



Insights from year two of IFRS 17 reporting

We stay ahead of global trends
so you can transform and outperform



July 2025

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01

Executive summary



Executive summary



Second year of IFRS 17 reporting

FY24 marked the second year of reporting under IFRS 17 in Australia. This publication compares the disclosures made by a selection of Australian life (8) and general (10) insurers, including both direct writers and reinsurance companies, in their annual financial statements for FY24. These statements were mostly published in the first quarter of 2025, while others with June year-end reporting were published in the second half of 2024.

This publication has been prepared exclusively using publicly available financial information. Its primary objective is to present the range of approaches adopted across the industry through a comparison of a selection of companies. This publication is purely informational and does not contain any opinions or subjective interpretations.



Post-Implementation Review (PIR)

The IASB has yet to confirm the date of their Post-Implementation Review (PIR) of IFRS 17, a process that evaluates the effectiveness and impact of a standard after its implementation. Drawing from previous experiences, such a review is unlikely to take place before 2027, particularly due to the significant changes IFRS 17 has introduced to insurance accounting, which may further delay the PIR. In this publication, we explore the context surrounding a PIR and examine potential areas for enhancement, specifically for Australian life and general insurers. Outcomes from other PIRs suggest that significant changes to IFRS 17 would be unlikely.



Next steps (incl. finance transformation)

In 2024, insurers experienced a welcome period of accounting stability, allowing them to focus on performance and execution while embedding IFRS 17 within their businesses. Many insurers have addressed the initial IFRS 17 reporting challenges, although some tactical workarounds remain.

Finance teams are now focusing on becoming strategic business partners, aiming to drive value, enable commercial outcomes and deliver real-time insights. Success hinges on teams effectively integrating automation through data and AI and harnessing their team's expertise.

We are supporting life and general, insurance and reinsurance companies with IFRS 17 enhancement and finance transformation. Reach out to your local PwC contact to hear more.



The second year of IFRS 17 reporting was notably smoother for most insurers, with the focus rightly on performance rather than accounting. Looking ahead, finance teams are focusing on how they can effectively support business performance by leveraging data and technology, and harnessing the experience and knowledge of their people. Any Post-Implementation Review of IFRS 17 is still some way off and experience from other reviews suggest that significant changes to IFRS 17 would be unlikely.



Antonie Jagga

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02

Life insurance insights



Measurement model

IFRS 17 allows various models to be used in the measurement of insurance contracts depending on the circumstances present. These models include the General Measurement Model (GMM), the Premium Allocation Approach (PAA) and the Variable Fee Approach (VFA).

We observed a consistent approach in the measurement model selected across life insurance companies in retail risk level premium business, lifetime annuities and retail risk reinsurance contracts. However different approaches were used in retail risk stepped premium and group risk business with companies adopting either a GMM or PAA approach.

As can be seen below, for each life insurer and line of business analysed, there has been no change in the measurement model adopted in the current year, except for the participating business of TAL, whose measurement model changed from VFA to GMM in the current year.

Line of business	ResLife	MLC	TAL	AIAA	Zurich	Munich Re	Swiss Re	HLRA
Participating business (including investment account)	VFA	VFA	GMM	VFA	VFA	N/A	N/A	N/A
Retail risk – level premium	GMM	GMM	GMM	GMM	GMM	GMM (where relevant)		
Lifetime annuities	GMM	GMM	GMM	GMM	GMM			
Retail risk reinsurance contracts	GMM	GMM	GMM	GMM	GMM			
Retail risk – stepped premium	PAA	PAA	PAA	GMM	GMM			
Group risk (underlying insurance contracts and reinsurance contracts)	PAA	PAA	PAA	GMM	GMM			

Source: PwC analysis of YE24 related external disclosures



Risk adjustment for non-financial risk

The Risk Adjustment (RA) for non-financial risk measures the compensation that an entity would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts for non-financial risk.

We observed a range of approaches adopted across life insurance companies analysed in the determination of the RA, and a similar trend in corresponding confidence intervals. We note that the methods adopted remain unchanged and the VaR confidence interval adopted by life insurance companies have been relatively stable compared with the previous year.



Insurer	Method	2023 VaR confidence interval	2024 VaR confidence interval
ResLife	Cost of capital	82 nd	82 nd
MLC	Cost of capital	76 th for insurance 77 th for reinsurance	72 nd
TAL	Cost of capital	85 th for Individual Life 50 th – 85 th for Group Life	85 th for Individual Life 50 th – 85 th for Group Life
AIAA	Confidence level technique	75 th	75 th
Zurich	Confidence level technique	90 th	90 th
Munich Re	Cost of capital	88 th	88 th
Swiss Re	Not disclosed	55 th	55 th
HLRA	Pricing margin	61 st	62 nd

Source: PwC analysis of YE24 related external disclosures
*VaR = Value at Risk

Discount rates (including illiquidity premium)

The table and chart presented here outline the key aspects of discount rate assumptions adopted by life insurers analysed as at 31 December 2024, with the exception of TAL, whose discount rate assumptions are as at 31 March 2024.

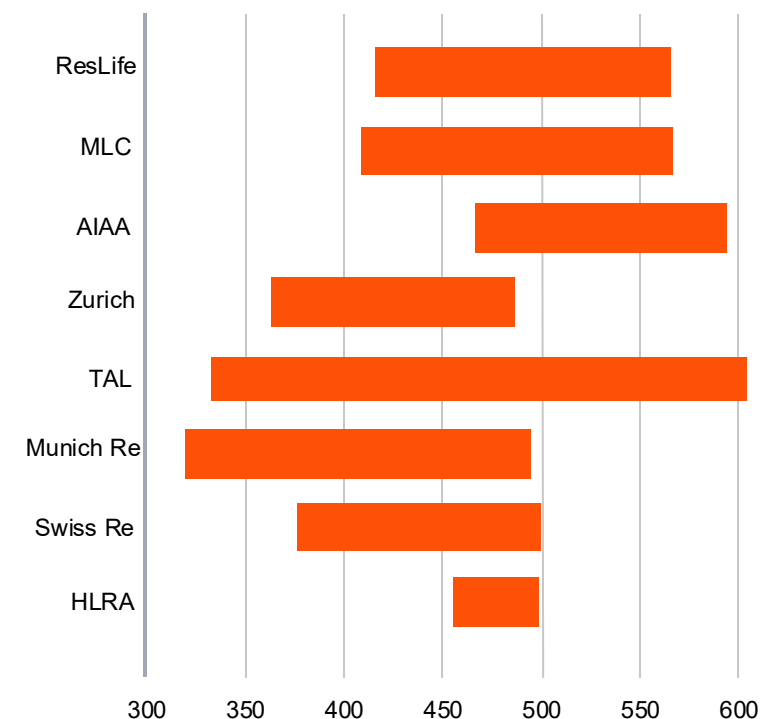
We observed a range of techniques used to determine risk-free rates and the illiquidity premium (where relevant), along with significant variation in the level of disclosure between insurers.

Specific observations include:

- Some insurers disclose the term structure of risk-free rates and the illiquidity premium, whereas others generally only provide a range.
- Only some insurers disclose how discount rates vary by line of business.
- Compared with the previous year, the range of discount rates is wider for some insurers, while for others the overall discount rate curve has increased.

