

IFRS 17 Financial Data

Frequently Asked Questions

As you may be aware, 2024 has seen the arrival of annual filings under IFRS 17, a new accounting standard. Companies required to file under IFRS 17 will have to adapt to the new reporting requirements globally. (The US is not adopting IFRS 17.) The following are some frequently asked questions regarding the impact of the new accounting standard on AM Best's products and services.

What is IFRS 17?

IFRS 17 is a market value-focused accounting standard for insurance contracts to show the (more realistic) underlying profitability of the business. It measures insurance contracts using updated estimates/assumptions that reflect timing of cash flows and any uncertainty relating to insurance contracts. In essence, IFRS 17 recognises profits as insurers deliver insurance services (rather than when they receive premiums) and provides information about insurance contract profits a company expects to recognise in the future.

Which companies have been impacted by the IFRS 17 accounting standard?

It is estimated over 2,500 non-US companies have been affected, a similar number to those currently filing under IFRS 4. However, Canada will be affected along with other companies that chose to adopt the standard, and there will be additional changes, such as Belgium and Portugal. It should be noted that the implementation will vary around the world. Further, in many cases while a listed parent company may file under IFRS 17, its subsidiaries may continue to file under their current format (e.g., local GAAP).

What is the impact on the content of the IFRS 17 filings compared to IFRS 4 or GAAP?

The statement contents are different from the existing IFRS 4 or GAAP standards. Balance sheet granularity will largely be retained. Technical/Underwriting Accounts (and therefore trending) are no longer available in their current form (e.g., GWP/NEP by life/non-life, etc., not reported), although some IFRS 17 data items can be used as "proxy" data items for previous data content under GAAP/IFRS. Contractual Service Margin (CSM) data is a positive. This is largely life centric (broadly, "embedded value"), but CSM also impacts non-life companies with long-term contracts.

Which products are impacted by the IFRS 17 accounting standard?

The following products include companies that file 2023 annual data:

- *Best's Financial Suite – Global*
- *Best's Financial Suite – Canada*
- *Best's Credit Reports* and *Best's Financial Reports*
- *Best's Insurance Reports® – Life/Non Life, Non US*
- *Best's Insurance Reports – Property/Casualty, US & Canada* (Canada only)
- *Best's Insurance Reports – Life/Health, US & Canada* (Canada only)
- *Best's Aggregates & Averages – P/C, US & Canada* (2024 edition; Canada exhibits only)
- *Best's Aggregates & Averages – L/H, US & Canada* (2024 edition; Canada exhibits only)
- *Best's Library Center*

Best's Financial Suite – Global

What changes have been made to *BestLink®* and *BestLink for Excel®* to assist *Best's Financial Suite – Global* customers in analysing IFRS 17 data?

We have added the following new report templates to assist with IFRS 17 data analysis:

- IFRS 17 As Filed
- IFRS 17 Whole Account
- IFRS 17 Ratio Report
- IFRS 17 Financial Overview

These reports will be available through the Company Overview page in *BestLink*. Existing reports will remain in place for all non-IFRS 17 filers.

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Will I see only one year of data under IFRS 17 in the new report templates?

IFRS 17 company filings for 2023 annual data also include restated data for 2022 (a filing requirement). The new IFRS 17 report templates will show 2023 and 2022 year-end data, with prior data being mapped in from 2021–2013 where it is felt to be analytically reasonable to do so. For those companies filing under IFRS 17, the 2022 and prior data will remain accessible via the non-IFRS 17 report templates, allowing users to see both the IFRS 17 and non-IFRS 17 data for 2022.

How can I identify companies filing under IFRS 17?

From the Search menu, choose Company Browse. Under Browse by Current Data Availability, select Global -> Statement File from the Financial Data Database menu and click on Total Available (IFRS 17).

Best's Financial Suite – Canada

How have Canadian companies been impacted by the IFRS 17 accounting standard?

The Office of the Superintendent of Financial Institutions (OSFI) has adopted many of the IFRS 17 filing standards, and nearly all Canadian companies filed under this new standard for 2023. However, a few companies remain that will not file under the new standard until 2024:

Property/Casualty: Primm Insurance Company (AMB# 87021), TD General Insurance Company (AMB# 87028), Security National Insurance Company (AMB# 87089), TD Home and Auto Insurance Company (AMB# 87725) and TD Direct Insurance Inc. (AMB# 89791)

Life/Health: BMO Life Assurance Company (C) (AMB# 67435) and RBC Life Insurance Company (C) (AMB# 67426)

What changes can be expected to *BestLink*, *BestLink for Excel* and *BestLink Data Feeds* for *Best's Financial Suite – Canada* subscribers?

