

# Reporting under IFRS 17 and IFRS 9

Observations from half-year 2024 financial  
statements published by insurers

November 2024



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# Introduction

Observations were taken from IFRS 17 and IFRS 9 disclosures published in IAS 34 interim financial statements as of 30 June 2024 by a panel of 46 international insurance groups.

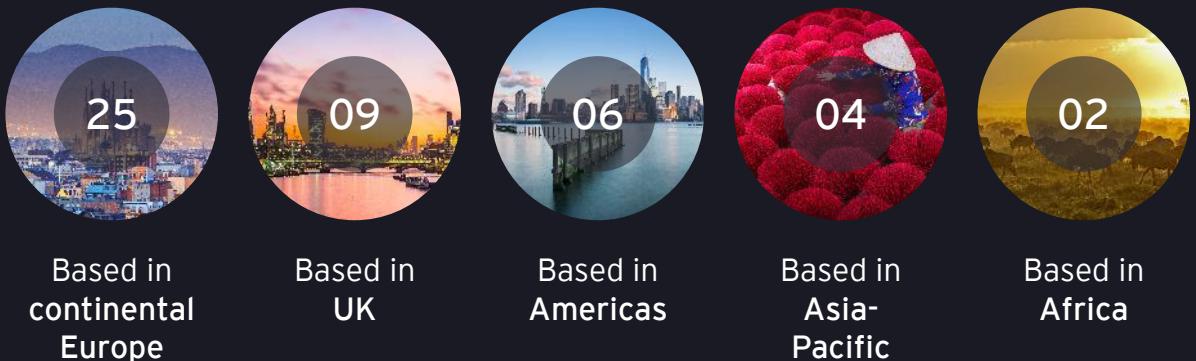
## Background:

- Insurers have been applying IFRS 17 *Insurance Contracts* (IFRS 17) since 1 January 2023. Most of them are also applying IFRS 9 *Financial Instruments* (IFRS 9) from the same date for the first time.
- Following the first year of application, several insurance groups published their half-year IAS 34 interim financial statements during the summer of 2024. In doing so, insurers exercised judgement in determining the appropriate disclosures to be included, following the guidance in IAS 34.

## Analysis performed:

- We selected a panel of 46 insurers that apply IFRS as the accounting framework in their consolidated financial statements. For these insurers, we analyzed the disclosures included in their IAS 34 interim financial statements as of 30 June 2024, focusing on IFRS 17 and IFRS 9.
- Based on the information from these disclosures, we produced several IFRS 17 and IFRS 9 financial metrics to compare the insurers' results, and we observed any changes in methodology decisions compared to the previous reporting period.
- For more information on the impacts of IFRS 17 and IFRS 9 on the first set of annual financial statements at year-end (YE) 2023 and at transition, please refer to our previous publication at the following [link](#).

## Insurers by geography:



## Segment:

- **Life and health:** Eleven groups underwrite only life and health (L&H) business, which includes short-term and long-term savings, and retirement products.
- **Composite:** Twenty-eight groups are composite and underwrite both property and casualty (P&C) business, and life business (with a number of them having major inward reinsurance segments).
- **P&C:** Seven groups underwrite only P&C business.

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- 05 Appendix (including list of insurers in the sample)

# 01

## Key highlights

# Key highlights: Financial metrics on 30 June 2024

## Net result analysis

The average composition of the net result before tax is:

- +80% Insurance service result
- +39% Financial result
- 33% Other result

## Insurance service result analysis

Thirteen insurers reported the **CSM release** contributing to **>80%** of the amount of the insurance service result.

CSM release **>80%**

13

## Operating profit change

The large majority of insurers presented an increase in their operating profit in the first half of 2024 compared to the first half of 2023, with the most common range being up to 10%, observed for 15 insurers.

Up to 10%

15

## Shareholder's equity change

During the first six months of 2024, half of the insurers showed an increase in the equity balance while the other half presented a decrease as compared to YE 2023.

Mixed effects

● No. of insurers

## CSM growth ratio

Twenty-four insurers reported that the new business CSM written in the first six months of 2024 was lower than the CSM released during the same period (ratio **below 100%**).

<100%

24

## CSM release ratio

Twenty-two insurers reported the proportion of the **CSM released** into profit or loss for the first six months of 2024 in the **range of 3% to 6%**.

3% ↔ 6%

22

## Ratio of Risk Adjustment to PVFCF of the LFRC

Twenty-five insurers reported a **ratio of Risk Adjustment to present value of future cash flows of the LFRC** in the range from 0% to 3%.

0% ↔ 3%

25

## Combined ratio

The **most common range** of combined ratio is from 90% to 95% observed, for 13 insurers.

The **majority of P&C insurers** reported a **range of 80% to 90%**.

90% ↔ 95%

13

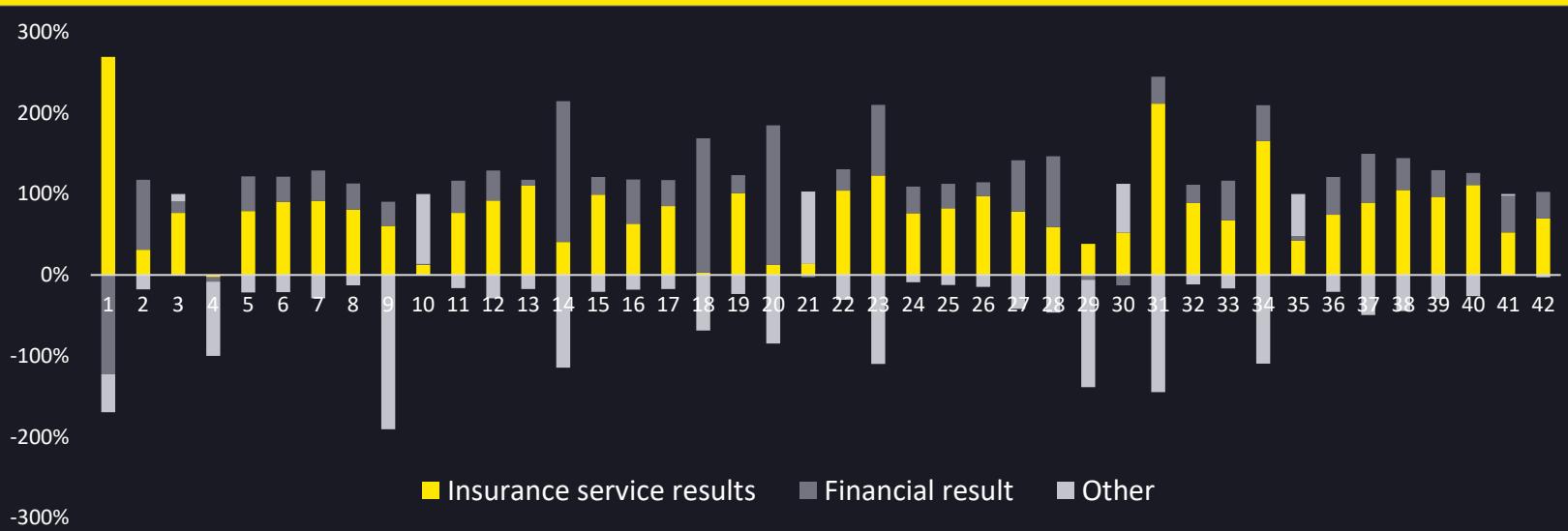
Note: a glossary of terms is available on page 37

# 02

## Financial metrics analysis

# Net result: analysis of the balance on 30 June 2024

Composition of net result (before tax) on 30 June 2024



No. of insurers presented: 42. Four insurers have been excluded from the analysis due to low net result amount creating volatile relative figures.



## What the metric is about

IFRS 17 requires insurers to disclose two key profit drivers in the statement of profit or loss: the insurance service result (reflects the underwriting performance) and financial results (reflects the investing performance, including both IFRS 17 insurance finance income and expenses, and investment results from mainly IFRS 9 and IAS 40).

The composition of the net result represents the ratio of "insurance service result," "financial results" and "other" (i.e., income and expenses not included in the other two result categories) calculated as a percentage of the net result before tax.

This metric provides insights into the key drivers of the results of insurers.

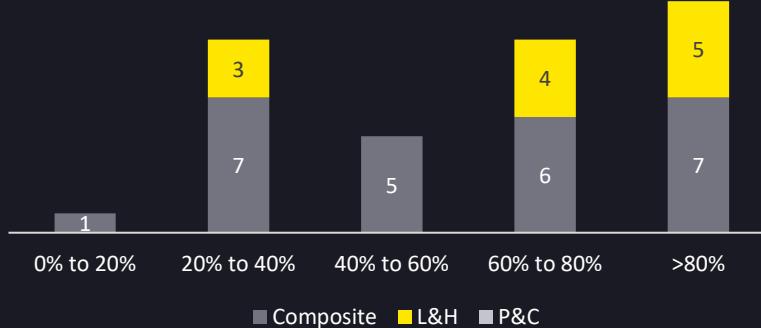
## Key takeaways as on 30 June 2024

**Net result:** Three insurers reported a net loss before tax, while all the others reported a net profit before tax. The composition of the net results is as follows:

- Insurance service results:** The large majority of insurers reported the insurance service results as the main driver of net result (see further detail on slide 8). There was only one composite insurer that reported a negative contribution from the insurance service results, while the average ratio observed is 80%.
- Financial results:** Four insurers, mainly bancassurance conglomerates, reported the financial results as the main driver of the net result, while five insurers reported a negative contribution from the financial results. The average ratio is 39%.
- Other:** The large majority of insurers reported other income and expenses as having a negative contribution to the net results. This includes, among others, other operating expenses not attributed to the insurance service result. The average ratio is -33%.

# Insurance service result: Analysis of the balance on 30 June 2024

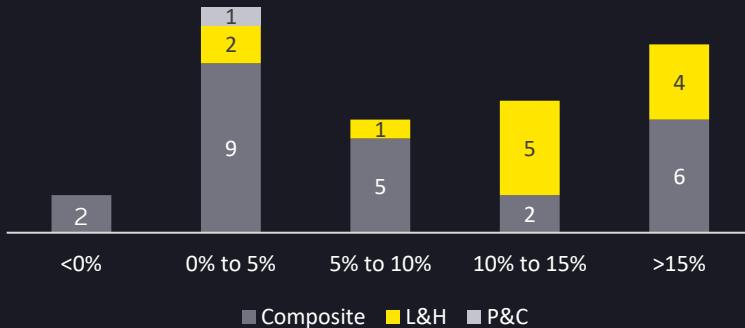
## Release of CSM (as % of the insurance service result)



- The release of the CSM is generally the key driver of the insurance service result. For 13 insurers, it contributed to more than 80%.

No. of insurers presented: 38

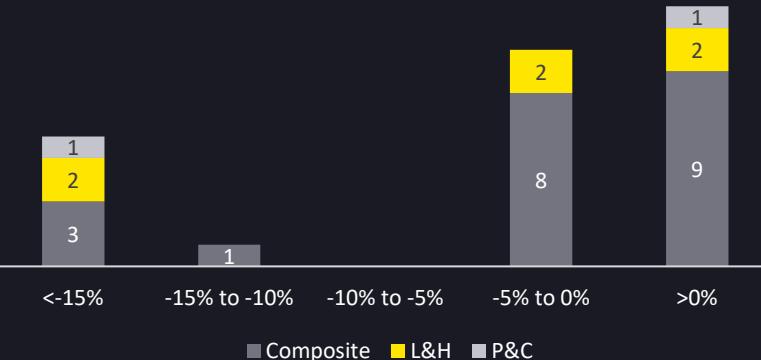
## Release of Risk Adjustment (RA) of the LFRC (as % of the insurance service result)



- The contribution from the release of RA to the insurance service result varied across insurers. The most common range is up to 5%. Ten insurers presented a more significant contribution (>15%).

No. of insurers presented: 37

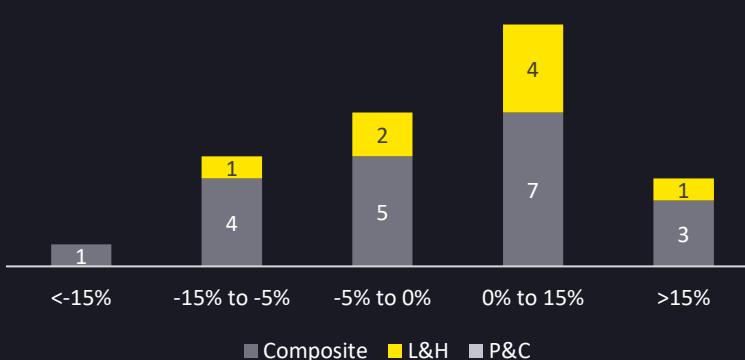
## Losses and reversal of onerous contract losses in the period (as % of the insurance service result)



- For the majority of insurers, the movement is negative (<0%), meaning that new losses were higher than the reversal of past losses during the period.

