



# ***INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA***

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***Compare and contrast the accounting policies of Global Insurance Entities that apply IFRS 17***

## PREFACE

Recently, International Financial Reporting Standards (IFRS) have brought major improvements to how global financial information is reported; these new standards were developed with an eye towards providing a more consistent basis on which to prepare international financial statements. The growing trend toward globalization will make the adoption of the new standard affect how insurance companies report their financial results and measure their risk exposure under IFRS 17, which is the most transformational change in the accounting treatment of insurance contracts to date. In addition to fundamentally changing how insurers will recognize revenue from insurance contracts, the new standard will create new measurement methodologies for revenue derived from such contracts, establish new formats for presenting such revenue in financial statements, and impose new disclosure requirements on financial statements that comply with the new standard. Accordingly, the changes introduced by IFRS 17 will change the way insurers communicate their financial results and the information available to stakeholders about their exposure to risk.

As a result of the implementation of IFRS 17, many insurance companies must upgrade their business processes and also integrate new technology systems within their organisations. Different insurers have adopted various policies regarding their method of measuring their insurance contracts that affect the overall structure of policy implementation and the resulting financial reporting processes, which have led to many different implementations of the Standard through a variety of different accounting policies used to report the results.

To create a common understanding of the multiple implementations of IFRS 17 throughout the global insurance industry, there will be a comparative study titled “Comparative Analysis of the Accounting Policies of Global Insurance Companies that have Applied IFRS 17”. The purpose of this study is to highlight the impact of accounting policy decisions made by leading global insurers on their accounting policy application pursuant to the IFRS 17 Framework. This will consist of a comparison of representative life insurance companies, representative non-life insurance companies and representative diversified insurers from various jurisdictions worldwide. Major areas of focus include; measurement model, methodology for computing the Contractual Service Margin (CSM), risks measured through policyholder participation in insurance policies and the recognition of premium revenue and the implementation of infrastructure.

This research project uses the analysis of the annual reports and detailed financial statement disclosures of selected international insurance companies using the IFRS 17 to investigate the similarities and differences in accounting policy application, as well as to highlight noteworthy and company-specific practices that are developing in relation to the overall IFRS 17 framework.

This project analyses how selected international insurance companies apply IFRS 17 and examines the similarities and differences between their approaches to implementing IFRS 17 on an annual report and detailed financial statement basis. These analyses also highlight

unusual company-specific practices that have emerged within the overall framework of IFRS 17.

By providing examples of where different companies have applied IFRS 17, it is hoped that this project will generate interest in the implementation of IFRS 17 and allow for a better understanding of the rapid changes taking place in the global insurance accounting environment. In addition, it is anticipated that these studies will serve as a benchmark for other companies, professionals, and governments involved in the implementation of IFRS 17 and similar standards.

We would like to thank all of the faculty members, mentors, and other professionals who have assisted us with this project by providing their guidance and support throughout the development of these analyses. We would also like to acknowledge their contributions to the research process, including their involvement in collecting and analysing the vast amount of global financial statement disclosure data used in this project.

Finally, we believe that this report will attract the attention of students, practitioners, researchers, and others interested in the field of insurance accounting and financial reporting.

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### ABBREVIATIONS

| Term           | Description                                            |
|----------------|--------------------------------------------------------|
| ALM            | Asset-Liability Management                             |
| AM Best        | A.M. Best Company (Credit Rating Agency for Insurance) |
| AUM            | Assets Under Management                                |
| CAR            | Capital Adequacy Ratio                                 |
| CI             | Confidence Interval                                    |
| CoC            | Cost of Capital                                        |
| CSM            | Contractual Service Margin                             |
| CTE            | Conditional Tail Expectation                           |
| EEA            | European Economic Area                                 |
| EIOPA          | European Insurance and Occupational Pensions Authority |
| EU             | European Union                                         |
| F/S or FS      | Financial Statements                                   |
| FCF            | Fulfilment Cash Flows                                  |
| FV             | Fair Value                                             |
| FY             | Financial Year                                         |
| G-SII or G-SIB | Global Systemically Important Institution / Bank       |
| GAAP           | Generally Accepted Accounting Principles               |
| GMM            | General Measurement Model                              |
| GPFS           | General Purpose Financial Statements                   |
| IAS            | International Accounting Standards                     |
| IASB           | International Accounting Standards Board               |

|         |                                                                                          |
|---------|------------------------------------------------------------------------------------------|
| ICAI    | Institute of Chartered Accountants of India                                              |
| IFRS    | International Financial Reporting Standards                                              |
| IFRS 4  | International Financial Reporting Standard 4: Insurance Contracts (predecessor standard) |
| IFRS 17 | International Financial Reporting Standard 17: Insurance Contracts                       |
| ISE     | Insurance Service Expenses                                                               |
| ISR     | Insurance Service Result                                                                 |
| KPI     | Key Performance Indicator                                                                |
| L/H     | Life and Health (reinsurance segment)                                                    |
| LH      | Life and Health                                                                          |
| LICAT   | Life Insurance Capital Adequacy Test (Canada)                                            |
| LIC     | Liability for Incurred Claims                                                            |
| LRC     | Liability for Remaining Coverage                                                         |
| NB      | New Business                                                                             |
| NB-KPI  | New Business Key Performance Indicator                                                   |
| NB CSM  | New Business Contractual Service Margin                                                  |
| NBV     | New Business Value                                                                       |
| OCI     | Other Comprehensive Income                                                               |
| P&C     | Property and Casualty                                                                    |
| PAA     | Premium Allocation Approach                                                              |
| PVFCF   | Present Value of Future Cash Flows                                                       |
| P&L     | Profit and Loss                                                                          |
| RA      | Risk Adjustment for Non-Financial Risk                                                   |

|     |                       |
|-----|-----------------------|
| RBC | Risk-Based Capital    |
| VaR | Value at Risk         |
| VFA | Variable Fee Approach |
| VNB | Value of New Business |

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## RESEARCH METHODOLOGY

This live project employs a qualitative comparative desk-research design to systematically examine the application of IFRS 17 Insurance Contracts in the annual reports of life and non-life insurance companies for the calendar years 2024 and 2025. The primary aim is to analyse and contrast key policy areas including the choice and application of measurement models (General Measurement Model versus Premium Allocation Approach), recognition of insurance revenue, initial recognition, subsequent measurement and release of the Contractual Service Margin, determination and presentation of the risk adjustment for non-financial risk, and overall presentation and disclosure practices, while identifying any notable differences between life and non-life insurers arising from contract duration, risk profile and eligibility criteria.

Data were collected directly from the full audited consolidated financial statements, accounting policies, significant judgements with extraction performed manually into a standardized thematic template aligned to relevant IFRS 17 paragraphs. Analysis involved directed content analysis through within-company longitudinal comparison of 2024 versus 2025 policies, cross-company and cross-industry side-by-side matrices, and qualitative synthesis of systemic differences, supported by direct excerpts and quantitative extracts with full referencing. Limitations include reliance on publicly disclosed information only and the non-random nature of the purposive sample, while ethical considerations are fully addressed through complete citation of all public sources and maintenance of strict objectivity grounded in the literal text of the reports and the standard.

## EXECUTIVE SUMMARY

### Introduction

The introduction of IFRS 17 has reshaped insurance accounting by changing the methodology for recognising insurance income, measuring liabilities, accounting for risk adjustments, and deferring profits through mechanisms such as the Contractual Service Margin (CSM). Despite its objective of enhancing comparability and transparency in financial reporting, the principle-based structure of IFRS 17 permits varying interpretations and policy choices, thereby creating differences in implementation across insurance entities.

### Objectives & Scope

This research focused on tracking the numbers, quantitative impact, and the choices that insurance companies make as they switch over to IFRS 17. The research team dug through audited financial statements and accounting policies, comparing what they found. The review covers 50 major global insurers, split between 20-25 life companies and 30 non-life companies, looking at their first two full annual reporting cycles for the Financial Year 2023-24 and Financial Year 2024-25.

The function of modern accounting can no longer be solely based upon statutory compliance for entities to achieve the operational goals they have set forth and to comply with their regulatory obligations. Entities that wish to demonstrate the relationship between their business plan and how they work with regulators need to do so. In addition, another important factor to consider is how the volume of sales for an entity does not directly impact how much revenue it reports. Companies have continued to convert to different models over time and their revenues are based on patterns and not only their total sales volume. Due to this, it has become increasingly difficult for investors to differentiate between companies since they are all using different methods to mitigate the same risks associated with the revenues reported. A clear understanding of the framework of IFRS 17 will enable an investor to determine the nature of a business model used by a company and the strategy it will implement to generate a profit over an extended period of time.

### Categorized Key Findings

#### Measurement Model Implementation and Strategic Selection

Insurance corporations have several accounting alternatives to their type of business: the General Measurement Model, the Variable Fee Approach, or Premium Allocation Approach. Life Insurers primarily use the General Measurement Model and Variable Fee Approach because they also have to account for long-term potential liabilities and investment returns. Non-Life Insurers use Premium Allocated Approach since it is more cost-effective and provides faster reporting capabilities. Larger Insurers that sell both Life and Non-Life products will report under all three methods.

#### Risk Adjustment and Actuarial Calibrations

Risk adjustments are similar to safety nets, meant to provide protection from various types of events; these can be taken into consideration when creating risk adjustments. There are

differing levels of caution that companies utilize when setting up their risk adjustment approach; for example, AXA tends to be less concerned compared to others such as Admiral Group. Each company has its own philosophy regarding how to view the concept of risk as a potentially costly outcome. Companies that operate on a more cautious approach tend to set aside more reserves to cover such losses.

### **Presentation and Volatility Management Strategies**

Companies also differentiate themselves by how they report their expenses. Some life insurance companies are using a method called 'Other Comprehensive Income' to separate their expenses from their revenue. This helps protect their reported revenue from changes in the market. Other companies are not using this method, so their revenue is directly affected by the market. This means that the results of the insurance business can either show how well the company is doing at its core business or a managed version of the results.

## 1. Measurement Models

### 1.1 Narrative

17 establishes three main measurement models for insurance contract liabilities: the **General Measurement Model (GMM)**, the **Variable Fee Approach (VFA)**, and the **Premium Allocation Approach (PAA)**. These models is a principle-based framework in which measurement is altered to contract features, risk profile, and duration rather than applied uniformly across products. As a result, measurement model selection itself becomes an informative indicator of the insurer's business mix and risk m IFRS anagement philosophy, and not merely an accounting choice.

The **General Measurement Model** is typically the most common "Building Block" model. The model calculates the present value of cash flow from fulfilling obligations, then applies a Risk Adjustment factor to capture all Non-Financial Risks. Finally, the model will calculate an Un-Earned Profit amount called the Contractual Service Margin (CSM), which is to be released over the coverage period. Typically this model is utilized to measure long-duration contracts; many life insurance contracts fall into this category along with several types of long-tail non-life and/or reinsurance portfolios. One of its major advantages is that it provides a transparent, long-term view of profitability through the timely release of profits relative to service delivery.

A variation on the General Measurement Model is the **Variable Fee Approach (VFA)**. The Variable Fee Approach is intended to address those contracts containing Direct Participation Features. Contracts utilizing Direct Participation Features utilize the benefit paid out to policyholders directly correlate to the values of specific items/assets and the fees paid to insurers are variable based on their management of those items and associated risks. In terms of measuring liability under VFA, the CSM is adjusted for fluctuations in the variable fee thereby correlating liability measurements with asset performance and thus eliminating much of the artificial volatility inherent in reporting profit or loss.

An additional variation of the General Measurement Model is referred to as the **Premium Allocation Approach**. The Premium Allocation Approach is utilized as a proxy for the General Measurement Model where either there exists a shorter contract duration than what would be typical or if both models provide similar results. In essence, the Premium Allocation Approach is modeled after the traditional Un-Earned Premium Method in recognizing revenue over the coverage period and avoiding CSM measurement. Thus, the Premium Allocation Approach is ideally suited for high-volume, lower-complexity non-life portfolios; however, it may be applied to short-term group life or health contracts meeting the necessary qualifications.

### 1.1.1 Summary table - Key features of the three models

| Dimension                  | General Measure-<br>ment Model (GMM)                                   | Variable Fee Approach<br>(VFA)                                          | Premium Allocation<br>Approach (PAA)                                                 |
|----------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Primary use                | Most long-duration contracts                                           | Participating/asset-linked contracts with direct participation features | Short-duration contracts (typically $\leq 12$ months)                                |
| Building blocks            | Present value of fulfilment cash flows, risk adjustment, CSM           | Same as GMM, with CSM adjusted for variable fee                         | Liability for remaining coverage approximating GMM, usually without explicit CSM     |
| Profit mechanism           | CSM released over coverage units                                       | CSM reflects variable fee; adjusted for changes in underlying items     | Profit recognised as premium is earned over coverage period                          |
| Typical products           | Term life, whole life, annuities, long-tail non-life and reinsurance   | With-profits, unit-linked and other participating savings contracts     | Motor, property, annual health, group life/health, other short-tail P&C              |
| Complexity                 | High, full actuarial engine required                                   | High, plus asset/participation modelling                                | Lower, approximates unearned premium method                                          |
| Sensitivity to assumptions | Strongly sensitive to discount rates, mortality/morbidity, persistency | Sensitive to investment performance and participation mechanics         | Less sensitive in short-tail portfolios; still affected by discounting where applied |

## 1.2 Measurement Model - Life Insurance

### 1.2.1 Narrative

The Architectural Implementations of IFRS 17 for Large Insurance Groups is based upon how GMM, VFA, & PAA can be combined in order to provide an effective framework for various Business Lines.

Rather than adopt one Model Group Wide, Insurers have created Four Broad Architectures that describe the use of the Three Models. The architectures are as follows:

(i) Groups who utilize all three models;

- (ii) Groups utilizing both GMM & VFA;
- (iii) Groups utilizing both PAA & GMM; and,
- (iv) Groups who rely solely on GMM.

These Architectures are representative of Strategic Responses to Product Mix, Regulatory Environment, and Management's Desired Balance between Operational Simplicity and Analytical Depth.

Insurers who have diversification in life, health and property-casualty insurance businesses can create a "mixed of all three" model. The mixed model will use PAA for short-duration P&C lines; use VFA for participating and asset-linked products; and use GMM to cover long-duration protection contracts.

Life-specialist groups have an alternative "architecture", they are called "GMM + VFA". The absence of short-term physical (material) business in life-specialist groups means there is less of a need to perform PAA. As such, their attention will be focused on managing long-term biometric risks using GMM and long-term investment-linked contract risk management using VFA. Long-term CSM (capital adequacy and solvency) management, ensuring that investment returns are aligned with the life company's objectives and the detailed actuarial analysis associated with this are all very important.

Hybrid “PAA + GMM” architectures can be found commonly at insurers with large volumes of standard duration retail products along side one or more larger institutional or long tail portfolios. In this type of hybrid architecture, the insurer will use a Pure Annual Accounting (PAA) approach for standard contract types (i.e., "annual contracts") in order to reduce reporting complexity; however, Group Mathematical Models (GMM) may be applied to pension plans, specialty lines of insurance, or reinsurance agreements, where an additional level of detail is required as a result of unique policy terms. The governance surrounding how to divide up the various components of an insurance company's portfolio(s), in these types of companies, is important so as to avoid sacrificing measurement integrity through the process of creating simplified reporting.

In contrast, most pure reinsurers and wholesale risk transfer organizations utilize what could be termed “**only GMM**”, i.e., they apply a single mathematical model throughout their entire enterprise.

### 1.2.2 Table - Four pillar architecture of measurement tools

| Implementation pillar | Core models used | Typical business profile | Example logic |
|-----------------------|------------------|--------------------------|---------------|
|-----------------------|------------------|--------------------------|---------------|

|                  |                  |                                                                                             |                                                                                           |
|------------------|------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Mix of all three | GMM, VFA, PAA    | Highly diversified groups with life savings, protection and P&C books                       | Millions of P&C policies under PAA; life savings under VFA; protection under GMM          |
| GMM + VFA        | GMM and VFA only | Life-focused groups with predominantly long-term annuity and savings business               | No material short-term business; focus on 30-year annuity/mortality risk                  |
| PAA + GMM        | PAA and GMM      | Groups combining pensions/long-tail risk with annual group schemes and short-term contracts | Long-term pensions under GMM; annual employee schemes and short-term life under PAA       |
| Only GMM         | GMM only         | Wholesale and reinsurance-oriented entities                                                 | Direct B2B risk transfer; no retail investment management; CSM used as core profit engine |

### 1.3 Measurement Models - Non-Life Insurance

#### 1.3.1 Narrative

The choice of measurement model for non-life insurers is largely determined by the contract length, the timing of claims, and how effectively simplistically measuring a contract reflects the associated risk and profitability of that contract. The empirical research of the 31 global non-life insurance companies analyzed has found that insurers fall into one of three major categories regarding their measurement approach, those that primarily use the Premium Allocation Approach (PAA), those that use a combination of the Premium Allocation and General Measurement Method (GMM), and those that primarily use the General Measurement Method.

Insurers primarily have short-term portfolios (less than one year) for which they use PAA for premium allocation and recognize liabilities for remaining coverage, similar to unearned premium methods. Revenue is recognized over the coverage period with no explicit marking to arbitrary collections (CSM), making actuarial and system requirements straightforward for companies using PAA to value portfolios. It is possible for companies that use PAA to complete certain other coverages such as disability if approximating the GMM is still acceptable at a reasonable level.

Hybrid PAA-GMM insurers adopt a more differentiated strategy. PAA is applied to standard short-term direct business, while GMM is selectively used for long-tail risks, retroactive or retrospective reinsurance, acquired portfolios with complex cash-flow profiles, or specialty

lines where long claims development requires full fulfilment-cash-flow modelling. This segmentation allows such insurers to achieve operational efficiency for straightforward portfolios while preserving analytical depth for complex ones.

Pure GMM insurers are relatively rare in the non life space but strategically important. These companies always apply GMM on all relevant portfolios, including shorter duration contracts, to retain full visibility of fulfilment cash flows, risk adjustment and CSM. This approach reflects a strong preference for measurement consistency, robust profit emergence tracking and alignment with internal risk models, even when PAA could be used.

