Market updates on impact of IFRS 17 and IFRS 9

Observations from investor presentations by selected insurance groups

March 2023

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Introduction

Observations were taken from IFRS 17 and IFRS 9 impact presentations published in 2022 by a panel of 20 global insurance groups:

Background:

- Insurers are implementing IFRS 17 *Insurance Contracts* (IFRS 17) since 1 January 2023 and most of them are also applying IFRS 9 *Financial Instruments* (IFRS 9) at the same date for the first time.
- In 2022, several insurance groups published information to the investor community on the expected impacts of implementing IFRS 17 and IFRS 9 on their financial position and performance.

Analysis performed:

- We have selected a panel of 20 listed insurance groups who have globally adopted IFRS as their accounting framework. For these companies, we have analyzed and summarized the publicly available information on the impacts of implementing IFRS 17 and IFRS 9 from investor presentations.
- Our analysis considers investor information published up to 31 December 2022. During 2023, insurers will provide, or have already provided, further updates and details on the impact of IFRS 17 and IFRS 9 through various sources. This information has not been considered in this analysis.
- We intend to update our analysis during Q2 2023 as more information on the expected impacts of IFRS 17 and IFRS 9 becomes available.

Insurers by geography:

12 based in Continental Europe

03 based in Americas

05 based in UK

Segment:

- Life and Health: 6 groups underwrite only life and health business, that includes short- and long-term savings, and retirement products.
- Composite: 12 groups are composite and underwrite both P&C business and life business (with two of them also having major reinsurance segments).
- P&C: 2 groups underwrite only non-life business, that includes property and casualty products.

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1 Highlights from IFRS 17/9 investor presentations

Executive summary: IFRS 17 has limited impact on overall financial strength and strategy, but impacts on equity and profit going forward could be significant

During their investor presentations, insurers focused on educating the analyst community on the direction of travel and the impact of IFRS 17 on day one equity and on future profitability/volatility:

Key highlights to investors:

- Most insurance groups expect minimal disruptions from IFRS 17 and IFRS 9. Strategy, cash flow, capital management and dividend capacity not expected to change.
- The CSM will become a key indicator of future profitability. Establishing the CSM and risk adjustment on transition has a downward impact on reported equity, but is a store of future earnings.
- Insurers highlighted the improvements in disclosures that IFRS 17 brings.
- KPIs are continuing the shift to cash flow-based metrics and are focusing on regulatory capital. New business measures and value added metrics may make use of the CSM going forward.
- Planned publication of IFRS 17 and IFRS 9 impacts in the year-end 2022 (YE22) financial results or annual report varies. Most do not plan to provide a detailed opening balance sheet and a restated 2022 P&L with their YE2022 results announcements.
- Publication of restated 2022 comparative numbers typically expected for 2Q 2023 (often alongside 1Q/1H 2023 presentations).

Key observations on IFRS 17/9 expected impacts:

- IFRS 17 could lift reported ROE, mostly because the transition shareholders' equity would be lower compared to IFRS 4:
  - Due to the transition and accounting for the CSM, shareholders' equity will reduce for many of the insurers reporting, particularly for Life business.
  - However, for the insurers presenting their ROE based on adjusted equity (excluding OCI and including CSM), this ratio should remain stable.
- A number of reporters noted that leverage ratios would reduce as a result of including the CSM as equity in the denominator of the leverage ratio.
- Life results expected to be more steady and predictable than today.
- On the P&C side, technical results would be improved due to the effect of discounting of claims. The combined ratio will change for many of the selected insurers by:
  - Reporting insurance revenue gross of reinsurance.
  - Reduction in insurance revenue and insurance service expenses for non-distinct investment components.

Accounting policies and methodology: many insurers opted to leverage regulatory frameworks and manage the impact on transition to reduce profit volatility

Solvency II (SII) framework

European groups have indicated their intent to leverage the SII framework to determine the IFRS 17 liabilities, utilizing similar assumptions or calculation methods as much as possible.

Premium Allocation Approach (PAA)

For most of the players, the use of the PAA for a majority of their P&C business will reduce the impact of the transition to IFRS 17.