Insurer	Approach for GMM and PAA LIC ⁷ business	Risk-free rate	Illiquidity premium
ResLife	Bottom up	390-510 bps	CICP – 30 bps Life annuities – 60 bps
MLC	Bottom up	Term life and DI (excluding CICP) – 410 – 570 bps Life annuity – 410-560 bps ¹	
TAL	Bottom up	Non-participating ³ : 339 – 535 bps Participating ⁴ : 362-605 bps	
AIAA	Top down	391 – 490 bps	74-102 bps
Zurich	Bottom up	352-478 bps ²	
Munich Re	Bottom up	320 – 490 bps ⁵	
Swiss Re	Bottom up	386 – 509 bps ⁶	0 bps ⁶
HLRA	Bottom up	460 – 500 bps	

Discount rates (including illiquidity premium)



Source: PwC analysis of YE 24 related external disclosures

1. Illiquidity premium is linked to the 3-year non-financial corporate spread for A-rated securities.
2. Risk-free rates are determined by reference to EIOPA yields, while the illiquidity premium was derived in accordance with the EIOPA methodology for the construction of the volatility adjustment.
3. Risk-free rates are determined by reference to Australian Government bond yield curves, while the illiquidity premium is determined by reference to market observable spreads between risk-free rates and more illiquid securities.
4. Discount rates are derived from the expected long-term average rates of return for the relevant asset pools backing the business based on a neutral asset mix for each pool.
5. Risk-free rates are determined by reference to EIOPA yields.
6. Risk-free rates are determined relative to CGB rates, with no additional illiquidity premium applied as considered implicit in government bond rates compared with other instruments such as swap rates.
7. LIC = Liability for Incurred Claims

Sensitivity analysis

We have observed a wide range of different approaches across the Australian life insurance companies analysed in terms of the actual stresses performed, their magnitude and their direction.

We also observed significant variations in disclosures around how these stresses relate to best-estimate cash flows, Contractual Service Margin (CSM), profit and equity on a gross and net of reinsurance basis. We note that Swiss Re no longer discloses its inflation rates adopted or the incurred but not reported stresses compared with the previous year, while the stresses and their magnitudes adopted by other insurers remain unchanged.

Insurer	Interest rate risk	Currency risk	Equity price risk	Inflation rate	Mortality and morbidity rates	DI incidence and termination rates	Discontinuance rates	Incurred but not reported	Maintenance expenses
ResLife	+/- 100 bps	+/- 10%	+/- 10%	Not stressed	+10% mortality +20% morbidity	+10% / -10%	+10%	Not stressed	+10%
MLC	+/- 100 bps	+/- 10%	+/- 10%	+50 bps	+10%	+10% / -10%	+10%	Not stressed	+10%
TAL ¹	+/- 100 bps	Not stressed	Not stressed	Not stressed	+10%	+10%	+10%	Not stressed	+10%
AIAA ²	+/- 50 bps	Not stressed	+/- 10%	Not stressed	+/- 10%	+/- 10%	+/- 10%	Not stressed	+/- 10%
Zurich ³	+/- 100 bps	Not stressed	+/- 10%	Not stressed	+/- 10%	+/- 10%	+/- 10%	Not stressed	+/- 10%
Munich Re	+/- 100 bps	Not stressed	Not stressed	Not stressed	+/- 0.25% mortality +15% morbidity	Not stressed	Not stressed	Not stressed	Not stressed
Swiss Re	+/- 50 bps	+/- 5%	+/- 10%	Not stressed	+/- 10%	+/- 10%	+/- 10%	Not stressed	+/- 10%
HLRA	+/- 100 bps	+/- 10%	Not stressed	Not stressed	+10%	+10% / -20%	+10%	+10%	+10%

Source: PwC analysis of YE 24 related external disclosures

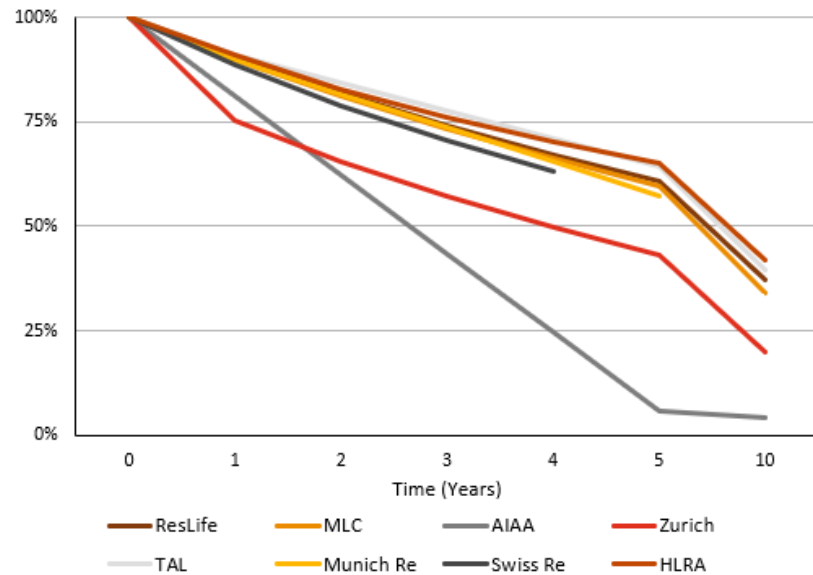
1. TAL: No specific DI incidence and termination rate stress. Instead, mortality, morbidity and discontinuance rates are stressed.
2. AIAA: No specific DI incidence and termination rate stress. Instead, total claims cost from mortality and morbidity is stressed.
3. Zurich: No specific DI incidence and termination rate stress. Instead, mortality, morbidity, incidence and discontinuance rates are stressed.

Release of contractual service margin

The charts below show the release of the Contractual Service Margin (CSM) over time on a gross of reinsurance basis and for reinsurance contracts held as at 31 December 2024 for the life insurance companies analysed, with the exception of TAL, whose release of CSM is as at 31 March 2024.

We observed variation in the pattern of CSM release over time on a gross of reinsurance basis, while it remained consistent for reinsurance contracts held.

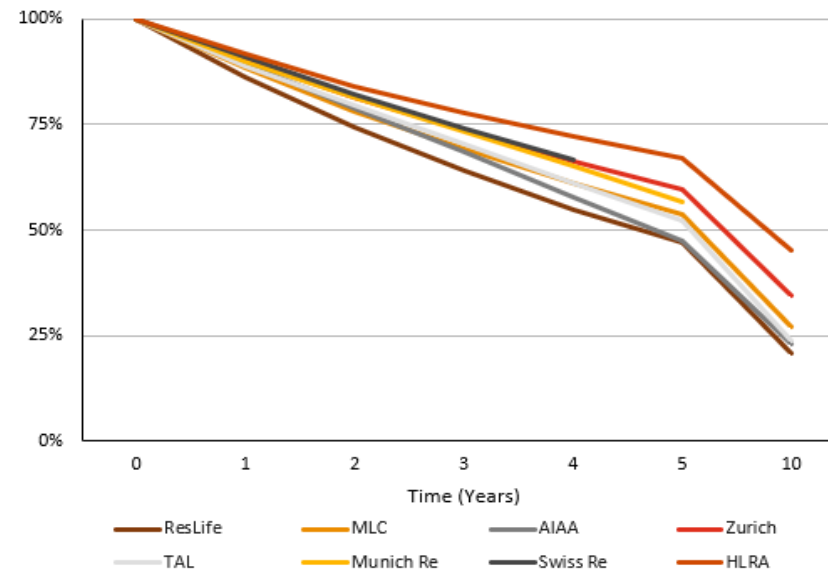
CSM from (Re)insurance contracts issued



Retail risk stepped premium and group business typically have a short contract boundary whereas other insurance business typically have a longer contract boundary.

We also observed a wide range of different approaches in relation to the choice of time periods disclosed for CSM emergence as noted to the right.

CSM from reinsurance contracts held



For example, AIAA grouped CSM less than 4 years into one category and TAL grouped CSM from years 1 to 5 in one category, while Munich Re grouped CSM greater than 5 years into one category. For the charts on this page, it is assumed that CSM amortises in a straight line where non-annual periods are reported.



Source: PwC analysis of YE24 related external disclosures

Other matters

The methods applied and level of disclosure of the topics below varied across the Australian life insurance companies analysed. The examples presented provide an illustration of the approaches adopted for each topic.

