

# FACTSHEET

## IFRS 17

NOVEMBER 2017

### IFRS 17: Welcome, Transparency

- On May 18, 2017, after some 20 years of discussion, the International Accounting Standards Board (IASB) published IFRS 17, the new accounting standard for insurance contracts.
- Starting in 2021, IFRS 17 will establish a first truly uniform set of rules for the accounting of insurance contracts issued by capital market-oriented companies, placing insurance companies reporting under IFRS on a level footing independent of the regulatory environment they are operating in.
- Up to now, different national accounting standards have been used to account for insurance contracts. Allianz uses US accounting regulations, US GAAP, for the reporting of insurance contracts and will continue to do so until IFRS 17 takes effect in 2021.
- IFRS 17 requires insurance contracts to be accounted for based on modern current value measurement models, representing a radical break with the status quo of most national accounting regulations that use historical cost.

#### IFRS 17 Insurance Contracts



First comprehensive Insurance Accounting Standard for insurance contracts



- replaces today's heterogeneous local requirements for insurance accounting
- supports comparability between international peers applying IFRS

#### How is Allianz Group affected?



Allianz Group has today around €710 billion insurance related liabilities (incl. Unit Linked investment contracts\*), which will be affected by IFRS 17

\* consolidated, as of 31.12.2016

#### When?

**2021**

mandatory effective date of the new standard



**Three and a half years** for companies to implement the new requirements

#### How does Allianz Group implement it?

##### Allianz One.Finance project



- Upgraded IT solutions
- Co-ordination between functions (e.g. Accounting, Actuary, IT)
- Close co-work between the Group and operating entities

- Measuring insurance contracts at cost is not an appropriate method for presenting the risks arising from options and guarantees, for instance within the context of a low interest rate environment.
- The new regulations bring greater transparency to international insurance accounting, making it easier to see the profitability of new business and how profits will develop in the future.
- As well as resulting in considerable implementation costs, this radical overhaul of external reporting will also create numerous opportunities for the insurance industry in the long term:
  - The more economical representation of insurance contracts, especially those in the life insurance business, will bring internal and external accounting closer together.
  - It may be possible to re-use the IFRS financial statements to calculate own funds as defined by Solvency II regulation, which use a similar measurement framework, eliminating duplication of effort.
  - All of this will create preconditions required to strengthen the transparency of the insurance industry.
- If insurance companies want to realize these opportunities, they will have to use the time in the run-up to 2021 to come up with an appropriate interpretation of the principle-based rules and, if necessary, move the IASB to adjust the IFRS 17 standard further.