Bottom–up approach

Many of the insurers in the panel use the bottom-up approach to set the IFRS 17 discount curves, including an illiquidity premium. Annuity writers reported the use of the top-down approach. Disclosures of these curves will enable users of the financial statements to compare reported results.

OCI approach

Continental European insurers have generally opted for the OCI approach to account for the impact on insurance liabilities caused by changes in economic assumptions in order to reduce P&L volatility.

Others have selected the P&L approach with financial assets and even then also classified as FVPL under IFRS 9.

Retrospective approach

Many insurers reported using the retrospective approach to transition (either full or modified retrospective) for most of their business. The fair value approach has often been used for older or less significant groups of insurance contracts.

Contractual service margin (CSM) will become a KPI, while the combined ratio will generally be based on gross earned premiums

IFRS 17 and 9 bring some changes to the design of KPIs:

Combined ratio

Mostly planned to be presented based on gross earned premiums. However, others will continue to use net-earned premiums. The combined ratio is likely to improve (decrease) due to the discounting of the liability for incurred claims.

Contractual Service Margin

This is expected to become a KPI. One insurer also noted that its new business metric will include the IFRS 17 CSM at inception. Another will use an IFRS 17 value added metric consisting of the IFRS 17 operating profit plus the change in the CSM for the year.

Some insurers plan to separately present the CSM on the face of the balance sheet.

New business (NB)

This will now include the CSM of the new business. Certain players are presenting a gross CSM, whereas others are presenting it net of taxes and of projected non-attributable costs. This would impact the comparability of the NB value across the market.

New business margin

Since single premiums are now released over the coverage period, the annual premium equivalent (APE) disclosed by some insurers as a new business volume metric will be replaced for certain companies by the present value of expected premiums measured on an IFRS 17 basis.

Return on Equity (ROE)

A number of insurers plan to exclude from equity the total of OCI in ROE calculations.

The use of OCI for the impact of changes in financial assumptions on insurance liabilities is envisaged to provide a better matching between the revaluation of investments and insurance liabilities.

Leverage ratio

CSM is added to the denominator of the leverage ratio. One insurer also plans to include the risk adjustment net of tax as part of the denominator.

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KPI impacts: for most (not all) insurers, operating profit should be similar or lower under IFRS 17 while the level of Shareholders' Equity (SHE) is generally expected to go down

Limited quantitative disclosure regarding the impact on KPIs has been provided. During their presentations, insurers focused on educating the analyst community on the direction of travel, and the impact of the standard on transition and future profitability or volatility:

Operating profit

Operating profit is generally expected to be similar or lower compared to IFRS 4.

The reported reduction varies from 5% to 25% compared to the IFRS 4 operating profit, mostly driven by the Life business.

However, more than 50% of insurers did not disclose an expected quantitative impact.

Level of Shareholders' Equity

This is expected to decrease at transition date for most life and composite insurers, with reported reduction varying from 5% to 50%.

Some insurers noted that excluding OCI from equity, or adding CSM to equity, would result in equity remaining more or less stable on transition.

Several insurers mention that the reduction of SHE is due to setting up a CSM.

Return on Equity

Depending on previous practices, the ROE targets will remain unchanged or will be improved. Indeed, in the past, some insurers were excluding OCI from the ROE calculation where others were not. Since part of the amounts previously in OCI are now included in the CSM, the ROE of the latters will be mechanically improved.

Contractual Service Margin

This is presented as gross, net of tax, or net of tax and projected non-attributable expenses. This latter view is perceived to provide a more direct view on the net-income impact of the release of CSM.

Risk adjustment

This could present varying levels of calibration depending on the risk appetite of the groups.

Some insurers plan to use the cost of capital approach, whereas others are using value at risk.

Insurers reported the expected percentile range of the risk adjustment to vary between 62.5% and 90%.

Release of Contractual Service Margin

The indication of pattern of release helps analysts to anticipate expected future profitability.

Insurers reported an expected release of CSM ratio (release divided by CSM before release) between 4% and 12% per annum depending on the type of business.