Coverage units

We observed a range of methods used to calculate coverage units in relation to discounting and the linkage to benefit amount or expected claims across the insurers. Illustrative examples are shown below:

Insurer	Discounting applied?	Benefit amount or expected claims?
MLC	X	Benefit amount
Munich Re	✓	Claim amount

Measures to calculate reinsurer non-performance

We highlight below the different approaches adopted by insurers in relation to the potential impact of reinsurer non-performance on their portfolio:

Insurer	Method
ResLife	The adjustment for reinsurer non-performance is zero unless evidence suggests otherwise.
Swiss Re	The effect of non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit and loss.

Source: PwC analysis of YE24 related external disclosures

Liability for Incurred Claims (LIC) vs Liability for Remaining Coverage (LfRC)

We illustrate examples below of the different treatment of claims in the course of payment and whether this is LIC or LfRC:

Insurer	Method
Swiss Re	Includes claims in the course of payment and acquired claims within the LfRC.
HLRA	A distinction is made between a pre-claims phase (LfRC) and a claims phase after occurrence of the insured event (LIC). The distinction is made according to an insured event yet to have occurred, which includes an unknown period of claim payments triggered by multiple insured events as LfRC, and an insured event that has already occurred, which includes a single payment on an insured event as LIC.



03

General insurance insights



IFRS 17 measurement models

IFRS 17 introduced changes in how insurance contracts were measured with the introduction of the General Measurement Model (GMM) and the Premium Allocation Approach (PAA). We observed that all general insurers analysed have adopted PAA for both insurance and reinsurance contracts held, apart from reinsurance contracts held related to cover for events that have already occurred (e.g., adverse development cover (ADC)).



PAA eligibility testing

Under IFRS 17, insurers using PAA for long-term contracts must ensure that the simplification is not reasonably expected to result in a materially different measurement of the Liability for Remaining Coverage (LfRC) compared to those produced under GMM. In this second year of IFRS 17 implementation, we observed that this process is still maturing and there are minimum automation or streamline process being established. This practice may lead to greater operational risk, impacting the accuracy and reliability of financial reporting under IFRS 17. Under the standard, insurers may apply GMM to any group of insurance or reinsurance contracts without meeting any eligibility requirements. Interestingly, we did observe greater use of GMM among general insurers internationally, whereas in Australia almost all insurers analysed exclusively used PAA except where there were reinsurance contracts related to ADC.



Revenue recognition

Under the PAA, insurance revenue is recognised over the coverage period in relation to the passage of time or expected timing of incurred insurance service expenses. In contrast, the GMM approach recognises service revenue via a combination of the amortisation of CSM determined by the coverage unit pattern allocated to each reporting period and the amortisation of fulfilment cashflows as and when the incidence of risk occurs. Hence, it reflects a more detailed view of profitability over the life of the contract duration. Given that insurers in Australia predominantly use PAA, we are unable to leverage the detailed profitability insights provided by GMM that comes from examining the CSM and long-term profitability implications, particularly for multi-year insurance and reinsurance contracts.

Insurer ¹	Measurement model
Allianz Aus GI	PAA
Auto and General Insurance	PAA
Chubb Aus	PAA
RACQ	PAA
Hollard	PAA
IAG	PAA
QBE Aus	PAA
Suncorp	PAA
Youi	PAA
Zurich Aus GI	PAA

1. Selected insurers: Allianz Australia Insurance Limited, Auto & General Insurance Company Limited, Chubb Insurance Australia Ltd, RACQ Insurance Limited, The Hollard Insurance Company Pty Ltd, Insurance Australia Limited (within Insurance Australia Group Limited) not inclusive of Insurance Manufacturers of Australia Pty Limited, QBE Insurance (Australia) Limited, AAI Limited (within Suncorp Group Limited), Youi Pty Ltd, Zurich Australian Insurance Limited (within Zurich Financial Services Australia Limited).

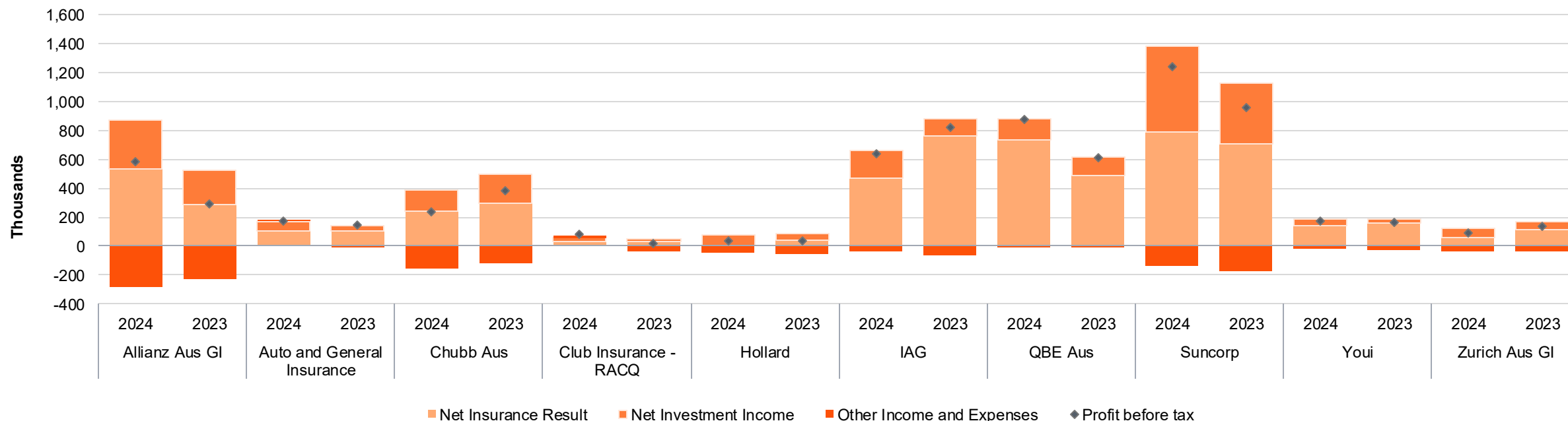
Operating versus non-operating profit

Profit

We have observed that some insurers have reported year-on-year growth, while others have reported a year-on-year decline in operating profit. These declines in operating profit are largely driven by decreases in the net insurance results.

Additionally, we have observed differences in the level of disclosures for the other income and expenses component. Some insurers provided a breakdown of this component, including fee income, other operating expenses and finance costs, while others did not.

Breakdown of profit before tax



Source: PwC analysis of YE 24 related external disclosures

Financial measures used for remuneration

Financial KPIs

The transition to IFRS 17 represented a significant shift in the reporting of insurance contracts, fundamentally impacting the way insurers report their financial performance. This new standard was designed to provide a transparent and consistent framework in measuring insurance contract liabilities, profoundly impacting key financial metrics, with insurers needing to reassess and possibly redefine their KPIs to align with the new reporting standards under IFRS 17.

For the insurers analysed, we have observed a slower transition in disclosing how they have assessed and redefined their KPIs, compared to those in Europe. It is possible that KPI work is well-progressed in Australia, but not being disclosed. In FY23, almost all UK life insurers made changes to existing measures for remuneration to reflect the impact of IFRS 17, such as the introduction of Adjusted Operating Profit (AOP) and the revision of other measures targeting increased cash generation and reductions in leverage. Although Australian insurers are not mandated by any accounting standards to disclose the financial performance measures used in determining directors' remuneration, changes similar to those in Europe (incl. the UK) have not been observed in the financial statements of Australian insurers. This observation, particularly for insurers with parent companies in Europe, could be attributed to their dependence on directives from their European headquarters, which may have already adapted to the new regulatory requirements.

Cascading external KPIs throughout an organisation and ensuring alignment can be challenging, especially when clear internal communication is lacking. To help bridge this gap, insights from other international markets suggest the following:

- Focus on educating divisions about the relevance of external KPIs
- Develop actionable division-level metrics for these KPIs
- Establish strong feedback loops

Implementing these measures could enhance accountability and align internal efforts with external expectations. By effectively addressing these communications challenges and promoting alignment, insurers can potentially position themselves better in the international market.