**1.3.2 Table - Classification of non-life insurers by model usage**

| Category       | Description                                                                                                                       | Number of companies in sample | Illustrative companies                                                                                                          |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| PAA dominant   | PAA applied across short-duration portfolios with no explicit CSM recognition; focus on operational simplicity and speed          | 13                            | Sampo, PZU, Tryg, Desjardins, Lancashire, Gjensidige, Sabre, Mapfre, Direct Line, NN Group, Balaise, Ageas, Admiral             |
| Hybrid PAA-GMM | PAA used for core short-term business; GMM applied selectively to long-tail risks, retroactive/reinsurance or acquired portfolios | 17                            | QBE, Allianz, Hiscox, IAG, RSA, Zurich, Munich Re, Hannover Re, Generali, Brit, AXA, SCOR, Talanx, VIG, Intact, Santam, Fairfax |
| Pure GMM       | GMM applied to all portfolios, including business that could qualify for PAA                                                      | 2                             | Swiss Re, Beazley                                                                                                               |

**1.3.3 Table - Model-specific characteristics for non-life**

| Feature      | PAA - pure PAA players                             | GMM - pure GMM players                | Hybrid PAA-GMM players                                            |
|--------------|----------------------------------------------------|---------------------------------------|-------------------------------------------------------------------|
| Scope of use | Short-duration portfolios, typically $\leq 1$ year | Complex, long-tail or specialty risks | Short-term direct business under PAA; complex/long-tail under GMM |

|                            |                                                                             |                                                                               |                                                                                   |
|----------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <b>CSM recognition</b>     | No explicit CSM for standard PAA portfolios                                 | CSM recognised and tracked for all contracts                                  | CSM recognised only for GMM portfolios                                            |
| <b>Operational focus</b>   | Faster reporting cycles; lower actuarial complexity; high-volume processing | Deep valuation insight; detailed cash-flow modelling; greater governance load | Balance between efficiency and depth; requires robust segmentation and governance |
| <b>Eligibility testing</b> | Continuous monitoring that PAA remains an appropriate approximation of GMM  | Not applicable; all contracts measured under GMM                              | Required for portfolios under PAA; additional judgement on where GMM is necessary |
| <b>Typical rationale</b>   | Simplify measurement where liability approximates GMM                       | Prioritise transparency and consistency; avoid simplification distortions     | Use PAA where safe; deploy GMM only where economic complexity requires it         |

### 1.3.4 Model Application Insights - Notable Twists and Standout Practices

The empirical review indicates that non-life insurers do not only have to decide whether to use the PAA model or the GMM model, they also exercise substantial judgement in how these models are implemented and supported. There are various parties that have distinguished themselves through their approaches that exceed what is required by IFRS 17.

Among PAA users, some insurers conduct internal modelling to demonstrate that applying GMM would not make any significant difference in terms of measurement results. Such an approach further emphasizes that PAA should be regarded as a high-quality approximation rather than just simplification. In certain cases, PAA is applied to disability or other business lines that would typically be considered more complex, but only after modelling shows that such an approach is applicable.

The people who use Pure General Measurement model in the non-life category do not only see IFRS 17 as a compliance tool. Entities like Swiss Re and Beazy deliberately stay away from using PAA approach in spite of being eligible, opting to use General Measurement Model due to increased portfolio similarity, contractual service margin analysis, and compatibility with internal risk management.

Hybrid PAA-GMM use a more differentiated strategy. PAA is used for "standard" short-term direct business, whereas GMM is only used selectively for long-tailed risks, long-known retroactive and/or retrospective reinsurance, acquired portfolios with complex cashflow profiles, and special lines that require complete fulfilment cashflow modelling due to a long claim development period. This means that insurers using hybrid PAA-GMM can get operational efficiency with straightforward portfolios while retaining analytical depth with complex portfolios.

Companies using only GMM are relatively few but strategically important in the non-life sector. They apply GMM to all applicable portfolios, including shorter duration contracts, to maintain full visibility over fulfilment cashflows, the risk adjustment component of the contract and their CSM. Companies that only use GMM do so for consistency of measurement, robust profit emergence tracking/monitoring and consistency with internally developed risk models, even where PAA could have been applied.

### 1.3.5 Table - Examples of standout practices (non-life oriented groups)

| Company                | Standout IFRS 17 practice                                                                                         | Implication                                                                         |
|------------------------|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Admiral, Sampo         | Use internal modelling to demonstrate that GMM would not materially change outcomes, thereby supporting PAA usage | PAA is supported by quantitative evidence, increasing confidence in simplification  |
| NN Group               | Applies PAA to disability products while enforcing strict annual cohort grouping beyond minimum requirement       | Example of using simplification but retaining high grouping granularity             |
| Swiss Re, Beazley      | Avoid PAA entirely and apply GMM across eligible portfolios                                                       | Prioritise uniform building-block measurement and full CSM tracking over simplicity |
| Vienna Insurance Group | Uses GMM selectively for accepted non-life reinsurance while keeping direct business under PAA                    | Hybrid segmentation driven by treaty complexity and claims development              |
| RSA, Hiscox            | Restrict GMM to retroactive or retrospective reinsurance portfolios only                                          | Demonstrates targeted use of GMM in areas with atypical cash-flow behaviour         |
| SCOR                   | Incorporates net CSM into capital metric "Group Economic Value"                                                   | Treats CSM as an economic value measure rather than purely an accounting construct  |

|        |                                                                                   |                                                                                               |
|--------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Talanx | Uses different risk-adjustment techniques across primary and reinsurance segments | Measurement tailored to business model of each segment; richer but more complex comparability |
|--------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|

## 1.4 Measurement Model - Life vs Non-Life

### 1.4.1 Narrative

As observed from the comparison between life and non-life segments, it is evident that there is a dichotomy in the measurement model under IFRS 17. In particular, the long-term nature of the contracts offered by life insurance companies, which also entails investments, makes them lean towards using GMM and VFA. On the other hand, the short-term nature and event-based nature of the contracts offered by non-life insurance companies make them rely on Premium Allocation Approaches, although they could also use GMM under certain circumstances.

Most life insurance policies have very lengthy durations that necessitate a lot of modeling of cash flows into the future. As a result, GMM and VFA are very important, and the Contractual Service Margin assumes a crucial role as a liability on the balance sheet and an income stream. The income is not recorded at once but is deferred to match the provision of insurance services over time.

Non-life insurance policies are usually annual or short-term. Revenue recognition under the PAA principle takes place through the elapse of time during the period of insurance. The CSM principle does not come into play at all when dealing with regular short-tail portfolios. Therefore, profits become available immediately and have direct links with underwriting and claims ratios. While GMM is infrequently needed for complicated non-life portfolios, the role of discounting and variations in discount rates differ greatly for both life and non-life portfolios, thus enhancing the differences across both segments.

Due to the heavy dependence of life business portfolios on discounting and any changes in the financial markets, evaluating discount rates requires more complex asset-dollar management, including appropriately treating the finance gains/losses in profit and loss as well as any other appropriate treatment in accordance with standard accounting practices. For non-life portfolios, while there is a lesser reliance on the use of discount rates, discount rates do have a smaller absolute effect (in other words, the discount rate has a lower absolute value) than they have for the life business portfolio.

### 1.4.2 Table - Side-by-side comparison: life vs non-life under IFRS 17

| Dimension | Life insurance segment | Non-life insurance segment |
|-----------|------------------------|----------------------------|
|-----------|------------------------|----------------------------|

|                                   |                                                                            |                                                                                             |
|-----------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <b>Dominant models</b>            | GMM and VFA                                                                | PAA dominant; GMM used selectively                                                          |
| <b>Contract duration</b>          | Long-term, often 10-30+ years                                              | Short-term, typically $\leq 12$ months, except for some long-tail lines                     |
| <b>Primary risk drivers</b>       | Mortality, longevity, morbidity, investment risks                          | Event risk such as accident, fire, theft, catastrophe, liability                            |
| <b>Role of CSM</b>                | Central “reservoir” of unearned profit; key driver of future earnings      | Limited in PAA portfolios; important only in GMM-measured long-tail or reinsurance business |
| <b>Profit recognition pattern</b> | Deferred; profit released gradually over service period                    | More immediate; profit aligned with coverage period and claims emergence                    |
| <b>Discounting significance</b>   | High, strong effect on fulfilment cash flows and CSM                       | Moderate, more significant for long-tail claims than for standard short-tail business       |
| <b>Operational emphasis</b>       | Advanced actuarial systems, assumption management, asset-liability linkage | Claims management, underwriting performance, speed and simplicity in reporting              |

## 1.5 Key Findings of Measurement Model

### 1.5.1 Narrative

The research results indicate that, when combined, IFRS 17 has created a standardised framework within the same principle but has been implemented differently between life & non-life. Life insurance relies heavily on GMM and VFA being that they are reflective of their underlying characteristics whereas non-life is by-for-the-most-part using PAA only for short-term liabilities, whereas there are instances of more complex non-life liabilities using a GMM to create a two-fold difference between the two companies.

One of the main findings from the analysis is that there is difference in basic methods of recognizing profit in the two divisions. Profit is recognized in the life insurance sector using the method of Contractual Services Margin. While this method smoothes income recognition patterns, it also requires more use of actuarial assumptions. In the non-life sector, particularly with the PAA method, profit is more related to underwriting.

Another key finding was that many firms use hybrid measurement architectures. Multiple models are used by many companies concurrently: GMM, VFA, and PAA to account for the

diversity of their contracts. This finding supports the assumption made at the start of this analysis; namely, that the IFRS 17 is applied correctly, as the model chosen is based on the characteristics of contracts and not simply the form of entities.

Moreover, the study recommends that model selection alone does not provide comparability; the specifics of how something was implemented are just as important. For example, whether or not a PAA agreement is approved for eligibility, application of GMM, strategies for risk adjustment, cohort construction, transition methods and the way in which disclosures are made all may affect both the values displayed in reports and how they must be interpreted.

### 1.5.2 Table - Key insights

| Key area                  | Observed pattern                                                                                                | Implication                                                                       |
|---------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Dominant model by segment | Life: GMM/VFA; Non-life: PAA with selective GMM                                                                 | Confirms natural bifurcation driven by product economics                          |
| Hybrid adoption           | Many groups use combinations of GMM, VFA and PAA across portfolios                                              | Model choice is portfolio-specific rather than entity-wide                        |
| Profit emergence          | Life: CSM-driven, long-term; Non-life: coverage-period and claims-driven                                        | Different earnings dynamics under IFRS 17 across segments                         |
| Role of CSM               | Core value driver in life; marginal in PAA-measured non-life                                                    | Analysts must interpret CSM balances primarily in life context                    |
| Operational burden        | Higher for life due to modelling complexity and assumption sensitivity; lower for short-tail non-life under PAA | Justifies model differentiation and focus on simplification in non-life           |
| Implementation discipline | Strong variation in eligibility testing, RA calibration, cohorting and disclosure                               | Comparability requires attention to implementation quality, not only model labels |

## 2. Revenue Recognition

### 2.1 Revenue Recognition - Life Insurance

#### 2.1.1 Narrative

IFRS 17 marks a significant shift from the traditional 'premium in' and 'claims out' model currently used under IFRS 4 for the accounting of life insurance contracts. Instead, IFRS 17 requires that all insurance revenues be recognized in relation to the services provided to policyholders over the coverage period, excluding any investment components. This results in a cleaner measure of underwriting performance than existed under IFRS 4. As many life insurance contracts last many years and include both protection and savings, the impact of this change will be greater on life insurers than on other segments of the insurance industry.

The two primary measurement models for revenues under IFRS 17 are the General Measurement Model (GMM) and the Variable Fee Approach (VFA). Under GMM, revenue is recognized for both non-participating insurance products and traditional protection products, while under VFA, revenue is recognized for direct participating products where policyholders have a significant share of the return on the investment of policyholder assets. Revenues for GMM and VFA insurance products are constructed using three components: release of Liability for Remaining Coverage (LRC), the unwinding of the Contractual Service Margin (CSM) as services are performed, and release of Risk Adjustment (RA). Life insurers will use the Premium Allocation Approach (PAA) only for a small number of products, such as short-term health, group life and property and casualty (P&C).

There are five distinct ways that businesses realise income, as indicated by the research on how businesses realise income and by industry experts. Group "A" has separated its income into five distinct categories. Group "B" uses a standardized method (GMM/VFA) but makes various operational decisions that are specific to that particular type of business. Group "C" recognises income over relatively short time periods for each segment maturing through the PAA method. Group "D" has modified its determination of coverage units, allowing for investment and asset management services along with providing protection through insurance, which has resulted in a significant change in the timing of when income is recognised. Group "E" operates under a reinsurance service assumption (rendered) and (thus) issues income based Upon the original Insurer's view of That Insurer's income, utilizing the combined ratio of IFRS 17 as the primary measurement for this purpose. All these different methods present difficulties for peer comparison, due to the variety of life insurance business models and due to the principle-based flexibility of standards.

#### 2.1.2 Summary Table - Key Revenue Recognition Groups (Life)

| Group / Model | Core Driver | Mechanics | Financial State-ment Impact | Model Risk & Complexity |
|---------------|-------------|-----------|-----------------------------|-------------------------|
|---------------|-------------|-----------|-----------------------------|-------------------------|

|                                                    |                                        |                                                                                                                                                                  |                                                                               |                                                                   |
|----------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Group A - Composite Five-Element</b>            | Composite GMM/VFA                      | Five named components: CSM release, RA release, expected claims and expenses, acquisition cost recovery and policyholder tax. Investment components excluded.    | Highest disclosure granularity; each component separately trackable.          | High - explicit component-level data and infrastructure required. |
| <b>Group B - Standard GMM/VFA</b>                  | GMM/VFA baseline                       | Standard IFRS 17: CSM plus RA release plus expected claims and expenses plus acquisition recovery. Investment components excluded; variances in expenses.        | Broadly comparable across peers. No structural departures from the standard.  | Moderate - full GMM/VFA with standard component identification.   |
| <b>Group C - PAA Passage-of-Time</b>               | PAA Earned-Premium                     | Revenue allocated over the coverage period on a straight-line basis or per expected timing of claims. Applied to short-duration life/health and P&C lines.       | Simpler; comparable to traditional premium accounting.                        | Low - requires annual PAA eligibility testing.                    |
| <b>Group D - Coverage-Unit/Investment Services</b> | GMM/VFA with AUM-linked coverage units | Coverage units reflect insurance protection and investment services. CSM release driven by policyholder account values rather than mortality or morbidity alone. | Revenue tied to AUM movements; coverage period spans accumulation and payout. | Moderate to high - annual coverage unit calibration required.     |
| <b>Group E - Reinsurance</b>                       | GMM - Reinsurance Revenue              | Revenue from cedant's perspective:                                                                                                                               | Replaces premiums written; earlier                                            | High - full GMM throughout;                                       |

|                         |  |                                                                                                                       |                                            |                                                |
|-------------------------|--|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------|
| <b>Service-Rendered</b> |  | expected claims ceded, RA release, CSM release and experience adjustments. IFRS 17 combined ratio is the primary KPI. | recognition on profitable L/H reinsurance. | industry-specific combined ratio construction. |
|-------------------------|--|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------|

### 2.1.3 Model Application Insights

There are multiple companies that are outperforming the IFRS 17 minimum requirements. Aviva PLC and Swiss Life explicitly represent all five revenue components on the primary statements, in addition, Swiss Life has also included component level tables across regions and product lines. For M&G PLC, the performance of the revenue generated from the With-Profits Fund is distorted due to the non-profit annuities reported in the GMM being issued by a fund that applies smoothing internally, leading to volatility in the service result independent of the underlying performance. Legal and General collects the interest rate driven changes in Other Comprehensive Income (OCI) rather than in the profit or loss line, which leads to a clear earnings signal from a structural perspective but, results in a lack of transparency in the income statement. Group D, Scottish Widows, releases the CSM from the policyholder account values as opposed to the mortality aspect of the benefit and is the only peer to provide a separate line for policyholder specific tax as a recognised revenue line. The reinsurers within Group E of Hannover Re, Swiss Re and Munich Re apply universal GMM with no PAA options and define performance using the IFRS 17 combined ratio with this practice beginning to shape the communication of reinsurance economics to investors.

### 2.1.4 Implementation Architecture of Revenue Recognition Models - Life Insurance

#### 2.1.4.1 Narrative

Life insurers face a huge challenge with the implementation of International Financial Reporting Standard 17 (IFRS 17). In particular, large life insurers (for example, Generali, AIA and Manulife) have invested heavily in new actuarial systems which automate the modelling of the Group's insurance liabilities. These systems provide reports on insurance liabilities that reconcile to the financial statements of the group within a given reporting period. Other large insurers, such as Aegon and Great-West Lifeco, have established a series of similar actuarial systems to model insurance group liabilities across multiple lines of business (e.g., Life Insurance and Health Insurance) but do not use the same reporting methodology for all lines of business.

Therefore, the challenge for these large life insurance groups is to establish consistent reporting across all lines of business while continuing to use the same actuarial system for each line of business. For example, both Aegon and Great-West Lifeco have invested heavily in their actuarial systems to allow them to model the Group's insurance liabilities using both PAA and GMM and, therefore, to report complete and reliable results across the group for the same line of insurance products regardless of the geographical location of each insurer.

#### 2.1.4.2 Classification of Life Insurers by Revenue Recognition Architecture

| Architecture Group                                 | Core Model                    | Typical Business Profile                                                                                      | Illustrative Companies                                                                                                                                   |
|----------------------------------------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Group A - Composite Five-Element</b>            | Composite GMM/VFA             | Long-duration life and savings; VFA-eligible participating contracts across geographies                       | Aviva PLC, M&G PLC, Swiss Life                                                                                                                           |
| <b>Group B - Standard GMM/VFA</b>                  | GMM/VFA (IFRS 17 baseline)    | Long-duration life, health and protection; standard IFRS 17 mechanics without structural departures           | Prudential PLC, Sanlam, Great-West Lifeco, Aegon, Chesnara, Talanx, Just Group, AIA Group, Manulife, Generali, Phoenix Group, Munich Re (L/H), Clientele |
| <b>Group C - PAA Passage-of-Time</b>               | PAA Earned-Premium            | Short-duration life/health (12 months or under), group contracts and P&C lines within diversified life groups | AXA (P&C/short-term), CNP Assurance (health/P&C), NN Group, Ping An (P&C), Great-West Lifeco (group), Aegon (annual cohorts)                             |
| <b>Group D - Coverage-Unit/Investment Services</b> | GMM/VFA with AUM-linked units | Unit-linked, with-profits and indirect participating products where investment services are central           | Scottish Widows, Aegon (indirect participating), Zurich Insurance, Sun Life Financial                                                                    |
| <b>Group E - Reinsurance Service-Rendered</b>      | GMM - Reinsurance Revenue     | Life and non-life reinsurance; universal GMM adoption; IFRS 17 combined ratio as primary KPI                  | Hannover Re, Swiss Re, Munich Re (reinsurance)                                                                                                           |

#### 2.1.5 Operational and Governance Considerations

**Actuarial standards:** The Full GMM and VFA require predictions of cohort cohorts by quarter. Leading groups have implemented dedicated IFRS 17 systems that are independent of their Solvency II systems, and are capable of managing the processing of many thousands of cohorts in parallel. Talanx's implementation of the VFA routes the fair value movement of

assets into the CSM, separating it from revenue that may fluctuate because of market volatility.