Analysts agree with insurers that there will be lower impacts on earnings, cash or solvency than previously anticipated

Observations	What analysts are saying
Most insurance groups are expecting limited disruptions from IFRS 17 and IFRS 9.	“We think UK annuity writers are set to see the greatest noise from IFRS 17 but valuations should not change for any insurers. Cash, dividends and solvency are unchanged. Fair IFRS PE ratios need to be adjusted to reflect the new paradigm. — BofA
CSM will be the biggest change, as it impacts reported book value negatively.	“The CSM is the biggest change. We view the treatment of new business gains, essentially “unearned profits” which are capitalized under IFRS 4 but will now be deferred and amortized under IFRS 17 through the CSM, as the biggest difference, which, from an accounting perspective, will lower reported book value upon transition and impact the timing of earnings. — BMO
Performance KPIs are shifting to cash flow-based metrics.	“Many life insurance-heavy names have switched their KPIs to non-earnings metrics, e.g., capital generation or cash, which are unaffected by IFRS 17. That said, we think IFRS 17 could introduce an element of 'presentational volatility' to earnings, which could conceivably increase the cost of equity in the space. — Morgan Stanley
IFRS 17 will lift reported RoE – this could flow through to higher valuations.	“We believe that the change to accounting linked to IFRS 17 is a positive — this is because it is reducing reported equity and, therefore, is lifting ROE (earnings are largely unchanged) ... Higher ROEs deserve a higher price-to-book ratio. This is because investing in a business with a high ROE produces a higher profit. – Berenberg

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Selected insurers benchmarking

Timeline of publication

	a.s.r.	Admiral Group PLC	Ageas	Allianz	Aviva
Date of IFRS 17 presentation	15 June 2022	28 November 2022	7 December 2022	22 November 2022	9 December 2022
Planned disclosure to be provided in YE22 annual reporting	Not disclosed	Preliminary IFRS17 disclosures on impact of transition	Not disclosed	OBS IFRS 17/9 and outlook based on IFRS 17/9	Only indication is that the reporting will be under IFRS 4
First publication of FY22 comparatives (primary statements)	1H23 results (August 2023)	1H23 results (August 2023)	June 2023	12 May 2023 (1Q23)	2Q23 results

No group has indicated plans to communicate HY22 or YE22 IFRS 17 numbers in their YE2022 publications. Some groups will provide the opening balance sheet 1 January 2022. FY22 numbers will be published in most cases during the Q2 2023 presentations.

Timeline of publication (cont'd)

	AXA	CNP Assurances	Generali	Great-West Lifeco	HISCOX
Date of IFRS 17 presentation	3 November 2022	12 December 2022	13 December 2022	28 June 2022	6 December 2022
Planned disclosure to be provided in YE22 annual reporting	Only indication that reporting will be under IFRS 4	Only indication that reporting will be under IFRS 4	Opening balance 2022	Transition impact on IFRS 17	IFRS 17 transition impacts
First publication of FY22 comparatives (primary statements)	1Q 2023 publication (May 2023)	2Q2023 (April 2023)	By the end of April 2023	1Q23 results	1H23 results (August 2023)

No group has indicated plans to communicate HY22 or YE22 IFRS 17 numbers in their YE2022 publications. Some groups will provide the opening balance sheet January 1 2022. FY22 numbers will be published in most cases during the Q22023 presentations.

Timeline of publication (cont'd)

	Legal & General	M&G	Manulife	Munich Re	NN Group
Date of IFRS 17 presentation	29 November 2022	7 December 2022	12 May 2022 10 November 2022	15 December 2022	17 November 2022
Planned disclosure to be provided in YE22 annual reporting	Based on existing IFRS 4 only; a further education session to be held in May 2023[1]	Not disclosed	Transition impact on IFRS 17	Detailed opening balance sheet IFRS 17	Transitional disclosures in March
First publication of FY22 comparatives (primary statements)	HY23 results (August 2023)	1H23 results	1Q23 results	1Q23 results (May 2023)	Early disclosure of 2022 comparatives in 2Q 2023

No group has indicated plans to communicate HY22 or YE22 IFRS 17 numbers in their YE2022 publications. Some groups will provide the opening balance sheet January 1 2022. FY22 numbers will be published in most cases during the Q2 2023 presentations.