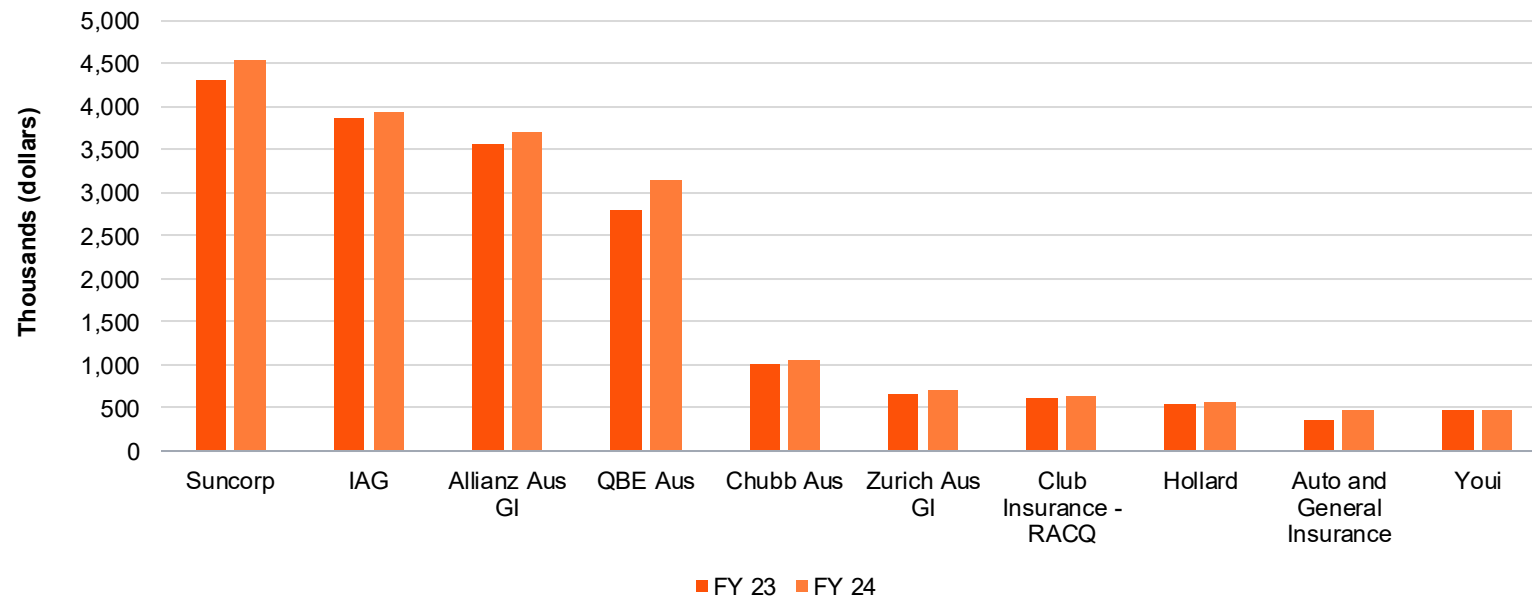


Evolution of shareholders equity

The top four insurance companies with the highest shareholder equity – Suncorp, IAG, Allianz Aus and QBE Aus – are acknowledged as the major players in Australia’s general insurance market. They are followed by Chubb and Zurich, which are large commercial insurers. Notably, all companies in the analysis reported an increase in shareholder equity from FY23.

This increase in shareholder equity in Australia’s insurance sector during the year was driven by greater profitability across the industry and lower dividend payout percentages. While some insurers experienced lower profits than FY23, they still experienced an increase to equity by decreasing dividend payout percentages, appearing more capitalised now than in the past. With all insurers using the PAA method (except for where ADC reinsurance contracts have been written), the disclosures around LIC movement in the notes to the financial statements combined with the statement of changes in equity enable analysts to gain a good understanding of the sources of profitability and overall performance.

Shareholder equity



Source: PwC analysis of YE24 related external disclosures



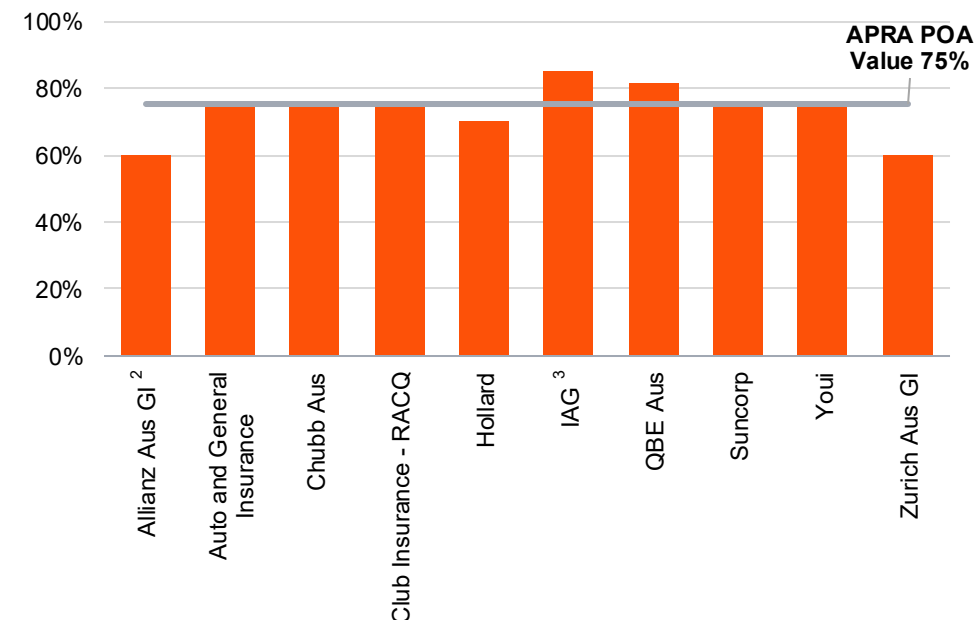
Risk adjustment and reinsurance non-performance risk

There are different approaches that can be taken to calculate the risk adjustment under IFRS 17. Out of the general insurers analysed, 6 used the cost of capital method and 4 used the confidence level approach, with risk adjustment confidence levels ranging from 55% to 85%. The risk adjustment typically remains stable from year to year, with emerging industry practice suggesting insurers are refining it periodically, however the frequency of recalibration is not disclosed.

The quantum and measurement methodology for reinsurance non-performance risk was not consistently disclosed.

Insurer	Implemented risk adjustment methodology	Confidence level (overall incurred claims) ¹	Net risk adjustment (as % of LIC BECF)	Are reinsurance counterparty non-performance risk disclosed separately?
Allianz Aus GI	Cost of capital	55% to 60%	1.35%	✓
Auto and General Insurance	Confidence level	75%	6.06%	✗
Chubb Aus	Confidence level	75%	6.74%	✗
RACQ	Confidence level	75%	8.65%	✗
Hollard	Cost of capital	70.2%	5.71%	✗
IAG	Cost of capital	75% to est. 85%	17.50%	✓
QBE Aus	Cost of capital	81.3%	8.19%	✓
Suncorp	Cost of capital	75%	7.30%	✓
Youi	Cost of capital	75%	7.90%	✓
Zurich Aus GI	Confidence level	est. 60%	2.65%	✓

Risk adjustment confidence level as at June/Dec 2024 (IFRS 17)



Source: PwC analysis of YE24 related external disclosures

1. Details about whether the confidence level is gross or net are not disclosed in some financial statements.

2. Allianz Aus GI is between 55%-60%.

3. IAG uses 75% for active portfolios and a higher risk adjustment for run-off and emerging risks such that the total risk adjustment has a confidence level of approximately 85%.