No. of insurers presented: 29

## Experience variance on current service (as % of the insurance service result)



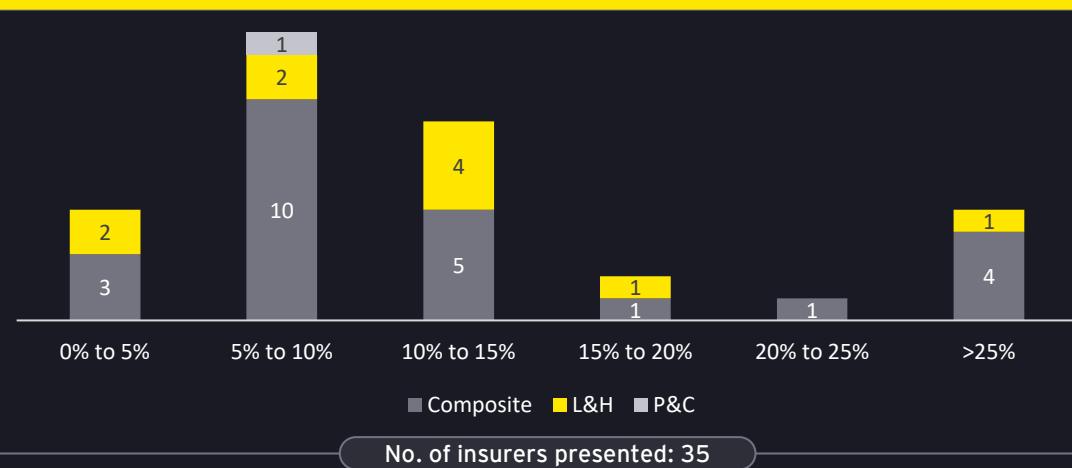
- The majority of L&H and half of the composite insurers presented a positive (>0%) experience variance.

No. of insurers presented: 28

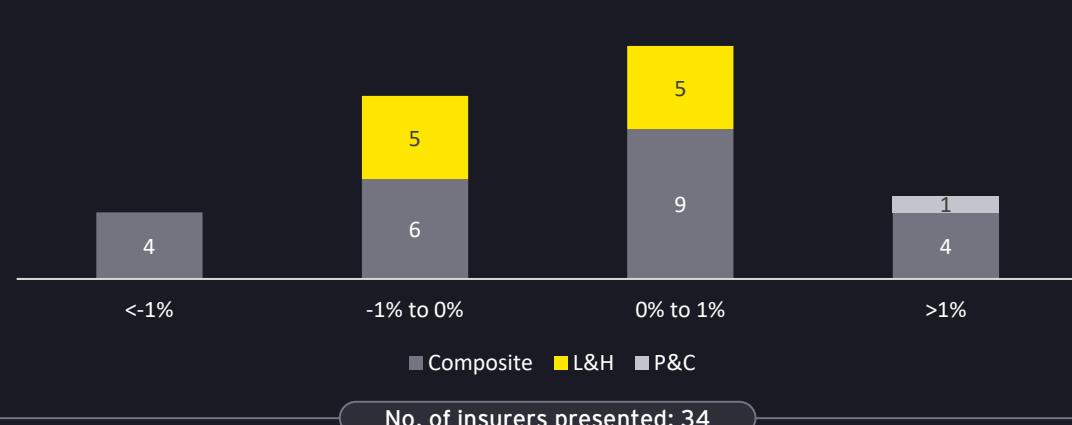
Note: for P&C insurers, this metric is less relevant given the extensive use of the PAA measurement model.

# Ratio of CSM to present value of future cash flows (business under the GM and VFA models)

Ratio of CSM to PVFCF (LFRC under GM and VFA) on 30 June 2024



Ratio of CSM to PVFCF: 30 June 2024 vs. 31 December 2023 (YE 2023 comparison, PP change)



## What the metric is about

It represents the weight of the CSM relative to the present value of future cash flows of the liability for remaining coverage, covering the GM and VFA business. The higher the percentage, the higher the relative value of the CSM, which means there is a higher proportion of remaining future profitability within the carrying amount of the LFRC of the insurance contracts.

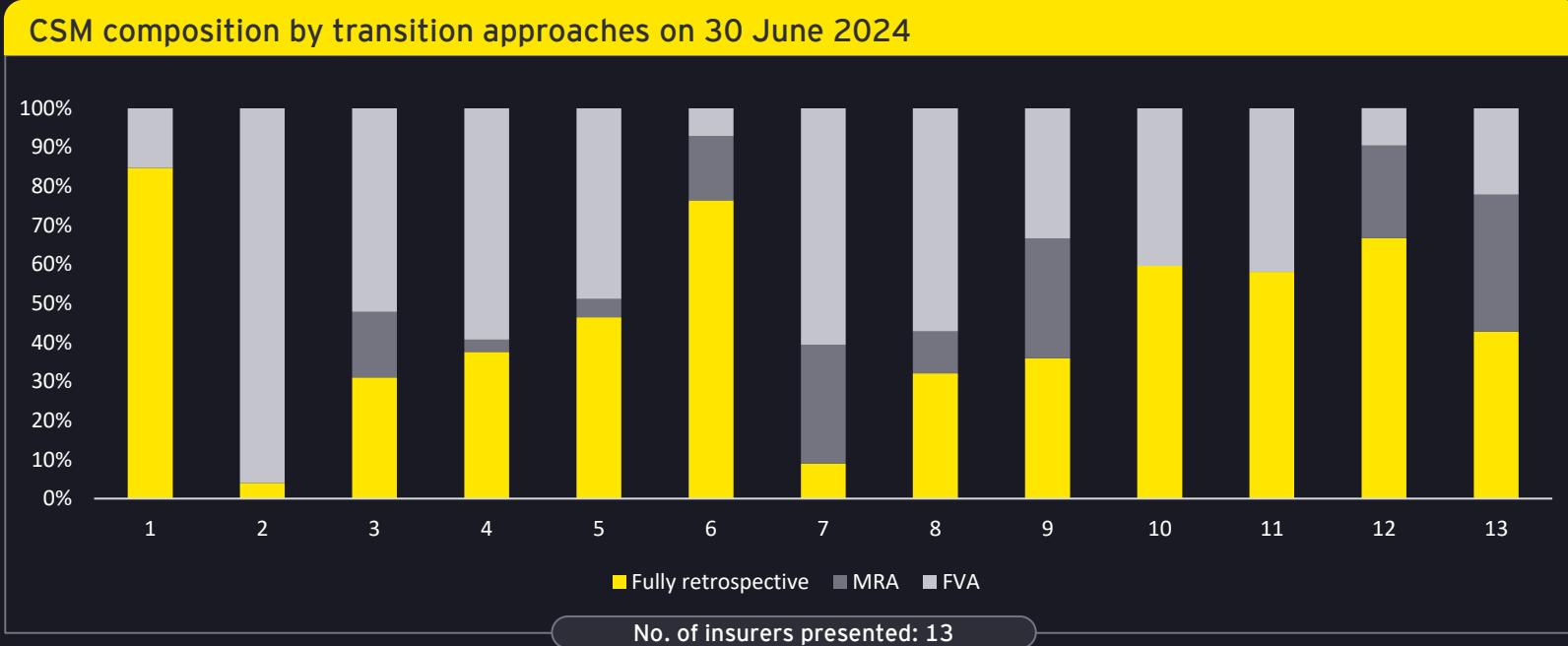
## Key takeaways on 30 June 2024

- The most common range observed is from 5% to 10%.
- This ratio is still heavily influenced by the methods applied at transition. One of the drivers of a higher CSM for profitable insurance contracts is the use of the fully retrospective and modified retrospective approaches to quantify the CSM at transition for certain types of business, as opposed to the use of the fair value approach, which generally resulted in a lower CSM.
- The total range observed varied across insurers, with the full range being from 3% to 54%.

## Insights from comparatives on 31 December 2023

- The majority of insurers showed a slight increase in the HY 2024 ratio compared with the YE 2023 ratio, mainly concentrated in the range of 0% to 1%, with the highest change observed for one composite insurer that presented an increase of 4%.
- One factor contributing to this is the addition of future profits from new business, exceeding the release of profit from the existing business.

# CSM composition by transition approaches: Ratio of CSM split by MRA, FVA and Fully retrospective to CSM end of the period



## What the metric is about

Insurers are required to disclose the impacts of transition approaches to establishing the CSM on the current period for all subsequent periods until the contracts are derecognized.

This metric provides insights on the amount of CSM that has been created using the simplified approaches available at transition (MRA or FVA), reflecting the differences in transition approaches applied across insurers.

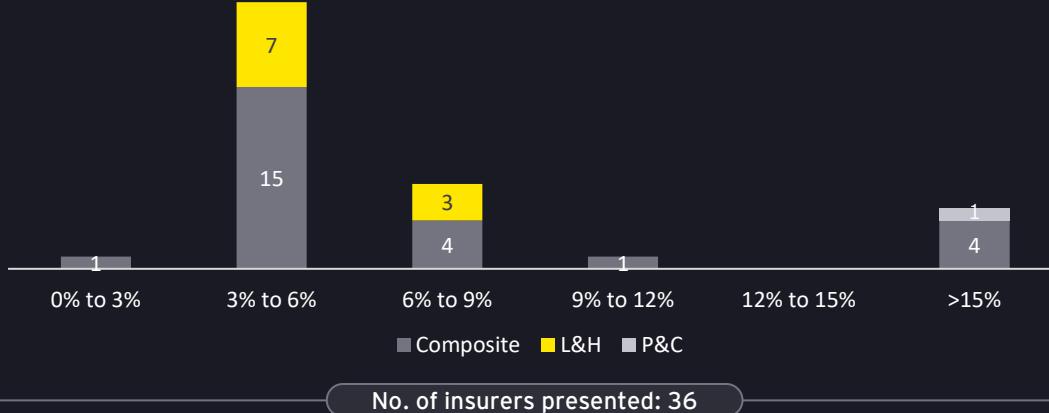
The large majority of insurers presented in their HY 2024 interim financial statements the IFRS 17 insurance contract liabilities roll-forward tables without splitting the CSM by transition approaches. This information was, therefore, available just for some insurers, as opposed to the annual financial statements where this disclosure is mandatory.

## Key takeaways as on 30 June 2024

- Fully retrospective:** In this bucket, insurers presented the contracts existing at transition for which they applied the full retrospective approach, as well as the new contracts recognized after the transition date. The average percentage of CSM disclosed in this bucket is 45%, while the highest percentage is 85%, which has been observed for one composite insurer.
- Modified retrospective approach (MRA):** The average percentage of CSM disclosed in this bucket is 13%, while the highest percentage is 35%, which has been observed for one composite insurer.
- Fair value approach (FVA):** The average percentage of CSM disclosed in this bucket is 42%, while the highest percentage is 96%, which has been observed for one composite insurer.

# CSM release ratio: Ratio of CSM release in the period to total CSM at the end of the period prior to release

## CSM release ratio on 30 June 2024

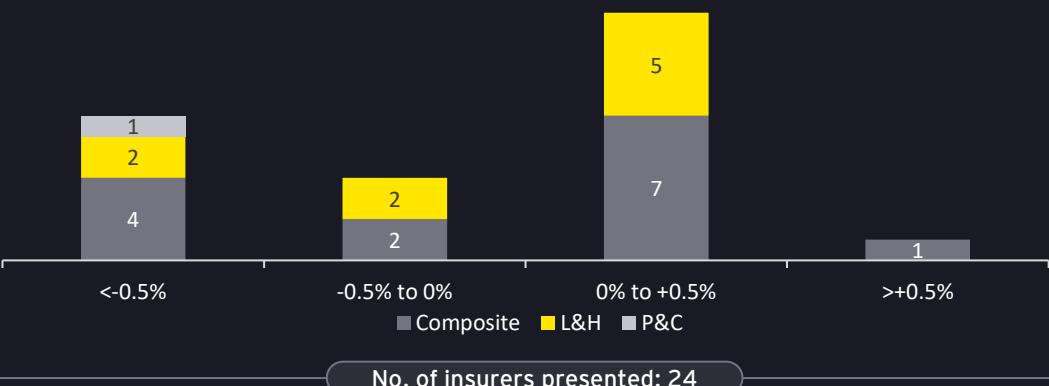


## What the metric is about

It represents the amount of CSM released to profit and loss as a percentage of the total CSM balance at the end of the period, prior to the amount released into profit or loss during the period. This ratio provides some indication of the run-off period of the CSM; the higher the ratio, the shorter the remaining expected CSM release period (assuming profitability remains comparable).

Further information is available on the subsequent slide, which shows the run-off pattern of the CSM for the following years.

