comparability amongst insurance contracts	
Some multinational companies consolidate their subsidiaries using different accounting policies for the same type of insurance contracts written in different countries.	A multinational company will measure insurance contracts consistently within the group, making it easier to compare results by product and geographical area.
Comparability amongst industries	
Some companies present cash or deposits received as revenue. This differs from accounting practice in other industries, in particular banking and investment management.	Revenue will reflect the insurance coverage provided, excluding deposit components, as it would in any other industry.

Source: IASB

26. With respect to enhancements of transparency, the IASB has also helpfully provided a comparison between IFRS 4 and IFRS 17.

Table 3: IFRS 4 versus IFRS 17 – Transparency

IFRS 4 – Little transparent or useful information	IFRS 17 – More transparent and useful information
Information about the value of insurance obligations	
• Some companies measure insurance contracts using out-of-date information.	• Companies will measure insurance contracts at current value.

[11] Only available in relation to the PAA.

[12] IFRS Standards Fact Sheet.

• Some companies do not consider the time value of money when measuring liabilities for claims. • Some companies measure insurance contracts based on the value of their investment portfolios.	• Companies will reflect the time value of money in estimated payments to settle incurred claims. • Companies will measure their insurance contracts based only on the obligations created by these contracts.
Information about profitability	
• Some companies do not provide consistent information about the sources of profit recognised from insurance contracts. • Many companies provide alternative performance measures – non-GAAP measures – to supplement IFRS 4 information, such as embedded value information.	• Companies will provide consistent information about components of current and future profits from insurance contracts. • Companies and users of financial statements will use fewer non-GAAP measures; supplementary information will enable more meaningful comparisons.

Source: IASB

27. **A full comparison across different implementations of IFRS 4 and IFRS 17 is beyond the scope of this thematic note.** However, this summary should provide some indications of changes, and each jurisdiction would have to compare IFRS 17 to its own implementation of IFRS 4 to understand the specific impact of changes.

2.4 Description of relevant elements of IFRS 9 (Financial instruments)

28. **IFRS 9, which replaced the International Accounting Standard (IAS) 39, aims to improve and simplify the reporting of financial instruments, addressing concerns about the relevance and reliability of financial information during the financial crises.** IFRS 9 addresses three main phases: classification and measurement, impairment, and hedge accounting. The classification and measurement phase requires financial assets to be measured at amortised cost, fair value through other comprehensive income (FVTOCI), or fair value through profit or loss (FVTPL), based on the business model assessment and the Solely Payments of Principal & Interest (SPPI) test. This phase also includes changes in the recognition of financial liabilities, particularly the treatment of changes in own credit risk (note that ICP 14 specifically prohibits the recognition of changes in own credit risk).
29. **The impairment phase introduces a forward-looking expected credit loss (ECL) model, which requires entities to recognise credit losses earlier than under IAS 39.** This model applies to all financial assets measured at amortised cost or FVTOCI, as well as certain loan commitments and financial guarantee contracts. The ECL model aims to provide more timely and relevant information about credit risk, enhancing transparency and comparability across entities. The hedge accounting phase aligns accounting more closely with risk management practices, allowing more hedging strategies to qualify for hedge accounting.
30. **Key accounting policy choices under IFRS 9 include the classification and measurement of financial assets and liabilities, the implementation of the ECL model and the selection of hedge accounting requirements.** For classification and measurement, entities must decide whether financial assets meet the criteria for amortised cost, FVTOCI or FVTPL based on their business model and the SPPI test. In terms of impairment, entities need to establish methodologies for estimating expected credit losses, considering factors such as historical data, current conditions and forward-looking information.

2.5 Interaction between IFRS 17 and IFRS 9 policy choices

31. **There is one major accounting policy choice that is common to both IFRS 17 and IFRS 9, and that is the choice of classification and measurement**. This is a key choice to ensure that there is no profitability volatility created by accounting mismatch. The choice in IFRS 17 is whether to include insurance finance income or expenses for the period in profit or loss or in OCI. IFRS 9 contains a principles-based approach to the classification of financial assets which must be classified into one of four categories: amortised cost, FVTPL, FVTOCI for debt and FVTOCI for equity. Given that IFRS 17 is a current measurement model, it is unlikely that insurers are going to choose to measure any material amount of their investment portfolio at amortised cost as this would create earnings volatility based on changes in interest rates (as similar changes would not be recognised on assets measured at amortised cost). A choice to use either FVTPL or FVTOCI needs to be coordinated across IFRS 9 and IFRS 17 to ensure there is no accounting mismatch. From a solvency perspective, the choice between recording insurance finance and income expenses in profit or loss or in OCI to match IFRS 9 accounting policy choices should not be a significant issue, as the balance sheet items are still at the same value. However, when trying to assess and benchmark earnings and organic capital growth, the choices of different insurers will be important.