Note: APRA GPS 340 requires outstanding claims for prudential purposes to be measured inclusive of the higher of a net risk margin at 75% probability of adequacy or 1/2 standard deviation above the net central estimate. The nature and scope of the IFRS 17 risk adjustment measured at the level of a group of insurance or reinsurance contracts is different to the APRA GPS 340 net risk margin.

Use of OCI across IFRS 9 and IFRS 17

Similar to the previous year, only Allianz Aus and Zurich Aus opted to use the OCI option under IFRS 9 for measuring financial instruments. Notably, both are subsidiaries of European insurance holding companies. These two insurers have also elected the corresponding accounting policy under IFRS 17, disaggregating insurance finance income or expenses between profit and loss (P&L) and other comprehensive income (OCI). This is achieved through a systematic allocation of the expected total insurance finance income or expenses over the duration of their groups of insurance contracts. The other selected insurers chose not to utilise the OCI option under either IFRS 9 or IFRS 17.

Insurer	Elected to use OCI?	Debt instruments	Equities	Derivatives	Finance loans	Unlisted trusts	Infrastructure	Shares in controlled entities
Allianz Aus GI	✓	FV OCI	FV P&L	n/a ¹	Amortised costs	FV P&L	n/a ¹	Historical cost less impairment
Auto and General Insurance	✗	Amortised costs	FV OCI	n/a ¹	n/a ¹	n/a ¹	n/a ¹	n/a ¹
Chubb Aus	✗	FV P&L	n/a ¹	FV P&L	n/a ¹	n/a ¹	n/a ¹	n/a ¹
RACQ	✗	FV P&L	n/a ¹	n/a ¹	n/a ¹	FV P&L	n/a ¹	n/a ¹
Hollard	✗	FV P&L	n/a ¹	n/a ¹	Amortised costs	n/a ¹	n/a ¹	n/a ¹
IAG	✗	FV P&L	FV P&L	FV P&L	n/a ¹	FV P&L	n/a ¹	n/a ¹
QBE Aus	✗	FV OCI and FV P&L	FV P&L	FV P&L	n/a ¹	FV P&L	FV P&L	Historical cost less impairment
Suncorp	✗	FV P&L	FV P&L	FV P&L	Amortised costs	n/a ¹	n/a ¹	Historical cost less impairment
Youi	✗	n/a ¹	n/a ¹	n/a ¹	n/a ¹	FV P&L	n/a ¹	n/a ¹
Zurich Aus GI	✓	FV OCI and FV P&L	FV P&L	n/a ¹	n/a ¹	n/a ¹	n/a ¹	FV P&L

Source: PwC analysis of YE 24 related external disclosures

1. In this table, n/a may represent not separately disclosed or not applicable or unclear from information presented in disclosures

Other matters

Sensitivity analysis

General insurers in Australia have the flexibility to conduct sensitivity analysis on selected stress factors that they deem critical, typically focusing on more traditional sensitivities, such as discount rates and inflation. However, only Zurich Aus has chosen to include superimposed inflation in their sensitivity analysis.

Insurer	Risk adjustment	Financial asset price	Financial asset interest rate	Wage and super-imposed inflation	Economic inflation	Discount rate	Claims handling	Average weighted term to settlement
Allianz Aus GI	+/- 100 bps	+/- 1000 bps	+/- 100 bps	N/A	+/- 100 bps	+/- 100 bps	+/- 100 bps	+/- 0.5 years
Auto and General Insurance	+/- 100 bps	N/A	+/- 100 bps	N/A	3 bps	N/A	+/- 100 bps	N/A
Chubb Aus	N/A	+/- 100 bps	+/- 100 bps	N/A	N/A	+/- 100 bps	+/- 100 bps	+/- 0.5 years
RACQ	+/- 100 bps	+/- 100 bps	+/- 100 bps	N/A	+/- 100 bps	+/- 100 bps	N/A	N/A
Hollard	N/A	N/A	+/- 100 bps	N/A	+/- 100 bps	+/- 100 bps	+/- 100 bps	+/- 0.5 years
IAG	N/A	+/- 1000 bps	+/- 100 bps	N/A	+/- 100 bps	+/- 100 bps	+/- 100 bps	+/- 1000 bps
QBE Aus	+/- 500 bps	+/- 2000 bps	+/- 100 bps	N/A	+/- 100 bps	+/- 100 bps	N/A	+/- 1000 bps
Suncorp	+/- 100 bps	+750 / -1500 bps	+15/-60 bps	N/A	+/- 100 bps	+/- 100 bps	+/- 100 bps	+/- 0.5 years
Youi	+/- 100 bps	+/- 1500 bps	+/- 75 bps	N/A	+/- 100 bps	+/- 100 bps	+/- 100 bps	N/A
Zurich Aus GI	N/A	+/- 1000 bps	+/- 100 bps	+/- 100 bps	N/A	+/- 100 bps	N/A	+/- 0.5 years

Source: PwC analysis of YE24 related external disclosures

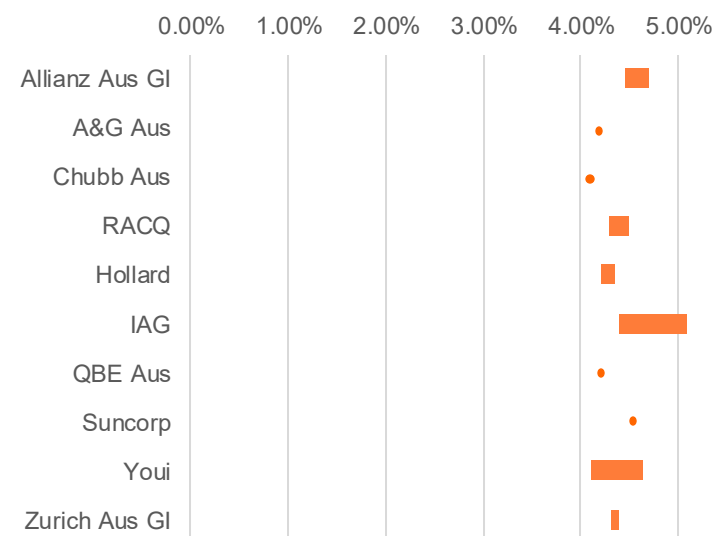
Other matters (cont'd)

Discounting

The level of detail within the notes to the financial statements varies as regulatory requirements do not mandate extensive disclosures. Some of the insurers analysed disclose more information around the term structure of insurance contract liabilities and yield curves used; some disclose weighted average terms by short- vs. long-tail classes, whereas others disclose a single weighted average term and discount rate for the entire company. Not all companies disclose information on superimposed inflation and illiquidity premiums.

Insurer	Average term to settlement (years)	Discount rate for insurance contracts	Superimposed inflation	Illiquidity premium
Allianz	ST – 0.63 LT – 2.74	ST – 4.45% LT – 4.70%	ST – Not applicable LT – 0% - 3.1%%	0.24% – 0.36%
Auto and General Insurance	Not disclosed ²	4.20%	Not disclosed ²	Not disclosed ²
Chubb Aus	2.20	4.10%	Not disclosed ²	0.23%
RACQ	0.63-2.19	Personal Insurance – 4.30% CTP – 4.50%	0% – 1.50%	Personal Insurance – 0% CTP – 0.2%
Hollard	0.46-1.61	4.21% – 4.36%	Not disclosed ²	0%
IAG	2.11	4.40% – 5.10%	0% – 7.5%	0.25%
QBE Aus	1.98 ¹	4.2% ¹	Not disclosed ²	Not disclosed ²
Suncorp	2.6	4.50%	1.70%	0.30%
Youi	Not disclosed	4.11% – 4.63%	Not disclosed ²	0%
Zurich Aus GI	ST – 0.6 LT – 3.3	ST – 4.39% LT – 4.31%	ST – Not applicable LT – 0% – 6.25%	Not disclosed ²

Discount rates (including illiquidity premium)



Source: PwC analysis of YE24 related external disclosures

1. QBE Aus disclosed more granular information on maturity profile of the net insurance liabilities as well as the discount rates used to discount insurance contract liabilities and reinsurance contract assets. For the purpose of this table, the information disclosed by QBE Aus is being condensed into single figures in order to fit into the table. It is nevertheless observed that the level of detail within the notes to the financial statements varies greatly.