## CSM release ratio: 30 June 2024 vs. 30 June 2023 (HY 2023 comparison, PP change)



## Key takeaways on 30 June 2024

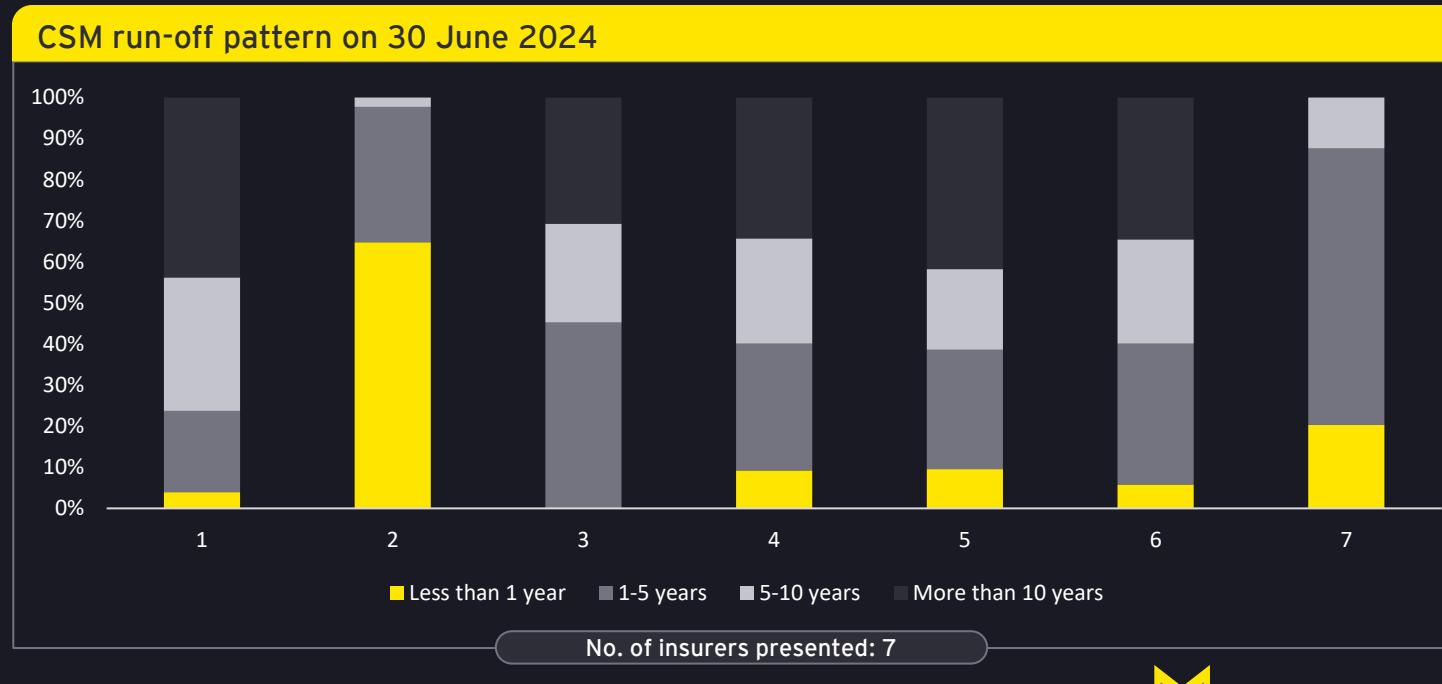
- The amount of CSM for insurance contracts issued released into profit or loss for the first six months of 2024 varied across insurers, with the majority of composite and L&H insurers presenting a CSM release ratio between 3% and 6%. For these insurers, this points to, when translated to an annual basis, a run-off period range of 8-16 years for the existing CSM (assuming the current period CSM release is representative of the remaining CSM).
- The highest CSM release ratio has been observed for three composite insurers with a large P&C business and one P&C insurer that measures all its business under the IFRS 17 general model.

## Insights from comparatives on 30 June 2023

- The majority of insurers showed a slight increase in the HY 2024 ratio compared to the HY 2023 ratio, with the most common increase being in the range of 0% to 0.5%.

**Note:** Comparatives information at HY 2023 was not available for all entities as the majority of them presented the roll-forward tables based on comparatives at YE 2023, and not all entities disclosed the composition of their insurance revenue.

## CSM run-off pattern: CSM recognized in profit or loss during specified time bands (less than 1 year, between 1 and 5 years, between 5 and 10 years, more than 10 years)



### What the metric is about

This metric provides insights on insurers' CSM run-off pattern for insurance contracts issued, including both life business (which generally has a longer run-off period) and non-life business (which generally has a shorter run-off period).

The large majority of insurers did not disclose when they expect the CSM to be recognized in profit or loss in future years in their HY 2024 interim financial statements. This information, therefore, was available for only some insurers, as opposed to the annual financial statements where this is provided as a mandatory disclosure.

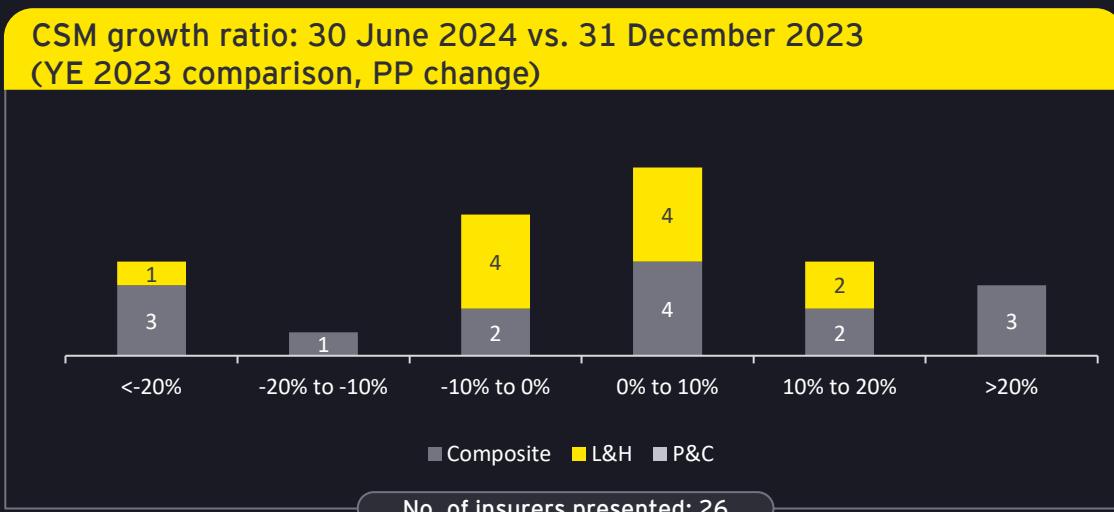
For the insurers that provided this information, the type of disclosure and the time bands selected varied. To compare results, we have, for the purpose of our analysis, selected specific time bands. We captured CSM release information to the extent that it was possible to fit the time bands disclosed by the insurers into our specified time bands.



### Key takeaways as on 30 June 2024

- **Less than 1 year:** The average amount of CSM that is expected to be recognized during this time band is 16% (total range between 0% and 65%).
- **Between 1 and 5 years:** The average amount of CSM that is expected to be recognized during this time band is 37% (total range between 20% and 67%).
- **Between 5 and 10 years:** The average amount of CSM that is expected to be recognized during this time band is 20% (total range between 2% and 33%).
- **More than 10 years:** The average amount of CSM that is expected to be recognized during this time band is 26% (total range between 0% and 44%).

# CSM growth ratio: Ratio of new business CSM to CSM release



## What the metric is about

It provides an indication of the growth direction of the unearned CSM of insurers. A ratio above 100% means that the amount of new business CSM recognized in the period is higher than the amount of CSM released into profit or loss during the period, while a ratio below 100% means that the amount of new business CSM recognized in the period is lower than the amount of CSM released into profit or loss.

## Key takeaways on 30 June 2024

- The large majority of insurers presented an amount of CSM released that is higher than the amount of CSM added for new business in the first six months of 2024.
- The total range of the ratio has been quite broad, with the lowest and highest ratio observed for two composite insurers presenting as 13% and 210% respectively.
- The amount of CSM released in profit or loss is derived as the last step in the CSM calculation, which means that it includes other adjustments such as the interest accretion for GM contracts and the entity's share of the underlying items, as well as the "over return" of the "real world" over the "risk-free" rates for VFA contracts. As such, this metric should not be taken by itself as an indication that an insurer's CSM is declining, as there are other factors that contribute to the CSM's growth.

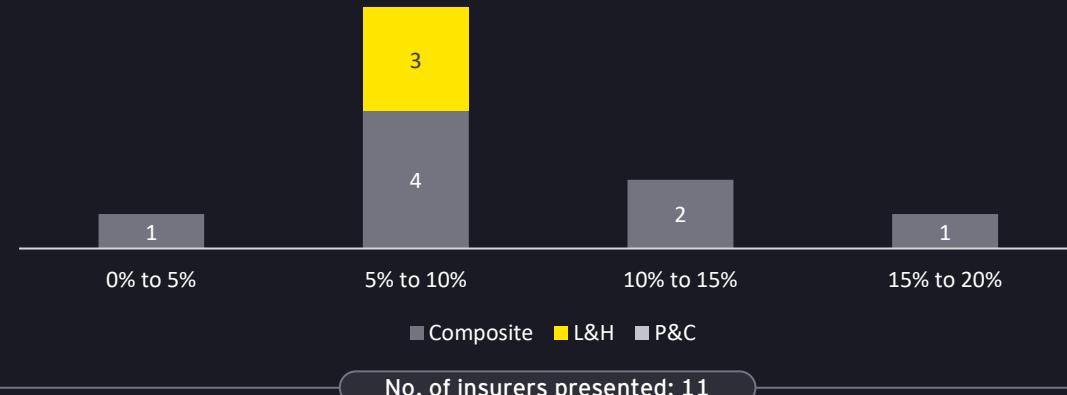
## Insights from comparatives on 31 December 2023

- The majority of composite and L&H insurers observed an improvement in the YE 2024 CSM growth ratio, which for some of them was above 20% due to a strong increase in new business CSM during 2024. For three insurers, this led to a HY 2024 ratio being higher than 100%, while for the others, it contributed to an improvement to the ratio which remained below 100%.

**Note:** Comparatives information at YE 2023 was not available for all entities as some of them presented their IFRS 17 roll-forward tables with comparatives at HY 2023.

# New business CSM weight: Ratio of new business CSM minus new business onerous contracts to new business present value of cash inflows

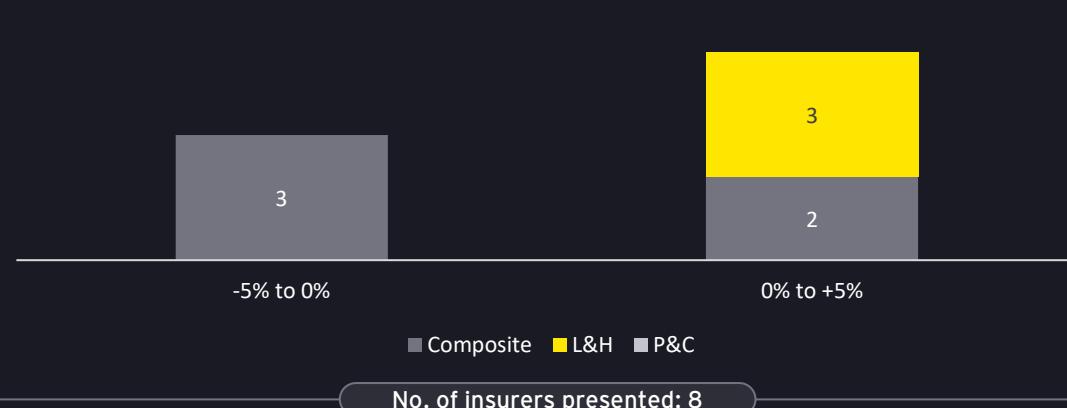
## New business CSM weight on 30 June 2024



## What the metric is about

It represents the weight of the CSM new business minus the loss component of the new business in the period compared to the amount of present value of cash inflows (expected premiums) recognized for the new business in the period. This metric provides an indication regarding the profitability of new business. The higher the ratio, the higher the amount of new unearned future profit recognized by the insurer.