**Data architecture:** The new requirement for component-level disclosure has resulted in the requirement for policy-level data flows when none were needed for the previous accounting standard (IFRS 4). Therefore, coverage unit definitions, keys to acquisition cash flows, and the pattern of release of risk adjustments will need to be calculated and stored at the cohort level. This has been a critical factor in driving significant investments in data warehousing and audit trails.

**Model governance:** At least once per year, eligibility testing must take place and be documented for each PAA. Group D companies are even required to complete an annual review of their coverage units. Allianz and NN Group have voluntarily adopted a more stringent annual cohort review standard than is required by the current regulations to enhance their ability to track profits with increased granularity.

External disclosure has demonstrated that companies like Aviva, M&G and Swiss Life provide a good standard of component-level transparency; however, several companies with unique treatments such as M&G, Legal & General, ASR Nederland and Scottish Widows require footnote disclosures explaining their unique treatment before making valid comparisons with any of these peers.

The introduction of supplementary IFRS 17 metrics has made it much more difficult than previously for investors to communicate with their companies due to the technical complexity introduced by IFRS 4 compared to the technical complexities of investor-to-investor communications.

ASR Nederland uses a unique look-through method for managing internal asset management services that eliminates any intercompany fee charges because the fees are not charged between companies in the same group. Collectively, companies with unique treatments as described above demonstrate that although IFRS 17 is a principles-based standard; nevertheless, companies that share similar business profiles will not have the same structure of revenue recognition.

To find comparability across the life insurance industry, investors, analysts and regulators must have an extensive understanding of all companies' implementation decisions regarding IFRS 17, which is currently the biggest analytical challenge faced by all parties who are using IFRS 17 revenue information to arrive at conclusions about life insurance companies.

## 2.2 Revenue Recognition - Non-Life Insurance

### 2.2.1 Narrative

IFRS 17 brings a fundamental shift in the way that non-life insurance contracts recognize revenue, moving away from the old system of using premiums to recognize revenue and towards using an event-based approach that recognises revenue through the provision of

services and managing risks. So rather than simply providing revenue based on the premiums that an insurance company has received from policyholders, insurers will now use the revenue attributable to the service they provided to policyholders during the coverage period, excluding any investments. This approach will provide insurers with enhanced transparency into how well they are actually performing.

Most non-life insurers use the Premium Allocation Approach (PAA), which is applied to short-term insurance contracts (generally contracts less than one year in duration). Although this method modernizes insurance revenue recognition, it maintains the main purpose of insurance revenue recognition (identifying potentially unprofitable contracts) and incorporates important insurance fundamentals (the identification and calculation of claims for which the insured has already incurred a loss). In the case of longer-term or more complicated insurance contracts, the General Measurement Model (GMM) will be employed. Under the GMM, the principal source of revenue for insurance will be the reduction in the liability (outstanding claims) related to coverage that an insured has received. Profits will be recognised in the fiscal year that the insured provides services.

The use of current revenue recognition models by leading non-life insurance companies has led to five primary revenue recognition models currently in use: 1) Straight-Line Basis, which allocates revenue evenly over time. 2) Matching Revenue Recognition to the Release of Risk. 3) Reduction of Liability (LRC) Recognition as Coverage is Provided. 4) Dynamic Revenue Scaling. 5) Service-Based Revenue Recognition. The choice of which model to apply to a specific contract is not based solely on preference; factors that affect this choice include similarities in risk, seasonal trends, claims growth, the potential exposure to major catastrophic events, and the operational complexities.

The flexibility provided by IFRS 17 contributes significantly to improving the financial statements' relevance and usefulness. The restriction in peer comparisons due to the fact that similar risk exposures may have different timings and patterns of revenue recognition based on an insurer's methodology, assumptions, and execution represents major challenges to comparability. Overall, the result of IFRS 17 is to create a more transparent and risk-conscious approach to revenue recognition in the non-life insurance industry by better representing actual service delivery and risk management outcomes.

### 2.2.2 Summary Table - Key Revenue Recognition Models (Non-Life)

| Model                      | Core Driver of Revenue          | Conditions Required                        | Financial Statement Impact                  | Model Risk & Complexity             |
|----------------------------|---------------------------------|--------------------------------------------|---------------------------------------------|-------------------------------------|
| <b>Straight Line Basis</b> | Passage of Time (Calendar Days) | Homogeneous risk, short-duration contracts | Smooth revenue regardless of claim patterns | Minimal judgment; highly comparable |

|                                              |                                       |                                                       |                                                                 |                                              |
|----------------------------------------------|---------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------|
| <b>Expected Pattern of Release from Risk</b> | Seasonal/Event-Driven (Risk Peaks)    | Non-uniform risk (seasonal, catastrophe)              | Revenue peaks during high-exposure windows                      | Requires robust actuarial validation         |
| <b>Reduction in LRC (GMM)</b>                | Liability Movement (Unwinding of LRC) | Complex, multi-year or long-tail contracts            | Tight integration of P&L revenue with balance sheet liabilities | High; requires full GMM infrastructure       |
| <b>Dynamic Revenue Scaling</b>               | Historical Data Calibration           | Niches where history is the best predictor            | Aligns revenue closely with historical loss tails               | Dependent on data quality and GMM            |
| <b>Service-Based Recognition</b>             | Performance Obligations               | Protection, warranty-style or service-linked products | Revenue mirrors delivery of specific services                   | Requires clear identification of obligations |

### 2.2.3 Model Application Insights - Notable Twists and Standout Practices

In determining which revenue recognition method to use and how to apply that method, non-life insurers predominantly use the judgement of input pricing to the premium allocation approach (PAA) as well as to how they will support that method. Some insurers have gone above and beyond the requirement of IFRS 17 and have therefore created a high bar for others in the industry.

Admiral Group plc provides an example of this by using an internally developed cash flow model which indicates minimal differences in financial results using the General Measurement Model (GMM) as opposed to the Premium Allocation Approach (PAA). As a result of using the Premium Allocation Method (PAA) the Admiral Group plc demonstrates its revenue recognition model to be reliable and effectively supported.

Santam Limited's revenue recognition approach has been adapted for high-risk storm and harvest times to improve the correlation between the expected risk pattern. For IAG, they add a 25 bps liquidity premium to their discount curves, while Fairfax Financial applies a variety of methods depending upon the portfolio segment. Lancashire Holdings validate their method annually by performing both qualitative and quantitative tests.

Some companies, such as Swiss Re or Beazley, have chosen to exclusively apply the General Measurement Model (GMM) and have purposely excluded the simpler PAA method from their operations. The primary reason is to allow for consistent reporting, to closely track profits over the contract life, and to provide an improved understanding of long-term risks.

Other insurance companies apply a hybrid model; they apply the General Measurement Model (GMM) to specific segments of their business, such as reinsurance, special retroactive

deals, or long-term liabilities but continue to use the PAA for the majority of retail insurance business.

These decisions indicate that companies have begun making strategic decisions regarding how they account for revenue. These strategies affect not only how they report financial information, but also how they evaluate performance, manage capital, and communicate with investors and other external entities.

## 2.2.4 Implementation Framework of Revenue Recognition Models - Non-Life

### 2.2.4.1 Narrative

The way in which revenue is recognized in accordance with IFRS 17 by non-life insurers is distinctly different. The reason for this disparity is because of the differing business lines, risks and priorities that exist within non-life insurers. The majority of leading non-life insurers have developed complex systems that allow for the different models to be implemented across all areas of operations, and therefore, there isn't one single revenue recognition model in place.

There are four types of methodologies that have been adopted: The majority of insurers employ the straight-line or PAA revenue recognition method; a number of insurers will employ the matching-of-revenue-to-risk methodology; some companies will utilize the GMM detail-based methodology for more complex and/or longer-term products; and a number of insurers will employ a hybrid methodology to address their varying business needs.

The various methodologies that have been adopted allow non-life insurers to strike a balance between operational efficiency and ensuring their financial performance is accurately represented. The PAA is the predominant model used as the majority of non-life products are short-term period products compared to long-term-period products, which would warrant the GMM method. Insurers will achieve reliability and audit readiness by employing strong governance practices, which include checking frequently that the correct methodology has been applied, having a formal portfolio division policy in place; and continually reviewing the various methodologies they have employed.

### 2.2.4.2 Table - Classification of Non-Life Insurers by Revenue Recognition Framework

| Architecture Type                   | Core Models Used    | Typical Business Profile               | Illustrative Companies                                                                                        |
|-------------------------------------|---------------------|----------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>Straight-Line / PAA Dominant</b> | Straight Line Basis | Short-duration, homogeneous retail P&C | Admiral, Direct Line, Sampo, Tryg, Lancashire, Gjensidige, Mapfre, Allianz, AXA, Zurich, Intact, RSA, Beazley |

|                                        |                                       |                                                   |                                                          |
|----------------------------------------|---------------------------------------|---------------------------------------------------|----------------------------------------------------------|
| <b>Risk-Pattern Focused</b>            | Expected Pattern of Release from Risk | Seasonal, catastrophe, or variable exposure lines | QBE, Brit, Santam, Munich Re, Hannover Re, SCOR          |
| <b>GMM / Reduction in LRC Oriented</b> | Reduction in LRC (GMM)                | Long-tail, reinsurance, specialty risks           | Swiss Re, Munich Re, Hannover Re, SCOR, Talanx, Generali |
| <b>Hybrid / Service-Based</b>          | Dynamic Scaling + Service-Based + Mix | Diversified or specialized portfolios             | Ageas, NN Group, VIG, Fairfax, IAG                       |

## 2.2.5 Operational and Governance Considerations

Effective implementation requires investment in solid actuarial systems, quality data infrastructure, and ongoing monitoring of PAA eligibility through “model equivalence” testing. Several leading groups, including Allianz and NN Group, have voluntarily adopted stricter annual cohort requirements that go beyond regulatory minimums to achieve better granularity in profit tracking. They also use various transition methods, such as full retrospective or fair value, to manage implementation costs and ensure comparability across reporting periods.

## 2.2.6 Key Sectoral Insights

- **PAA Eligibility Testing:** Companies like Admiral Group perform detailed annual tests to ensure that using the simplified PAA model produces results similar to more complex methods.
- **Practical Adaptations:** Some insurers modify their models for specific needs. For instance, Santam applies seasonal risk weighting, IAG makes adjustments for liquidity premiums, and Fairfax uses hybrid portfolio strategies.
- Non-life revenue recognition remains strongly linked to key operational metrics, such as claims handling efficiency, underwriting discipline, and combined ratio performance.

## 2.3 Revenue Recognition - Life vs Non-Life

### 2.3.1 Narrative

Within the IFRS 17 standard for revenue recognition, a bifurcation exists between the two main segments of the insurance business: life insurance and non-life insurance. In essence this is because defining characteristics differ across insurance contracts of the respective industries. Accordingly, most life insurers either adopt the GMM (General Model) or VFA (Variable Fee

Approach) models to establish a proper revenue level that may be spread across different years as profits accrue. In contrast, most non-life insurance companies use the PAA, which is like the traditional "earned premium" approach that property and casualty insurance analysts and managers have long known and used.

With this given, the bifurcation between the application of these two sets of methodologies is not accidental but entirely logical and straightforward in view of the very nature of the economic exposures in each of the two main branches of the insurance business. By way of example, life insurance transactions involve long-term risks and generally significant investment components, making the required methodology for recognizing profitability over time rather complex. On the other hand, the dominant types of economic risks in the majority of non-life insurance coverages relate to exposures of short duration, and the triggering event is relatively straightforward. Thus, sufficient leeway existed to allow rapid revenue recognition consistent with the coverage provided and claims handled by non-life insurance companies. At the same time, such bifurcation enabled the retention of each sector's distinct analytical relevance while allowing increased transparency and risk sensitivity in the global insurance market.

### 2.3.2 Side-by-Side Comparison: Revenue Recognition Life vs Non-Life

| Dimension                    | Life Insurance Companies                                  | Non-Life Insurance Companies                                      |
|------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------|
| <b>Dominant Models</b>       | GMM/VFA - revenue as a constructed number                 | PAA - close to traditional earned-premium model                   |
| <b>Effect of CSM</b>         | Central smoothing mechanism; absorbs assumption changes   | No CSM for standard PAA; immediate P&L impact from adverse claims |
| <b>Investment Components</b> | Significant; asset returns often routed through CSM (VFA) | Minimal or none                                                   |
| <b>Combined Ratio / KPIs</b> | Insurance service result, NBV, VNB                        | Combined ratio remains dominant; ISR as new denominator           |
| <b>Revenue Volatility</b>    | Buffered by CSM and optional OCI                          | Higher exposure to immediate claims development                   |
| <b>Primary Driver</b>        | Long-term service and biometric risks                     | Short-term coverage and event-driven risks                        |

## 2.4 Key Findings of Revenue Recognition

### 2.4.1 Life Insurance

- IFRS 17 also appears to have created different interpretations, as evidenced by the diverse ways in which life insurers are choosing to apply IFRS 17. Instead of a single applicable model, companies are creating a wide array of varying methods for determining revenue recognition, ranging from strictly service based models through various customized composite models. The variability in revenue definitions, measurement techniques and reporting formats among members of the peer group who share similar business structures is significant.
- **Variation in Revenue Drivers:** Different companies have varying drivers behind revenue. For some, their baseline revenue comes from the common CSM with a risk adjustment added on top of their premium uplift. On the other hand, other companies have revenue components based on the policyholder tax, a recover amount in their acquisition cash flows or investment - linked policy units. The combination and interplay of these different types of additions and/or changes affect what the revenue line is. This complicates a direct comparison between companies, despite standardizing the terminology.
- The recognition of revenue is significantly influenced by the nature of the business, investment features and internal fund structures. Revenue, in respect of PAA contracts, is the earned premiums that is recognised over an insurance coverage period. In the case of reinsurers, revenue is split into claims ceded and premiums written so that the revenue recognition pattern will be based upon the former not the later. Writers of with-profits and unit-linked insurance subject to CSM release tied to policyholder account values, not mortality exposure.
- The following areas are particularly difficult to assess regarding transparency and comparability. To begin with, the scope of legitimate accounting elections under IFRS 17 leads to comparability issues. A wide range of variation in earnings volatility, margins and performance metrics can be observed & The decision between treating finance income and expenses in OCI or P&L may have substantial effects. For example, certain companies may downplay reported profits.

Overall, IFRS 17 did not establish consistent ways for insurance companies to recognize revenue. Instead of eliminating the ambiguity created by multiple methods, IFRS 17 moved this ambiguity from recognition to interpretation. Now cross-firm comparisons require an insurer's company specific knowledge of their choice of model, method(s) of measurement, and level of disclosure. The burden of analysis is much greater under IFRS 17 than it was under IFRS 4.

### 2.4.2 Non-Life Insurance

The combination of the Premium Allocation Approach with straight line recognition formed the basis for nearly all of the short-tail insurance companies' financial reporting. However, as part of their strategy to better represent the different economic characteristics of the underlying risks, many insurers used other models as well.

**The Key Findings were:**

- Model selection was primarily based on the portfolios they wrote rather than being an attribute of the individual entity supporting the original intent of the principle-based approach inherent in IFRS 17
- Larger diversified entities had "hybrid" systems, i.e., systems that provided a balance between the simplicity required to be recognized (and therefore comparable), and the need for accurate representation of their business results;
- To conclude on the model architecture, the important factor will be the quality of implementation, including eligibility testing, segmentation discipline, and disclosure-for this to be meaningfully comparable.
- Despite the improved risk and performance disclosures, the practical continuity in the recognition of non-life revenue with legacy approaches has allowed a very smooth transition for P&C analysts and management.

**2.4.2.1 Table - Consolidated Key Findings Times New Roman**

| Key Area                            | Observed Pattern                                            | Implication                                                           |
|-------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------|
| <b>Dominant Approach</b>            | PAA / Straight-Line for short-tail business                 | Maintains operational simplicity and peer comparability               |
| <b>Model Diversity</b>              | Five models actively used across the industry               | Effectively reflects varying risk profiles and business models        |
| <b>Life vs Non-Life Bifurcation</b> | Clear separation in model intensity and CSM relevance       | Sector-specific analytical relevance successfully preserved           |
| <b>Implementation Maturity</b>      | Significant variation in testing, segmentation & disclosure | True comparability requires deeper understanding of implementation    |
| <b>Strategic Role</b>               | Model choices serve as differentiators of business models   | Influences investor perception, internal KPIs, and capital strategies |

### 3. Contractual Service Margin (CSM) Models

#### 3.1 Narrative

IFRS 17 provides different strategic approaches to recognise profit, depending on how the contract service margin (CSM) is handled. There are eight styles, which can broadly fit a variety of scenarios including large-scale, long-term life contracts, participating contracts, reinsurance, and simple cases. This approach allows insurers to match their profit recognition methods to the specific features of their contracts. Different CSM models can also be combined as part of an implementation architecture as different businesses have different needs, for example long-term portfolios for life or responsive profit emergence for participating contracts.

