

Deloitte comments on IFRS 17

“Today's publication of the International Financial Reporting Standards (IFRS 17) marks a once in a lifetime regulatory change in accounting for insurance policies. The new rules aim to bring greater transparency in the financial reporting of an industry whose accounts have often been labelled as a ‘black box’. A single accounting language for insurers should aid comparability across countries where currently various national practices apply,” says Francesco Nagari, global IFRS insurance leader at Deloitte.



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“To implement IFRS 17 will take substantial effort. The measurement of insurance liabilities will reflect market interest rates and the impact of policyholders' guaranteed benefits. The revenue from insurance policies will be reported systematically over the coverage service period. The expected profit from the remaining coverage service period will be explicitly reported as a component of the insurance liability.”

Deloitte expects that implementing these new IFRS 17 requirements will entail major changes to insurance companies' actuarial and finance reporting processes, systems and data. “This effort will likely generate implementation costs for many insurers as large as those incurred for the adoption of the Solvency Assessment and Management (SA) regulations which Deloitte estimates costs between R2-3bn for the South African insurers as a whole.” Andrew Warren, director and IFRS insurance leader at Deloitte South Africa, adds.

“We see this effort to be higher for life insurers than general insurers. The long-term coverage underpinning life insurance policies, together with the more common presence of options and guarantees in life-policies, will require a much more granular set of accounting and actuarial data,” he concludes.