2.6 Accounting policy choices in practice

32. **KPMG[13] surveyed the 2024 annual reports of 55 insurance companies to assess the implementation of IFRS 17**. Of those 55 insurers, eight insurers disclosed changes in IFRS 17 accounting policies indicating insurers are learning and correcting as they become more familiar with IFRS 17 and benchmarked themselves against peers. Some of the key observations about the most material accounting policy choices in IFRS 17 are set out in Table 4 below.

[13] KPMG Insurers' 2024 annual financial statements.

Table 4: Accounting policy choices

Accounting policy choice	Insights
Discounting	Of all insurers surveyed, 58% use a bottom-up approach to discounting (like the Insurance Capital Standard (ICS)), 3% use a top-down approach, 13% use multiple approaches for different portfolios, 4% use a hybrid approach (elements of both) and 22% did not disclose their approach. Ranges between highest and lowest discount rates disclosed for EUR varied from over 2% at the short and long end of the observable yield curve down to just over 1.5% at the 20-year term. USD ranges between highest and lowest discount rates varied by around 1% across the yield curve with shorter terms just above 1%. Some of these differences reflect different approaches for different products (eg top down for annuities), but that range indicates that if supervisors are to use IFRS 17 for solvency purposes, they will need to look at narrowing those ranges of discount rates. Over half of Asia-Pacific insurers chose to discount liability for remaining coverage (LRC) compared with 20% in Africa and almost none in Europe (perhaps due to a difference in discount rates). In terms of the liability for incurred claims (LIC), 100% of African insurers used discounting. In other regions the usage was lower but there still appeared to be 50% or more of insurers that used discounting.
Risk adjustment and confidence levels	Confidence levels varied from less than the 60th percentile to greater than the 90th percentile, with a concentration of insurers around the 70th to 79th percentile. Again, with this range of outcomes, supervisors would need to understand how to take into account such variation or try to reduce or minimise such variation.
Expected CSM release	There is a significant variation in the granularity of insurer disclosures about future release of CSM. However, it appears insurers in the Americas expect to recognise their CSM balance relatively sooner than other regions, and African insurers are expecting a significantly slower release of CSM than peers. Variation in CSM release is based on assumptions and how coverage units are determined, and such variation would need to be considered by a supervisor wishing to rely on IFRS 17 for solvency purposes.
Acquisition costs	Out of 47 insurers using the PAA, 19 chose the option to expense insurance acquisition cashflows when incurred. This was notably the case for African insurers that all used this option, compared with only about half of European insurers.

3 Benefits and concerns of using IFRS-based valuation for RBS purposes

3.1 Benefits

33. **ICP 14 advocates maintaining a close relationship between GPFR and supervisory reporting.** ICP 14.0.1 begins with the following statement: "The methodologies for calculating items in general purpose financial reports should be substantially consistent with the methodologies used for regulatory reporting purposes and ideally with as few changes as possible to satisfy supervisory requirements. However, this may not be possible or appropriate in all respects, considering the differing purposes. Differences between general purpose financial reports and supervisory reports should be publicly explained."[14]
34. **The benefits covered in this section are not specific to IFRS but more generally applicable to using GPFR with as few changes as possible.** Although this thematic note is focused on IFRS, the benefits described here are equally applicable to any national accounting standards as applied by insurers in a particular jurisdiction.
35. **One clear benefit for using GPFR as a basis for supervisory reporting is that it is generally subject to a rigorous audit.** Where there are bespoke supervisory reporting requirements, a supervisor may specify certain auditing requirements but is likely to face opposition on the basis of cost. An auditor can also be another source of information for a supervisor and commonality between GPFR, and supervisory reporting will facilitate the exchange of information. Auditors are allies to supervisors in identifying risks, identifying errors in reporting, and in some cases identifying fraud and other kinds of malfeasance by management of companies. The more their work is aligned with the supervisor, the greater the benefit to the supervisor. No matter the level of alignment between GPFR and supervisory reporting, auditors should be considered an important part of the overall system of supervision for insurers. In many jurisdictions, there are specific requirements for the experience of auditors of insurers, and some jurisdictions approve auditors and require specific reporting from auditors. Auditors can also be engaged to undertake particular investigations on behalf of supervisors in some countries, and this work is aided if the auditor's yearly work is based on reporting that has as few differences as possible. Guidance attached to ICP 9.4 sets out some ways in which the work of an auditor should be considered by supervisors.
36. **IFRS provides a comprehensive framework of accounting standards covering not just accounting for insurance contracts and financial instruments but addressing many other accounting issues.** IFRS is based on a conceptual framework that provides for consistency of accounting standard setting. Such a comprehensive approach is difficult for supervisors to replicate if they develop their own bespoke valuation methodology. A benefit of using IFRS is that there are significant resources available to help interpret the accounting standards including the IASB's own IFRS Interpretations Committee (IFRIC). Global accounting networks also have experts all over the world that can be accessed by auditors and consulting clients to address interpretation and implementation issues. Bespoke supervisory reporting will not have access to such a global network of expertise.
37. **In the case of EMDEs, resources for insurers and supervisors are often few and in high demand.** Maintaining two reporting systems – one for GPFR and one for supervisory

