

SYNOPSIS

Practical Application of the New International Financial Reporting Standard for Insurance Contracts *John Nicholls*

Key words: Financial Modelling, Financial Reporting, Revenue Recognition, Profit Recognition, IFRS

Purpose of your paper: The new IFRS for insurance contracts is soon to be issued. We will discuss the implications of the new IFRS for insurance companies, with a focus on the primary challenges life insurance companies will face in adopting the new standards.

Synopsis:

The final version of the new IFRS for insurance contracts is expected to be released by the IASB in the early part of 2017. Adoption of the new standard will present a number of challenges for insurance companies, including:

- Presentation of insurance contract revenue, rather than premium
- Separating effects between Profit or Loss and Other Comprehensive Income
- The number of product groupings for amortisation of margins and presentation of results
- Locked-in interest rates for amortisation and unlocking of margins
- Application of the variable fee approach
- Variations from expected experience
- Transition

Companies will require robust, industrialised solutions to these challenges. We will discuss how internationally companies are already looking to address these challenges, including consideration of overall approaches being followed to manage the change and implement solutions.