2. Not disclosed, therefore we are unable to comment whether this is not applicable and hence there is nothing to disclose versus applicable and applied but not disclosed quantitatively.

Observations and strategic next steps

01

Finance expense with LfRC under PAA

All insurers analysed have used PAA for all insurance and reinsurance groups of contracts held, except for ADC reinsurance contracts. Under PAA, IFRS 17 requires insurers to adjust the LfRC to reflect the effect of financial risk if a significant financing component is determined to exist. The presence of time value of money may not be in and of itself evidence of the existence of a significant financing component. As a result, there is often no finance expense within the LfRC under PAA to offset corresponding investment revenue earned on premium received. This could potentially make the financial statements less useful to readers.

02

Disclosure

Users of financial statements continue to face challenges in performing their own analysis and comparisons due to limited discussion in the notes on insurance revenue or expense results, business mix, target market segments, and profitability across portfolios. For example, three of the insurers analysed have kept disclosures simple, avoiding complex GMM disclosures for ADC reinsurance contracts, providing simplified sensitivity analysis, and limiting the amount of qualitative discounting information included.

03

Loss components

Loss components and loss recovery components are very minimal among the insurers analysed. This could imply any or all of the following across the general insurance industry: broad aggregations of groups of contracts; a limited number of group of contracts that are onerous at initial recognition; and limited facts and circumstances indicating groups of contracts are becoming onerous at subsequent measurement. As a result, the extent of cross-subsidisation is not significantly clearer compared with the whole-of-portfolio Liability Adequacy Test (LAT) under AASB 1023 *General Insurance Contracts*.

04

Reinsurance income and expense disclosure

IFRS 17 allows insurers to present income or expenses from reinsurance contracts held as a single amount on the statement of comprehensive income (with more granular information provided in the notes), and all of the insurers analysed have elected this approach, with the exception of QBE Aus.

05

Discounting

IFRS 17 allows companies to not discount fulfilment cash flows for incurred claims if these cash flows are expected to be paid in one year or less from the incurred date. This is a simplification from AASB 1023. Zurich Aus elected to not discount these cash flows under IFRS 17.

06

KPI disclosures¹

There is limited information on KPIs or changes to KPIs following the transition to IFRS 17 in the disclosures of the companies selected. For example, internationally, there's a shift from GWP-based metrics to insurance revenue metrics under IFRS 17, however this is not clear in the Australian disclosures analysed for this publication.

Additionally, the combined operating ratio (COR) is not a required IFRS 17 disclosure, though it is popular in some international markets. However, we observe that none of the selected Australian insurers have disclosed it.

Source: PwC analysis of YE24 related external disclosures

¹ This report compares four unlisted insurers with December year-ends only. Following the June year-end reporting, a more comprehensive comparison of KPI disclosures will be possible.

04

Post implementation of IFRS 17



What are the expectations for a Post-Implementation Review?

The framework and experience of Post-Implementation Reviews



Framework and experience of Post-Implementation Review

The IASB has not yet confirmed the date of the Post-Implementation Review (PIR) of IFRS 17. However, based on experience from other standards, such as IFRS 15 and IFRS 9, it is likely that the IASB will wait until most jurisdictions have at least two years of experience applying IFRS 17. This suggests that a review will likely not occur before 2027. Given the fundamental changes IFRS 17 brought to insurance accounting, the review could **conceivably be later** to allow a greater body of experience across preparers and users.

The [IASB website](#) outlines the process for PIRs with the objective **‘to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements.’** Additionally, the IASB considers both *‘contentious matters’* during the development of new standards and how subsequent market developments are being addressed in practice. The PIR does not automatically lead to a revised IFRS standard and is not intended to resolve every application question.

There are also other significant PIRs in Europe:

- In the UK, the UK Endorsement Board (UKEB) has stated that it will conduct a review of the impact of adopting IFRS 17 and publish its conclusions by **1 January 2028**.
- The European Commission is scheduled to review the optional EU exemption from the IFRS 17 annual cohort requirement by **31 December 2027**, taking into account the AASB PIR.

Recent experience

IFRS 15

The IASB concluded the PIR of IFRS 15 in September 2024. IFRS 15 *Revenue from Contracts with Customers* was effective from 1 January 2018. The PIR commenced in September 2022 and spanned two years from initiation to completion. The IASB engaged with investors, stakeholders and other interested parties to evaluate the implementation of IFRS 15, receiving 74 comment letters and conducting over 70 stakeholder meetings and engagement events. The overall conclusion was that IFRS 15 is working as intended with no fundamental issues identified. A small number of items were taken forward into the IASB’s agenda setting process, but these were classed as low priority.

IFRS 9

IFRS 9 *Financial Instruments*, which also became effective in 2018, had its PIR divided into three distinct phases by the IASB:

- Classification and measurement
- Impairment
- Hedge accounting

The first two phases have been completed, while the third phase is yet to commence. The IASB engaged with stakeholders in a similar way to the IFRS 15 review. During the classification and measurement PIR, several high priority matters were identified. Consequently, targeted amendments to IFRS 9 were published in May 2024 addressing Environment, Social and Governance (ESG) linked loans and electronic transfers of cash.

What are the expectations for a Post-Implementation Review? (cont'd)

What external reviews of IFRS 17 have there been to date?

In 2024 there were at least three external reviews of IFRS 17, each varying in relevance to Australian insurers:

- The **Financial Reporting Council (FRC)** published its thematic review on the [FY23 IFRS 17 disclosures](#) in September 2024, following its [HY23 interim report](#) from November 2023. Both reports assessed the disclosures, excluding the methodology and assumptions, across 17 UK insurers (covering life and non-life). The FRC noted in its FY23 report that they 'were pleased with the overall quality' and made a limited number of key observations. These included emphasising the importance of insurer specific accounting policies and significant judgements/estimates, as well as meaningful assumption and sensitivity disclosures. They also highlighted the need for appropriate disaggregation and granularity of disclosure information, and explanations around Alternative Performance Measures (APMs) such as adjusted operating profit.
- In April 2024, the **European Insurance and Occupational Pensions Authority (EIOPA)** published a [report on the implementation of IFRS 17 and synergies and differences with Solvency II](#). Later, in October 2024, the **European Securities and Markets Authority (ESMA)** released a [report exploring the first application of IFRS 17](#). ESMA examined a sample of 16 insurers, identifying themes in FY23 reporting that were similar to those noted by the FRC:

“Overall, the results show that the disclosure requirements have in many cases been well covered ... However, there is room for improvement in the level of granularity and transparency in the application of the requirements relating, in particular, to transition provisions and accounting policies, judgements and estimates. In general, ESMA notes the low level of entity-specific details in some areas.”

- The **Canadian Accounting Standards Board** shared [their IFRS 17 experience](#) at the **IASB's Accounting Standards Advisory Forum (ASAF)** in September 2024. Key practical challenges included complexity and data, while technical challenges included annual cohorts and CSM mismatches from reinsurance and locking-in. There was also notable focus on the accounting for non-life long-tailed claims acquired during settlement. The meeting concluded that it is still too soon to fully assess implementation of IFRS 17.

IASB ASAF meeting considering Canadian views on IFRS 17:

‘The UKEB representative and some IASB members said it might be too early to evaluate whether the challenges the AcSB identified are simply symptoms of implementation. Entities are still learning from each other and, therefore, reporting practices will converge over time. Investors also need time to digest the new information and how it can be helpful in their analyses.’

