



IS IFRS17 VALUE FOR MONEY FOR PRIVATELY OWNED SMALL INSURERS IN EMERGING MARKETS?

Although IFRS17 is welcomed by different stakeholders, such as investors in listed insurance companies and rating agencies, it did not receive the same greetings by shareholders of privately owned insurance companies.

Since IFRS17 is all about disclosures, shareholders of privately owned insurance companies did not feel the need nor value for such a standard since they have access to information of their respective companies at any time in any format they wish. However, one may argue that, even privately owned insurance company might need to provide its financial statement to different stakeholder such as reinsurance companies, rating agency or potential investor, hence IFRS17 is beneficial!!!

Bearing in mind that the insurance regulator's main objectives are to safeguard policyholders' interest and the development of the insurance industry within the financial sector of the economy, through promoting high quality audit, corporate reporting, corporate governance and professional actuarial work, the prudential returns are at their disposal.

It took IFRS17 from 2010 to 2017 to see the light and gave publicly listed insurance companies until 2023 to be implemented. It is worth noting the 5-year period to implement was not only due its complexity in implanting but also to allow insurance companies to mitigate the financial impact that may be caused by transiting from IFRS4 to IFRS17. The new standard is to improve comparability and increase transparency globally in the hopes to facilitate increased capital and funding in the insurance industry.

Having said that, several questions and concerns about the directives imposed by insurance regulators vis-à-vis the timeline for the implementation of IFRS17 could be raised.



IN THE LONG RUN, YES!

Several insurance regulators were silent over the past few years whether IFRS17 is applicable or not to privately owned insurance companies, if yes when would it be applicable?

The problem started when few regulators in 2021 and others in 2022 issued directives and strict time frame as far as IFRS17 different implementing phases, namely the Gap Assessment (GAP), Indicative Financial Impact (FIA), Design and Implementation to be concluded in few months. This created chaos within the insurance industry to find a consultant and what was worse not leaving the company any time to respond to the FIA if any. Most importantly, the regulator did not give companies enough time to do the capacity building needed to cope with the new standard.

The fact that many privately owned insurance companies have completed, in a rush, the GAP, FIA and Design, few will be able to complete the implantation by the end of 2022 while others will not. Certainly, none of those latecomers will be able to mitigate the financial impact that will come out by year end.

Several countries have delayed the implementation of IFRS17 to 2024 such as Thailand, and to 2025 such as Indonesia and Philippines and to 2026 such as Taiwan, Vietnam & China. In brief, for the benefit of the few local insurance industry in the emerging markets, regulators should grant extension of the IFRS17 implementation to 2025 for a smooth transition.

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