[14] See also the Guidance, Section 5.2.2.

reporting – is a resource-intensive requirement requiring a highly skilled staff of accounting and actuarial experts. In this context, compromise on ultimate comparability or fitness for supervisory purposes may be justified due to the claim on resources to maintain two reporting systems. The additional benefit of bespoke reporting may be difficult to justify in that context.

38. **Aligning supervisory reporting with IFRS does not necessarily mean accepting identical reporting.** The introduction of IFRS 17 has been an expensive development for insurers, requiring significant investment in IT systems. These IT systems are usually capable of being run with different inputs at very little additional cost once the systems are set up and specified correctly. These different inputs could be supervisor-specified accounting policy choices within the IFRS framework. For example, discount rates could be specified by the supervisor and, for supervisory reporting purposes, balance sheet and profit and loss reporting could be provided using these specified rates. The auditing that is carried out is often systems based and relies on verifying that the accounting and actuarial systems are operating correctly. Once this is established, varying certain inputs should not be a significant additional burden. The reporting would be aligned with IFRS but provided on a more consistent, less company-specific basis. In the EU, the experience has been that the discounting methodology and European Insurance and Occupational Pensions Authority (EIOPA)'s published discount curves are used by a number of insurers for the purposes of IFRS 17. Therefore, if supervisors specify certain inputs, it may have an impact on consistency of reporting for GPFR.
39. **ICP 14 sets out the requirements for valuation for solvency purposes, and it appears that IFRS 17 and IFRS 9 reporting could be considered aligned with these requirements if the compromises inherent in GPFR are understood in the overall solvency framework.** As per ICP 17 and ICP 14, a solvency framework should reflect a total balance sheet approach. A total balance sheet approach requires consistent assumptions for the recognition and valuation of assets and liabilities. For setting supervisory capital requirements, the starting point for determining capital resources should be the difference between assets and liabilities.
40. **ICP 14.1 requires valuation to address the recognition, derecognition and measurement of assets and liabilities that IFRS 17 and IFRS 9 address.** ICP 14.2 requires the valuation of assets and liabilities to be undertaken on a consistent basis, and the conceptual framework for IFRS ensures this is the case. ICP 14.3 requires the valuation of assets and liabilities to be undertaken in a reliable, decision useful and transparent manner. IFRS is made for GPFR, so there can be some debate as to whether it is decision useful for supervisors in assessing solvency. One point to note is that for insurers that are experiencing stress to their solvency position, alignment between GPFR and supervisory reporting would enable better coordination for determining supervisory solvency, and reported solvency under general corporate obligations to only allow solvent companies to continue to operate. Differences between supervisory reporting and GPFR could result in different triggers for resolution or liquidation to be implemented. ICP 14.4 requires there to be an economic valuation that reflects the risk-adjusted present values of their cashflows. IFRS 17 includes a specific risk adjustment, so it would appear to meet this requirement. For IFRS 9, where fair values (which inherently incorporate risk adjustments) are not used, there is the ECL forward-looking approach to recognising potential credit losses. ICP 14.5 requires technical provisions and other liabilities to not reflect the insurer's own credit standing. This could be an issue for IFRS 9 valuations of debt instruments issued by insurers, and there may need to be some adjustment in supervisory reporting for the credit standing of the insurer if this changes, particularly adversely.