## New business CSM weight: 30 June 2024 vs. 31 December 2023 (YE 2023 comparison, PP change)



## Key takeaways on 30 June 2024

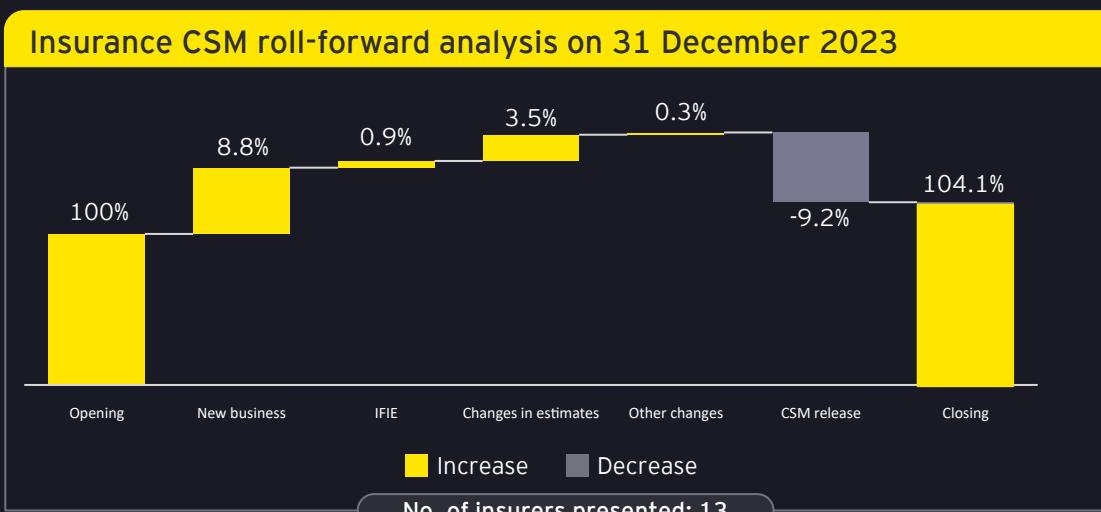
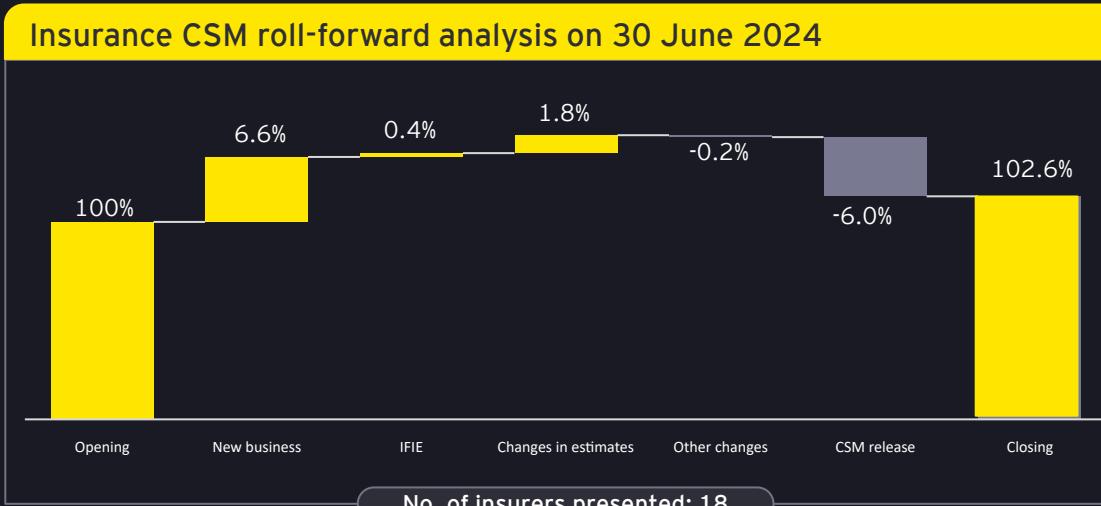
- Only 11 insurers presented the new business disclosure. The large majority of these insurers presented a ratio that is in the 5% to 10% range. This percentage highlights the profit they expect to earn from the new business written in the period.
- The lowest and highest percentages have been observed for two composite insurers, which presented ratios of 5% and 16%, respectively.
- Around half of the insurers recognized a portion of onerous new business in the period, which is, on average, around 1% of the new business CSM.

## Insights from comparatives on 31 December 2023

- The majority of insurers that presented comparative information at YE 2023 reported an increase in the HY 2024 new business CSM weight ratio as compared to that for YE 2023 ranging from 0% to 5%.

**Note:** The information for this metric was available only for a few insurers as the majority of them did not disclose information on new business.

# Insurance CSM roll-forward: Analysis of the CSM movements over the period for GM and VFA business



## What the metric is about

We analyzed the CSM roll-forward figures for insurance contracts issued by all insurers using the Euro as their reporting currency and presented an illustrative CSM roll-forward table, based on the combined CSM movements across these insurers, with the CSM at the start of the period set to 100%.

## Key takeaways on 30 June 2024

The CSM balance increased by 2.6% in the first half of 2024 due to the following:

- **New business/CSM release:** The amount of CSM added for new business has been slightly higher than the amount of CSM released into profit or loss.
- **Insurance finance income and expense (IFIE):** Typically includes the accretion of interest at locked-in rate for GM contracts. A few insurers also appear to include other measurement effects, particularly from changes in the shareholder's share of the underlying items of their VFA contracts.
- **Changes in estimates:** This includes the effect of changes in estimates that relate to future services, driven by variances and changes in actuarial assumptions.
- **Other changes:** This includes various elements, for example, foreign currency effects or changes in the composition of the insurance company.

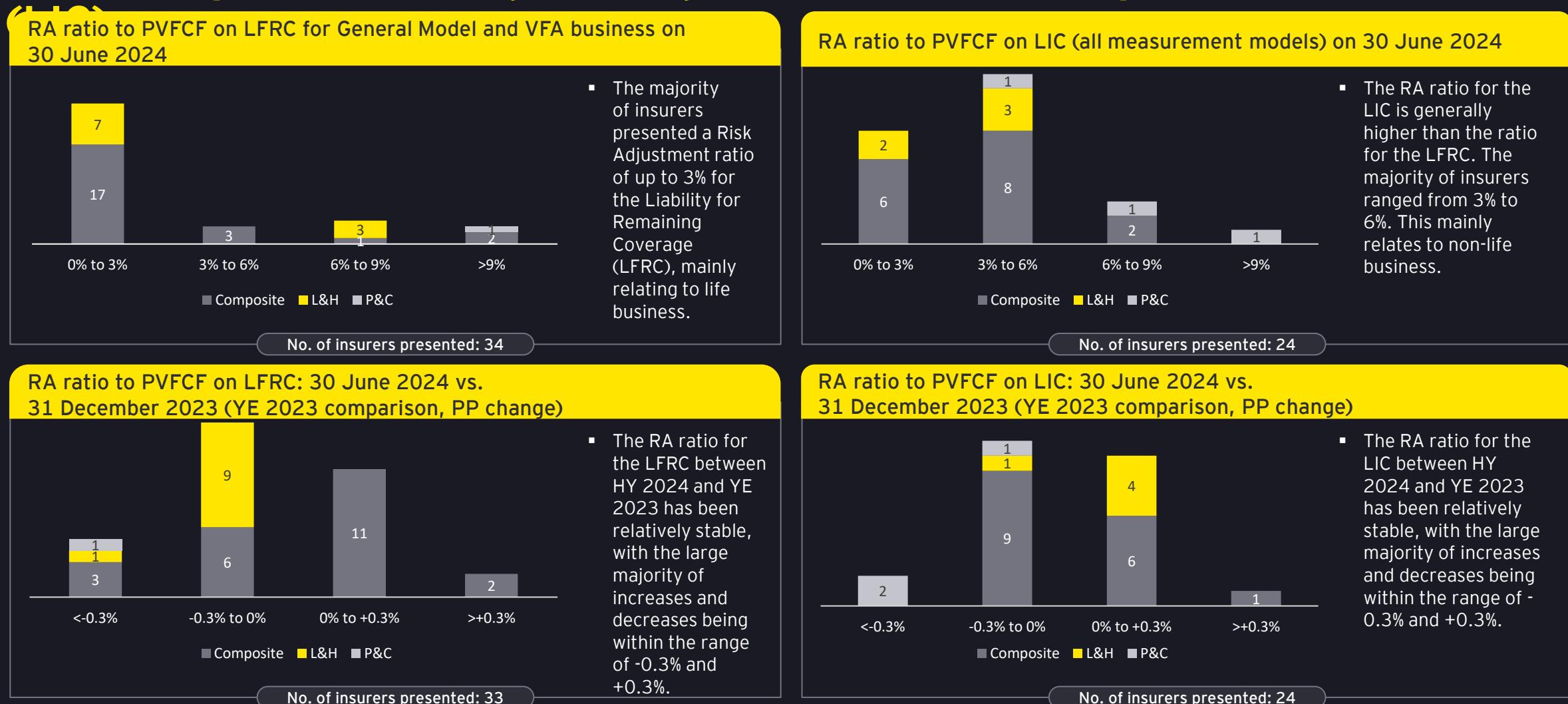
## Key takeaways on 31 December 2023

The CSM balance increased by 4.1% during 2023. The most notable effects are:

- **More favorable impact from changes in estimates that adjust the CSM:** One of the reasons behind this effect is the changes in longevity assumptions that were disclosed by some insurers.
- **Positive effect from other changes:** One of the reasons behind this effect is the change in the composition of the insurers' group (e.g., acquisitions), resulting in an increase of CSM by some insurers.

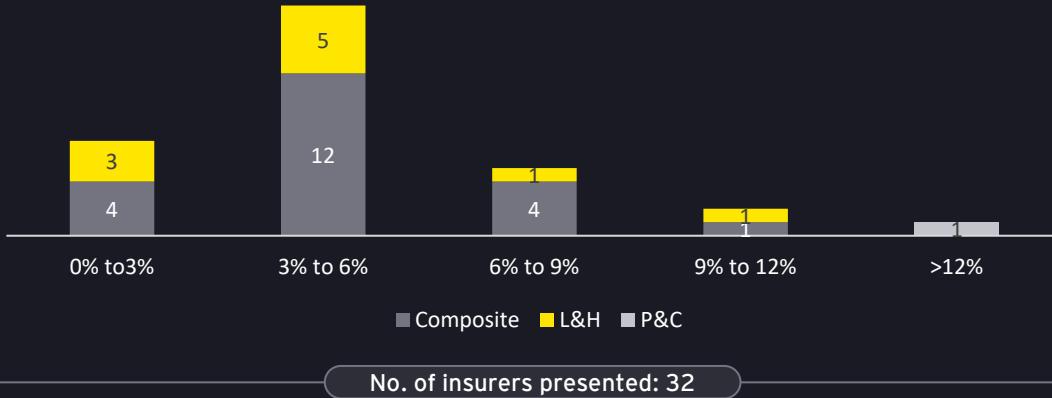
**Note:** comparatives information at YE 2023 was not available for all entities as some of them presented the roll-forward tables based on comparatives for the first half of 2023.

# Risk Adjustment (RA) ratio to Present Value of Future Cash Flows (PVFCF) on Liability for Remaining Coverage (LFRC) and Liability for Incurred Claims



# Risk Adjustment release ratio: Ratio of RA release in the period to total RA at the start of the period

RA release ratio on LFRC on 30 June 2024

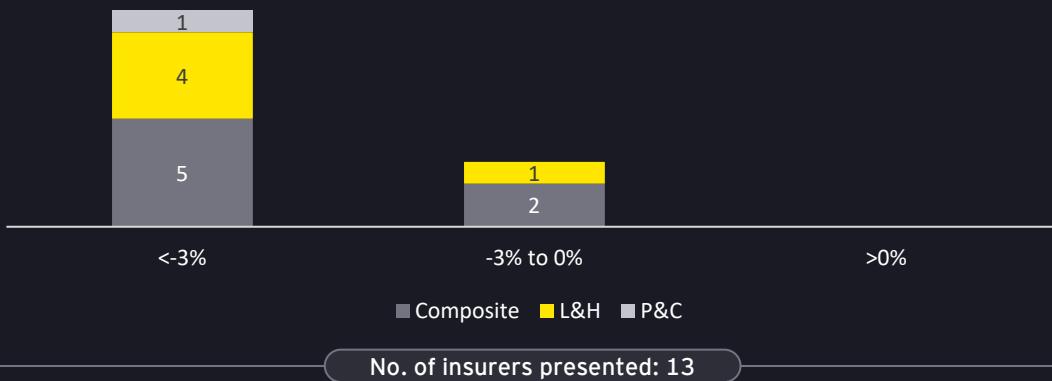


## What the metric is about

It represents the amount of RA released to profit and loss as a percentage of the total RA balance of the liability for remaining coverage (LFRC) at the start of the period.

This ratio is available for insurers that calculate the LFRC using either the GM or the VFA and provides some insights into the risk release and its contribution to the profitability of the insurer (the RA release is a component of insurance revenue).

RA release ratio on LFRC: 30 June 2024 vs. 31 December 2023 (YE 2023 comparison, PP change)



## Key takeaways on 30 June 2024

- The amount of RA for insurance contracts issued released into profit or loss during the first half of 2024 varied across insurers, with the majority of composite and L&H insurers presenting an RA release ratio between 9% and 12%.
- The most common range observed for the RA release ratio is the same as the one observed for the CSM release ratio (see slide 13).
- This metric is less relevant for P&C insurers that measure all or the majority of their business under the PAA, which does not include an explicit RA as part of the LFRC.

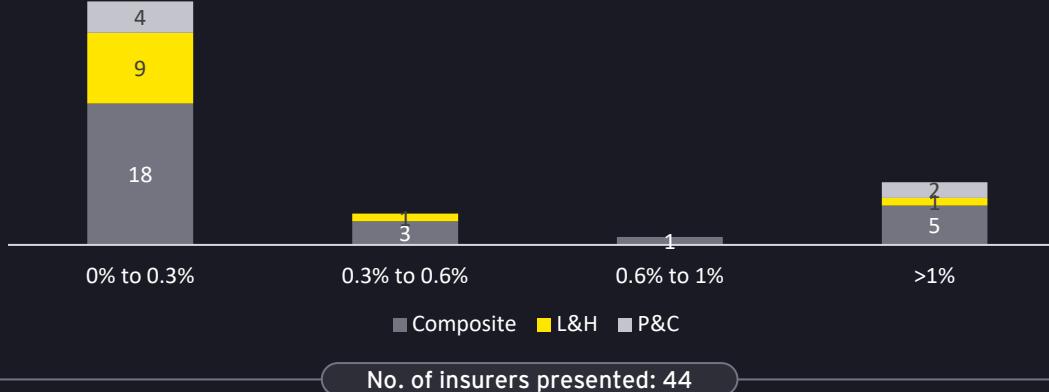
## Insights from comparatives on 31 December 2023

- The large majority of composite and L&H insurers presented an increase in their YE 2023 RA release ratio as compared to the YE 2022 one, and for the majority of them, the increase was up to 3% (the highest increase was 8% which was observed for two composite insurers).