[Sept 2024 notes](#)

What are the expectations?

It is too early to know which aspects of IFRS 17 might be evaluated in a PIR. Relevant examples could include the use of annual cohorts, the approach to amortise and lock in the CSM for annuities, and mismatches for with-profit funds. Experience from other PIRs suggests that significant changes to IFRS 17 are unlikely, however, we explore possible enhancements in subsequent pages. Further given the substantial costs associated with its implementation, Australian insurers may have limited appetite in investing further in changes to IFRS 17 once embedded.

How could we enhance IFRS 17?

The 26-year journey from April 1997, when the IASC (a precursor to the IASB) started an insurance accounting project, to 1 January 2023, when IFRS 17 became effective, has been a very long one, with numerous twists, turns and compromises. Given the extensive history, the idea to re-open IFRS 17 in any substantive way may be a step too far for many. Potential changes to IFRS 17 could be considered from various perspectives, such as improving consistency in approach and interpretation, operational simplification, and disclosure matters.

Based on two IFRS 17 reporting cycles, the Australian Accounting Standards Board (AASB) has identified some areas that are potentially relevant for consideration in a PIR. These areas have been summarised below.

Type of issues	Issues being considered by the AASB TRG
Issues emerging from non-routine transactions (when insurance contracts cover occurred events with yet uncertain financial effect)	<ul style="list-style-type: none">• When an insurer holds an ADC reinsurance contract in respect of LIC on underlying contracts, how this is accounted for• How acquisitions of LIC in a portfolio or business combination are accounted for
Issues emerging from routine transactions	<ul style="list-style-type: none">• Measurement and disclosure of non-distinct investment components (NDIC)• Inflation and discounting of coverage units• Identifying inflation that is part of insurance finance income or expense• Determining the extent to which aspects of IFRS 17 apply to the PAA• Termination clauses in determining contract boundary• The extent to which recognition and measurement requirements are applied at the 'group of contracts' level• Non-zero change in the liability amount due to the different discount rates applied to expected fulfilment cashflows and CSM

Source:

1. AASB 17 Transition Resource Group (June 2024). IFRS 17 Post-Implementation Review: emerging issues from the Australian and New Zealand markets.

How could we enhance IFRS 17? (cont'd)

Other areas that are being considered include:

- The mismatch between the contract boundaries of direct insurance and reinsurance, particularly one-year contract boundaries of yearly renewable contracts and longer contract boundaries of reinsurance that cover these contracts.
- The mismatch arising due to delayed reinsurance on new contracts, where profitable reinsurance once implemented would offset onerous new contracts.
- The variability in the approach to CSM amortisation, such as in applying investment service and weighting of services.
- Accounting and actuarial data requirements were the most significant implementation challenges during the adoption of IFRS 17 and continue to be post implementation. Simplification of CSM could be considered to make reporting easier, particularly how it is unlocked for changes in estimates and experience.
- Simplification of the required groups within IFRS 17, such as removing the need to track two separate profitable groups.
- The extent of disclosure reconciliations required in IFRS 17 is notable when reviewing insurers' financial statements. An assessment of users' views on these reconciliations could be performed, with the objective of refining or reducing the volume required.
- Usefulness of the risk adjustment confidence interval disclosures as a measure of comparability between insurers.

Closing thoughts

- In our experience many insurers continue to embed IFRS 17 within processes, controls, systems and broader business and financial planning. The second year of IFRS 17 reporting for Australian insurers has generally shown a stable accounting basis, with the focus rightly on business performance and strategic delivery.
- The extent and quantum of adjustments involved in producing the actual IFRS results, more so than historically, perhaps highlights the challenges with core IFRS 17 results for some Australian insurers. Some insurers are observing volatility in IFRS profit and shareholder equity, with a corresponding focus on cash, capital and dividends. This is more pronounced for life insurers than general insurers in Australia, who mostly use the simplified PAA method.



05

IFRS 17 led finance transformation for CFOs



Finance needs to accelerate its transformation to drive strategic value

Insurance clients across the globe are embarking on the next wave of finance transformation focused on: **further embedding process compliance for IFRS 17, reducing cost and increasing efficiency value creation from spend to date and implementing new technology.**



01. Doing more with less through automation



02. Efficient and effective service delivery channels



03. Standardisation of data, reporting and processes



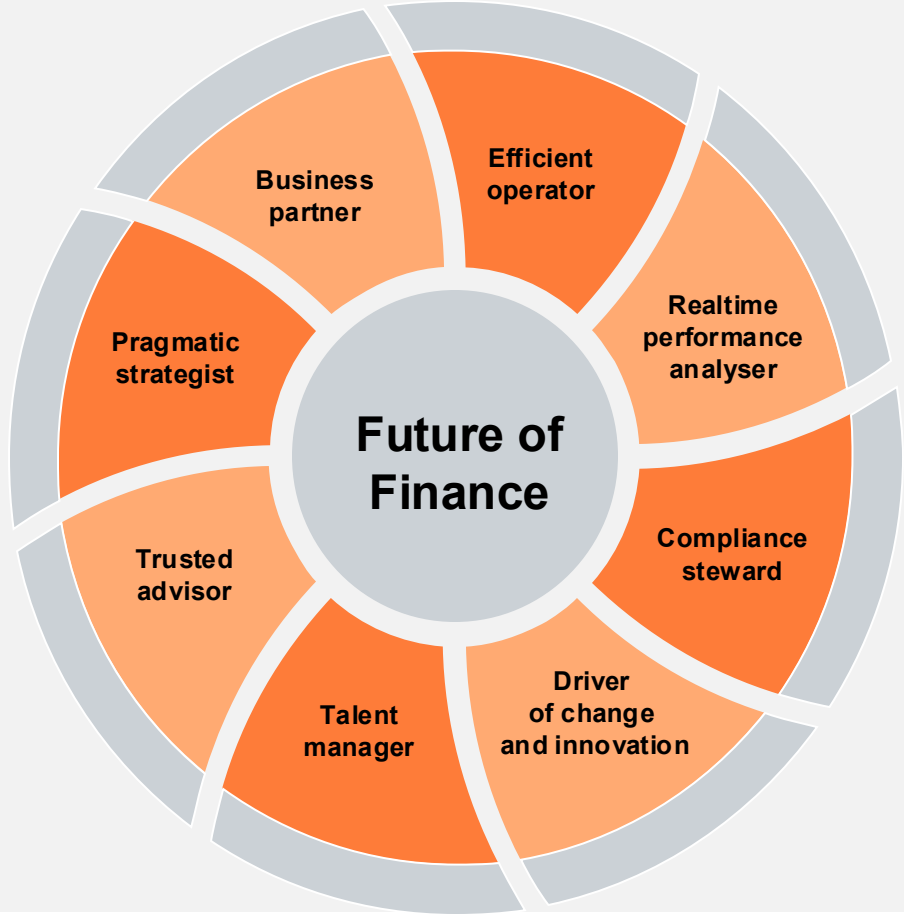
04. Insightful, data driven analysis



05. Predictive and dynamic scenario planning



06. Proactive rather than reactive



Common finance bottlenecks experienced by insurers globally

Premiums

The policy admin systems are closed after year end which delays the actuarial roll-forward process. Adjustments are made to revenue after completion of the actuarial roll-forward.

Expenses

Adjustments are made resulting in the reallocation and rebooking of expenses at a legal entity level.