41. **IFRS 17 appears aligned with ICP 14.6, which requires the current estimate to reflect the present value of all relevant projected cashflows that arise in fulfilling insurance obligations using unbiased current assumptions.** IFRS 17 is founded on a fulfilment basis of valuation. This approach involves measuring insurance contract liabilities based on the present value of future cashflows that an entity expects to incur as it fulfils its contractual obligations. ICP 14.7 requires technical provisions to correspond to a current estimate and Margin Over Current Estimate (MOCE). IFRS 17 includes the concept of a risk adjustment, which appears aligned with the concept of a MOCE in ICP 14.8 and includes the additional CSM. In cases where the risk adjustment is more prudent than is deemed necessary for the MOCE, some of the IFRS 17 risk adjustment could be recognised as a capital resource. ICP 14.9 requires technical provisions to allow for the time value of money and the supervisor to establish criteria for the appropriate determination of discounting rates. IFRS 17 does provide some exceptions to discounting where it is not material, but in general does require recognition of the time value of money. In terms of supervisors making an appropriate determination, this is something supervisors could do to create greater convergence or could determine that the IFRS 17 options for determining discount rates are appropriate and then monitor how these are implemented. ICP 14.10 requires technical provisions to make appropriate allowance for embedded options and guarantees. This is one of the key advantages of IFRS 17 compared with most implementations of IFRS 4, as IFRS 17 explicitly requires valuation of embedded options and guarantees (see the Guidance, Section 5.2.2, paragraph 249).

3.2 Concerns for using IFRS-based valuation for RBS purposes

42. **The most significant issue for the use of IFRS, particularly IFRS 17, is that the number of accounting policy choices embedded in the standards does impact comparability.** As already outlined in Section 2, there are a number of material accounting policy choices that can create material variation amongst insurers that is not based on, or justified by, differences in the portfolios of insurers. Different insurers could value very similar portfolios using a number of different policy choices and arrive at materially different valuations. This would be a legitimate application of IFRS 17. However, all valuations require the use of assumptions and judgments. It is expected that over time, through peer comparison and market pressure, there will be some narrowing of accounting policy choices, and the KPMG report noted that some insurers are reacting to how their peers are reporting. Nonetheless, comparability is a weakness of using IFRS, but there are ways of addressing this through some limited specification of accounting policy choices or through thematic industry-wide reviews that highlight and disclose the range of choices being made. The implementation of IFRS 17 and IFRS 9 is a journey for insurers that they have just begun. Practice is likely to evolve over time, and that evolution could be prompted by supervisory review particularly where there is reliance on GPFR for supervisory reporting.
43. **A bespoke solvency reporting framework is an appropriate choice in terms of ensuring comparability and for ensuring the reporting is fit for RBS purposes.** However, as stated above, this ultimate aim must be balanced against the costs and how compromised the supervisor's aims are by comparability issues. The benefits laid out above for the use of IFRS can also be considered the costs of implementing a bespoke solvency reporting framework. Advanced economies with large, well-resourced insurers may be able to justify the costs of this more tailored approach to solvency reporting.
44. **Another factor to consider is that the more complex the financial markets in a jurisdiction are, the more likely material variations will emerge due to the range of**

accounting policy choices in IFRS 17. For example, where there are well-developed markets for a range of publicly and privately traded financial instruments, there is scope for diversity in how discount rates are determined under IFRS 17. However, in a financial market dominated by limited availability of financial instruments – for example, only government bonds – the diversity in calculated discount rates using the options in IFRS 17 may be less than for an advanced market.

45. **A conceptual issue is that GPFR is created for a different purpose than solvency reporting.** This speaks to the issue of decision usefulness, which is covered extensively in ICP 14.3 and its guidance. This guidance sets out a wide range of valuation techniques and inputs that in various circumstances can result in decision useful information for supervisors. Supervisors will need to consider what decision useful means in the context of the overall solvency framework, taking into account how capital requirements and capital resources are specified. Supervisors will have to consider whether the comparability issue covered above sufficiently impacts the decision usefulness of GPFR to justify either requiring modifications for supervisory reporting or a completely bespoke approach to valuation, particularly for technical provisions.
46. **A concern in applying IFRS-based valuation for RBS purposes is the varying level of understanding of the accounting standards amongst users.**[15] IFRS 17 introduces a significantly more complex framework compared with IFRS 4, primarily due to its new measurement philosophy and fundamental shifts in approach. As a result, users may not initially interpret or analyse financial statements prepared under IFRS 17 with the same level of confidence as those prepared under IFRS 4.
47. **To bridge this knowledge gap, insurers can provide comparative information in the notes to key performance indicators (KPIs), referencing results under the previous standard.** This practice helps build confidence in IFRS 17 valuations until users develop sufficient expertise to independently comprehend the new framework. For example, Canada adopted a similar approach prior to the effective date of IFRS 17 by disclosing solvency ratios under both IFRS 4 and IFRS 17, thereby easing the transition for stakeholders. Ultimately, widespread understanding of IFRS 17 will only evolve as the standard matures over time and through continued application.