1 Plan to provide HY22 results restated on an IFRS 17 & 9 basis as well as further detail to support analyst forecasts under IFRS 17

Timeline of publication (cont'd)

	Sampo Group	Storebrand	Sun Life	Talanx	Zurich
Date of IFRS 17 presentation	1 December 2022	8 December 2022	31 May 2022	12 October 2022 6 December 2022	27 September 2022 16 November 2022
Planned disclosure to be provided in YE22 annual reporting	Transition effects and OBS (10 February 2023) Details of transition effects (4 April 2023)	Not disclosed	Transition impact on IFRS 17	Management comments on material accounting changes	Discussion of IFRS 17 transition impacts
First publication of FY22 comparatives (primary statements)	Press release (at end of March 2023)	10 May 2023	1Q23 results	1Q23 results (4 May 2023)	Shortly post 1Q 2023 publication

No group has indicated plans to communicate HY22 or YE22 IFRS 17 numbers in their YE2022 publications. Some groups will provide the opening balance sheet January 1 2022. FY22 numbers will be published in most cases during the Q2 2023 presentations.

Core messages during the investor presentation

a.s.r	Admiral Group PLC	Ageas	Allianz	Aviva
► No changes to underlying business fundamentals or cashflows ► No impact on existing share buyback commitment and progressive dividend policy ► Higher volatility expected in net result, mostly driven by operating result ► Change in timing of earnings recognition anticipated mostly impacting Life products	► No change in ultimate profitability of business written ► No impact on group strategy, solvency, dividend policy and cash generation ► No effect on investment and interest income on assets ► Equity to reduce ► Will maintain conservative reserving policy ► Enhanced disclosures in respect of claims reserves	► No change to dividend strategy, economic leverage, capital and cash generation, and solvency position ► Limited impact on net-operating result and non-life liabilities ► Limited transition impact on shareholders' equity for consolidated entities while more stable equity development is expected over time	► Limited economic impact (SII, cash flows, dividend) ► Strong fundamentals (operating profit slightly higher, net income similar level, equity less volatile and adjusted for OCI slightly lower, ROE slightly higher) ► Improved disclosures (transparency, comparability, simplicity, profitability)	► No impact on cash remittances, capital generation, financial targets, dividend guidance ► £3b reduction in shareholders' equity although adjusted shareholders' equity (including CSM) higher by circa £2b and broadly equal to Solvency II net assets ► Operating profit to reduce by circa 15% per annum ► 60% of operating profit unaffected by IFRS 17

Core messages during the investor presentation (cont'd)

AXA	CNP Assurances	Generali	Great-West Lifeco	HISCOX
▸ Group underlying earnings power to remain unaffected post-transition ▸ Shareholders' Equity (excl. OCI) expected to remain stable at transition ▸ Limited reporting impacts reflecting our profile focused on technical lines ▸ No change to capital management and strategy ▸ "Driving Progress 2023" key financial targets reaffirmed	▸ Company's underlying qualities unchanged ▸ Two new items on the liabilities side of the balance sheet: CSM for around €17b and RA for around €1.5b ▸ Equity slightly lower for around €1b (out of €21.1b) ▸ Earnings to be more volatile due to the market effects ▸ Financial reporting to be tailored due to adjustments to the formulas for calculating key indicators	▸ No impact on cash and capital generation, net holding cash flow, dividends and solvency ▸ SHE expected to be broadly stable at transition ▸ Improved visibility and predictability of profits anticipated from life business ▸ P&C to be more volatile but its business mix to reduce the sources of volatility ▸ Group operating result expected to be broadly stable	▸ No impact on business strategy ▸ SHE expected to decrease by 10%-15%, driven by the establishment of the new CSM ▸ Low-single-digit percentage decrease in base earnings expected ▸ Base EPS growth and dividend pay-out ratio to remain unchanged, base ROE objective expected to increase by 2% ▸ Positive impact to LICAT[1] expected	▸ No change in strategy and reserving philosophy, and no impact on regulatory capital, cash and dividends ▸ Reduced volatility expected in group's earnings ▸ Shareholders' equity to likely see a small net increase on transition, primarily due to discounting ▸ Greater transparency due to more granular disclosures