**Note:** Comparatives information at YE 2023 was not available for all entities as some of them presented the roll-forward tables based on comparatives for the first half of 2023.

# Loss component weight: Ratio of LFRC loss component to LFRC excluding loss component

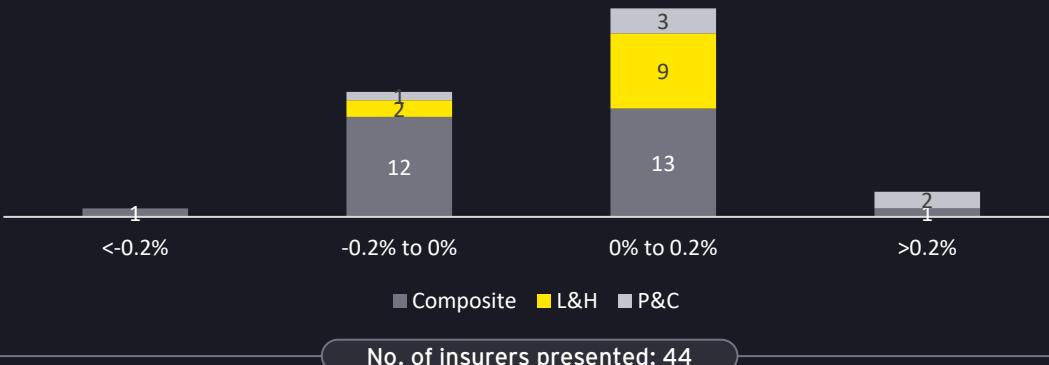
## Loss component weight on 30 June 2024



## What the metric is about

It represents the ratio of the loss component of the liability for remaining coverage to the amount of the liability for remaining coverage excluding the loss component (profitable component). This metric provides insight into the size of onerous business. The higher the ratio, the higher the amount of losses from onerous contracts recognized.

## Loss component weight: 30 June 2024 vs. 31 December 2023 (YE 2023 comparison, PP change)



## Key takeaways on 30 June 2024

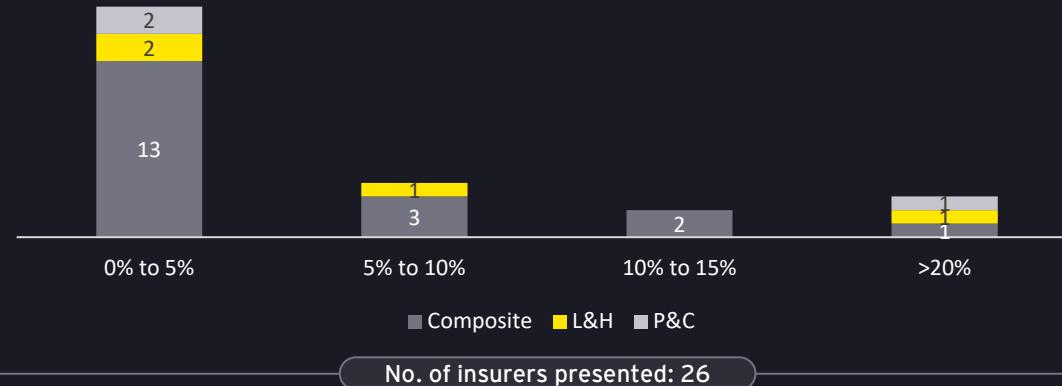
- The large majority of insurers presented a loss component weight ratio below 1%, with the most common range being from 0% to 0.3%.
- Eight insurers, the majority of which are composite insurers, presented a loss component weight above 1%. The highest ratio has been observed for one P&C insurer that presented a ratio of 54%, mainly related to claims acquired in their settlement period.

## Insights from comparatives on 31 December 2023

- The majority of insurers observed a slight increase in the HY 2024 loss component weight ratio as compared with the YE 2023 weight ratio, with the most common range being from 0% to 0.2%. The highest increase has been observed for one P&C insurer that reported an 11% increase.

# Loss recovery component weight: Ratio of reinsurance held loss recovery component to underlying loss component

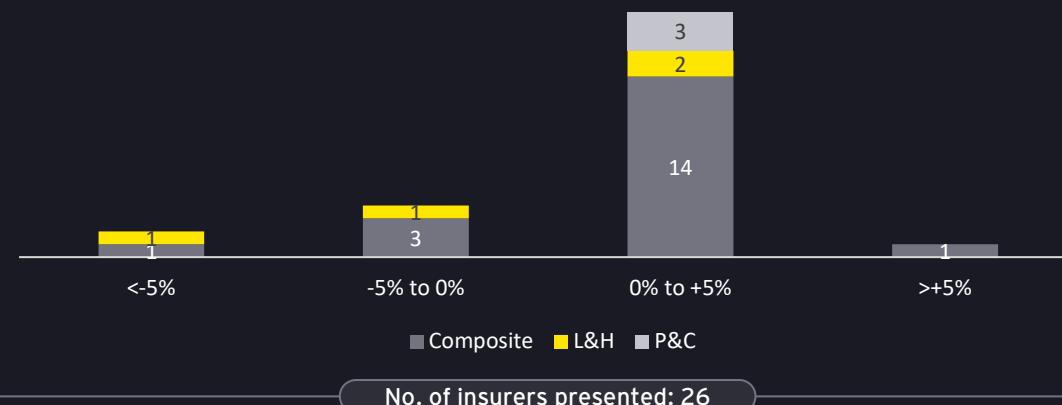
## Loss recovery component weight on 30 June 2024



## What the metric is about

It represents the ratio of the loss recovery component of the asset for remaining coverage to the loss component of the liability for remaining coverage. This metric provides insight into the expected recoverability from reinsurance contracts held for the losses on the underlying insurance contracts issued. The higher the ratio, the higher the portion of underlying losses that is recoverable from ceded reinsurance.

## Loss recovery component weight: 30 June 2024 vs. 31 December 2023 (YE 2023 comparison, PP change)



## Key takeaways on 30 June 2024

- The loss recovery component weight ratio varied across insurers, as it depends on the coverage provided by the reinsurance contracts held.
- The majority of insurers presented a loss recovery component weight ratio between 0% and 5%.
- Three insurers presented a loss recovery component weight ratio above 20%, with the highest observable ratio being 50%, observed for one composite insurer in relation to reinsurance business measured under the general model.

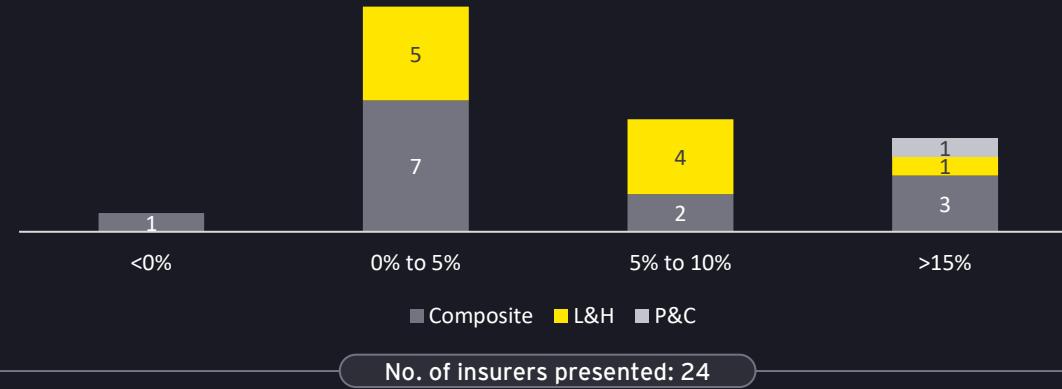
## Insights from comparatives on 31 December 2023

- The large majority of insurers observed an increase in the HY 2024 loss recovery component weight ratio as compared with the YE 2023 weight ratio, with the most common range being from 0% to 5%. Reasons for this could include an increase in new underlying contracts written with a loss, or whether specific events (e.g., catastrophe) occurred during a period.

**Note:** Comparatives information at YE 2023 was not available for all entities as some of them presented the roll-forward tables based on comparatives for the first half of 2023.

# Reinsurance CSM weight: Ratio of reinsurance CSM to the CSM of insurance contracts issued

## Reinsurance CSM weight on 30 June 2024

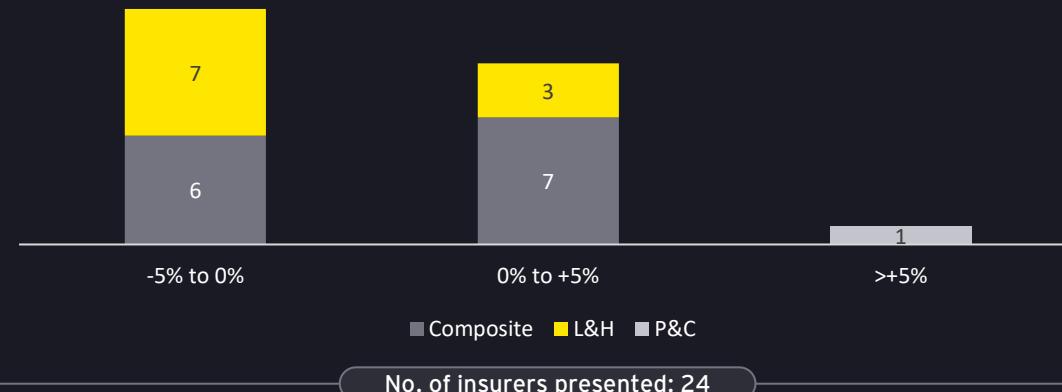


## What the metric is about

It provides insights into the weight of remaining future profitability that has been ceded to reinsurers.

A ratio above 0% means that the CSM for reinsurance contracts held represents an expected net cost (i.e., expected premiums ceded are higher than expected recoveries). A ratio below 0% means that the CSM for reinsurance contracts held represents an expected net gain (i.e., expected premiums ceded are lower than expected recoveries).

## Reinsurance CSM weight: 30 June 2024 vs. 31 December 2023 (YE 2023 comparison, PP change)



## Key takeaways on 30 June 2024

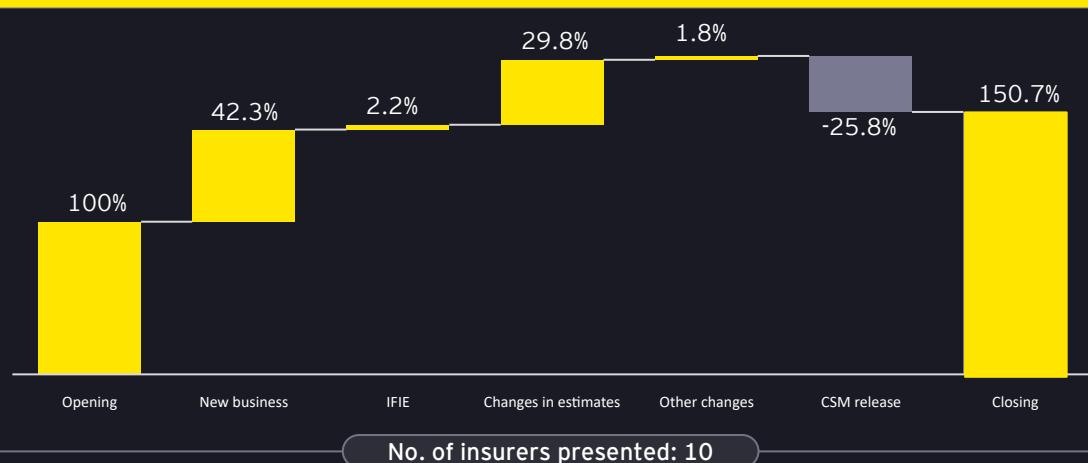
- Almost all insurers presented an expected net cost on their reinsurance contracts held, resulting in a reinsurance CSM weight above 0%. The main range observed is from 0% to 5%, while the highest ratio has been observed for one P&C insurer that reported 52%.
- Only one composite insurer presented a reinsurance CSM weight below 0% and showed an expected net gain on their reinsurance contracts held. In particular, this insurer presented a ratio of -3%.
- Where reinsurance contracts held are measured under the PAA, no expected net cost or gain through the CSM is reported.

## Insights from comparatives on 31 December 2023

- A slight majority of insurers observed a decrease in the HY 2024 reinsurance CSM weight as compared with the YE 2023 weight.
- One composite insurer switched from a CSM net cost at YE 2023 to a CSM net gain at HY 2024.

# Reinsurance CSM roll-forward: Analysis of the CSM movements over the period

Reinsurance CSM roll-forward analysis on 30 June 2024



## What the metric is about

We analyzed the CSM roll-forward figures for reinsurance contracts held by all insurers using the Euro as their reporting currency and presented an illustrative CSM roll-forward table, based on the combined CSM movements across these insurers, with the CSM at the start of the period set to 100%.

