

IFRS 17 Compliance: Best Practices for Insurance Businesses

IFRS 17 replaces IFRS 4 as the global standard for insurance contract accounting, requiring insurers to measure and report insurance obligations more accurately. Effective implementation ensures compliance, improves cash flow visibility, and enhances decision-making. This tipsheet highlights best practices for insurance companies applying IFRS 17.



1. Automate & Digitize Insurance Contracts

- ✓ Use technology to streamline IFRS 17 calculations and reporting.
- ✓ Digitization reduces manual errors, saves time, and enables scalable, repeatable processes.
- ✓ Centralized contract data allows better tracking and auditing.

2. Define Assumptions at the Cohort Level

- ✓ Segment policies into cohorts based on common characteristics (age, product type, issue year).
- ✓ Apply mortality, lapse, and discount assumptions consistently within cohorts.
- ✓ Ensures accurate calculation of cash flows and risk-adjusted profits.

3. Apply Discount and Risk Adjustments

- ✓ Include discount rates, risk adjustments, and probability-weighted scenarios in cash flow projections.
- ✓ Align assumptions with IFRS 17 requirements to ensure regulatory compliance.
- ✓ Improves transparency in reporting liabilities and expected returns



4. Streamline Cost and Expense Allocation

- ✓ Track expenses by policy, cohort, or cost center.
- ✓ Allocate acquisition, maintenance, and operational costs accurately.
- ✓ Supports profitability analysis and regulatory reporting.

5. Forecast Cash Flows Accurately

- ✓ Project premium inflows, claims, and maturity payouts at various frequencies.
- ✓ Use cohort-level analysis & probability-adjusted scenarios to anticipate cash outflows..
- ✓ Enables informed strategic planning and liquidity management.

6. Enhance Reporting & Decision-Making

- ✓ Generate detailed and summary reports of cash flows, risk adjustments, and liabilities
- ✓ Present discounted and risk-adjusted financial statements for stakeholders.
- ✓ Use intuitive dashboards for quick insights, scenario analysis, and management decisions.

Conclusion

IFRS 17 implementation is complex, but with cohort-based assumptions, automated calculations, and integrated reporting tools, insurers can achieve accurate financial reporting, better cash flow management, and regulatory compliance. Strategic adoption of IFRS 17 practices strengthens operational efficiency and supports informed decision-making.