##### 3.1.1 Summary Table - Key Features Of The Eight Models

| Style                             | Primary Description                                                                                                       | Typical Companies                                                 |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Large Long-Term Life Style</b> | Large initial CSM released gradually over long-duration service.                                                          | Aviva, Prudential, Great-West Lifeco, Sun Life, AIA etc.          |
| <b>VFA / Participating Style</b>  | Performance-linked buffer absorbing market/fund volatility.                                                               | Generali, AXA, Swiss Life, Sanlam, Ping An                        |
| <b>Closed-Book / Runoff Style</b> | Declining balance earned down as legacy books mature.                                                                     | Scottish Widows, Phoenix Group, Chesnara                          |
| <b>Stable Mature-Book Style</b>   | Equilibrium between steady additions and smooth releases.                                                                 | Manulife, Aegon etc., Swiss Life, NN Group, ASR Nederland         |
| <b>Annuity-Based CSM Style</b>    | Profit is recognized slowly over long durations as CSM is released with retirement income obligations and longevity risk. | Just Group, Legal & General, Aviva, Prudential, Great-West Lifeco |
| <b>Reinsurance CSM Style</b>      | CSM is driven by treaty-based contracts where profit follows technical service patterns rather than retail behavior.      | Swiss Re, Hannover Re, Munich Re, Talanx                          |

|                              |                                                                                                                              |                                              |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| <b>Simplified CSM Style</b>  | CSM is smaller and simpler with straightforward application; profit follows service delivery with low complexity.            | Clientèle, CNP Assurance                     |
| <b>Diversified CSM Style</b> | CSM treatment varies across different segments where profit recognition differs based on product mix and business structure. | AXA, Talanx, Generali, Zurich, Sanlam, Aviva |

### 3.1.2 Strategic CSM Implementation Architectures

The design architecture of CSM models represents how various methodologies are used to meet specific financial objectives and attributes of an insurer's portfolio. For example, insurers can have a goal to achieve stable profit margins across decades when it comes to life portfolios; whereas, they may place greater emphasis on responding quickly to changes in investment returns associated with participating funds. Commonalities exist within most of these architectures, including the use of similar operational anchors (e.g., large risk transfer in reinsurance, managing broad product lines in diversified operations).

### 3.1.3 Table - Pillar architecture of CSM styles

| <b>Implementation Pillar</b>          | <b>Common Pointers / Characteristics</b>                                                | <b>Example Logic</b>                                                              |
|---------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <b>Long-Term Protection</b>           | New business replaces gradual releases; slow, steady profit emergence over decades.     | CSM moves slowly due to long-term deals; earnings are stable but delayed.         |
| <b>Participating &amp; Investment</b> | Highly responsive to investment results; reflects share of underlying fund changes.     | CSM acts as a buffer; VFA approach allows CSM to absorb investment swings.        |
| <b>Legacy &amp; Mature Portfolios</b> | Systematic reduction as portfolio ages; stable recognition without new business strain. | Low volatility; slowly growing balances with predictable income statement impact. |
| <b>Institutional &amp; Specialty</b>  | Profit follows reinsurance service patterns; driven by treaty renewals.                 | Focus on large risk transfers with less retail-driven behavior.                   |

|                                  |                                                                                      |                                                                             |
|----------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>Simplified &amp; Regional</b> | CSM movement is generally less volatile; limited geographic product diversification. | Straightforward application where profit directly follows service delivery. |
|----------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|

## 3.2 CSM Measurement Framework - Life Insurance

### 3.2.1 Narrative

Life insurance contracts, which typically include long term obligations and investment provisions, utilize the Contractual Service Margin (CSM) as a primary component of the insurer's Balance Sheet and the basis for recognizing all profit generated. The majority of these contracts employ either the GMM or VFA models to recognize profits at inception, regardless of the complexity or duration of the contract. Therefore, this method requires significant amounts of professional judgment and sophisticated modeling to determine the amount and timing of services that are to be delivered by the insurer, sometime extending beyond decades.

### 3.2.2 Table - Measurement Characteristics for Life Insurance

| Basis                               | Life Insurance Framework Description                                                                   |
|-------------------------------------|--------------------------------------------------------------------------------------------------------|
| <b>Primary Accounting Model</b>     | Dominantly GMM and VFA models used to record a full CSM for complex and long-tail contracts.           |
| <b>Profit Release Patterns</b>      | Recognized gradually as the company fulfills long-term retirement income and longevity obligations.    |
| <b>Strategic Role of CSM</b>        | Driver of future earnings and embedded value; used to forecast future income and growth.               |
| <b>Volatility and Risk Handling</b> | Buffer for market and investment performance; VFA allows CSM to absorb investment swings.              |
| <b>Measurement Methodology</b>      | Quantity and duration of services are determined through internal professional estimates and modeling. |

### 3.2.3 CSM Application Insights - Notable Unique Practices

The extent of professional judgment exercised by insurers when implementing CSM models results in unique practices that can be considered as strategic benchmarking. Examples of these include utilizing CSM as a core capital metric; employing certain modeling methodologies designed specifically for high margin annuity contracts or reinsurance treaties; and developing stand-out practices based on preferences for analytical depth such as employing GMM methodology for short-tail business or aligning CSM with intrinsic value creation.

### 3.2.4 Table - Examples of Unique Company Practices

| Company                    | Unique Pointer / Standout Practice                       | Strategic Implication                                              |
|----------------------------|----------------------------------------------------------|--------------------------------------------------------------------|
| <b>Sun Life</b>            | CSM qualifies as LICAT capital.                          | CSM is used as a core capital metric.                              |
| <b>AIA</b>                 | CSM growth as key NB-KPI.                                | CSM is elevated to a primary performance indicator.                |
| <b>Legal &amp; General</b> | £12.4bn reserve drives future earnings.                  | High transparency on future profit pipeline.                       |
| <b>Munich Re</b>           | One-time transfer of €22.3bn unrealized gains to equity. | Significant balance sheet restructuring upon transition.           |
| <b>Swiss Re</b>            | Uses GMM even for short-tail business.                   | Prioritizes consistent building-block measurement over simplicity. |
| <b>Hannover Re</b>         | Links CSM to Intrinsic Value Creation.                   | Aligns accounting profit with economic value metrics.              |
| <b>Talanx</b>              | VFA smooths P&L immediately.                             | Actively manages P&L volatility through model choice.              |
| <b>Just Group</b>          | Pure GMM model with high-margin annuities.               | Focus on specialized long-term retirement products.                |
| <b>Ping An</b>             | 19% revenue fall (investment exclusion).                 | Reflects strict separation of investment and insurance components. |
| <b>CNP Assurance</b>       | Includes social contributions in protection revenue.     | Tailored revenue definition for specific regulatory environments.  |
| <b>Clientèle</b>           | CSM highly responsive to policyholder behavior.          | High sensitivity to persistency and lapse assumptions.             |

### 3.3 CSM- Non-Life Insurance

While in the life insurance business, where CSM plays a role as a general engine of profit emergence, under IFRS 17 non-life accounting is dominated by the Premium Allocation Approach (PAA). Therefore, the CSM existence becomes far less universal. In the non-life segment, CSM works only in those cases where there is a General Measurement Model (GMM) or Variable Fee Approach (VFA), which are mostly used in connection with reinsurance contracts, sophisticated multiline business, or even pension-type liabilities.

The key strategic distinction in non-life insurance is, thus, between CSM-based and PAA-based profit emergence. The former implies an explicit deferral of unearned profit in the coverage units, while the latter means that the Liability for Remaining Coverage (LRC) automatically becomes the driver of income recognition without any additional margin.

#### 3.3.1 CSM Models - Non-Life

IFRS 17-based non-life insurance does not follow the one-size-fits-all rule of the CSM method. Though all other non-life insurance products except the long-tail portfolio apply PAA in which there is no calculation of CSM balance, some insurers still selectively apply GMM and VFA. The result of such selective application implies that there are still long-tail and complicated non-life insurance portfolios with a certain CSM balance. The selection of models according to various portfolios plays an important role in the management of volatility in the market assumptions and earnings release timing for a given company.

#### 3.3.2 Summary table: Key Features of the Non-Life Models

| Style                            | Primary Description                                                                                                                 | Typical Companies / Examples         | Strategic Effect                                                                                                                       |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Predominant PAA Short-Tail Style | Almost entirely relies on PAA. No explicit CSM is recognized; LRC acts as the implicit unearned profit deferral mechanism.          | Direct Line, Sabre, Mapfre, Tryg A/S | Low operational complexity. Profit follows straight-line or risk-adjusted expected coverage periods without explicit margin buffering. |
| Selective GMM Non-Life Style     | Maintains specific long-tail or complex books under GMM where CSM defers profit explicitly over extended durations.                 | Allianz, QBE, Hiscox, Generali       | Allows absorption of assumption changes into the CSM for specific legacy or highly complex portfolios, delaying P&L volatility.        |
| Reinsurance CSM Style            | CSM is driven by complex retroactive or extensive treaty-based reinsurance contracts. Moves opposite to direct CSM (held as asset). | Beazley, Hannover Re                 | Tracks technical service patterns over multi-year treaties rather than standard primary retail coverage periods.                       |

|                                          |                                                                                                                                                |                     |                                                                                                                                                          |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fair-Value Transition Style              | Large parts of opening CSM are derived from market-calibrated fair values at transition, rather than reconstructed historical locked-in rates. | Swiss Re, Munich Re | Creates a structurally different origin for the CSM balance, anchoring initial profitability to transition-date economic conditions.                     |
| Regulatory / Special Coverage Unit Style | Coverage units are defined by specific local regulations or non-standard operational milestones rather than pure actuarial judgment.           | Gjensidige, Intact  | Alters the standard timing of profit release, sometimes shifting it toward the back end of the contract lifecycle (e.g., claims settlement).             |
| KPI / Capital-Integrated Style           | Elevates net CSM as a primary strategic performance indicator, integrating it deeply into economic value and capital assessments.              | SCOR, Talanx        | Positions an accounting deferral metric as a direct proxy for franchise value, often superseding traditional combined ratios in external communications. |

### 3.3.3 CSM Implementation Architectures (Non-Life)

The implementation architectures in the non-life industry depend significantly on the composition of applications of PAA and GMM. These structural components determine the manner in which technical accounting systems get implemented in the business. Some of the structural components include the dominance of retail activities that use no CSM whatsoever, as well as reinsurance situations in which technical service patterns dictate the amortization of CSM. Additionally, transitions and management overlaying involving CSM as part of the steering process are structural elements.

### 3.3.4 Table: Pillar Architecture of Non-Life Styles

| Implementation Pillar          | Common Pointers / Characteristics                                                                              | Example Logic                                                                                          |
|--------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| PAA-Dominant Retail/Commercial | Vast majority of the book utilizes PAA; CSM is entirely avoided. LRC substitutes for unearned profit deferral. | Straightforward operational logic; unearned premium smoothly earns out over a standard 12-month cycle. |

|                                |                                                                                                                                      |                                                                                                                                     |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Long Tail or Complex GMM       | CSM recorded within contract asset/liability for business spanning multiple years or involving significant assumption variability.   | CSM serves as a shock absorber; adverse changes in fulfilment cash flows deplete the margin before triggering a P&L loss.           |
| Reinsurance & Specialty        | Profit realization is driven by treaty renewals and large risk transfers. Both incoming and outgoing reinsurance carry explicit CSM. | Reinsurance service patterns dictate coverage units, resulting in lumpy but highly structured profit emergence.                     |
| Transition-Anchored Portfolios | Reliance on fair-value or modified retrospective approaches at the date of transition due to lack of historical non-life GMM data.   | Opening balances reflect market resets; CSM does not perfectly mirror historically locked-in pricing margins.                       |
| Management / KPI Overlay       | Constant-currency CSM growth or Net CSM plus Equity is reported actively as a primary measure of business quality and capital.       | The accounting metric is strategically converted into a shareholder value metric, aligning reporting with intrinsic value creation. |

### 3.3.5 Non-Life Insurance CSM Measurement Framework

The non-life insurance measurement approach is highly dependent on the relationship between GMM and PAA. In GMM, there is the CSM that forms a separate calculation of the unearned profit, which is discharged systematically based on predetermined units of coverage. Importantly, the CSM takes into account the adverse future service assumption adjustments prior to recognizing the onerous loss. On the other hand, under PAA, the calculations of the CSM are not used; the liability for remaining coverage (LRC) manages the unearned premiums while losses are accounted for immediately.

### 3.3.6 Table: Measurement Characteristics for Non-Life Insurance

| Basis                    | Description                                                                                                                             |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Primary Accounting Model | PAA overwhelmingly dominates standard non-life. GMM is reserved for specific longer-tail, retroactive, or multi-year complex contracts. |
| Where CSM Exists         | Present in GMM and contracts from initial recognition, effectively deferring unearned profit until actual services are rendered.        |

|                               |                                                                                                                                       |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <b>Where CSM is Avoided</b>   | Absent in PAA contracts, where the Liability for Remaining Coverage (LRC) natively substitutes for profit deferral mechanics.         |
| <b>Profit Release Pattern</b> | Gradually amortized based on coverage units representing the quantity and duration of service provided in the period.                 |
| <b>Onerous Contracts</b>      | Under GMM, adverse changes reduce CSM first. Under PAA, loss components are recognized immediately in the insurance service result.   |
| <b>Transition Approaches</b>  | Due to missing historical data for non-life lines, Fair Value and Modified Retrospective approaches are heavily utilized.             |
| <b>Coverage Units</b>         | Determined by management judgment aligned with exposure or, in unique cases, tied to claims settlement or regulatory mandates.        |
| <b>Balance-Sheet Role</b>     | Acts as a central buffer against non-financial assumption volatility within the contract liability.                                   |
| <b>Management Use</b>         | For heavy GMM users, CSM serves as a proxy for future earnings and embedded value; for PAA users, the Combined Ratio remains supreme. |

### 3.3.7 CSM Application Insights: Notable Unique Practices

While there have been consistent rules set out for IFRS 17, the process of applying significant professional judgment has led to some distinct practices being employed in the non-life insurance industry. There have been different interpretations of what constitutes coverage units, transition valuation approaches, and when certain contracts would be considered onerous. This is partly because of the distinct regulatory environment prevailing in each region or the deliberate corporate strategy that the company follows.

### 3.3.8 Table: Examples of Unique Company Practices

| Company  | Unique Pointer / Practice                                                                | Strategic Implication                                                                                                     |
|----------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Swiss Re | Opening CSM from fair value at transition rather than reconstructed initial recognition. | Transition CSM does not represent historically locked-in profit but acts as a market-reset figure at the transition date. |

|                              |                                                                                 |                                                                                                                                           |
|------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Munich Re                    | Fair-value-anchored transition specifically highlighted in the P&C segment.     | Creates structurally different origins for CSM between Life (Modified Retrospective) and P&C (Fair Value) segments.                       |
| Gjensidige                   | Coverage units defined by the Norwegian Insurance Act for pension contracts.    | Removes actuarial judgment; CSM release is legally prescribed rather than determined internally by management.                            |
| Intact Financial Corporation | Coverage units linked to claims settlement rather than pure coverage delivery.  | Delays profit emergence to the back-end of the contract lifecycle (settlement phase) rather than evenly across the protection period.     |
| Santam                       | High-frequency contract assessments identify onerous groups pre-emptively.      | Loss components are triggered earlier and faster, bypassing the standard progressive CSM erosion mechanic.                                |
| Allianz                      | Explicitly discounts short-tail LIC cash flows under PAA as an elective choice. | Aligns PAA liability measurement closer to GMM in economic substance, contrary to standard peer simplification practices.                 |
| NN Group                     | Blurred LRC/LIC boundary for uncertain Dutch disability-style claims.           | Reflects product-specific uncertainty by keeping balances in the coverage phase longer, creating a hybrid liability zone.                 |
| SCOR                         | Net CSM explicitly incorporated into the "Group Economic Value" metric.         | Treats an accounting revenue deferral balance actively as a component of economic capital and franchise value.                            |
| Talanx                       | Net CSM elevated as a primary strategic KPI for P&C reinsurance.                | Repositioned from a mechanical balance sheet item into the primary lens for assessing division quality, ranking above the combined ratio. |

### 3.4 CSM Models - Life vs Non-Life

| Basis / Dimension                   | Life Insurance Companies                                                                                                        | Non-Life Insurance Companies                                                                                                              |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Primary Accounting Model</b>     | Dominantly <b>GMM and VFA</b> models; used to record a full CSM from the start for complex and long-tail contracts.             | Primarily the <b>Premium Allocation Approach (PAA)</b> ; generally avoids the use of CSM in favor of simpler premium-driven calculations. |
| <b>Profit Release Patterns</b>      | Recognized <b>gradually</b> as the company fulfills long-term retirement income and longevity obligations.                      | Often recognized <b>only as claims are finally settled</b> rather than evenly across the protection period.                               |
| <b>Strategic Role of CSM</b>        | <b>Core value driver</b> ; used by management to forecast future income and demonstrate long-term business growth.              | <b>Marginal in PAA portfolios</b> ; often repositioned as a lead performance indicator or core component of economic capital.             |
| <b>Volatility and Risk Handling</b> | Acts as a <b>buffer</b> for market performance; VFA allows CSM to absorb investment swings to keep the income statement stable. | Insurers may <b>book losses immediately</b> through high-frequency assessments that bypass the usual buffer mechanic.                     |
| <b>Measurement Methodology</b>      | Quantity and duration of services determined through <b>internal professional estimates and modeling</b> .                      | Treatment is frequently <b>dictated by specific local laws</b> or tied to the back-end timing of claim payments.                          |
| <b>Operational Emphasis</b>         | <b>High burden</b> due to modeling complexity, assumption sensitivity, and asset-liability linkage.                             | <b>Lower burden</b> for short-tail portfolios under PAA; focus on claims management and speed of reporting.                               |
| <b>CSM Recognition Rule</b>         | Full CSM from initial recognition; unearned profit deferred until services delivered.                                           | CSM is generally <b>avoided</b> ; Liability for Remaining Coverage (LRC) drives profit recognition instead.                               |

|                                      |                                                                         |                                                                                                  |
|--------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <b>Handling of Onerous Contracts</b> | CSM set to zero; losses recognized immediately in the income statement. | <b>Loss components recognized immediately</b> through high-frequency contract group assessments. |
|--------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|

### 3.5 Key Findings - CSM Models

#### 3.5.1 Life Insurance

The integrated findings show that while styles of implementation may vary, there are core common points across all CSM methods. The CSM is universally treated as unearned profit recorded as a liability, with a strict prohibition on recognizing gains at inception. Profit is systematically released as the services are provided over time, and the measurement of this release is consistently based on coverage units that reflect the quantity and duration of service released.