## Key takeaways on 30 June 2024

The net cost in CSM balance increased by 50.7% due to the following movements:

- **New business/CSM release:** The amount of CSM added for new business has been substantially higher than the amount of CSM released into profit or loss. This was mainly driven by the size of reinsurance new business recognized by some composite insurers. The CSM release into profit or loss is higher compared to that related to issued contracts, reflecting a generally much shorter coverage period for reinsurance compared to the coverage period of issued contracts (see slide 15).
- **IFIE:** This reflects the accretion of interest at the locked-in rate.
- **Changes in estimates:** This includes the effect of changes in estimates that relate to future services, including the effect of losses and reversals of losses on underlying onerous contracts.
- **Other changes:** This includes various elements, for example, foreign currency effects or changes in the composition of the insurance company.

**Note:** Some insurers presented the IFRS 17 roll-forward tables for issued contracts but not for reinsurance held contracts, and therefore have not been included in this analysis.

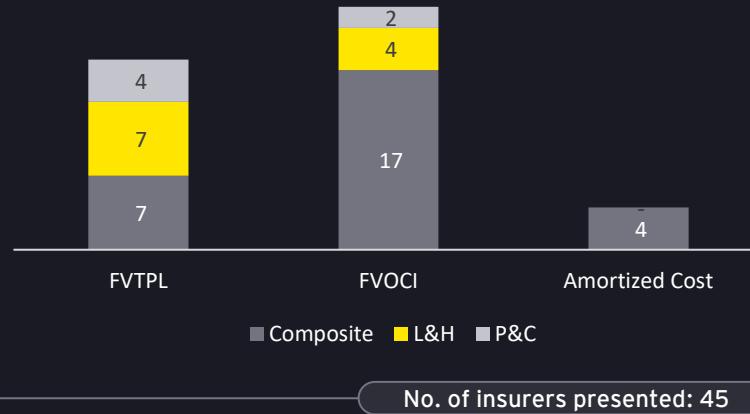
## Key takeaways on 31 December 2023

- The CSM balance increased by 6.6% during 2023, mainly driven by the favorable contribution of the changes in estimates during the period and the CSM released into profit or loss being lower than the amount added for new business.

**Note:** Comparatives information at YE 2023 was not available for all entities as some of them presented their IFRS 17 roll-forward tables with comparatives at HY 2023.

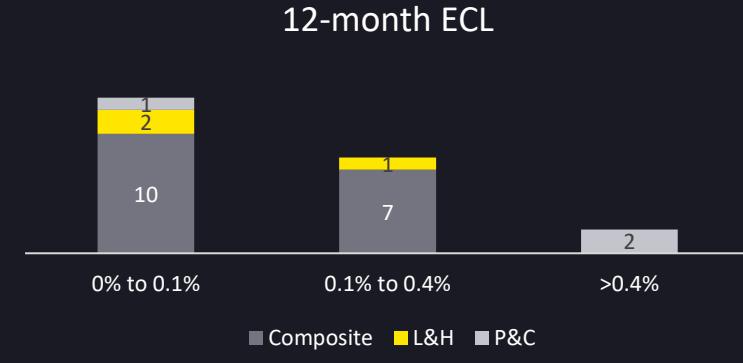
# IFRS 9: Classification and expected credit loss (ECL) allowance

## Main IFRS 9 classification: Debt instruments on 30 June 2024



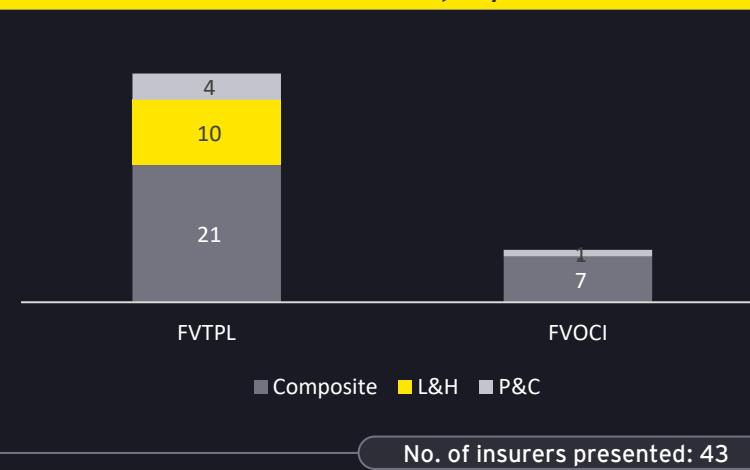
- Twenty-three insurers measure the majority of their debt securities at FVOCI, while 18 use FVTPL. Four composite insurers (all of them bancassurers) apply amortized cost as the main category.

## ECL allowance as a proportion of carrying value: Twelve-month (stage 1) and lifetime (stage 2 and 3) on 30 June 2024



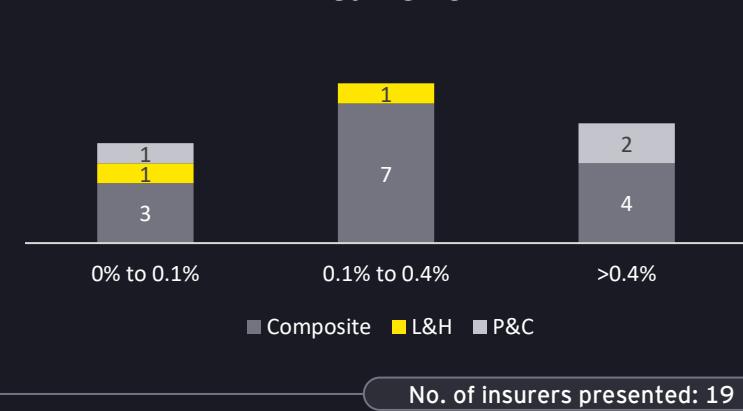
- The majority of insurers disclosed a 12-month ECL allowance up to 0.4% of the carrying amount of debts that are subject to impairment (FVOCI and AC). Only two insurers reported a percentage above 0.4%.

## Main IFRS 9 classification: Equity instruments on 30 June 2024



- Thirty-five insurers measure the majority of their equity securities at FVTPL, while eight account for equity instruments at FVOCI (non-recyclable).

## Lifetime ECL



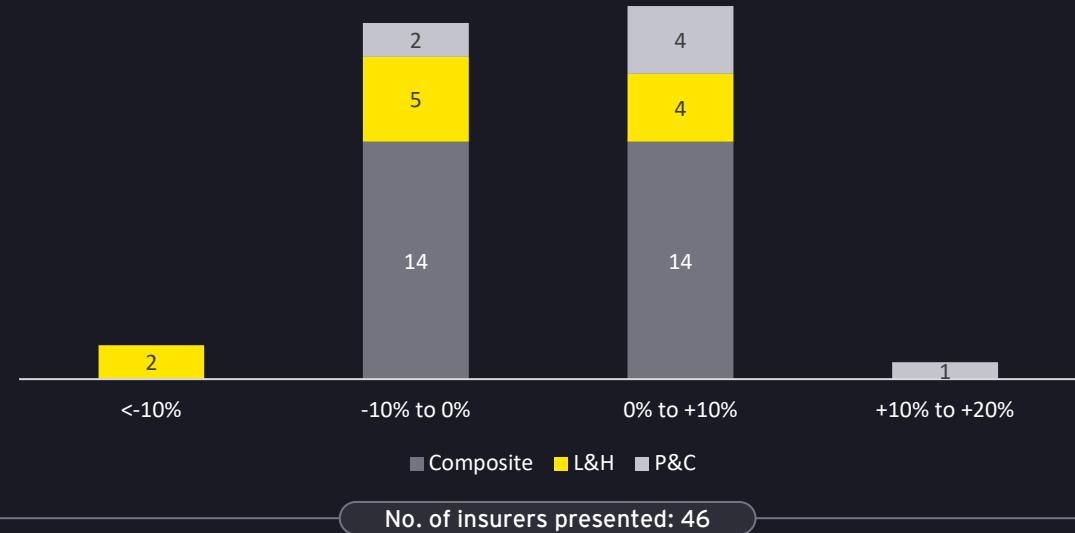
- The lifetime ECL allowance, based on the characteristics of the instruments, has generally been slightly higher. The majority of insurers disclosed a percentage up to 0.4% but six insurers reported a percentage above 0.4%.

# 03

## Reported key performance indicators

# Shareholder's equity change

IFRS 17 and IFRS 9 shareholder's equity change: 30 June 2024 vs 31 December 2023

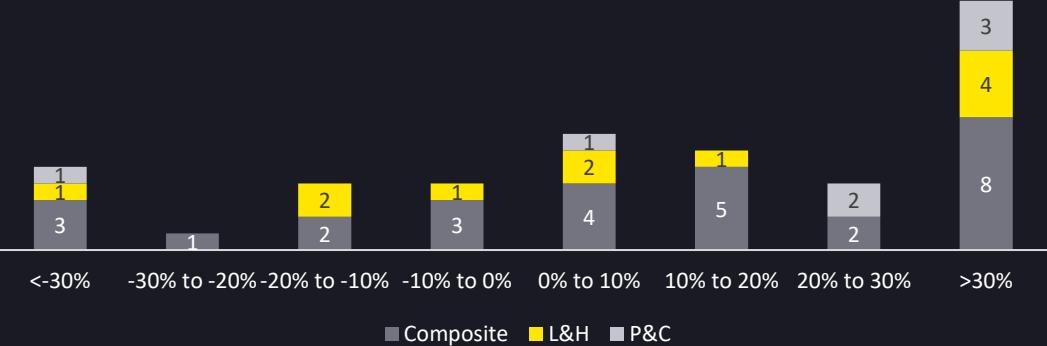


The impact on equity varied across insurers, with mixed results between increases and decreases.

- During the first six months of 2024, half the insurers showed an increase in the equity balance, while the other half presented a decrease in the equity balance as compared to YE 2023.
- The increases and the decreases have been in the range of +10% to -10% respectively, for almost all insurers. The highest decrease has been observed for one L&H insurer that disclosed -23%, while the highest increase has been observed for one P&C insurer that disclosed +12%.
- The increase or decrease of the equity balance during the first six months of 2024 depends on the combination of specific factors for each insurer that determine the equity movement during the period, which are mainly:
  - The positive net result, which has been observed for the large majority of insurers during the first six months of 2024 and contributed to an increase in the amount of equity (refer to the composition of the net result on page 7).
  - The capital transactions with shareholders (e.g., dividend payouts and share buyback programs during the first six months of 2024), which contributed to a decrease in the amount of equity.

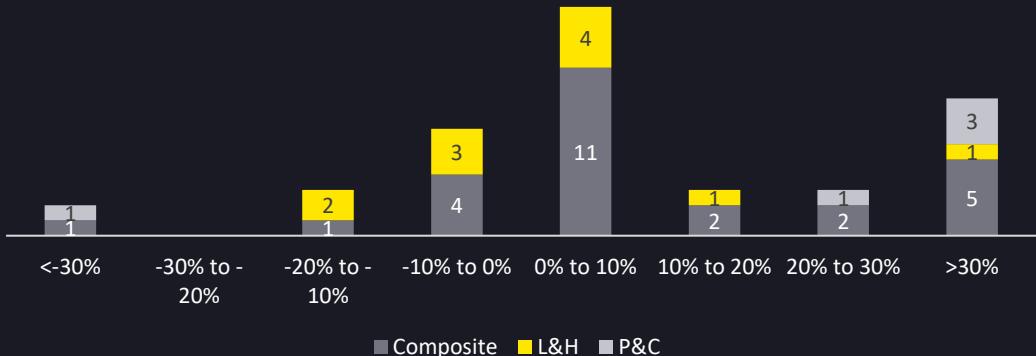
# Net profit before tax and operating profit change

Net profit (or loss) before tax: 30 June 2024 vs. 30 June 2023



No. of insurers presented: 46

Operating profit: 30 June 2024 vs. 30 June 2023



No. of insurers presented: 42

The large majority of insurers reported an increase in their net result during the first six months of 2024, driven by an increase in both insurance and financial results.

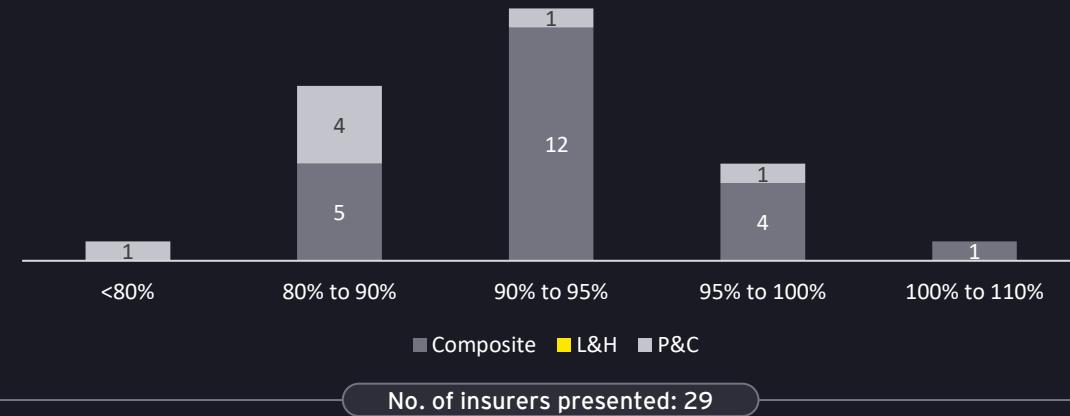
- The amount of net result increased for the large majority of insurers in the first six months of 2024 compared to the first six months of 2023.
- The positive development in the net result is mainly attributable to the following:
  - Increase in the insurance result: One of the drivers that contributed to this effect is the increase in the CSM release ratio in the first six months of 2024. On average, the insurance service result increased by 12%.
  - Increase in the financial results: One of the drivers that contributed to this effect is the increased interest rate levels observed during 2024, which contributed to higher returns on investments.