1 Life Insurance Capital Adequacy Test

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Core messages during the investor presentation (cont'd)

Legal & General	M&G	Manulife	Munich Re	NN Group
▸ No impact on strategy, capital and cash generation, solvency or dividends ▸ Financial reporting of annuity/life insurance businesses (i.e., LGRI, retail), shareholders' equity (at transition) and composition of profit (on adoption) to be impacted ▸ More stable and predictable earnings from insurance products	▸ No change in strategy, solvency, capital management framework or dividend policy ▸ SHE expected to increase ▸ Leverage ratio expected to fall ▸ Volatility related to assumption changes (e.g., longevity) removed from annuities-adjusted operating profit result ▸ Profit signature of "with-profits" business (including PruFund) no longer back-end loaded	▸ Core earnings expected to decline by ~10%, driven by the recognition of new business gains in the CSM and the timing of earnings from investment-related activities ▸ Decrease in equity of ~20% due to the establishment of CSM ▸ Capital position expected to remain strong ▸ ROE to increase, driven by changes to core earnings and equity	▸ No impact on business strategy, dividend and share buy-back policy, reserving strategy, capital strength ▸ More transparency in revenues and future profit margins from long-tail business ▸ Increase in total investments due to stronger reflection of fair values ▸ Overall earnings level to likely increase	▸ No impact on strategy or targets (focus on SII and operating cash generation unchanged, no impact on dividend/capital return) ▸ Equity more stable and closer to SII, leverage ratio expected to be slightly higher, due to inclusion of CSM, operating profit expected to be slightly higher ▸ On track for implementation

Core messages during the investor presentation (cont'd)

Sampo Group

- No effect on the business mix, balance sheet targets, solvency, capital management and financial targets
- No material change in net profit
- Limited positive effect expected on P&C KPIs, with combined ratio expected to decrease marginally due to the broadening of discounting

Storebrand

- No impact on cash generation, solvency margin and dividend
- Timing of profit recognition to be affected
- Higher and more volatile earnings expected on normalized basis
- Shareholders' equity to reduce
- Current reporting standards to continue while IFRS 17 (insurance contracts) supplements them

Sun Life

- No impact on business strategies
- Increase in underlying ROE expected
- Reduction in SHE by 15%-20% expected largely due to establishing the CSM
- Mid-single-digit reduction to underlying net income anticipated in 2022 comparative year
- Positive underlying net-income growth is expected from 2022 to 2023

Talanx

- P/C equity expected to be more stable due to consistent discounting of assets and liabilities
- L&H business expected to see a significant initial drop in equity due to rise in liabilities and loss recognition results
- More earnings volatility expected due to stricter fair value approach adopted for investments
- Insurance revenues to be lower than gross written premiums
- KPIs like combined ratio to also change

Zurich

- No major impact given the nature of business (75% unaffected or subject to PAA)
- Shareholders' equity impact driven by CSM and discounting of long-term liabilities
- Limited changes to P&C, and improved disclosures for Life
- Cash and capital generation remain strong

Some figures at transition OBS

	a.s.r.	Admiral Group PLC	Ageas	Allianz	Aviva
Level of SHE	€5.7b (vs. €5.4b) at FY20	No quantitative disclosure	€7.9b (vs. €8.1bn) at the beginning of year	€60b (vs. €80b incl. OCI)	£21b-£22b (incl. CSM)/ £16b-£17b (excl. CSM) (vs. £19b)
Level of CSM	No quantitative disclosure	No quantitative disclosure	€2.4b before tax	€54b-€60b (€33b-€37b net of reinsurance, non-attributable cost, tax and minorities)	£4b-£5b (net of tax)
CSM release duration	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	€4.5b to €5b over €60b CSM (circa 8%)	No quantitative disclosure
Risk adjustment	€2.3b (vs. €2.8b SII)	No quantitative disclosure	€0.3b	No quantitative disclosure	No quantitative disclosure
Expected operating profit	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	Similar for P&C (€6b-€6.5b) Similar for L&H (€4.5b-€5b)	Reduction of circa 15% per annum
Expected revenue	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure
ROE	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure
Financial leverage ratio	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	23% (vs. 26%)	Target <30%