4 Accounting policy choices and how these might be handled

48. **This section assumes that a supervisor has decided that the benefits of sticking as closely to IFRS reporting as possible is the way forward given jurisdictional circumstances.** One way of going forward may be to gain experience with IFRS-based reporting and continually assess its fitness for purpose. It would be useful to find portfolios that are similar across a number of insurers and conduct an industry-wide assessment of differences in accounting policy choices and how material these different choices can be. Once this information is gathered over the initial years of IFRS 17 and IFRS 9 implementation, a better understanding will be developed as to the trade-off between the costs of specifying some accounting policy choices compared with the benefits of improving comparability and the fitness of purpose of the solvency reporting.
49. **Supervisors can also assess international developments in IFRS implementation and gain a wider appreciation of how IFRS is being implemented in their jurisdiction**

[15] The Guidance covers the issues of resourcing and capacity in more detail, for example in Section 3.5.2.

compared with international peers. This is one benefit of using an international standard such as IFRS compared with national bespoke standards, as there is much more information available from a wide range of international sources and experts.

50. **One key issue for supervisors to consider with respect to IFRS 17 is whether the CSM is appropriately classified on an insurer's IFRS balance sheet when considering solvency purposes.** The CSM effectively increases the liability so that day one gains on the sale of an insurance product cannot be recognised. This increases technical provisions and reduces capital resources (not taking into account dividend policy) compared with many approaches to valuation for solvency purposes. One way of considering this issue is to consider how troubled insurance companies can be rehabilitated or resolved in the case of solvency concerns. A typical process for dealing with troubled insurance companies is to transfer some or all of their business to another insurance company or a bridge insurance company. The valuation of the relevant assets and technical provisions is key to making such a process successful. The question becomes whether the future profitability embedded in insurance liabilities under IFRS 17 would be considered in determining a fair transfer value. Alternatively, given that insurers mostly exhibit a longer time horizon for resolution or rehabilitation, future profits may be a resource that can be used over time to improve the solvency situation of an insurer.
51. **CSM may be considered to be more like a capital resource rather than a liability of an insurer.** Some supervisors have made this choice that, while not the highest quality of capital, future profits based on robust valuation techniques are a resource that could be available to insurers to improve their solvency position over time. They can therefore decide to recognise this capital resource upfront by requiring solvency reporting to move CSM to wholly or partly recognise it as a capital resource rather than part of the technical provisions. This does not necessarily require a lot of effort on the part of the insurer, just a reclassification of CSM based on criteria and/or limits provided by the supervisor. This is one key issue in transforming GPFR based on IFRS into solvency reporting that is fit for purpose or decision useful for supervisors.
52. **Some possible ways of creating greater specificity in the application of accounting policy choices are set out below.**

Table 5: Accounting choices

Accounting choice	Possible solution or consideration for solvency reporting
Determination of discount rates, using top-down or bottom-up approach and different ways of determining the illiquidity premium for the bottom-up approach or the credit risk adjustment for the top-down approach.	The supervisor could provide discount curves to be used for the purpose of solvency reporting or could specify a framework for the determination of discount curves that would narrow the range of practices.
Risk adjustment: IFRS 17 allows a range of techniques and differing confidence levels (no matter the technique).	The supervisor could specify a technique and calibrate the level at which the risk adjustment should be calculated. Given that all insurers need to disclose a confidence level, the confidence interval approach to risk adjustment would be the easiest

	and least expensive to implement with a specified level.
Variations in level of aggregation of policies: impact on onerous business recognition and other issues.	Attempting to specify levels of aggregation of policies and lines of business and the granularity data for reporting purposes is likely one of the most expensive changes a supervisor could require – insurers have built systems around their aggregation choices and unwinding this and applying a different aggregation approach would likely involve significant work and cost.
Coverage units for CSM release	A survey of local jurisdictional practice and international practice may identify material differences that need to be addressed through some specifications.
Acquisition cashflow allocation	The supervisor could make a determination about whether insurers should capitalise acquisition costs and amortise them or expense acquisition costs immediately.

This box sets out a detailed example of how Canada went about using IFRS-based GPFR as the basis of its solvency framework.

Box 1: Canada

This shows how IFRS is used as the basis of Canada's solvency framework, including why, what choices needed to be made, involvement of the Canadian Institute of Actuaries, treatment of CSM, and differences between life and non-life solvency frameworks with respect to using IFRS as the valuation basis.