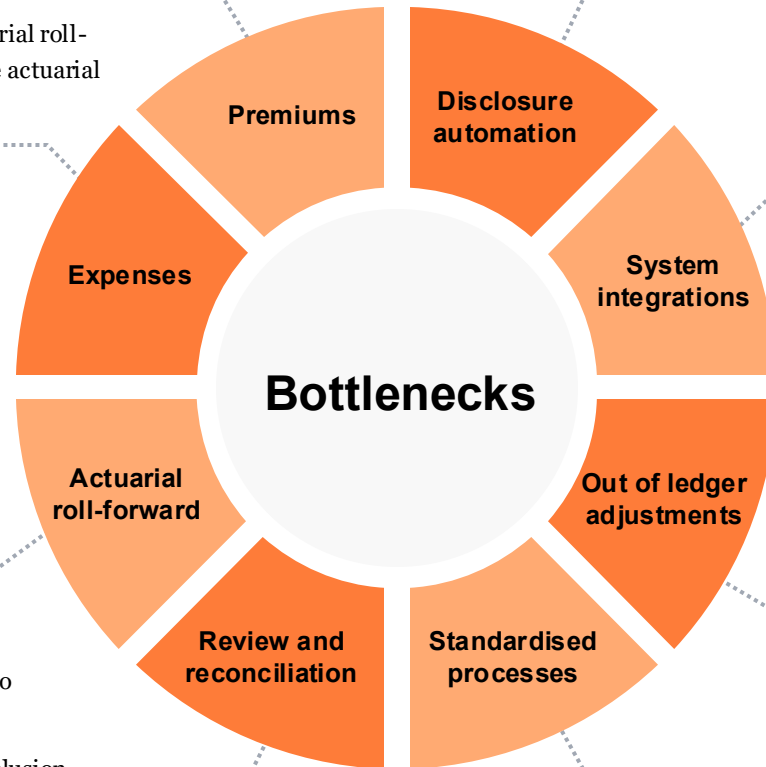
Actuarial roll-forward

Acceleration of the actuarial roll-forward process is dependent on the premiums, claims and finance processes being accelerated to ensure data is available earlier in the process. Acceleration of the roll-forward process itself is not sufficient to meet the WDT requirements.

Results review

Actuarial: Review of actuarial results and late adjustments subsequent to group reporting submission resulting in re-runs of WDT activities.

Accounting: IFRS 17 added complexity to the finance estate with the inclusion of additional reconciliations. The lack of standardised processes, poor data quality and their manual nature have compounded reconciliation challenges.



Manual disclosure

Disclosure production process is manual and requires reconciliation and reviews. Re-runs require the manual process to be repeated multiple times.

System integrations

Manual or partially automated system integrations cause processing delays, reconciliations issues and results in resubmissions and WDT delays.

Out of ledger adjustments

Multiple out of ledger adjustments performed in EUCs and posted into the ledger. Additional data sourcing, execution and review requires effort and results in longer WDT.

Lack of standardised processes

Lack of standardisation can lead to inconsistencies in data recording and reporting, resulting in unplanned delays.

An increasing number of CFOs are focusing on performance management as a lever to drive productivity through finance



Greater focus on the metrics which matter

- Focusing on the financial metrics that have the greatest impact on the financial performance



Information at your finger-tips

- Enabling finance and the business to access up to date financial and operational information faster, leading to better decision making



Removing manual effort

- Shifting the investment of time from manually creating static reports to analysing the information and providing insights (e.g., Alteryx)



Improved performance alignment

- Adopting a single KPI framework which standardises metric definitions and calculations can simplify our reporting



Enhanced comparability of performance

- The KPI framework enables improved comparative analysis of functions and programmes to enable more accurate information for decision making

- ...Overall the BI Reporting solution supports more informed and timely decision making for the organisation...
- ... with modern tools such as Alteryx, Tableau, PowerBI and Qlik, it typically presents a strong return on investment...



Impacts of IFRS 17 on management reporting for Australian insurers



Insurance related balances

The presentation of the profit or loss and balance sheet has been transformed under IFRS 17. Globally, this has impacted KPIs, metrics and how management information is collated (e.g., new definition of insurance revenue, change in acquisition costs, and change in aggregation of portfolios).

For Australian insurers, all reporting on insurance-related balances have similarly been transformed, and insurers are actively considering and implementing changes to KPIs and metrics. Australian insurers also typically have management views and APRA reporting views. Implementing post-17 automated KPIs and metric tracking and comparison between these views remains an active opportunity for finance teams among Australian insurers.



Onerous status

All actuarial portfolios are now measured on a periodic basis to determine if they are onerous/non onerous. As a result, insurers will now have a clearer view of future expected profitability of actuarial portfolios based on the modelling performed. This will enable management to make decisions on this basis.

Australian insurers using the PAA method will have complexities on how future expected profitability interacts with facts and circumstances under IFRS 17.



Data granularity

The combination of State, Class, Channel, etc. will be presented as actuarial portfolios which will enable insurers to perform management reporting on this basis and align to actuarial inputs and statutory reporting.

However, it is still common for Australian insurers to conduct manual reconciliation activities between the actuarial portfolio view under IFRS 17 and product portfolio view used by the business. This introduces additional challenges for Australian insurers and presents further opportunities for the finance team to evolve and automate.

Removing these frictions will be a priority as Australian insurers further optimise their finance functions.



New cloud based tools

Globally, insurers have used IFRS 17 as an opportunity to upgrade their ERP. Typically, this will offer users a real-time cloud-based reporting tool which has drill down functionality to the low-level outputs as prepared by sub-ledger/calculation engines. This presents users with results at a business transaction or best estimate cash flow level of granularity.

The ERP upgrade strategy is still under consideration by some Australian insurers. Further, Australian insurers are actively exploring how ERP and EPM system strategies evolve in the post-17 world to drive further efficiency, automation, while offering drill down functionality for both management and statutory reporting.

Key considerations for finance teams

Prior to commencing a review and assessment of management reporting the following considerations should be investigated with appropriate decisions made.



Align on the minimum outcomes that management reporting must deliver

The key outcome is to provide CEO and leadership with sufficient comfort that decision-making is based on one single source of truth which aligns with the financial statements as reported to the market.



Understand the approach taken to investor reporting and KPIs to be reported to the market

Base requirements for management reporting should align with investor reporting which is released to the market (e.g., KPIs and additional disclosures).



Define KPIs and metrics that must be reported on to deliver minimum outcomes

Management information used within key internal forums (e.g., GLT and monthly performance reviews) must be traceable to KPIs and metrics shared with the market.



Assess management reporting requirements against the data available in the sub-ledger (e.g. common data model adequacy assessment)

Data dimensions added to data models will have impacts on what can be reported and measured.



Actively consider management reporting capability post-IFRS 17

Finance functions need to align statutory reporting (e.g., metrics reported to the market) to internal metrics, and embed these within management reporting.



Determine solution architecture and tooling associated with management reporting

Finance functions need to actively consider the go-forward technology roadmap to further automate and optimise the IFRS 17 reporting process across management, statutory and regulatory reporting.

Leverage cloud tools which offer drill down functionality to the base transactions/best estimate cash flows.

A man with short brown hair and a beard, wearing a dark blue polo shirt, is focused on his work. He is leaning over a large, complex industrial machine, possibly a coordinate measuring machine (CMM), in a bright, modern factory or laboratory. The machine has a vertical column and a horizontal arm with a probe. The background is slightly blurred, showing other industrial equipment and a clean, well-lit environment.

06

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PwC Australia thanks other network firms who contributed to the thought leadership presented in this publication.



07

Appendices

Companies included

01

Life Insurance

- Resolution Life Australasia Limited
- MLC Limited
- AIA Australia Limited
- Zurich Australia Limited
- TAL Life Limited
- Munich Reinsurance Company of Australasia Limited
- Swiss Re Life & Health Australia Limited
- Hannover Life Re of Australasia Limited

02

General Insurance

- Allianz Australia Insurance Limited
- Auto & General Insurance Company Limited
- Chubb Insurance Australia Limited
- RACQ Insurance Limited
- The Hollard Insurance Company Proprietary Limited
- Insurance Australia Limited
- QBE Insurance (Australia) Limited
- AAI Limited
- Youi Proprietary Limited
- Zurich Australian Insurance Limited

Thank you

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