The large majority of insurers presented an increase in their operating profit in the first half of 2024 compared to the first half of 2023.

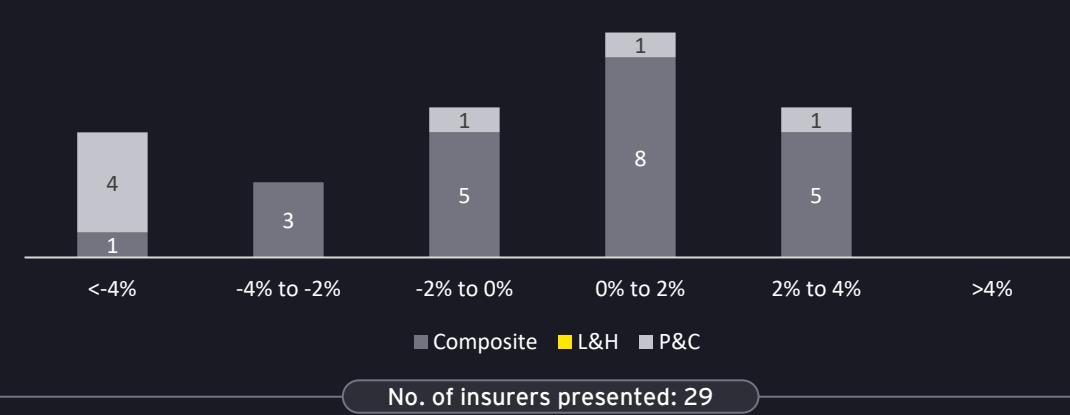
- The development in operating profit follows a similar pattern to the development in net results, which has been analyzed above.
- Insurers typically recalibrated their definition of operating profit based on IFRS 17 and IFRS 9. The impact differs across insurers based on a company's definition of operating profit but is also affected by some of the accounting choices made under the new standards.
- Companies usually adjust their net profit to exclude the impact of economic factors (e.g., interest rates and equity prices), but the mechanisms to achieve this differ. Some companies that present the effects of economic changes from investments and insurance liabilities in profit or loss have applied an expected return measure in defining operating profit.

# Combined ratio

## Combined ratio on 30 June 2024



## Combined ratio change: 30 June 2024 vs. 30 June 2023 (HY 2023 comparison, PP change)



## What has changed compared with IFRS 4?

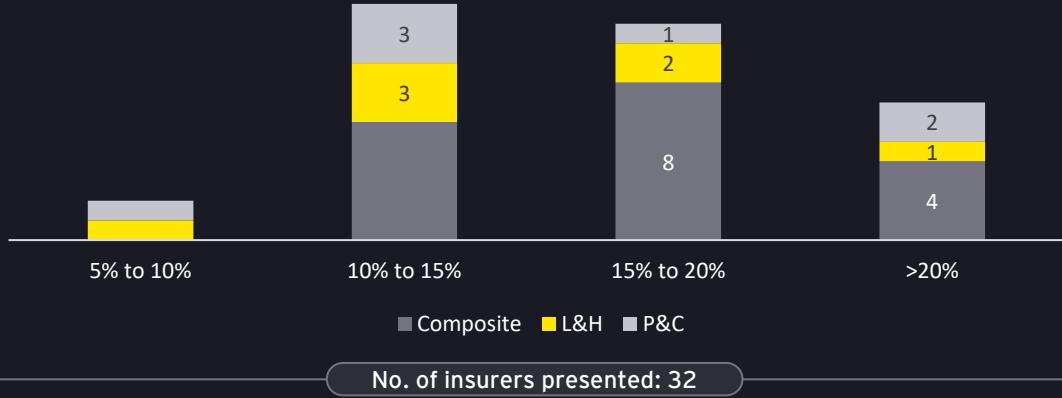
- The combined ratio reflects the ratio of incurred claims and expenses relative to insurance revenue and continues to be widely reported as a KPI for P&C business under IFRS 17.
- Insurers typically updated their combined ratio based on IFRS 17 compared with IFRS 4, for example, by including the effect of discounting, changing the level of expenses included in claims cost, and recognizing the increase in claims costs resulting from losses on onerous contracts.
- Differences are still observed between insurers in how they calculate the combined ratio, for example, whether it is net or gross of reinsurance ceded, the type of expenses included and the treatment of the unwinding of interest.
- Only a few insurers are providing their combined ratio on both a discounted and undiscounted basis.

## What did companies report?

- Around half of the insurers showed an improvement (i.e., a decrease) in their combined ratio over the first six months of 2024 compared with the same period in 2023, while the other half showed a deterioration (i.e., an increase).
- The large majority of P&C insurers presented a decrease in the combined ratio, commonly driven by a strong underwriting performance in 2024, particularly in the motor, home and cyber risks lines. Four P&C insurers reported a decrease in the combined ratio in excess of -4%, with the highest being -10%.
- On the other hand, the majority of composite insurers presented an increase in their combined ratio during 2024. The increase has been less significant, with the highest change being +3%, and was mainly driven by adverse weather events increasing the claims ratio.

# Return on Equity

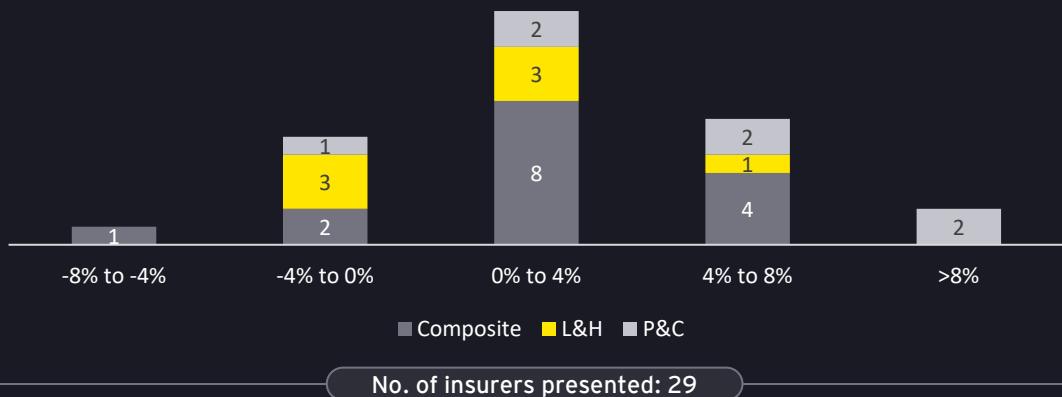
## Return on Equity on 30 June 2024



The large majority of insurers presented an increase in their Return on Equity in the first half of 2024.

- A large majority of the insurers showed an increase in their Return on Equity during the first six months of 2024 compared to the same period in 2023.
- One common reason for this increase is the overall improvement in net results observed during the first six months of 2024 (see slide 25). There may also be other company-specific reasons driving changes in the reported Return on Equity, like share-buybacks and dividend payouts.
- The highest Return on Equity has been observed for one P&C insurer, which reported 45%, while the lowest Return on Equity has been observed for another P&C insurer, which reported 6%.
- Variations exist in how insurers determine their Return on Equity, for example, using IFRS profits vs. adjusted (underlying or operating) earnings for the numerator and the exclusion of unrealized amounts in OCI for the denominator.

## Return on Equity change: 30 June 2024 vs. 30 June 2023 (HY 2023 comparison, PP change)

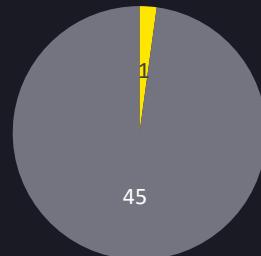


# 04

## Comparison of methodologies and accounting policies

# Changes to IFRS 17 accounting policy and estimates compared to YE 2023 financial statements

## Accounting policy change on 30 June 2024



■ Yes ■ No

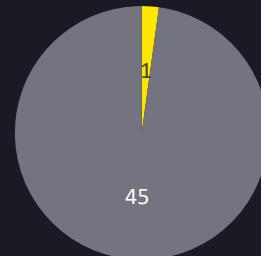
**What the observation is about:** IFRS 17 contains a number of accounting policy elections, the exercise of which may be relevant to understanding the financial statements of an entity. Changes in accounting policy elections are accounted for under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

### Key observations:

- The vast majority of the insurers did not make changes to their accounting policies as compared to those disclosed in the financial statements of 2023.
- One composite insurer disclosed a change in the treatment of the discounting effect relating to the risk adjustment, which is now allocated between insurance service expenses and insurance finance income or expenses, as well as a change related to the investment component.

No. of insurers presented: 46

## Significant changes in estimate on 30 June 2024



■ Yes ■ No

**What the observation is about:** IFRS 17 contains specific disclosure requirements around the significant judgements and changes in judgements made by an entity in applying the standard. In particular, it requires to disclose any changes in methods and processes for estimating inputs used to measure contracts, the reason for each change, and the type of contracts affected. Changes in estimates are applied prospectively and are recognized in the period in which the change occurs and in future periods.

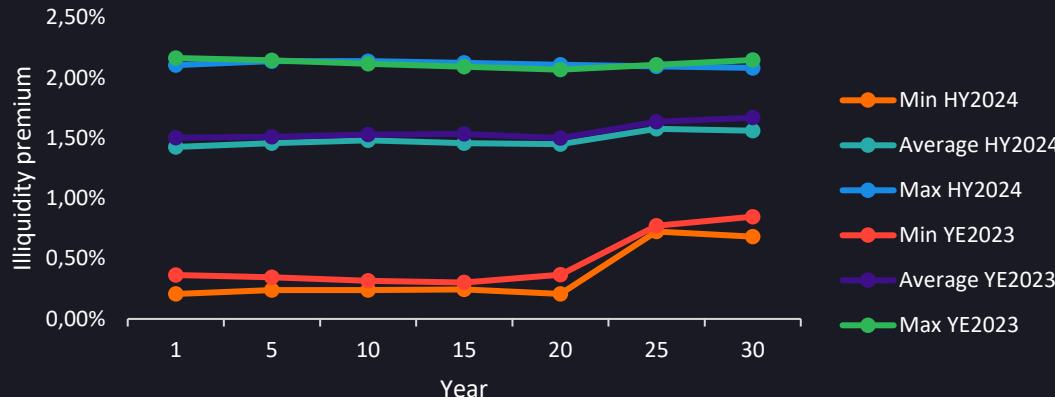
### Key observations:

- The vast majority of insurers did not present a specific disclosure about significant changes to their estimate as compared to what was disclosed in the financial statements of 2023.
- One composite insurer disclosed that from 1 January 2024, the risk adjustment for non-financial risk is calculated with the Cost of Capital method in combination with other estimation techniques (previously it was calculated with the Cost of Capital technique only). In addition, it also disclosed changes in the L&H assumptions that negatively impacted the CSM.