#### 3.5.2 Table - Consolidated Key Findings

| Key Area                  | Observed Pattern                                         | Implication                                                    |
|---------------------------|----------------------------------------------------------|----------------------------------------------------------------|
| <b>CSM Definition</b>     | Unearned profit on contracts, recorded as a liability.   | Central component of insurance contract liabilities.           |
| <b>Profit Recognition</b> | Recognized in profit as services are provided over time. | No Day 1 Profit; no gain recognized at inception.              |
| <b>Onerous Contracts</b>  | CSM set to zero; losses recognized immediately.          | Immediate impact on income statement for loss-making business. |
| <b>Measurement Basis</b>  | Amortized using coverage units.                          | Reflects service quantity and duration.                        |

#### 3.5.3 Non-Life Insurance

Cross-sectional examination reveals several commonalities with some large variances in non-life insurance companies. The presence of CSM will universally preclude the recognition of Day 1 profits and requires the systematic release of profits in the form of 'coverage units'. Overall, the finding for non-life insurers is the explicit CSM is generally avoided through the use of PAA as a substitution for standard line products. The major areas of difference revolve around how multi-year claims liabilities are treated, the timing of the recognition of onerous claims, and whether the company's management uses the CSM as a framework for

communicating their financial position or if the CSM is viewed as an isolated compliance calculation.

### 3.5.4 Table: Consolidated Key Findings

| Key Area                      | Observed Pattern                                                                          | Implication                                                                                                     |
|-------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| <b>CSM Definition</b>         | Unearned profit on GMM contracts, recorded strictly as a liability.                       | Ensures zero Day 1 Profit; acts as a future earnings reserve for applicable long-tail books.                    |
| <b>Profit Recognition</b>     | Released to P&L based on the delivery of services over time.                              | Smooths out volatility and aligns revenue generation directly with risk expiration.                             |
| <b>PAA Substitution</b>       | CSM is avoided entirely; LRC naturally drives unearned profit recognition.                | Massive reduction in operational complexity for the majority of standard short-tail retail/commercial books.    |
| <b>Onerous Contracts</b>      | Under GMM, adverse changes hit CSM first. Under PAA, loss components hit P&L immediately. | Loss-making business under PAA<br>ALeates immediate, visible income statement volatility.                       |
| <b>Coverage Units</b>         | Typically track expected claims settlement or exposure periods.                           | Directly governs the speed at which deferred profits transition into actual reported earnings.                  |
| <b>Reinsurance Treatment</b>  | Both underlying insurance and reinsurance contracts carry separate, distinct CSMs.        | Reinsurance CSM flows in the opposite direction (functioning as an asset for the cedant).                       |
| <b>Transition Sensitivity</b> | Heavy reliance on Fair Value assessments at transition due to missing historic data.      | Opening CSM values for P&C portfolios are highly sensitive to market conditions on the transition date.         |
| <b>KPI Usage</b>              | Only highly specialized or reinsurance-heavy non-life carriers elevate CSM to a core KPI. | The Combined Ratio remains the dominant standard, with CSM utilized selectively for intrinsic value signalling. |

## **4. Risk Adjustment under IFRS 17**

### **4.1. Risk Adjustment - Life Insurance**

#### **4.1.1 Narrative**

Under IFRS 17, risk adjustment (RA) is a reserve that an insurer sets aside in order to account for the uncertainty about future non-financial risks of an insurance contract. This reserve is intended to provide an assurance to the insurer that they will receive a certain amount of compensation if there are fluctuations in the value of their investments and/or in the value of claims made against them throughout the term of the insurance contract. Although IFRS 17 describes what RA should accomplish, there are many different methods that are used and different levels of risk adjustment used by each insurance company, which can provide insight into how individual insurers manage and view risk.

##### **4.1.1.1 Common Industry Practices**

#### **Confidence Level or Value-at-Risk (VaR) Approach**

Based on the findings of comparative studies (i.e. peer companies), it can be determined that the primary method for quantifying Adequacy of RA With the Confidence Level Valuation Method or (VaR). Industry practices are generally based on having a (at least) 75% to (at most) 90% Confidence Level associated with the distribution of Loss.

#### **Risk Horizon Preference**

- The lifespan of an Insurance Contract is a “Lifetime” horizon for the purpose of IFRS 17 as it captures the entire span/ duration of Time (risk) associated with the Insurance Contract.
- A one year reg. Solvency II (Regulatory) time frame is used by some companies because their external and internal regulations (IFRS 17) are similar and they manage both sets of requirements together

#### **Release Dynamics**

The release of the RA is a material earnings event. The amount of uncertainty associated with future risks will decrease as time goes by and therefore the released RA will convert to Insurance Revenue generating significant predictable recurring profits across the organization as all companies have adopted the same procedures under IFRS 17. By implementing (CSM) linking between future service risk changes and the (CSM), changes will flow through the CSM rather than directly impacting Income Statement therefore creating greater earnings stability.

##### **4.1.1.2 Unique Features and Implications - Company-Wise Differentiation**

While common methodological themes exist across the industry, individual insurance companies differentiate themselves through specific calibration choices, product

considerations, and proprietary measurement frameworks. The table below summarises the distinctive RA features and their reporting implications for key global insurers:

| Company                    | Unique Feature                                                                       | Implication                                                                         |
|----------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| <b>Manulife</b>            | Highest confidence level globally: 90-95 <sup>th</sup> percentile                    | Most conservative risk buffering stance among all peers reviewed                    |
| <b>Just Group</b>          | Longevity-heavy RA driven by specialism in medically underwritten annuities          | Growing RA balance of £1.257 bn reflects high volumes of long-duration new business |
| <b>Sun Life</b>            | Risk margins of 5-20% differentiated by business line                                | Most granular, line-by-line approach rather than single flat confidence level       |
| <b>Legal &amp; General</b> | Integrates RA with CSM into proprietary 'Store of Future Profit' metric              | Unique investor-facing KPI presenting total future value in combined measure        |
| <b>Swiss Re</b>            | 7% capital cost rate; factor-based; uses internal risk model                         | High transparency in disclosure                                                     |
| <b>AIA Group</b>           | Explicit 75 <sup>th</sup> percentile VaR approach                                    | Clear peer comparability                                                            |
| <b>Generali Group</b>      | Uniquely specifies 75 <sup>th</sup> percentile of present value of future cash flows | Explicit methodology transparency                                                   |
| <b>ASR Nederland</b>       | Lower implied confidence range: 66% to 76%                                           | Relatively less conservative positioning                                            |

**Key Insight:** While confidence levels and long-term horizons are standard across the industry, insurers stand out through how detailed their methods are, how cautiously they manage risk, and how clearly they communicate their risk approach to investors.

#### 4.1.1.3 Disclosure Quality Variance

IFRS 17 requires companies to disclose the confidence level used (if the confidence level technique is applied) and to provide adequate information about the RA methodology for users to evaluate the degree of non-financial risk uncertainty of the risk buffer. In practice, a clear two-tier disclosure hierarchy has emerged across the insurance companies peer group:

| Tier                             | Companies                                                                  |
|----------------------------------|----------------------------------------------------------------------------|
| <b>High Transparency Leaders</b> | Swiss Re, Hannover Re, AIA Group, Generali, ASR Nederland, Just Group, M&G |

|                              |                                                         |
|------------------------------|---------------------------------------------------------|
| <b>Moderate Transparency</b> | AXA Group, CNP Assurances, Munich Re, NN Group, Ping An |
|------------------------------|---------------------------------------------------------|

High Transparency Leaders - comprising Swiss Re, Hannover Re, AIA Group, Generali, ASR Nederland, Just Group, and M&G explicitly disclose their confidence levels and methodology, providing the clearest basis for peer comparison.

Moderate Transparency firms including AXA Group, CNP Assurances, Munich Re, NN Group, and Ping An describe their methodology in general terms without specifying confidence levels, making precise peer benchmarking more difficult.

**Certain companies stand out for the quality and granularity of their RA disclosures:**

- Hannover Re reports its Risk Adjustment (RA) as a separate line on the balance sheet (€4,004.1 million at the end of 2024), and shows it as 5.6% of the total balance sheet. AM Best even counts this RA as a capital buffer over and above the technical liabilities, which is uncommon and sets Hannover Re apart from most other companies worldwide.
- Swiss Re stands out for being highly transparent about how it calculates RA. It publicly shares that it uses a 7% cost-of-capital rate, measures confidence on the ultimate loss distribution, and treats the breakdown of RA changes as a deliberate policy decision.
- AXA Group, despite being one of the world's largest insurers, does not disclose its specific confidence level in publicly available documents; the RA is embedded within fulfilment cash flows rather than separately quantified in earnings materials.
- Zurich Insurance Group goes into great detail in its annual report, using a waterfall chart to clearly show how its Risk Adjustment (RA) changed over the year breaking out the effects of new business, interest changes, and updated actuarial assumptions.

While most insurers use standard confidence levels and long-term perspectives, what really sets them apart is how specifically they define their methods, how cautiously they set their buffers, and how openly they share their risk management strategies with investors and regulators. To truly compare companies, it's important to look beyond the headline numbers and understand the assumptions behind them.

#### **4.1.1.4 Measurement Methodology of Risk Adjustment Under IFRS 17**

IFRS 17 has a clear position on the measurement of Risk Adjustment (RA) for non-financial risk that is not prescribed or regulated. The IFRS 17 does not specify the use of any specific actuarial or financial methodology in measuring the RA; however, the RA must be measured by a method that results in a value that is consistent with the values of similar risk instruments within markets that are observable. This allows for significant flexibility by reporting entities with respect to choosing a method that reflects how they manage their risks

internally, the business and regulatory environments within which they operate, and the types of insurance they offer.

The industry methods for RA measurement have evolved with two methodologies being used by a considerable majority of the parties evaluated in this study. The Confidence Level (also referred to as Value-at-Risk) method and the Cost of Capital method together provide the two predominant methodologies for measuring RA with the former providing the most widely adopted method among life insurance companies.

### **The Confidence Level / Value-at-Risk Approach**

Under the Confidence Level approach, the RA is set to be equal to the amount of risk capital that would be needed to cover non-financial risks up to a specified percentile of the loss distribution, typically over a specified time horizon. This technique aligns closely with Value-at-Risk (VaR) or Conditional Tail Expectation (CTE) frameworks familiar from Solvency II and other capital-based regulatory regimes.

The following table presents the confidence levels disclosed by key companies in the peer group:

#### **4.1.2 Table showing Confidence Level Approach - Company-wise Calibration**

| <b>Company</b>           | <b>Confidence Level</b>                                                          |
|--------------------------|----------------------------------------------------------------------------------|
| <b>Prudential PLC</b>    | 75 <sup>th</sup> percentile (1-year VaR)                                         |
| <b>Scottish Widows</b>   | 85 <sup>th</sup> percentile (1-year VaR)                                         |
| <b>Great-West Lifeco</b> | 85 <sup>th</sup> - 90 <sup>th</sup> percentile (lifetime)                        |
| <b>Aegon</b>             | 80 <sup>th</sup> percentile (lifetime); 75 <sup>th</sup> CTE for contagion risk  |
| <b>M&amp;G plc</b>       | 75 <sup>th</sup> - 85 <sup>th</sup> confidence level                             |
| <b>Swiss Life</b>        | 70 <sup>th</sup> - 85 <sup>th</sup> (varies by country/portfolio)                |
| <b>Just Group</b>        | Quantile/confidence level method                                                 |
| <b>AIA Group</b>         | 75 <sup>th</sup> percentile                                                      |
| <b>Manulife</b>          | 90 <sup>th</sup> - 95 <sup>th</sup> percentile (most conservative among peers)   |
| <b>ASR Nederland</b>     | Implied 66 <sup>th</sup> - 76 <sup>th</sup> percentile (cost-of-capital derived) |
| <b>Generali</b>          | 75 <sup>th</sup> percentile                                                      |

Peer group confidence levels are clustered quite closely together (75% to 90%), which signals a somewhat uniform risk appetite; however, they are not all identical. For example, Manulife demonstrates a high degree of conservatism by operating between the 90th and 95th percentiles; conversely, Swiss Life has a portfolio/geography-based risk & return calibration that operates between the 70th and 85th percentiles. Aegon has even further separated its

calibrations for systemic contagion risk from those used for non-systemic contagion risk, as a result of their more dissimilar risk exposure profiles. In contrast, Just Group has used a quantile allocation as their annual reporting provides no specifics on what "percentile" is attributed to their RA value.

### The Cost of Capital Approach

The Cost of Capital method (CoC) has been used less frequently than other methods but is a different methodology for determining what the RA is. The CoC method indicates that the RA is the present value of the cost of holding regulatory or economic capital to cover their non-financial risk exposures throughout the life of an insurance policy. Consequently, the requirement for capital to cover non-financial risks is multiplied by a pre-determined cost of capital factor to result in RA, and the CoC methodology is particularly appropriate to use by reinsurers and organizations that have very mature and/or sophisticated internal capital models.

Table showing Cost of Capital Approach - Company-wise Detail

| Company       | Detail                                                           |
|---------------|------------------------------------------------------------------|
| Swiss Re      | 7% capital cost rate; factor-based; uses internal risk model     |
| ASR Nederland | Cost-of-capital basis (with implied confidence level disclosure) |

Swiss Re represents the global benchmark for methodological transparency within the CoC framework, openly disclosing a 7% cost-of-capital rate and providing granular detail on the disaggregation of RA movements. ASR Nederland, while primarily a confidence-level reporter, also shares an implied confidence level derived from its CoC calibration, assisting a degree of cross-methodology comparability that is rare among peers.

#### 4.1.3 Risk Horizon: Lifetime Versus One-Year Approaches

The risk horizon refers to the time period over which the RA is calculated. IFRS 17 affords companies the discretion to measure the RA over either a one-year horizon or the full lifetime of the contracts in force. This choice has substantial implications for the magnitude, stability, and comparability of the RA figure.

#### The Lifetime Horizon

The lifetime horizon approach calculates the RA as the compensation required for all non-financial risk that remains over the entire duration of the insurance contract. This approach is

conceptually coinciding with the broader IFRS 17 framework, which takes an asset-and-liability perspective over the full contractual period. Practically, the lifetime horizon produces a larger, more stable RA because it captures the cumulative extent of uncertainty rather than the increment of risk expected to emerge within a single year.

### The One-Year Horizon

The one-year horizon, by contrast, mirrors the approach commonly observed in Solvency II regulation and asks what compensation would be required for the risk expected to emerge over the next twelve months. While this produces a more dynamic and potentially volatile RA, it offers comparability with regulatory capital metrics. Entities adopting this approach are required to apply a scaling or translation factor to convert the short-term measure into a lifetime-equivalent figure appropriate for IFRS 17 reporting, thereby introducing an additional layer of estimation and model risk.

### Company-wise Risk Horizon Practices

The following table summarises how companies in the peer group approach the risk horizon question:

**Table showing Risk Horizon - Company Usage**

| Horizon Approach             | Company Usage                                                                                                                                                         |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Lifetime Horizon</b>      | Great-West Lifeco, Aegon, M&G, Swiss Life, Manulife - calibrate on a lifetime basis, capturing the full remaining coverage period.                                    |
| <b>One-Year (translated)</b> | Prudential PLC, Scottish Widows, Aviva - adopt a one-year VaR horizon (aligned to Solvency II) and translate it to a lifetime equivalent using a scaling factor.      |
| <b>Explicit Lifetime</b>     | Aviva additionally discloses that it explicitly uses a lifetime view across the full remaining coverage period, underscoring its commitment to the lifetime approach. |

The predominance of the lifetime horizon approach across the peer group reflects the conceptual alignment between IFRS 17 and the need to capture the full remaining coverage period. However, entities that adopt a one-year VaR horizon particularly those with

established Solvency II frameworks do so on grounds of regulatory consistency and operational efficiency, accepting the attendant requirement to apply a translation factor. This translation introduces inherent subjectivity, and the specific scaling methodologies employed are seldom disclosed in sufficient detail to enable precise external replication or peer benchmarking.

#### 4.1.4 Summary of Key Observations on Measurement Methodology and Risk Horizon

**Methodological convergence, with divergence in calibration:** While the peer group has broadly converged on the Confidence Level / VaR approach as the dominant methodology, the calibration of confidence levels ranging from the 70<sup>th</sup> to the 95<sup>th</sup> percentile reflects meaningfully different risk appetites and risk philosophies. This divergence implies that identical risk exposures may give rise to materially different RA balances across entities, rendering headline RA comparisons of limited analytical utility in the absence of normalisation.

**Lifetime horizon as the industry norm:** Most insurers use a lifetime horizon for their risk calculations, in line with IFRS 17's focus on the full contract period. When a one-year horizon is used, it's usually because of leftover requirements from Solvency II, and it requires extra adjustments that can add estimation challenges specific to each model.

**Cost of Capital as a transparency benchmark:** While not as common, the Cost of Capital method provides greater transparency when used thoroughly. Swiss Re stands out by clearly stating its Cost of Capital rate and the assumptions behind it setting an example of best practice for others in the industry.

**In aggregate, the measurement of the Risk Adjustment under IFRS 17 is characterised by a permissive framework that has given rise to a heterogeneous landscape of implementation choices. True cross-entity comparability requires an understanding of the underlying methodology, calibration basis, and risk horizon applied factors that are not consistently disclosed across the peer group.**

#### 4.1.5. Interaction of Risk Adjustment with CSM

The RA interacts directly with the CSM in a tightly defined way under IFRS 17. When uncertainty about future risks reduces, the RA is released. This release flows into insurance revenue, contributing positively to reported profit. However, when new information changes the outlook for future risks (e.g. mortality assumptions worsen for future years), the RA for future service changes and instead of hitting revenue immediately, it adjusts the CSM

|  |                                                                                                                                          |
|--|------------------------------------------------------------------------------------------------------------------------------------------|
|  | The interaction between RA and CSM is universal and non-negotiable under IFRS 17, every company follows this principle without exception |
|--|------------------------------------------------------------------------------------------------------------------------------------------|

|                                             |                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Company<br/>Wise<br/>Differentiation</b> | Changes in RA relating to future service adjust the CSM under the General Measurement Model (GMM) or adjust the variable fee under the Variable Fee Approach (VFA) applied consistently by Aviva, Sanlam, M&G, Swiss Life, Just Group, Talanx, Ping An, Munich Re, and NN Group                            |
|                                             | Changes in RA for current/past (expired) service are released to insurance revenue, observed across Aviva, Sanlam, M&G, Just Group, Chesnara, Swiss Life, Phoenix Group, and others                                                                                                                        |
|                                             | RA releases are a steady and recurring contributor to insurance service results for most companies, particularly prominent at Just Group (where it forms part of in-force operating profit), M&G (releases contributed positively in 2025), and Phoenix Group (released periodically as policyholders age) |
|                                             | Chesnara highlights that releases are stable and predictable, reflecting the low-volatility, run-off nature of its business, illustrating how the RA release pattern mirrors the underlying risk profile of each company's book                                                                            |

#### 4.1.6 Disclosure and Presentation of Risk Adjustment

IFRS 17 requires companies to disclose the confidence level used (if the confidence level technique is applied) and to provide sufficient information about the RA methodology for users to assess the degree of non-financial risk uncertainty of the risk buffer

1. High transparency companies that explicitly disclose confidence levels and methodology include Swiss Re, Hannover Re, AIA Group, Generali, ASR Nederland, Just Group, and M&G - these companies provide the clearest basis for peer comparison.
2. Moderate transparency: Companies like AXA Group, CNP Assurances, Munich Re, NN Group, and Ping An tend to describe their risk adjustment methodology only in broad terms, without sharing specific confidence levels. This makes it difficult to undertake precise comparisons with their peers.
3. Hannover Re is uniquely transparent when it comes to its balance sheet. It reports the Risk Adjustment (RA) as a separate line item (€4,004.1 million at the end of 2024), shows it as a percentage of the total balance sheet (5.6%), and is recognized by AM Best as having a capital buffer that goes beyond just technical liabilities.
4. Swiss Re leads the industry in methodological transparency. It clearly states its 7% cost-of-capital rate, explains that it measures confidence on the ultimate loss distribution, and treats the breakdown of RA changes as an intentional choice.
5. AXA Group, even as one of the largest insurers in the world, does not disclose its specific confidence level in public documents. Its RA is included within the fulfilment cash flows, rather than shown separately in its earnings materials.

