

# The hot summer days of IFRS 17, Insurance Contracts

*Half a year has gone since our last ‘temperature check’ on IFRS 17, The Five Stages of Grief Accepting IFRS 17. What has changed since then? Everything! The climate around us is changing every day and we want to share with you what we see.*

*Are people still in grief about IFRS 17? From what we can tell, feelings are mixed. Denial has gone. The insurance community is still far from accepting IFRS 17 but everyone is sure that IFRS 17 is here to stay and there will be no easy escape from compliance. Many are now questioning the benefits of IFRS 17 in anticipation of high implementation costs. People are still reading and understanding IFRS 17. However, we anticipate a lot of bargaining in the coming months as the interpretation of IFRS 17 will be confirmed with auditors and discussed with the IASB’s Transition Resource Group (TRG).*



## Here are the “hot” topics in the current IFRS 17 climate:



- **Calm before the storm** – Not a day goes by without training or a workshop. Awareness is definitely a motto of the present and will be the key trend till mid of 2018. The whole world, the insurance work that is, is now keen to know what IFRS 17 is about.



- Pressure is mounting on impact assessments. All of the major insurers are starting their impact assessments with IFRS 17 projects.



- **Clearing the fog** - Translation of IFRS 17 into plain language. The requirements are complex with a lot of cross referencing and options. Translating IFRS 17 into plain language is crucial (read our in-depth document [here](#)).



- **A mixed forecast** - Interpretation of the standard. The future interpretation issues are appearing. The major suspects do not change: eligibility for the simplified premium allocation approach for general insurers and eligibility for the variable fee approach for life insurers, annual cohorts for the level of aggregation especially for contracts with mutualisation. A couple of new items on the list are the choices of transition approach and presentation. Life insurers, in particular, realise the importance of the decisions on transition for performance reporting for many years ahead. All insurers are starting to realise the implications of the more detailed aspects of the new standard. For example, insurers are concerned that their current systems do not capture information for presentation of insurance contracts by groups in the balance sheet. They are weighing up the cost of these new requirements and the benefits to users. Surprisingly reinsurance is not yet on the list, but we anticipate that those debates are yet to come.

## The outlook

Our IFRS 17 extended weather forecast for the rest of 2017 promises prolonged heatwaves with severe hot spells in 2018. We anticipate the following major weather fronts:

### Implementation plans

As insurers finalise impact assessments, implementation plans will start appearing. We will see whether entities will regard IFRS 17 as a compliance exercise or as an opportunity to go into wider finance transformation projects. Implementation plans will show how expensive IFRS 17 will be for the insurance industry.

All parties are just starting to develop their views on the interpretation of IFRS 17 as we see the final requirements of the standard. Very soon the storm will start and we will see numerous technical debates within the insurance community. The most exciting debates will go live publicly at the IASB's Transition Resource Group starting closer to the end of 2017.

### Fierce and passionate technical debates

As the last 20 years have proved, insurers are very passionate about their accounting. We all have a long, challenging and exciting journey until 2021 when IFRS 17 goes live. At this stage our advice would be:

- Start your impact assessment – timely action could save costs in the long run.
- Discuss interpretations that really matter to you with your advisors and auditors.
- Read IFRS 17 publications – the PwC In depth report translates the standard into plain English and provides plenty of implementation and technical advice and examples.

And don't forget - ***"If you want to see the sunshine you have to weather the storm"***

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