As a result of the IFRS 17 updates, many of the statement pages for both P/C and L/H companies in Canada experienced changes or updates. Therefore, new IFRS 17–specific pages are now available in both the Advanced Search and Custom Report Wizard, with IFRS 17 identifiers to help distinguish them from the existing pages. Updates are also now reflected in the *BestLink Data Feeds* platform. Additionally, field lists for P/C and L/H Canada data have been updated in *BestLink for Excel*:

| BestLink for Excel | | | | |
|---|--|----------------|--------|------|
| Field definitions for Best's Statement File - P/C, Canada | | | | |
| FIELD IDENTIFIER | FIELD NAME | PAGE | COLUMN | LINE |
| P115024 | Qc comis sum ceded other non-deferr commiss | 95.2 | 10 | 45 |
| P115025 | Qc comis sum ceded total | 95.2 | 10 | 49 |
| P115026 | Qc comis sum total commissions | 95.2 | 10 | 89 |
| P130112 | lfrs con shrhldr chg ownership (y/n) | 10.20(IFRS 17) | 1 | 40 |
| P130113 | lfrs con shrhldr chg ownshp (1) num shares | 10.20(IFRS 17) | 3 | 61 |
| P130114 | lfrs con shrhldr chg ownshp (1) % voting right | 10.20(IFRS 17) | 4 | 61 |
| P130115 | lfrs con shrhldr chg ownshp (1) amt paid | 10.20(IFRS 17) | 5 | 61 |

Viewers should be mindful that 2023 filings also contain restated data for several 2022 data fields previously reported during that period. The transition to IFRS 17 will also impact historical searches.

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Best's Insurance Reports

How will *Best's Insurance Reports* be affected?

- The impact on *Best's Credit Reports* and *Best's Financial Reports* in the life/non-life and Canada databases in *Best's Insurance Reports* is covered in a separate section below.
- Advanced Search categories have been updated with IFRS 17–related field selections.
- The Custom Report Wizard also includes the new IFRS 17 fields for building reports based on your individual data choices.

Please note: Adjustments have been made to the financial tables within the reports, including the removal of sections, such as the Capital Generation Analysis table in the case of non-consolidated companies filing according to IFRS 17, where data is no longer consistently available.

Best's Credit Reports and Best's Financial Reports

How will *Best's Credit Reports* and *Best's Financial Reports* for insurers change in response to IFRS 17?

AM Best's credit and financial report templates have been updated to accommodate the changes in reporting/disclosure under IFRS 17. This includes changes to the income statement and balance sheet, as well as other key financial indicators disclosed in AM Best reports.

Credit and financial reports will continue to include financial data for up to five years. As a result, there will be a combination of IFRS 17 and prior reporting. Reference should be made to the column headings when distinguishing between IFRS 17 and non-IFRS 17 reporting.

Will there be any changes to the data collected or the format of the credit or financial reports for insurers that do not report under IFRS 17?

There will be no changes for non-IFRS 17 reporters. AM Best will retain and maintain existing data formats used for rating purposes for insurers that do not report under IFRS 17 and will similarly retain and maintain the existing credit reports and financial reports themselves.

BestLink

What other areas of *BestLink* have been changed to accommodate IFRS 17?

- Company Overview graphs (e.g., Insurance Services Revenue in place of Net Premiums Written)
- Company Dashboard: Tiles for Key Financial Indicators & Ratios now reflect IFRS 17 data where applicable
- Advanced Search: Incorporates IFRS 17 fields
- Company Browse: IFRS 17 Data Availability list option
- Results: 10 new data fields added to Select Fields option
- Custom Report Wizard: Field selection options that incorporate the IFRS 17 fields
- *BestLink* Alerts: Key Financial Indicator alerts now include Net Insurance Services Revenue triggers
- *BestLink for Excel*: Revised Financial Overview tab in the Company Overview

How can I see the new IFRS 17 financial data fields in my Search Results?

Click Select Fields above the Results grid and add the new options to your Preferred Fields list.

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Key Performance Indicators (KPIs)

How consistent are underlying assumptions for IFRS 17 reporting?

Assumptions will be set by management, in agreement with auditors, and will generally reflect an insurer's circumstances. However, as with other accounting standards, variations will occur. Transparency and clarity of underlying assumptions, along with disclosures regarding sensitivities, are critical to ensuring these assumptions can be viewed in a fair and consistent manner.

What changes to KPIs does AM Best expect under IFRS 17 reporting?

Existing key financial metrics will mostly continue to be used under IFRS 17. However, there are new measures reported under IFRS 17. Both the changes to the data input into existing KPIs and the new measures will impact comparability with existing calculations, and interpretation will be required. AM Best will capture a wide range of KPIs under IFRS 17. KPIs reported by the industry will likely take some time to solidify as best practices emerge. AM Best expects KPI reporting in the IFRS 17 universe to become more consistent and comparable across the industry as consensus is reached on the use and value of various financial and non-financial measures.

How will AM Best use combined ratios calculated from IFRS 17 data in assessing non-life underwriting performance?

AM Best expects to evaluate net/net and net/gross combined ratios calculated for IFRS 17 reporters. IFRS 17 ratios should be more comparable across the IFRS 17 universe, at least when comparing similar ratios such as the net/net, than was previously the case. This is partly because normal variations between lines of business should be diminished due to discounting. However, combined ratios will remain subject to interpretation for individual insurers. Comparisons across accounting standards will require careful interpretation. Indeed, the need for interpretation will grow when comparing combined ratios that use IFRS 17 data with those from other accounting standards, including US GAAP. Operating ratios are also considered by AM Best and, over time, may receive greater weight in the rating analysis.

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