6. Zurich Insurance Group provides an exceptionally detailed movement analysis in the form of a waterfall chart in its annual report, showing precisely how the RA changed due to new business, interest accretion, and updated actuarial assumptions

#### 4.1.7 Comparative Dimensions of Risk Adjustment

While IFRS 17 creates broad consistency in risk adjustment practices, insurers differentiate themselves through the choices of implementation, regulatory alignment, and product-specific treatment. These differences provide insight into each company's risk philosophy and reporting strategy.

##### Regulatory Alignment VS Internal Models

- **AVIVA PLC, LEGAL & GENERAL GROUP** shows a strong reliance on Solvency II frameworks
- Some insurers apply **adjusted regulatory models** (with IFRS-specific overlays)
- Reflects **cost efficiency vs conceptual purity trade-off**

##### Product-Specific RA Treatment

- Certain products (e.g. annuities, non-profit business) treated differently
- **Legal & General Group** which shows Annuity-specific RA positioning shows **business model influencing measurement approach**

##### Methodology Customization

- Adjustments layered onto standard approaches
- **Swiss Re** shows highly transparent cost-of-capital framework
- Reflects **internal model sophistication + governance strength**

##### Calibration & Confidence Level Flexibility

- Confidence levels vary **by geography / portfolio**
- **GENERALI, AXA GROUP** which shows portfolio-driven calibration differences
- Indicates **non-uniform risk appetite across groups**

##### Presentation & Disclosure Structure

- **Hannover Re** shows explicit RA disclosure
- **AXA Group** has RA embedded within fulfilment cash flows
- Drives **comparability challenges for analysts**

## Key Observations

- Framework & alignment: Lifetime horizon dominates; Solvency II widely used as the base
- Earnings mechanics: RA release supports stable profit; CSM absorbs future changes
- Variation in practice: PAA often minimal RA; disclosure varies (High: Swiss Re, Hannover Re , Low: AXA Group)

While IFRS 17 creates a consistent conceptual framework, insurers differentiate meaningfully through regulatory reliance, calibration choices, and disclosure depth making true comparability dependent on understanding underlying assumptions rather than headline metrics

## 4.2 Risk Adjustment (Non Life Insurance)

### 4.2.1 Narrative

Under IFRS 17, the Risk Adjustment for non financial risk represents the compensation an insurer requires for bearing uncertainty in the amount & timing of insurance contract cash flows. The standard does not prescribe a specific measurement technique and in practice three principal methodologies have emerged across the global peer group

1. The Cost of Capital (F) approach
2. The Confidence Interval (CI) approach
3. Value at Risk (VaR).

A small number of insurers use hybrid combinations of these methods. The analysis below draws on observations from a 32-company peer group, specialty non life insurers and global reinsurers.

### 4.2.2 Dominant Methodologies

Around 85% of companies in the peer group use either the Cost of Capital or Confidence Interval approach, due to which pure Value at Risk approach usage remains uncommon.

The table below sets out the methodology groupings and the peers within each category :

| Confidence Interval                                                                                      | Cost of Capital                                                                                              | Value at Risk                                                                                                | Combinations / Hybrid                                                                                  |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Provides a probability range of sufficiency for claims reserves. Confidence levels can shift from static | Derived from Solvency II internal models; applies a cost rate to required risk capital. The rate may diverge | Benchmarks risk against a fixed, statistical point-in-time percentile. Targets specific high end risk levels | Uses mixed models (CoC and CI together) or market pricing margins. Allows entities to draw on existing |

|                                                                                                                                                                                                   |                                                                                           |                                                                                                         |                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| to dynamic, adjusting as portfolio volatility changes.                                                                                                                                            | from the standard Solvency II 6% level to reflect each entity's own cost of equity.       | to ensure the company can withstand extreme events.                                                     | data while keeping calibration anchored to market conditions.                                                                                                                           |
| Examples: AXA (65% range), Sampo Plc, Hiscox Limited, RSA Insurance, Desjardins, Tryg A/S, Brit Insurance, Lancashire Holdings, Intact Financial, Santam Limited, Ageas, SCOR SE, Sabre Insurance | Examples: Swiss Re (7% rate), Allianz SE, Munich Re, Hannover Re, PZU Group, Balaise, VIG | Examples: Admiral Group (95%), Assicurazioni Generali (75%), Direct Line, MAPFRE, Gjensidige Forsikring | Examples: IAG (Insurance Australia) - CoC & CI; Fairfax Financial - CoC & CI; Talanx AG - CI & Pricing Margin; Beazley PLC - CoC & CI; Zurich Insurance - CoC & CI; NN Group - CoC & CI |

### 4.2.3 Diversification Insights

#### 4.2.3.1 Diversification Cropping

Standard practice across the peer group is to cap diversification at the legal entity level, limiting recognition of intra group risk offsets to what can be demonstrated within a single entity. Swiss Re and Munich Re are the only exceptions both applying full group wide diversification supported by integrated Group risk modelling infrastructure. Their group level risk adjustment requirements consequently sit below those of entity capped peers.

#### 4.2.3.2 PAA vs GMM Scope

In most cases, the risk adjustment is shown as a note item in the general reserve disclosures by the company, but this is not true for Hannover Re. Hannover Re is the only company to show the risk adjustment separately from the other categories of reserving items. They show the risk adjustment immediately on the balance sheet alongside the CSM, so that it functions as an indication of the company's capital adequacy and quality rather than as a component of their technical reserves.

#### 4.2.3.3 Presentation Maturity

For most companies, the risk adjustment appears as a note item within broader reserving disclosures. Hannover Re is a clear outlier, it presents the risk adjustment as a standalone capital adequacy indicator on the headline balance sheet alongside the CSM, treating it as a capital quality metric rather than a technical reserve adjustment.

#### 4.2.3.4 Horizon Translation

Nearly all firms provide one-year confidence intervals for their estimates, adhering to Solvency II standards. The only deviations from this practice are those made by Generali and Prudential that use the same methodology to convert their one year Value At Risk risk adjustment into an equivalent ultimate confidence interval on the whole analysis (around the 72nd for Property and Casualty Insurance companies and about the 60th for Life Insurance companies at Generali). Ultimately, this approach adds to the difficulty of comparing firms' confidence level benchmarks directly across their peer group because it is still an unusual approach.

#### 4.2.3.5 Similarities and Common Patterns

In spite of their differences in calibration and reporting standards, there are many similarities within the structural make-up of these businesses in the peer group due to their shared condition of being regulated by the same authorities - specifically having to use Solvency II or equivalent as the registration point for modelling practices by all European Insurer providers - and their shared purpose of mitigating the effects of fluctuations in P&L from their businesses by all of the firms in the entire group.

#### 4.2.4 Common Patterns Across the Peer Group

| Common Pattern                   | Observation                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Method Dominance                 | Cost of Capital and Confidence Interval together account for around 85% of companies. Pure Value at Risk use is rare, seen at only four companies. Most European Cost of Capital users are anchored to the EIOPA 6% rate.                                                                                                                         |
| Solvency II Anchor               | Virtually all European insurers derive their IFRS 17 Risk Adjustment calibration from Solvency II models, whether via the 6% Cost of Capital rate or by translating Solvency II risk distributions into CI equivalents. The IFRS 17 Risk Adjustment and the Solvency II Risk Margin are effectively joint outputs of the same modelling platform. |
| Entity-Level Diversification     | Entity level diversification is the standard across the peer group. Group wide cross entity diversification is applied only by Swiss Re and Munich Re, who have the integrated Group risk modelling infrastructure to support it. All other peers cap diversification at the legal entity.                                                        |
| OCI Election for Finance Effects | The majority of insurers utilize a disaggregation method whereby any changes in discount rates on the risk adjustment                                                                                                                                                                                                                             |

|                                                                          |                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                          | are recognized in OCI instead of going through the profit and loss account (P&L). Doing so retains the insurance service result from being affected by interest rate noise and is an intentional and widely accepted structural accounting decision.                                                                                                                                        |
| Risk adjustment is LIC-Focused for premium allocation approach Companies | For pure Premium Allocation Approach companies, roughly 40% of the peer group, the risk adjustment is confined to the Liability for Incurred Claims. Under PAA, the LRC only requires an onerous-contract test, so the risk adjustment does not function as a live balance sheet figure for the unexpired risk portion.                                                                     |
| Disclosure Gap in PAA Companies                                          | Pure Premium Allocation Approach (PPA) insurers like Tryg, Brit, Sabre, and Ageas are not typically forthcoming about their confidence levels; rather, they include their risk adjustment in their reserve processes, so it is not shown as an indicator of the quality of the insurer's capital, creating a notable gap in disclosure vs. their peers using the general measurement model. |

#### 4.2.5 Unique Strategic Outliers

There is broad methodological convergence among the peer group, but some companies have unique characteristics in their Disclosure, Calibration or Risk Architecture that distinguish them from each other. These characteristics are deliberate decisions, rather than exceptions, and some companies set a practical (or real) benchmark for the industry as a whole.

##### 4.2.5.1 Strategic Outliers Unique Features

| Company           | Unique Feature        | Description                                                                                                                                    |
|-------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Swiss Re          | Highest CoC Rate      | 7% CoC rate. The only company above the 6% EIOPA norm, reflecting its pure long-duration reinsurance risk profile.                             |
| Allianz SE        | Dual Confidence Bands | Separate CI disclosures for LRC (72-77%) and LIC (65-70%), plus an explicit reconciliation between the Solvency II and IFRS 17 Risk Adjustment |
| Admiral Group Plc | Highest Calibration   | 85th to 95th percentile (94th for UK Motor). This is the most conservative RA setting across the full peer group.                              |
| AXA               | Lowest Calibration    | 62.5%-67.5% for AXA: as AXA has specifically stated that the RA's are not created to provide                                                   |

|                        |                                    |                                                                                                                                                                                                                            |
|------------------------|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        |                                    | reoccurring profits; this means it will only be possible for the regular cycle income estimator and therefore will likely have a low value at the low end of their conventional range.                                     |
| Talanx AG              | Pricing Margin RA                  | Reinsurance risk adjustment derived from premium pricing surcharges rather than statistical distributions, a conceptually distinct basis from all other 31 peers.                                                          |
| SCOR SE                | Quarterly RA Disclosure            | Risk adjustment release disclosed as a distinct quarterly sub-component of the L&H insurance service result, a reporting cadence not found elsewhere in the peer group.                                                    |
| Zurich Insurance       | Dual-Model RA                      | Within the same company, there exists two Confidence Intervals (CI's): non-life has a CI of 74 to 79%; long-term life has a CI of 90 to 95%, which represents a fundamental difference in the duration of the liabilities. |
| Hiscox Limited         | VaR and CI Hybrid                  | Combines Value at Risk scenario analysis and a statistical CI within a single RA methodology. No other company uses both methods simultaneously.                                                                           |
| IAG (Australia)        | Active vs. Run-Off Split           | Formally distinct confidence levels applied for active portfolios and run-off portfolios within the same entity.                                                                                                           |
| Fairfax Financial      | Jurisdiction-Fragmented RA         | Five different RA calibrations across Europe, UK, US, Canada, and long-tail reinsurance, the most geographically varied approach in the peer group.                                                                        |
| Assicurazioni Generali | Horizon Translation                | Discloses one-year VaR RA alongside its equivalent ultimate-view percentile (roughly the 72nd percentile for P&C and 60th for Life), explicitly enabling cross-peer comparison.                                            |
| Hannover Re            | RA as Capital Metric               | Risk Adjustment disclosed as a standalone balance sheet headline figure alongside the CSM, treated as a capital adequacy indicator rather than a note item.                                                                |
| Talanx AG              | Mid-Period Method Change Disclosed | 2025 mid-year risk adjustment estimation method change for P&C reinsurance explicitly disclosed with a monetary sensitivity, a rare level of mid-period transparency.                                                      |

|                       |                                             |                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Direct Line Insurance | RA Applied to LIC Only (PAA)                | RA explicitly applied to LIC only; LRC RA limited to onerous-contract testing. The clearest articulation of PAA-specific RA scope across the peer group.                                                                                                                                                                                              |
| NN Group              | Year-on-Year CI Drift                       | Discloses the change in implied confidence level year on year (67% in 2025 versus 69% in 2024).                                                                                                                                                                                                                                                       |
| PZU Group             | EIOPA Mandate Cited Explicitly              | The only company uses the regulations imposed by the Regulatory Authority as a primary justification for their estimation of the Cost of Capital and to treat the IFRS 17 Risk Adjustment(s) as outputs due to compliance.                                                                                                                            |
| VIG                   | Multi-Currency CEE CoC                      | The only peer applying CoC simultaneously across multiple Central and Eastern European currencies with explicit multi-currency calibration disclosure.                                                                                                                                                                                                |
| Baloise               | RA Disclosed Without CI                     | Does not disclose a confidence level equivalent. Instead quantifies the RA discounting impact as a loss-ratio point deduction (eg -3.1 ppts) within underwriting KPIs.                                                                                                                                                                                |
| Gjensidige Forsikring | PIM vs Solvency II Model Disclosure         | Separately identifies which entities use a Partial Internal Model versus the standard Solvency II model for RA calibration. No other peer makes this distinction.                                                                                                                                                                                     |
| Beazley PLC           | Pure-GMM Non-Life with Full RA Roll-Forward | The only company specialised in being a pure GMM (Guaranteed Minimum Market value or Guaranteed Minimum income) for both insurance and reinsurance provides a rolling three-part presentation of: 1) insurance contracts; 2) reinsurance contracts; and 3) a granular risk-adjusted (RA) presentation that is more detailed than any of their peers'. |

#### 4.2.6 Calibration Extremes and the Confidence Level Spectrum

Confidence levels, where disclosed, among the peers range from 62.5 - 67.5% in AXA to 85 - 95% in Admiral Group with an overall peer group median of 75 - 80%. The material difference reflects differing management philosophies: AXA has a lean management style where it does risk adjustments as a technical necessity instead of for generating profit, thus calibrating the adjustments to be at the low end of what would be commercially defensible.

In contrast, Admiral Group has a high buffer approach, where they set their adjustments at the 95th percentile for UK Motor which is the most conservative risk level adjustment in the peer universe. Lastly, although all companies are using the 6% EIOPA standard cost of capital rate,

Swiss Re has a 7% Cost of Capital to reflect the very different risk profile of their long duration reinsurance liabilities.

#### 4.2.7 Solvency II Alignment and Operational Efficiency

The way European insurance companies have implemented their risk adjustment (RA) for the IFRS 17 standard has primarily been through anchoring it to their internal Solvency II calculations. This is generally viewed as a combined result of one actuarial process since both are outputs from the insurer's internal actuarial model. Often, they use the EIOPA 6% cost of capital as the reference rate for determining the RA, however PZU Group was unique among the insurance groups reviewed because they referenced this as part of the regulatory mandate that required them to produce an RA, thus framing it as more of a compliance output and less of a management choice.

Companies throughout the CI sub group use their Solvency II Risk Margins to derive confidence levels for their risk distributions under Solvency II to establish implied confidence levels based on the same sufficiency probabilities as the Solvency II Risk Margins.

#### 4.2.8 P&L Volatility Management

The majority of businesses produce Risk adjustment (discount rate changes) in Other Comprehensive Income instead of profit and loss. Accordingly, this prevents the Insurance Service Result from being impacted by interest rate fluctuations; therefore, it's maintained as a pristine index of underwriting capability. Equity on the balance sheet will contain all the sensitivity to changing discount rates, therefore analysts should independently evaluate the OCI channel when computing interest rate exposures.

### 4.3 Risk Adjustment - Life Vs Non-Life

This table provides an overview of the differences in Risk Adjustments between life and non-life insurers under IFRS 17, particularly regarding their methodology, calibration, risk orientation, and the effect of Financial Reporting.

In addition to assessing the method of reporting on the risk adjustments themselves, many of the global insurers assessed also have significantly different confidence levels, levels of disclosure transparency, and treatment of risk changes in the financial statements. Life insurers generally use a longer-term, stabilizing approach to risk management, with consideration given to fit with the CSM and non-life insurers generally use a shorter-term focus with respect to the protection against claim volatility and exposure with higher level of a prudential buffer.

#### 4.3.1 Table - Segment-Wise Risk Adjustment Comparison

| Feature                    | Life Insurance Segment                                        | Non-Life Insurance Segment                                    |
|----------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| <b>Primary Methodology</b> | Predominantly utilises Cost of Capital (CoC) or long-term VaR | Predominantly utilises Value-at-Risk (VaR) / Confidence Level |

|                             |                                                                                                  |                                                                                             |
|-----------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <b>Calibration Level</b>    | Generally lower (70th – 85th percentile) due to long-term risk pooling and diversification       | Generally higher (80th – 95th percentile) to cover sudden claim shocks                      |
| <b>Risk Focus</b>           | Focuses on biometric risks such as mortality, longevity, and lapses                              | Focuses on event risks such as accidents, catastrophes, and claim severity                  |
| <b>Balance Sheet Impact</b> | Affects both <b>LRC</b> (Future) and <b>LIC</b> (Past claims) equally due to long term durations | Primarily concentrated in the <b>LIC</b> (Liability for Incurred Claims) due to uncertainty |
| <b>CSM Interaction</b>      | <b>High:</b> RA changes for future service are absorbed by the CSM (no P&L volatility)           | <b>Low:</b> Under the PAA model, changes in RA often impact the P&L directly                |
| <b>Time Horizon</b>         | <b>Lifetime Horizon:</b> Measures uncertainty over 20-30+ years                                  | <b>One-Year Horizon:</b> Usually calibrated for 12 months then extended to ultimate claims  |

## 4.4 Key Findings of Risk Adjustment

### 4.4.1 Life Insurance Outcomes

#### 1. Measurement Methodology

- There are two main methods being tracked independently in the industry for determining an entity's potential for future performance: the Confidence Level / Value at Risk (VaR) Method, and the Cost of Capital Method.
- Most insurers (75% to 90% level) use either method; however, some are more risk-averse than others, with Manulife Insurance Co. having one of the highest potential exposure levels (90 - 95 percentile).