Canada's success in the transition of all insurers from IFRS 4 to IFRS 17 is likely attributed to:

1. The need for all insurers in Canada to obtain clean audit opinions on their IFRS statements for regulatory filings. Both public and regulatory filings are the same (one version of the truth).
2. The regulatory statutory returns are based on IFRS and feed into the solvency available capital. It is one version of financial strength, profitability and capital surplus.
3. Insurers benefitted from having detailed data by individual contract in Canada in the IFRS 4 environment. On transition to IFRS 17, the detailed underlying data was available to calculate the insurance contract liability. The quality of the data warehouse also allowed insurers to build or buy effective calculation engines.
4. The Canadian IFRS 4 environment for all life insurers required policy liabilities to use relevant market-consistent valuations for their contracts. This is similar to the IFRS 17 model.

5. Comparability and consistency of application is supported by the Canadian Institute of Actuaries with respect to the assumptions used in calculating discount rate, risk adjustment etc.
6. The federal and provincial supervisors required regular IFRS project updates from all insurers and pro-forma financial statements, and three tests were conducted requiring financial statement submissions before the effective date of IFRS 17. These tests included solvency ratios of the insurers IFRS 4 vs IFRS 17.

The basis of Canada's solvency framework for both Life and Property and Casualty (P&C) with respect to Available Capital is based on IFRS GAAP audited surplus or equity as the starting point. IFRS book equity is then adjusted for items such as goodwill and CSM etc to arrive at solvency Available Capital. The Life industry has different adjustments and additions than the P&C industry. The use of IFRS provides the regulator with some assurance that the Available Capital component in the solvency ratio is consistent, comparable and in all material respects correct.

5 Linkages to solvency reporting and capital requirements

53. **Many solvency reporting requirements in EMDEs around the world have been modelled on the European Solvency I requirements.** However, the valuation of technical provision requirements has been aligned with local GAAP requirements. So, solvency capital requirements based on a percentage of premium or a percentage of claims provisions use local GAAP accounting inputs. With the alignment of local GAAP requirements with IFRS and the transition from IFRS 4 to IFRS 17, these inputs have fundamentally changed.
54. **Changes in terminology, let alone calculation differences, may result in legal uncertainty for existing solvency requirements.** If solvency reporting requirements are linked to local GAAP terminology and references that no longer exist after IFRS 17 implementation, that may create significant uncertainty as to the enforceability of existing solvency reporting requirements. It may also cause issues due to confusion from insurers as to how to complete quantitative reporting templates that refer to terminology no longer in use in accounting. As well as legal uncertainty, this is likely to lead to data quality issues in the quantitative reporting of insurers.
55. **A typical implementation of IFRS 4 involved the presentation of revenue including premium income and investment income.** From this, the premium income figure could be used to apply the percentage of premiums calculation for the first part of the Solvency I formula. Under IFRS 17, no such line item appears in the income statement. Instead, there is insurance contract revenue, which consists of a number of different items: expected claims (excluding the investment component), expected maintenance expenses, allocation of acquisition cost cashflows, release of contractual service margin and release of risk adjustment. Premium income does not feature in an IFRS 17-based income statement.
56. **Premiums received (similar to gross written premium (GWP)) will still be a figure available in the notes to the accounts of an insurer implementing IFRS 17.** One of the many disclosure requirements of IFRS 17 is the requirement to provide a reconciliation in movements in net insurance and reinsurance contract amounts from the beginning of the year to the end of the year (insurance contract liability roll forward statements).[16] Necessarily, part of this reconciliation will include premiums received. So, the information about insurance

[16] IFRS 17, paragraphs 98–105 and paragraph 114.

revenue must be maintained by insurers and disclosed. This could be used by supervisors to continue a similar Solvency I calculation. However, legislative or regulatory references may need to be updated as this will no longer be a primary disclosure in the income statement but will be a disclosure that will be in the notes to the financial statements.

