# *IFRS 17*
# - 5 Reasons to be happy


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> *“a tectonic shift in insurance accounting”*

**IFRS 17 Insurance Contracts, a new insurance accounting standard, represents a tectonic shift in insurance accounting. The implementation date of 1 January 2023 means that many companies are now only a few months away from producing their first annual financial statements under the new requirements. For most it will have been, and probably continues to be, a hard slog. Issues to grapple with include:**

- **Interpreting the standard and wisdom dispensed by the Transition Resource Group**
- **New data requirements**
- **Talking stakeholders through the potential impact**
- **Helping decision makers understand some of the key decisions they need to make**

With so much effort being expended, a common reaction is:

“What’s the point of all this?”

The IASB[1] suggests that the new standard will create:

- Better comparability across countries, different types of insurance contracts and across different industries.
- More transparent and useful information, particularly in respect of profitability.

Whilst these might be laudable goals, the reaction from many SME’s[2] we have talked to is that they perceive little or no added value to their business. In many cases they have been forced to implement IFRS 17 and can only see the costs incurred from having to do so.

However there are certainly some positives arising from IFRS 17; here are our top 5 reasons to be happy about implementing it!


[1] International Accounting Standards Board
[2] Small and medium-sized enterprises

1

**Consistency with solvency figures:**
Insurers operating under any sort of economic capital regime for regulatory solvency are likely to see greater consistency between their solvency and accounting figures. This means less work in explaining the difference to stakeholders.

2

**Consistency with pricing:**
It provides an opportunity to bring an entity’s approach to pricing in line with accounting, or vice versa. Whichever way an entity chooses to look at the explicit pricing of risk via the risk adjustment, it provides the opportunity to create consistency.

3

**Understanding Change:**
IFRS 17 introduces a clear structure for analysing the change in insurance liabilities from one year to the next. Although some insurers will already have this, others will not. For some this will provide more useful management information.

4

**Market Value:**
Asset and liability values are now either at, or at least closer to, economic value. As a result, shareholder equity is more likely to be closer to a transaction value of existing business than previously. It is worth noting that there may still be a value of new business to add on to arrive at a full market value of the business.

5

**Data:**
All the work an organisation will have had to do has almost certainly improved its data governance, making the results of data analysis more reliable.

So even if companies have been “forced” into adopting IFRS 17 and the IASB’s reasoning for the new standard means little to their business, there are almost certainly some upsides.