#### 2. Interaction with CSM and Revenue

- RA is a revenue-generating stream for insurers that provides company-wide profits that are predictable and ongoing.

- When there is harm to the underlying assumptions (e.g. for mortality) of RA, instead of recognising the effects of the change to revenue immediately through RA, the change to the CSM protects the earnings stability of insurers.

### 3. Disclosure & Transparency

- A clear **two-tier disclosure hierarchy** emerged, High Transparency Leaders (Swiss Re, Hannover Re, AIA Group, Generali, ASR Nederland, Just Group, M&G) vs. Moderate Transparency firms (AXA Group, CNP Assurances, Munich Re, NN Group, Ping An)

### 4. Regulatory Alignment

- Both Aviva and Legal & General depend significantly on the Solvency II framework augmented by an IFRS-specific overlay to provide a trade-off between cost effectiveness versus conceptual purity.
- Confidence levels for various geographies and portfolio types indicate an incongruity of risk appetite within different groups (notably the Generali group and also the AXA group).

In order to achieve true comparability between insurers, headline information is insufficient; knowledge of the underlying assumptions, calibration choices, and the level of detail/disclosure are all critical since under IFRS 17 there is a uniformity of framework, however, there is a high level of disparity in the way that the framework has been applied.

#### 4.4.2 Non Life Insurance

##### 1. Measurement Methodology

- To establish the RA, most companies in the industry utilize one of the two strategies that are commonly used throughout the industry: the Cost of Capital Method (CoC) and the Confidence Interval method.
- Approximately 85 percent of entities have tied their RA to either of these methods, with the majority of entities using CoC at the default rate of 6%.

##### 2. Calibration & Capital Buffer

- The ranges of calibrations are from peer-scale (aggressively discounted) at the 95th percentile of ADMIRAL to lean/high at the 65th percentile of AXA. These differences in calibrations reflect the difference between more conservative and aggressive levels of risk.
- The higher the percentile of the calibration, the greater the profit that can be held in reserve and therefore the greater the protection the P&L has from experiencing significant fluctuations due to catastrophic events.

### 3. Diversification & Capital Efficiency

- A hierarchy of two tiers was established : cap by legal entity (long credit term) against group wide diversification (short credit term) which produced a lower RA and greater capital efficiency.
- Group-wide diversifiers hold a **structural balance sheet advantage** over locally-constrained entities

### 4. Regulatory Alignment

- Reinsurers (Swiss Re, Hannover Re) achieve **near-complete IFRS 17 / Solvency II convergence** via shared CoC
- Geographic and portfolio influences on confidence levels; there are differences in risk appetite across different groups/companies

Cannot compare different non-life underwriting performance using only total profits since there is an aspect of hidden variation between [65th percentile vs. 95th percentile, individual legal entities vs. actual group diversification], which means a higher total reported profit could potentially indicate an individual company has lower than expected risk additional profits.

Due to IFRS 17 introducing consistency in the basis of preparation whilst allowing many aspects to be implemented differently from one insurer to the next.

## **5. IFRS 17 Disclosure and Presentation**

### **5.1 Executive Summary**

Insurance financial reporting undergoes a significant transformation due to the implementation of IFRS 17. This affects all insurers, regardless of whether they are classified as non-life, and means that revenue recognition, liability measurement, and profit reporting (using the Contractual Service Margin (CSM), for example) will be fundamentally changed. Although IFRS 17 was developed to enhance the transparency and comparability of the manner in which insurers provide financial reports, its flexibility in terms of the possible accounting methods available has subsequently resulted in companies developing a wide variety of accounting approaches with respect to how they report their financial information.

One of the challenges that has arisen from this variety of approaches is that it creates significant difficulty when comparing the financial results of similar insurers on a fair basis. For example, two companies may have the same risk profile but report their financial results significantly differently because one chose to apply the Premium Allocation Approach (PAA) to its reporting while the other chose to apply the General Measurement Model (GMM) approach instead. This presents a serious challenge to investors and analysts as they attempt to differentiate between actual versus accounting results.

Insurers who have the simplest, short-term, portfolios typically choose the PAA because it is straightforward and uncomplicated to report. Companies that grow through acquisitions or offer specialised long-term risks typically choose to use GMM and OCI in order to manage the complexities and have a smoother profit and loss flow. Overall, IFRS 17 is no longer just a compliance tool but has evolved into a strategic option as it gives each insurer the ability to express its unique business model, level of complexity and attitude to risk.

### **5.2. Presentation - Life Insurance**

#### **5.2.1 Narrative**

When preparing financial statements in accordance with IFRS 17 there are a number of decisions that life insurers make about their measurement methods, the breakdown of income and the structure of their presentation; rather than this being in prescribed formats as with other standards, IFRS 17 offers many different options for reporting. These include the distinction between insurance liabilities and reinsurance assets in the insurer's statement of financial position, the recognition of insurance finance income and expense either in its entirety within profit or loss or partly within other comprehensive income. The choice made has a bearing on the manner in which profitability is depicted, the smoothing of earnings volatility, and the reporting of financial performance to interested parties. In the case of life insurers involved in multiple insurance lines, such as participating products, long-term protection insurance, and sophisticated reinsurance programs, the selected presentation method is inherent in the way they do business. The following seven features summarize the essential components of such a presentation framework.

### 5.2.2 Table - Key Features of Financial Statement Presentation

Below are the seven important elements of financial statement presentations in accordance with IFRS 17 that apply to Life Insurance Companies. As can be seen from the table, each element represents a specific dimension of financial reporting under this international accounting standard. From the balance sheet structure and choosing an appropriate valuation model to the approach to reinsurance and GAAP measures, all important aspects of financial reporting are included in the list of elements.

|                                                                     |                                                                                                                                                        |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Balance Sheet of Insurance Contracts</b>                         | Focus on CSM movements, amortisation patterns, and profit emergence - the core drivers of value recognition under IFRS 17                              |
| <b>Policy Choice for Insurance Finance Results (P&amp;L vs OCI)</b> | Highlights risk adjustment, liability reconciliation, and movement analysis key to understanding volatility and financial performance                  |
| <b>Model-Specific Presentation Elements</b>                         | Covers sensitivity to key assumptions such as discount rates, mortality, and persistency - reflecting IFRS 17's high responsiveness                    |
| <b>Disaggregation of Insurance and Investment Results</b>           | Breakdown by product, segment, and model - emphasising contract grouping and portfolio-level transparency                                              |
| <b>Reinsurance Presentation and Treatment</b>                       | Focus on governance, critical judgements, and methodology - showcasing management discretion in IFRS 17 application                                    |
| <b>Integration with Non-GAAP Metrics and Segmentation</b>           | Links IFRS 17 outputs with solvency, capital, and regulatory metrics - bridging accounting with economic performance                                   |
| <b>Consistency and Comparability</b>                                | Ensures uniform structuring of financial statements across entities - enabling easier comparison of performance despite differences in business models |

### 5.2.3 Grouping Insurers by IFRS 17 Presentation Choices

Options of presenting IFRS 17 include a consistent approach where underwriting is separate from the effect of financing, gains arising from investments, and reinsurance to ensure proper communication and evaluation of performances within the integrated world of reinsurance.

#### 5.2.3.1 Balance Sheet of Insurance Contracts

Aviva PLC, Prudential PLC, and Sanlam individually present insurance liability, insurance assets, and reinsurance assets within their respective balance sheets. In General Group, these

are presented as insurance provisions on net basis while M&G plc uses its own balance sheet with VFA/GMM structure.

#### 5.2.3.2 Policy Choice for Insurance Finance Results (P&L vs OCI)

AXA Group uses a presentation option whereby it uses OCI approach. While Hannover Re presents its negative finance result owing to discount unwind impact, OCI represents fair value changes in liabilities and portfolios. The insurance result of NN Group is presented using OCI approach.

#### 5.2.3.3 Model-Specific Presentation Elements

In this regard, for instance, Aegon's equity interest in firms affects the computation of the CSM, whereas the process of risk management is seen as a distinct entry in the CSM roll forward. Footnotes on new business, CSM, and longevity are provided by both Just Group plc and CNP Assurance. For Great-West Lifeco, there is no other place apart from the statement of profit and loss where any fair value adjustments are included.

#### 5.2.3.4 Disaggregation of Insurance Service Result and Investment Rules

Separate statements are provided for insurance service result and finances and results by both CNP Assurance and Munich Re. AXA Group shows the underwriting ISR which comprises revenues less ISE both pre- and post-reinsurance. Hannover Re reports the revenues generated through reinsurance to obtain the ISR.

#### 5.2.3.5 Reinsurance Presentation and Treatment

Separate statements are provided for reinsurance by Great-West Lifeco, while the GMM liabilities, and reinsurance assets are presented separately by Just Group plc. The ISR is presented both before and after reinsurance holdings by Swiss Re.

#### 5.2.3.6 Integration with Non-GAAP Metrics and Segmentation

The dual approach is used by CNP Assurance where the firm segments the information into four categories which include Savings, Pensions, Protection, and Financial Protection. In this case, AIA Group Limited combines the results as per IFRS 17, as well as geographical segmentation for markets like Hong Kong and Thailand.

### 5.3 Disclosures - Life Insurance

#### 5.3.1 Table for disclosure area

| Disclosure Area | Description |
|-----------------|-------------|
|-----------------|-------------|

|                                                        |                                                                                                                                                |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| CSM-focused Disclosures                                | These companies primarily focus on CSM movements, amortisation, and profit emergence, the core engine of profit recognition under IFRS 17      |
| Risk Adjustment & Liability Reconciliation Disclosures | Risk adjustment, liability reconciliation & movement analysis, core to measuring uncertainty under IFRS 17                                     |
| Sensitivity & Assumption Analysis Disclosures          | Sensitivity analysis of key assumptions - revealing IFRS 17's high sensitivity to changes in discount rates, mortality, persistency & expenses |
| Product, Segment & Model-level Granularity             | Product, segment & model-level granularity - reflecting IFRS 17's emphasis on contract grouping and portfolios                                 |
| Governance, Judgement & Methodology Disclosures        | Governance, critical judgements & methodology disclosures - highlighting management judgement in IFRS 17 model application                     |
| Solvency, Capital & Statutory Bridge Disclosures       | Solvency, capital & statutory bridge disclosures - linking IFRS 17 to regulatory capital and economic performance                              |
| Performance & KPI Disclosures                          | Performance & KPI disclosures - how insurers use IFRS 17 metrics (CSM, NB CSM, service result) as key management and investor indicators       |

### 5.3.2 Grouping Insurers by IFRS 17 Disclosure Choices

The goal of IFRS 17 disclosures is to provide a detailed and multifaceted set of disclosures that describe how insurers will manage their performance, risk, and profit. The disclosures bring together performance information from an insurer's account records with risk-related information from the operation of different types of insurance, thus enabling greater transparency and more informed, data-based decisions in the global marketplace.

A clear area of focus is on CSM disclosures. For example, Aviva, Prudential, and Aegon provide extensive disclosures which describe how an insurer's CSM changes from period to period, and what profit has been released from the CSM. Other insurers, like M&G, Swiss Life, and Just Group, focus on establishing patterns related to the timing of profit emergence from their CSM. Companies like Great-West Lifeco and Hannover Re differentiate their CSM by product line. Some companies (e.g., Sanlam and Swiss Re) have established the CSM as a significant factor that drives their earnings.

Insurers must also report to their stakeholders about their risk adjustments and liability reconciliations. Insurers such as AXA, Generali, and AIA have provided full roll-forwards of their liabilities which include all CSMs, risk adjustments, and present value of future cash flows. Prudential and NN Group have put a focus on reconciliations and movement analysis, while Chesnara, Talanx, and Clientele have provided detailed breakdowns throughout FCFs, (RAs), and (CSMs). Other insurers such as Sanlam and Swiss Re have highlighted how important risk adjustments and uncertainties are to their disclosures.

Another significant area of disclosure for insurers is their sensitivity and assumptions analyses. Aviva and Aegon are insurers that regularly assess the sensitivity of their results to changes in the market and/or their financial condition. M&G and Just Group are insurers that regularly disclose their assumptions about longevity, persistency, and discount rates; likewise, Manulife and Swiss Life do so when providing details of their methods. Additionally, Talanx and Clientele have demonstrated how changes to different assumptions would affect liabilities and earnings.

Financial strength and capital disclosures link IFRS 17 results to regulatory frameworks like Solvency II. AXA and NN Group show how their IFRS 17 balance sheets connect with **regulatory numbers**, while Zurich and Munich Re tie accounting profits to capital metrics. Swiss Re and Ping An highlight differences between economic and accounting figures, and Phoenix Group explains how hedging strategies interact with IFRS 17 results.

**Governance, judgement, and methodology** disclosures further strengthen transparency. Sanlam and Swiss Life discuss how they make decisions regarding models and aggregation, while M&G and Just Group focus on key assumptions such as coverage units and discount rates. AXA and Scottish Widows explain their risk adjustment methods, and Phoenix and ASR Nederland provide insight into technical valuation processes.

Finally, insurers are increasingly providing more detailed disclosures at **the product, segment, and model level**. Aviva and Great-West Lifeco show revenue by product and segment, while Prudential and Aegon reveal which measurement models such as GMM, PAA, or VFA they use. AXA and Hannover Re share segment-level roll-forwards, and Swiss Life and Ping An offer details by geography and contract group.

Overall, IFRS 17 disclosures emphasize six key pillars: CSM tracking, risk and liability transparency, sensitivity analysis, capital linkage, governance clarity, and detailed segmentation, collectively enhancing comparability and depth of financial reporting.

## 5.4. Presentation - Non-Life Insurance

### 5.4.1 Narrative Overview

Thirty global non-life insurers were analyzed to determine the manifestation of IFRS 17 presentation complexity. The manifestation is on a continuum and results from 4 structural dimensions: (i) Compliance Floor - the separation of insurance revenue, service expenses, and the insurance service result on the income statement; (ii) Segmental Granularity - the disclosure of line-of-business, geographical or PAA/GMM model distinctions in the primary financial statements; (iii) OCI/Finance Routing - an election of accounting policy whereby discount rate effects are routed through Other Comprehensive Income instead of Profit or Loss; and (iv) Capital Integration - a formal bridge between the IFRS 17 balance sheet and Solvency II ratios or intrinsic valuations. The specific location of an entity along this continuum is determined by the insurer's business model, liability duration, and investor communication strategy.

### 5.4.2 Presentation Archetypes

The 30 entities are classified into four archetypes based on their presentation choices.

| Archetype                              | Entities | Companies                                                                                      | Core Focus                                                                                   | Notable Feature                                                                                    |
|----------------------------------------|----------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| <b>P-1 Standard IFRS 17 Layout</b>     | 10       | QBE, Hiscox, Tryg, AXA, Lancashire, MAPFRE, Sabre, Brit Insurance, Ageas, Direct Line          | Compliance-first; underwriting result readable directly from the mandated income statement.  | Direct Line presents revenue and expenses gross; reinsurance folded into a single net line.        |
| <b>P-2 Enhanced Segmentation</b>       | 11       | Sampo, Generali, Hannover Re, VIG, Baloise, NN Group, Santam, Gjensidige, Beazley, Intact, PZU | PAA vs GMM scale and portfolio earnings mix transparent by geography or model type.          | NN Group presents PAA vs GMM/VFA income on the face of the income statement – structurally unique. |
| <b>P-3 Finance Disaggregation</b>      | 4        | Munich Re, Zurich Insurance Group, Admiral Group, RSA Insurance Group                          | ALM discipline central; OCI routing stabilises P&L for long-duration liability writers.      | RSA routes all discount-rate changes through P&L – the contrarian position within this group.      |
| <b>P-4 Integrated / Capital Linked</b> | 5        | Swiss Re, Allianz SE, SCOR, Talanx AG, Fairfax Financial                                       | IFRS 17 as strategic communication; CSM amortisation equated to shareholder value accretion. | SCOR replaces book value per share with a CSM-derived intrinsic value of EUR 48/share.             |

### 5.4.3 Comparison Matrix

| Archetype            | OCI Election | Segment Splits | Capital Linkage | Insurer Type          | Core Differentiator                                     |
|----------------------|--------------|----------------|-----------------|-----------------------|---------------------------------------------------------|
| <b>P-1 Standard</b>  | Absent       | Minimal        | None            | Short-tail P&C        | Compliance-first; IFRS 17 applied as prescribed.        |
| <b>P-2 Segmented</b> | Selective    | Prominent      | Rare            | Composite / Multi-Geo | PAA vs GMM scale and earnings mix visible to investors. |

|                               |                   |           |          |                                    |                                                                                      |
|-------------------------------|-------------------|-----------|----------|------------------------------------|--------------------------------------------------------------------------------------|
| <b>P-3 Finance Disclosure</b> | Core to Structure | Moderate  | Partial  | Long-tail / Reinsurer              | ALM discipline central; discount-rate volatility redirected through OCI.             |
| <b>P-4 Capital Linked</b>     | Systematic        | Extensive | Explicit | Global Reinsurer / Large Composite | IFRS 17 as strategic tool; balance sheet bridged to Solvency II and intrinsic value. |

#### 5.4.4 Similarity Analysis

| Peer Pair                         | Shared Characteristics                                                                                                                                                         |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Hiscox &amp; Tryg</b>          | Near-identical standard IFRS 17 layout; both PAA-dominant with no OCI election and no structural embellishment.                                                                |
| <b>Admiral &amp; Direct Line</b>  | Both UK PAA-only writers; strict insurance/reinsurance balance sheet separation; identical bottom-up discount rate disclosure approach.                                        |
| <b>Sampo &amp; NN Group</b>       | Both OCI and P&L are a reflection of the financing results from insurance service. NN Group will enhance the face of the income statement with a split between PAA vs GMM/VFA. |
| <b>SCOR &amp; Talanx</b>          | Both present net insurance service result as the headline metric and integrate capital/solvency concepts; SCOR more aggressively via per-share intrinsic value.                |
| <b>Hannover Re &amp; Talanx</b>   | Both bridge IFRS 17 to Solvency II and present Risk Adjustment as a headline capital metric in investor communications.                                                        |
| <b>Sabre &amp; Brit Insurance</b> | Most minimal in the peer group; basic required reconciliations only with no distinguishing structural feature in either statement.                                             |

#### 5.5 Disclosure - Non Life

The benchmarking analysis shows that non-life insurance companies separate themselves in their IFRS 17 disclosures by customizing them based on their business strategy, nature of the risks involved, and overall reporting strategies. While IFRS 17 provides a consistent framework for insurers to report their financial statements, nevertheless they adopt different methods of reporting in critical areas such as how they report claims, how they report reserves, how they determine which models to use, and how much detail they include with respect to these areas in their analyses. Additionally, many insurers have increased their level of transparency by providing detailed disclosures at the segment and overall portfolio level.