57. **Failure to update this legislative or regulatory reference may make it legally impossible to calculate solvency requirements on a continuing basis and/or may require dual reporting[17] by insurers.** Insurers in EMDEs are voicing their frustration with the need to maintain two systems of reporting and the associated costs because solvency requirements and solvency reporting requirements have not been updated by governments and supervisory authorities (see the Guidance, Section 5.2.2, paragraph 249).
58. **With respect to the percentage of claims reserves, the name of the equivalent item in the balance sheet has changed under IFRS 17 as well as the underlying calculation.** Portfolios of insurance contracts that result in insurance contract liabilities and portfolios of insurance contracts that result in insurance contract assets are reported separately under IFRS 17. Under IFRS 4, typically portfolios of insurance contracts that would result in an asset value were netted off against portfolios of insurance contracts that would result in a liability value, and the net figure was reported as claims reserves. As a result, the equivalent "liabilities for incurred claims" may have a materially higher balance depending on the nature of the insurer's business. The two effects of this change are that previous legislative or regulatory references to claims reserves in solvency requirements may have no legal effect given the renaming of the equivalent item. The second effect is if the reference to the "liabilities for incurred claims" is updated and there was previously a material netting effect of portfolios in an asset position, applying a percentage to just the liability (rather than the net figure of liability minus asset) may cause a material increase in solvency requirements for the insurers.
59. **In many EMDE countries, the insurance industry is dominated by non-life insurance that will mostly meet the requirements for application of the PAA.** The liabilities for remaining coverage are calculated in ways similar to many jurisdictions as for IFRS 4 implementation, but as this figure is not part of the required capital calculation based on premiums and claims reserves, this does not ensure consistency of solvency calculations from an IFRS 4 basis to an IFRS 17 basis. In addition, use of the PAA does not change the presentation of the financial statements. A cashflow figure for premiums received must be disclosed in the notes to the financial statements in the reconciliation of opening liabilities to closing liabilities,[18] and this could potentially be used as a proxy in the required capital calculation based on premium revenue. For insurers using the PAA, the liability for incurred claims must still be calculated in the same way as for other insurers, and so this figure could be used. However, it must be noted that this now includes discounting and a risk margin, neither of which were likely elements of the jurisdiction's IFRS 4 implementation.
60. **Another aspect to consider is that the introduction of CSM into the insurance contract liabilities for remaining coverage will likely decrease reported available capital without policy changes.** Where previously profits could be recognised on sale of a contract, this increased retained earnings, a component of available capital. With those future profits now represented as a liability in the form of the contractual service margin, equity or assets in excess of liabilities reduces, decreasing the apparent available capital. This will mean the solvency ratio will decline as the reported amount of capital will decline, all other things being

[17] GPFR under IFRS 17 and solvency reporting under the previous implementation of IFRS 4.

[18] IFRS 17, paragraph 105(a)(i).

equal. There may need to be consideration given to the recognition of CSM or part of CSM as available capital in order to maintain consistent solvency ratios.

61. **So, while a supervisor may want to put all their resources into an RBS project, there may need to be some maintenance on the existing requirements.** Both the numerator and the denominator of the solvency ratio can be affected without making policy adjustments as described above. A priority must be maintaining legally enforceable solvency requirements at all times. If the changes to IFRS 17-based income statements and balance sheets undermine the legal certainty of solvency requirements, that is an issue that must be dealt with urgently. Legislative references, regulatory references and supervisory reporting requirements (as required according to ICP 9) may need alignment with IFRS 17 in priority to further development of RBS in the short term to maintain the legal certainty of the existing solvency requirements.
62. **When developing new solvency reporting and capital requirements, supervisors can use the IAIS' ICS[19] and its Market Adjusted Valuation (MAV) methodology as a useful resource by which to develop their own methodology.**

6 Performance assessment and early warning indicators

63. **Supervisors that do not have an RBS yet implemented often rely on Financial Health and Stability Indicators (FHSI) to assess insurer solvency and performance in their supervisory processes.** The World Bank published a paper[20] that was developed in cooperation with the IMF and IAIS setting out the use of these indicators, possible ranges of calibration of these indicators and how they are defined based on a survey of IAIS members**.** These indicators are often also referred to as KPIs, and the IMF requires some of these indicators to be reported by countries as Financial Stability Indicators. For the purposes of this thematic note, the term FHSI is used but the indicators may be referred to as KPIs or Financial Soundness Indicators (FSIs) in other contexts.
64. **Under IFRS 17, the income statement for insurers is fundamentally different from IFRS 4-based income statements and there are changes to the balance between liabilities and equity in the statement of financial position due to CSM and gross reporting of insurance liabilities and assets.** Many of the FHSIs used by insurance supervisors to monitor insurers' performance and solvency will be affected. In some cases, there are changes to the numerator and/or denominator of ratios, and in other cases the numerator and/or denominator will not be readily available from financial statements without delving into the notes to the financial statements.
65. **An example of an indicator that is no longer able to be calculated from the income statement is the combined ratio, which is a key performance indicator for non-life insurers.** The insurance industry is still using this indicator in its reporting to shareholders after the implementation of IFRS 17. The numerator of the ratio, claims costs and expenses can still be found in disclosures in the notes to the financial statements[21] as premium received (as described above). Supervisors need to be aware that they can and should require