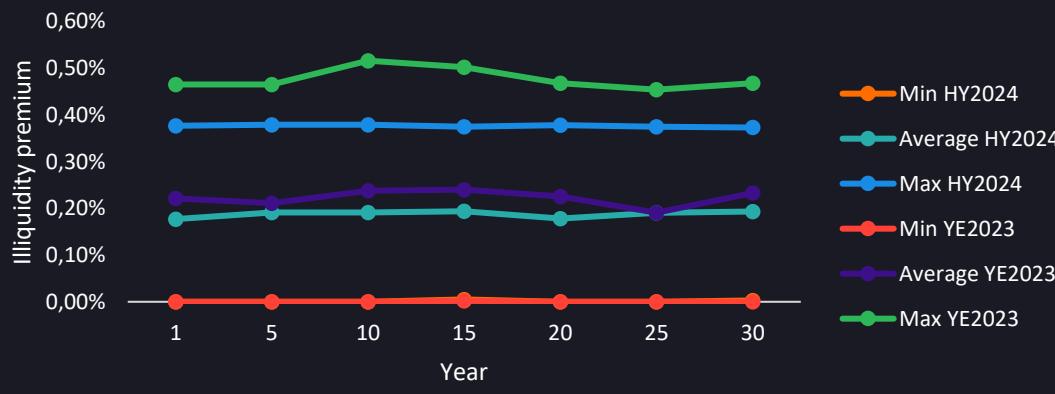
No. of insurers presented: 46

# Discount rate analysis: Illiquidity premiums - GBP

GM Illiquidity Premium (GBP): 30 June 2024 vs. 31 December 2023



VFA Illiquidity Premium (GBP): 30 June 2024 vs. 31 December 2023



## Methodology of our analysis

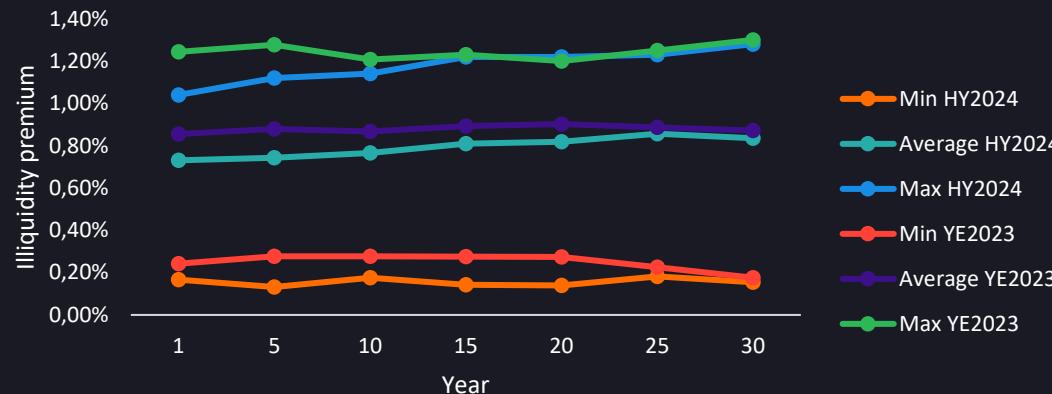
- The ILP is a key driver of the IFRS 17 discount rate and an element that often requires the most judgement in establishing the total discount rate.
- For the companies in our panel, we derived the indicative ILP for illustrative purposes by subtracting the "risk free" rate based on EIOPA from the disclosed IFRS 17 discount rates. As such, the actual range of ILPs applied by the companies in their financial statements may differ.
- We looked at the curves including an ILP. Some companies also apply a curve without an ILP (i.e., a "risk-free" rate) to some types of business.
- The analysis was done for GBP and EUR (next slide) currencies for GM and VFA products, but with no further distinction by product types. Where necessary, interpolation was applied in our analysis.

## Key takeaways

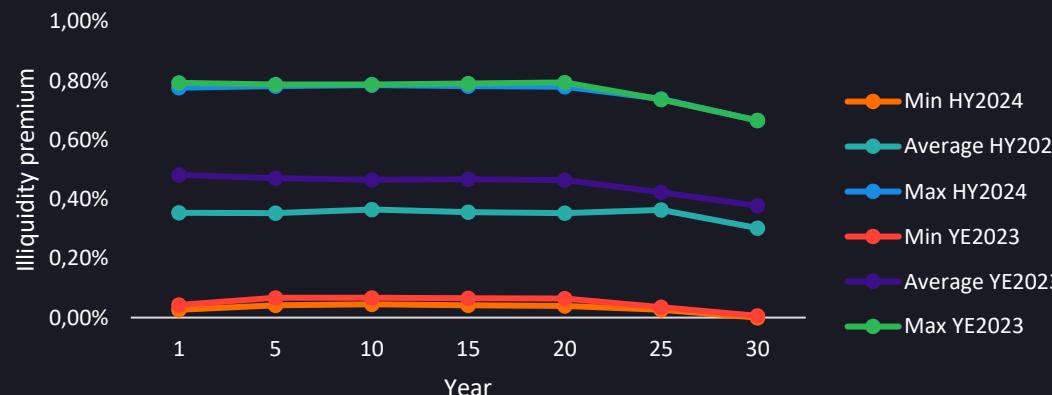
- At HY 2024, a range of ILPs is observed due to the variety of products within each measurement model and potentially different methodologies for determining the ILP:
  - ILPs are fairly stable across durations, implying a flat ILP assumption for most entities.
  - GM ILP is typically larger than the VFA ILP, most likely due to annuity business within GM and low ILPs within VFA products (e.g., with-profits and unit-linked, which are more liquid).
- Data is limited for duration beyond Year 30 for HY 2024, hence the graphs stop at Year 30.
- As compared to YE 2023:
  - The GM ILP remained close to YE 2023, with a slight decrease in HY 2024. This is moving in tandem with the overall macroeconomic outlook, especially the market's expectation of continuous decrease in overall interest rates.
  - The VFA ILP generally remained close to YE 2023, with slightly lower maximum ILP in HY 2024. This reduction in maximum ILP is mainly driven by the effects of an increase in the total discount rate during the first six months of 2024 which has been offset by a larger increase in the risk-free rate during the same period. This effect has been observed in particular for two insurers (one L&H and one composite).

# Discount rate analysis: illiquidity premiums - EUR

GM Illiquidity Premium (EUR): 30 June 2024 vs. 31 December 2023



VFA Illiquidity Premium (EUR): 30 June 2024 vs. 31 December 2023



## Methodology of our analysis

- Consistent with the approach to GBP discount rates (see previous slide).

## Key takeaways

- At HY 2024, the GM ILP is also typically larger than the VFA ILP for EUR. However, the differences are smaller compared to GBP, as the average EUR GM ILP is lower but the average EUR VFA ILP is higher than for GBP.
- The overall range of EUR VFA ILP is noticeably wider than for GBP. This is likely driven by differences in product features, like more diverse profit-sharing mechanisms in continental Europe and different investment policies that underlie the reference portfolios used for deriving the ILP.
- The ILP trends are fairly similar, with the ILPs fairly stable across durations, implying a flat ILP assumption for most companies.
- Data is limited for durations beyond Year 30 for HY 2024; hence, the graphs stop at Year 30.
- As compared to YE 2023:
  - The GM ILP remained close to YE 2023, with HY 2024 having a generally lower ILP. This is moving in tandem with the overall macroeconomic outlook as a result of slight decrease in overall interest rates.
  - The VFA ILP largely remained unchanged from YE 2023. The average ILP for 2024 has decreased slightly in line with the overall macroeconomic outlook as a result of a slight decrease in overall interest rates.

# 05

## Appendix

# Selected IFRS 17 and IFRS 9 financial metrics and KPIs

IFRS 17 or 9	Metric	Definition	Page ref.
IFRS 17 and IFRS 9	Net result analysis	$\frac{\text{Insurance service result}}{\text{Net result}} \frac{\text{Financial result}}{\text{Net result}}$ $\frac{\text{Other result}}{\text{Net result}}$	7
IFRS 17	Insurance service result analysis	$\frac{\text{Release of CSM}}{\text{ISR}} \frac{\text{Release of LFRC RA}}{\text{ISR}}$ $\frac{\text{Losses and reversal of losses}}{\text{ISR}} \frac{\text{Experience variance on current services}}{\text{ISR}}$	8
IFRS 17	CSM ratio to PVFCF	$\frac{\text{CSM}}{\text{PVFCF on LFRC (GM and VFA contracts)}}$	9
IFRS 17	CSM composition by transition approaches	$\frac{\text{CSM (Other, MRA, FVA)}}{\text{CSM end of the period}}$	10
IFRS 17	CSM release ratio on LFRC	$\frac{\text{CSM release}}{\text{CSM end of period prior to release}}$	11
IFRS 17	CSM run-off pattern	$\text{CSM recognition in P\&L in selected time buckets}$ (Less than 1y, 1y-5y, 5y-10y, over 10y)	12
IFRS 17	CSM growth ratio	$\frac{\text{New business CSM}}{\text{CSM release}}$	13
IFRS 17	New business CSM weight	$\frac{\text{New business CSM} - \text{New business onerous contracts}}{\text{PVFCF inflows}}$	14
IFRS 17	Insurance CSM roll-forward	Analysis of the CSM movements over the period	15
IFRS 17	RA ratio to PVFCF on LFRC	$\frac{\text{RA}}{\text{PVFCF on LFRC}}$	16

# Selected IFRS 17 and IFRS 9 financial metrics and KPIs (cont.)

IFRS 17 or 9	Metric	Definition	Page ref.
IFRS 17	RA ratio to PVFCF on LIC	$\frac{RA}{PVFCF \text{ on LIC}}$	16
IFRS 17	RA release ratio on LFRC	$\frac{LFRC \text{ RA release}}{LFRC \text{ RA start of period}}$	18
IFRS 17	Loss component weight	$\frac{LFRC \text{ loss component}}{LFRC \text{ excluding loss component}}$	19
IFRS 17	Loss recovery component weight	$\frac{\text{Loss recovery component AFRC}}{\text{Loss component LFRC}}$	20
IFRS 17	Reinsurance held CSM weight	$\frac{\text{Reinsurance held CSM}}{\text{Insurance issued CSM}}$	21
IFRS 17	Reinsurance held CSM roll-forward analysis	Analysis of the CSM movements over the period	22
IFRS 9	Expected credit loss allowance	$\frac{\text{ECL stage 1 and ECL stage 2&3}}{\text{Debt instruments FVOCI and AC}}$	23
IFRS 17 and IFRS 9	Shareholder's equity change	Shareholder's equity change (first half of 2024)	24
IFRS 17 and IFRS 9	Net profit before tax	Overview of the net profit before tax change (first half 2024 vs. first half 2023)	25
IFRS 17 and IFRS 9	Operating profit	Overview of the operating profit change (first half 2024 vs. first half 2023) based on the insurer's definition of operating profit	25
IFRS 17	Combined ratio	Overview of the combined ratio change (first half 2024 vs. first half 2023) based on the insurer's definition of combined ratio	26
IFRS 17 and IFRS 9	Return on equity	Overview of the return on equity change (first half 2024 vs. first half 2023) based on the insurer's definition of return on equity	27

# Selected IFRS 17 and IFRS 9 comparative methodologies and accounting policies

IFRS 17 or 9	Methodology decision	Rationale	Page ref.
IFRS 17	Accounting policy changes	Overview of accounting policy changes in HY 2024 compared to YE 2023	29
IFRS 17	Significant estimates changes	Overview of significant estimates changes in HY 2024 compared to YE 2023	29
IFRS 17	Illiquidity premiums (GBP)	Overview of the determination of the illiquidity premium for GM and VFA contracts for GBP currency	30
IFRS 17	Illiquidity premiums (EUR)	Overview of the determination of the illiquidity premium for GM and VFA contracts for EUR currency	31

# List of insurers

Insurer	Segment	Geography	Insurer	Segment	Geography	Insurer	Segment	Geography
a.s.r.	Composite	Continental Europe	Great-West Lifeco	L&H	Americas	Old Mutual	L&H	Africa
Achmea	Composite	Continental Europe	Helvetia	Composite	Continental Europe	Phoenix	L&H	UK
Admiral Group	P&C	UK	Hiscox	P&C	UK	Ping An	Composite	Asia-Pacific
Aegon	Composite	Continental Europe	HSBC	Composite	UK	Prudential Plc	L&H	Asia-Pacific
Ageas	Composite	Continental Europe	Intact	P&C	Americas	QBE	Composite	Asia-Pacific
AIA	L&H	Asia-Pacific	Intesa Sanpaolo	Composite	Continental Europe	Sampo	Composite	Continental Europe
Allianz	Composite	Continental Europe	KBC Group	Composite	Continental Europe	Sanlam	Composite	Africa
Aviva	Composite	UK	Lancashire	P&C	Americas	SCOR	Composite	Continental Europe
AXA	Composite	Continental Europe	Legal and General	L&H	UK	Sun Life	L&H	Americas
Baloise	Composite	Continental Europe	Lloyds Banking Group	Composite	UK	Swiss Life	L&H	Continental Europe
BNP	Composite	Continental Europe	M&G	L&H	UK	Swiss Re	Composite	Continental Europe
Beazley	P&C	Continental Europe	Manulife	L&H	Americas	Talanx	Composite	Continental Europe
CNP Assurances	L&H	Continental Europe	Mapfre	Composite	Continental Europe	Tryg	P&C	Continental Europe
Crédit Agricole Assurances	Composite	Continental Europe	Munich Re	Composite	Continental Europe	Unipol	Composite	Continental Europe
Direct Line Group	P&C	UK	NN Group	Composite	Continental Europe	Zurich	Composite	Continental Europe
Generali	Composite	Continental Europe						

# Glossary

Abb.	Full expression	Abb.	Full expression
AC	Amortized cost	ILP	Illiquidity premium
AFRC	Asset for remaining coverage	LFRC	Liability for remaining coverage
BEL	Best estimate liabilities	L&H	Life and health
CSM	Contractual service margin	LIC	Liability for incurred claims
CU	Currency	LLP	Last liquid point
ECL	Expected credit loss	MRA	Modified retrospective approach
EU	European Union	NB	New business
EUR	Euro	OCI	Other comprehensive income
FVA	Fair value approach	PAA	Premium allocation approach
FVOCI	Fair value through other comprehensive income	P&C	Property and casualty
FVTPL	Fair value through profit and loss	PL	Profit and loss
FY	Fiscal year	PP	Percentage Point
GM	General model	RA	Risk adjustment for non-financial risk
IFRS	International financial reporting standard	UFR	Ultimate forward rate
ICL	Insurance contracts liabilities	VaR	Value at risk
IFIE	Insurance finance income and expenses	VFA	Variable fee approach

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