The results of the benchmarking analysis suggest that even though IFRS 17 establishes a common framework for financial reporting, there remains considerable variability among insurers with regard to what areas are emphasized in their disclosures, the complexity of the underlying models, and the extent of detail provided with respect to each insurer's risks. Therefore, an effective way to compare insurers is to have a thorough understanding of each insurer's unique business model and risk characteristics, rather than just comparing headline numbers.

The insurers participating in this analysis have differentiated themselves from their competitors through their emphasis on disclosures related to claims and underwriting. In contrast to traditional profit metrics, insurers including AXA, Allianz, and RSA, place a primary focus on their loss ratios, claims development, and underwriting performance in their disclosures. By contrast, a different group of insurers including Zurich, Admiral, and Direct Line, rely primarily on using the Premium Allocation Approach (PAA) to report their financial results. As a result, the reporting of these insurers is simplified and focuses primarily on the recognition of premium and the period of time over which the underlying contract is expected to be completed.

In the reinsurance specific industry Munich Re, Swiss Re and Hannover Re are focused on how to measure and determine the use of Reserves, the movement of Reserves, and the uncertainty of the Claims Liabilities. Talanx, Scor and Fairfax, as examples, are providing cutting-edge Detailed Analytic Schedules that include sensitivity and scenario modelling to demonstrate an enhanced level of Disclosure under IFRS 17; whereby QBE, IAG and Generali will continue to reflect ongoing improvements in best practice across the Industry with a diverse range of Disclosure methodologies.

### 5.5.1 IFRS 17 Disclosure Differentiation Areas

| Disclosure Area                       | Description                                                    | Key Insight                                               |
|---------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------|
| <b>Claims &amp; Underwriting</b>      | Focus on loss ratios, claims development, underwriting margins | Highlights operational efficiency over accounting profit  |
| <b>PAA-Based Disclosure</b>           | Use of Premium Allocation Approach for short-term contracts    | Simplifies reporting but reduces depth and comparability  |
| <b>Risk Adjustment &amp; Reserves</b> | Detailed reporting of Risk Adjustment and LIC/LRC movements    | Provides insight into uncertainty and financial strength  |
| <b>Advanced / Analytical</b>          | Includes sensitivity analysis and scenario modelling           | Offers forward-looking insights into risk and performance |

|                                   |                                                       |                                                          |
|-----------------------------------|-------------------------------------------------------|----------------------------------------------------------|
| <b>Granularity &amp; Segments</b> | Breakdown by portfolio, geography, and business lines | Improves transparency but increases reporting complexity |
|-----------------------------------|-------------------------------------------------------|----------------------------------------------------------|

### 5.5.2 Strategic Observations

The benchmarking study identified three key trends. First, in terms of preparation strategy, short-term, purely online organisations refused to election OCI in favour of maintaining absolute earnings visibility. Instead, they displayed raw fair value fluctuations in their income statement due to fluctuations in the interest rate market. On the other hand, the long-term composite entities must have the protection of an OCI buffer in order to smooth their earnings which experience substantial swings over multi-decade periods due to volatility in retirement discount rates. Second, as it relates to PAA benefits, eligible entities for the Premium Allocation Approach do not require the complex calculation of Contractual Service Margin, and may continue to use the traditional operational metrics measuring earned versus incurred as preferred by both retail and institutional investors as they are easier to comparing/reconcile against the history. Third, as it pertains to geographic bias, insurers' Risk Adjustment methodologies have been influenced heavily by the geographic area of regulation. For example, European insurers use Cost of Capital methodologies as per their regulatory requirements under the directives outlined in Solvency II, whereas Anglo-Saxon insurance companies utilise Confidence Interval approaches. There is therefore no direct peer comparison of Risk Adjustment disclosures as a result of the difference in evidence and differing geographic clusters; therefore, this poses a significant challenge for benchmarking across various jurisdictions.

## 5.6. Presentation and Disclosures - Life vs Non-life

While the two sectors of insurance use IFRS 17, they differ greatly in how they use it. Life insurers tend to use very complicated designs that focus on the long-term emergence of profit through the mechanics of the CSM, while non-life insurers tend to use a claim-centric performance and an underwriting transparency that focuses on how claims will be paid. The IFRS 17 builds comparability between the two sectors while taking into consideration the differing business models of each sector.

### 5.6.1 Table for Comparative Analysis

| Area                 | Life Insurance                                        | Non-Life Insurance                                     |
|----------------------|-------------------------------------------------------|--------------------------------------------------------|
| <b>Measurement</b>   | GMM/VFA; CSM tracks long-term profit emergence        | PAA dominant; rapid amortization within policy periods |
| <b>Balance Sheet</b> | Detailed CSM reconciliation over multi-decade periods | CSM less prominent; claims reserves central            |

|                             |                                                                             |                                                                       |
|-----------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------|
| <b>Finance Results</b>      | OCI election key; discount rate sensitivity prominent                       | P&L focused; limited OCI complexity                                   |
| <b>Key Disclosures</b>      | CSM roll-forwards, mortality/lapse sensitivities, VFA details               | Claims trends, loss ratios, PAA eligibility, reserving methods        |
| <b>Sensitivity Analysis</b> | Discount rate $\pm 100$ bps, mortality $\pm 5$ -10%, persistency $\pm 20$ % | Loss ratio $\pm 1$ -5pts, catastrophe scenarios, reinsurance recovery |
| <b>KPI Metrics</b>          | CSM, New Business Value (NBV), embedded value bridge                        | Combined ratio, underwriting result, claims metrics                   |
| <b>Strategic Use</b>        | IFRS 17 as value communication tool; CSM as core metric                     | Operational transparency; alignment with underwriting analytics       |

### Presentation Archetypes

Four archetypes were identified: (1) Standard presentation layout of IFRS 17 - direct gross presentation; (2) Improved segmentation - product/entity split preferred by non-life companies; (3) Breakdown of finance - long-term OCI/P&L routing; (4) Integrated capital-linked presentation - CSM linked to Solvency II, as used by Allianz, AXA and Swiss Re.

### Disclosures Groupings

Five disclosures clusters of companies: (1) claims and underwriting focused - AXA, Allianz, RSA; (2) PAA-based simplified reports - Zurich, Admiral; (3) risk and reserve focused - Munich Re, Swiss Re, Hannover Re; (4) Advanced analytics - Talanx, Scor, Fairfax; (5) granular at the segment level - QBE, IAG, Generali.

## 5.7 Key Findings of Presentation & Disclosures

### 5.7.1 Life Insurance Companies

## **Presentation**

Presentation practices for life insurance entities globally are influenced by the long period of liability structures and the emphasis on Contractual Service Margin (CSM) as a primary performance measure under IFRS 17, as indicated in their reviews. Life insurers typically present CSM movements in detail, along with disclosure of amortisation patterns and results of service insurance, so that stakeholders can evaluate the potential for future earnings to emerge and provide an accurate indication of future profitability.

An increasing number of entities have taken advantage of OCI policy choices to reduce volatility caused by changes in the market and discount rates. Consequently, in many cases, they disaggregate insurance financial income and expense between the Profit and Loss categories and the Other Comprehensive Income categories to stabilise reported earnings. In addition to these disclosures, life insurers typically provide a detailed description of the reconciliation of their liabilities, balances for Risk Adjustment and cash flows for fulfilment due to the long-term nature and complexity of their contracts.

Presentation methods are also significantly segmented by product type, business model, and measurement methodologies, GMM, VFA or PAA. In many cases, the IFRS 17 reporting to be combined with Solvency II reporting or some other internal capital reporting metrics to provide an all-encompassing overview of the financial quality and capital adequacy of an insurer in certain jurisdictions.

## **Disclosures**

Disclosures by life insurance entities are comparatively extensive and highly granular. Common areas of disclosure include:

- CSM movements and release patterns;
- Risk Adjustment methodologies and liability reconciliations;
- Sensitivity analyses relating to discount rates, mortality assumptions and lapse behaviour;
- Product-wise and segment-wise disclosure of insurance service results;
- Significant judgements, assumptions and governance frameworks adopted in implementation; and
- Linkages between IFRS 17 balances and regulatory capital or solvency positions.

Overall, life insurance companies exhibit a disclosure approach focused on transparency of long-term profitability, future service obligations and actuarial assumptions underpinning insurance liabilities.

### 5.7.2 Non-Life Insurance Companies

#### Presentation

The study indicates that presentation practices among non-life insurance entities are predominantly influenced by the widespread adoption of the Premium Allocation Approach (PAA). Since a large proportion of contracts are short-duration in nature, presentation structures are comparatively simplified and focused primarily on underwriting performance and claims development patterns.

Unlike life insurers, many non-life entities do not emphasise CSM-related disclosures to the same extent due to limited applicability of long-term contractual profitability models. Several entities also prefer recognising insurance finance impacts directly through Profit or Loss rather than OCI in order to present underwriting performance transparently.

Non-life insurers generally focus on operational and performance-driven presentation metrics such as combined ratios, claims ratios, loss development trends and underwriting margins. In certain jurisdictions, IFRS 17 balances are further aligned with Solvency II or internal capital frameworks to facilitate comparability between accounting and prudential reporting measures.

#### Disclosures

Life insurance companies' disclosures can be described as relatively comprehensive and detailed in nature. Areas commonly covered during disclosure activities include:

- Changes in CSMs and patterns of their releases;
- Mechanisms of Risk Adjustment and liability reconciliations;
- Analyses of sensitivity to discount rate, mortality and lapse assumptions;
- Results from insurance services activity, disclosed separately by product and segment;
- Information on significant judgments, assumptions and governance used in the process; and
- Connections between IFRS 17 balances and solvency/ capital requirements.

In general, life insurance companies demonstrate a disclosure culture that emphasizes long-term profitability, future service obligations and actuarial assumptions used to model insurance liabilities.

### 5.7.2 Non-Life Insurance Companies

#### Presentation

The findings of the study indicate that presentation practices within non-life insurance entities are largely driven by the popularity of the Premium Allocation Approach (PAA) methodology. Given that a considerable number of contracts are relatively short in duration, presentation structures are relatively simple and geared towards underwriting performance and claims development patterns.

Contrary to life insurance entities, non-life insurers often do not emphasize CSM-based disclosures due to the limited relevance of long-term profitability models in their case. Additionally, some non-life insurance companies prefer using the recognition

### 5.7.3 Key Takeaways

**Strategic direction:** The comparative study indicates that the vast majority of life insurance companies will use IFRS 17 as the basis for measuring and forecasting long-term profit through the use of models based on the Contractual Service Margin (CSM). By contrast, non-life insurers tend to apply the simpler Premium Allocation Method (PAM), which emphasises more on short-term underwriting results and annual accounting performance.

**Volatility concepts:** Life insurers typically prefer Other Comprehensive Income (OCI) presentation methods as a means of reducing the impact of fluctuations in the interest rate or market place. However, non-life insurers typically record those fluctuations through the income statement, as it provides better clarity as to the true underwriting results of the insurer over the relevant period.

**Segmentation and granularity levels:** Life insurance organisations exhibit at least a twofold increase in the amount of segmentation and detailed disclosures because of the complexity of their products, actuarial calculations and measurement assumptions. On the other hand, the non-life insurance organisations use relatively simple formats for financial reporting, focusing mainly on business segment (or line of business) performance and/or geographic performance.

The major focus of disclosure from life insurers is on what are expected to be the insurer's future liabilities to policyholders, the insurer's expected profit patterns from its products and the actuarial assumptions used to develop those patterns. Non-life insurers focus much more on how well they are currently developing claims for previously incurred policy coverage, how efficiently underwriting costs are being expended, whether reserves are adequate, and what indicators exist for the insurer's level of risk exposure.

Both life and non-life insurers are experiencing a convergence of IFRS 17 reporting with their respective solvency or regulatory capital frameworks. The increased connection creates greater consistency between accounting disclosures made by insurers and prudential regulatory objectives; thus leading to a more complete picture of the financial position of the insurance company.

ANNEXURE

| LIFE INSURANCE COMPANIES |                                                 |                                |                                                 |
|--------------------------|-------------------------------------------------|--------------------------------|-------------------------------------------------|
| COMPANY                  | YEAR                                            | COMPANY                        | YEAR                                            |
| Aviva PLC                | CY: <a href="#">2024</a> , <a href="#">2025</a> | Swiss Life                     | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Great-West Lifeco Inc.   | CY: <a href="#">2024</a> , <a href="#">2025</a> | Manulife Financial Corporation | CY: <a href="#">2023</a> , <a href="#">2024</a> |
| Clientele                | FY: <a href="#">2024</a> , <a href="#">2025</a> | ASR Nederland N.V.             | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| CNP Assurance            | CY: <a href="#">2024</a> , <a href="#">2025</a> | Legal & General Group Plc      | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Swiss Re                 | CY: <a href="#">2024</a> , <a href="#">2025</a> | Ping An Insurance              | CY: <a href="#">2025</a> , <a href="#">2026</a> |
| Generali Group           | CY: <a href="#">2024</a> , <a href="#">2025</a> | Scottish Widows Ltd            | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Munich re.               | CY: <a href="#">2024</a> , <a href="#">2025</a> | Talanx                         | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Prudential PLC           | CY: <a href="#">2024</a> , <a href="#">2025</a> | Just Group plc                 | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Aegon Ltd                | CY: <a href="#">2024</a> , <a href="#">2025</a> | Hannover Re                    | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| M&G plc                  | CY: <a href="#">2024</a> , <a href="#">2025</a> | Sun Life Financial Inc.        | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| AIA Group Limited        | CY: <a href="#">2023</a> , <a href="#">2024</a> | Zurich Insurance Group         | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| AXA Group                | CY: <a href="#">2024</a> , <a href="#">2025</a> | Sanlam Limited                 | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Phoenix Group Holdings   | CY: <a href="#">2024</a> , <a href="#">2025</a> | Chesnara plc                   | CY: <a href="#">2024</a> , <a href="#">2025</a> |

|          |                                                 |  |  |
|----------|-------------------------------------------------|--|--|
| NN Group | CY: <a href="#">2024</a> , <a href="#">2025</a> |  |  |
|----------|-------------------------------------------------|--|--|

| NON-LIFE INSURANCE COMPANIES |                                                 |                                      |                                                       |
|------------------------------|-------------------------------------------------|--------------------------------------|-------------------------------------------------------|
| COMPANY                      | YEAR                                            | COMPANY                              | YEAR                                                  |
| Admiral Group plc            | CY: <a href="#">2024</a> , <a href="#">2025</a> | Brit Insurance Holdings plc          | CY: <a href="#">2024</a> , <a href="#">2025</a>       |
| Gjensidige Forsikring ASA    | CY: <a href="#">2024</a> , <a href="#">2025</a> | Insurance Australia Group Ltd. (IAG) | FY: <a href="#">2023-24</a> , <a href="#">2024-25</a> |
| Lancashire Holdings Limited  | CY: <a href="#">2024</a> , <a href="#">2025</a> | RSA Insurance Group Ltd              | CY: <a href="#">2024</a> , <a href="#">2025</a>       |
| Santam Limited               | CY: <a href="#">2024</a> , <a href="#">2025</a> | Hannover Re                          | CY: <a href="#">2024</a> , <a href="#">2025</a>       |
| Scor SE                      | CY: <a href="#">2024</a> , <a href="#">2025</a> | Allianze SE                          | CY: <a href="#">2024</a> , <a href="#">2025</a>       |
| AXA                          | CY: <a href="#">2024</a> , <a href="#">2025</a> | Zurich Insurance Group Limited       | CY: <a href="#">2024</a> , <a href="#">2025</a>       |
| Desjardins                   | CY: <a href="#">2024</a> , <a href="#">2025</a> | Mapfre                               | CY: <a href="#">2024</a> , <a href="#">2025</a>       |
| PZU Group                    | CY: <a href="#">2024</a> , <a href="#">2025</a> | VIG (Vienna Insurance Group)         | CY: <a href="#">2024</a> , <a href="#">2025</a>       |
| Beazley PLC                  | CY: <a href="#">2024</a> , <a href="#">2025</a> | Direct Line Insurance Group          | CY: <a href="#">2024</a> , <a href="#">2025</a>       |
| Hiscox Limited               | CY: <a href="#">2024</a> , <a href="#">2025</a> | Intact Financial Corporation         | CY: <a href="#">2024</a> , <a href="#">2025</a>       |
| QBE Insurance Group Limited  | CY: <a href="#">2024</a> , <a href="#">2025</a> | Sabre Insurance Group                | CY: <a href="#">2024</a> , <a href="#">2025</a>       |

|                            |                                                 |                            |                                                 |
|----------------------------|-------------------------------------------------|----------------------------|-------------------------------------------------|
| Tryg A/S                   | CY: <a href="#">2025</a> , <a href="#">2026</a> | Munich Re                  | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Swiss Re                   | CY: <a href="#">2024</a> , <a href="#">2025</a> | Assicurazioni Generali SpA | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Talanx AG                  | CY: <a href="#">2024</a> , <a href="#">2025</a> | Baloise                    | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Fairfax Financial Holdings | CY: <a href="#">2024</a> , <a href="#">2025</a> | NN Group                   | CY: <a href="#">2024</a> , <a href="#">2025</a> |
| Sampo Plc                  | CY: <a href="#">2024</a> , <a href="#">2025</a> |                            |                                                 |