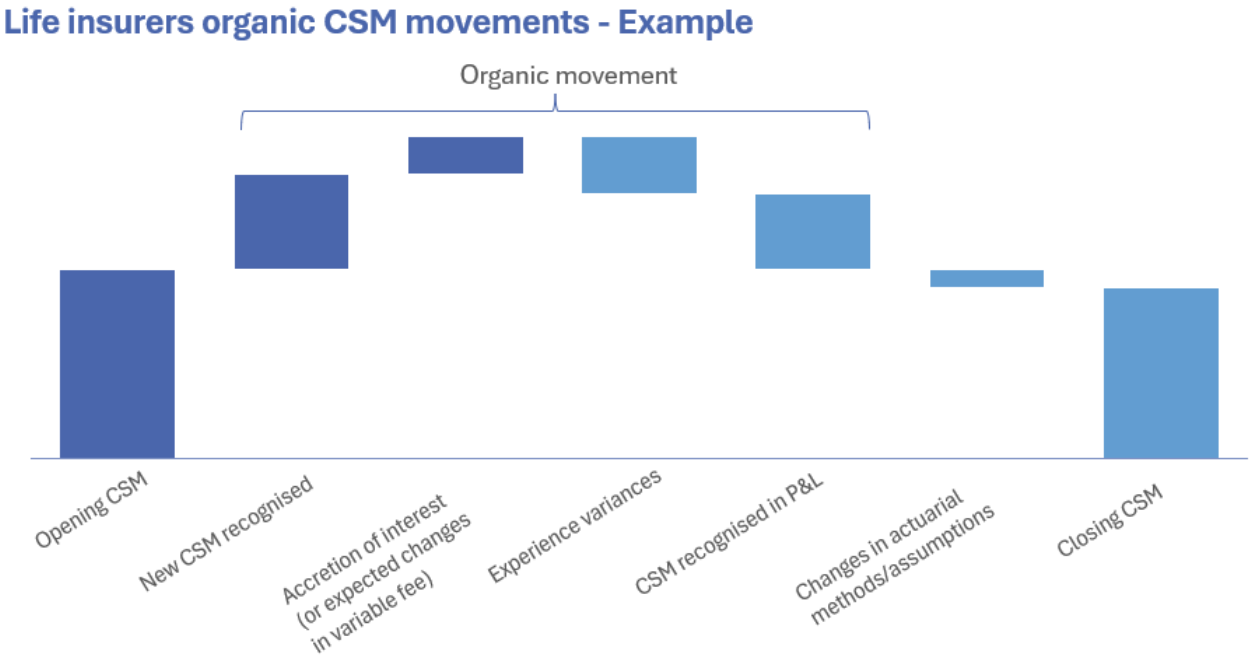
[19] IAIS, Insurance Capital Standard.

[20] World Bank, Developing Insurance Markets : Use of Financial Health and Stability Indicators in Insurance Supervision (English).

[21] IFRS 17, paragraph 105(a)(ii).

reporting of this data in supervisory reporting, even though the income statement in supervisory reporting may not include these figures to align with IFRS 17. Due to the disclosure requirements, insurers must have systems in place to report this data under IFRS 17, so it is reasonable to require the data be reported as there is no additional burden in calculating these figures. Another possibility is redefining the combined ratio or developing a new FHSI based on IFRS 17 reporting (eg the ratio of insurance service expenses/insurance revenue). However, this may not be directly comparable to previous combined ratios as IFRS 17 only includes directly attributable expenses, so a combined ratio calculated this way may be lower than in the past under IFRS 4. A factor potentially leading to a higher combined ratio is the need to recognise losses on onerous contracts upfront.

66. **Any FHSI that includes equity in the numerator or denominator of the ratio will potentially need to be recalibrated (ie changed expectations) or redefined due to CSM.** In many jurisdictions, the transition from IFRS 4 to IFRS 17 has reduced reported equity and increased reported insurance contract liabilities due to CSM. In insurers' reporting to shareholders, in any ratio where equity is part of the calculation, they are generally adding CSM to equity in order to create continuity compared with previously reported ratios. For example, return on equity becomes profit/loss divided by equity and CSM.
67. **IFRS 17 reporting also provides an opportunity for new FHSIs to be developed. Insurers are starting to use new KPIs or metrics in their reporting to shareholders.** An example is the use of CSM to develop new metrics of future profitability. The run-off of CSM is becoming an important item for insurers to report, as this provides insights into how quickly profits locked up in CSM will emerge in future years. Whether supervisors will be interested in such a metric will be determined by whether they are already adding CSM to available capital in solvency calculations or to equity in FHSIs. Another example that is seen in some life insurer reporting is organic movement of CSM. This is explained in the illustrative chart below.



68. **The reconsideration of FHSIs in the context of IFRS 17 and IFRS 9 requires considerable work.** A full exploration of the topic would likely require a substantial paper to be developed. This section is only meant to provide some indications of the issues in maintaining continuity of existing FHSIs if this is considered desirable and the possibility of developing new metrics based around IFRS 17 reporting.