

CONF/IRA/00/001/03

22nd March, 2023

CIRCULAR TO ALL INSURERS AND REINSURERS

RE: THE IMPLEMENTATION OF IFRS 17 STANDARD

Section 54 of the Insurance Act requires registered insurance companies to prepare financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The objective of the standard is to ensure that entities issuing insurance contracts provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 supersedes IFRS 4 *Insurance Contracts*. The new standard is effective for annual reporting periods beginning on or after 1st January 2023.

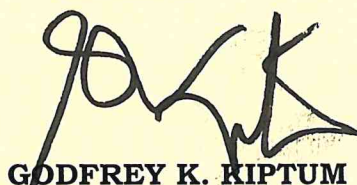
The Authority issues the following guidance to ensure a harmonized approach in the implementation of IFRS 17 and to complement provisions of the standard:

- a) *Level of aggregation* - In meeting the requirements of paragraph 14 of the standard, an insurer shall create portfolios based on the classes and sub-classes of insurance business as defined in the Insurance Act that an insurer underwrites. However, an insurer may exercise discretion where risks are similar and managed together.

- b) *Determination of discount rates* - The standard provides two approaches for the determination of discount rates, that is, the bottom-up and top-down approaches. Insurers shall provide justification for the choice of whichever approach. An insurer shall also provide details of the inputs into the computation of the discount rate. The risk-free rate shall be the government bond yield curve.
- c) *Risk adjustment* - In meeting the requirements of paragraph B92 of the standard, when an insurer does not use the confidence interval approach, they should disclose the approach used and the confidence level corresponding to that approach. The insurer should adopt an approach that results in a confidence level of at least 75%.
- d) *Transition Date* – An insurer shall apply IFRS 17 for annual reporting periods beginning on or after 1st January 2023.
- e) *Progress Monitoring* – In addition to submission of the unaudited returns for the second quarter of 2023, an insurer shall submit restated 2022 annual IFRS 17 compliant financial statements.
- f) *Statutory Reporting* – An insurer shall continue to submit statutory returns to the Authority.

The Authority therefore requires that insurers prepare and implement a road map towards the implementation of IFRS 17.

Please note that this guidance does not in any way replace the IFRS 17 standard.



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