Some figures at transition OBS (cont'd)

	AXA	CNP Assurances	Generali	Great-West Lifeco	HISCOX
Level of SHE	€58b excl. OCI (vs. €58b excl. OCI)	~€20b (vs €21.1b)	€32b (vs. €32b)	Decrease of 10%-15%	$2.5b at HY22
Level of CSM	€34b gross of tax (€25b Life, €9b Health)	~€17b	~€33b	No quantitative disclosure	No quantitative disclosure
CSM release duration	Expected to be 9%-11% per annum for L&S, 6%-8% for Health	Approx. 12% per annum	8%-10%	No quantitative disclosure	No quantitative disclosure
Risk adjustment	€3b–€4b	~€1.5b	€3b	No quantitative disclosure	No quantitative disclosure
Expected operating profit	Similar; no quantitative disclosure	No quantitative disclosure	No quantitative disclosure	Decrease by low single-digits	No quantitative disclosure
Expected revenue	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	$2.6b at HY22
ROE	No change to 13%-15% target	No quantitative disclosure	No quantitative disclosure	16%-17% (vs. 14%-15%)	No quantitative disclosure
Financial leverage ratio	19%-23% (vs. 25%-28%)	No quantitative disclosure	16% (vs. 26%)	No quantitative disclosure	22% at 4Q21

Some figures at transition OBS (cont'd)

	Legal & General	M&G	Manulife	Munich Re	NN Group
Level of SHE	£5b (vs. £10.5b)	No quantitative disclosure	Decrease of ~20%	€28.4b	No quantitative disclosure (vs. €33b)
Level of CSM	CSM + RA expected to be £13b-£14b (net of tax)	No quantitative disclosure	No quantitative disclosure	€22.3b (€16.3b after tax)	No quantitative disclosure (depend on FV level)
CSM release duration	No quantitative disclosure	No quantitative disclosure	8%-10% per annum	~4–8% p.a. (ERGO L&H Germany) ~8% p.a. (L&H reinsurance)	No quantitative disclosure
Risk adjustment	CSM + RA expected to be £13b-£14b (net of tax)	No quantitative disclosure	No quantitative disclosure	€5.6b	No quantitative disclosure
Expected operating profit	Reduction in operating profit from divisions by ~20%-25%	No quantitative disclosure	Decline by ~10%	~€4.0b	Slightly higher due to higher investment margins on NN Life; no quantitative disclosure
Expected revenue	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	~€58b	No quantitative disclosure
ROE	Should increase; No quantitative disclosure	No quantitative disclosure	>15% (vs. >13%)	14%–16% (2025 target)	No quantitative disclosure
Financial leverage ratio	Will decrease (27% by HY22)	No quantitative disclosure	25% (adjusted for CSM)	10.7% (vs. 14.7%)	Less than 23% (vs. 23%)

Some figures at transition OBS (cont'd)

	Sampo Group	Storebrand	Sun Life	Talanx	Zurich
Level of SHE	No quantitative disclosure	Reduction by ~20%	Decrease of 15%-20%	€8.5b (vs. €10.8b) [1]	€27b (vs. €28b) at HY22
Level of CSM	€0.4b (Mandatum)	No quantitative disclosure	~Two-thirds of the transfer from shareholders' equity is related to establishing the CSM	~€9b	€9b net of tax at HY22
CSM release duration	~7%-8% per annum (Mandatum)	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure
Risk adjustment	No quantitative disclosure	No quantitative disclosure	No quantitative disclosure	~€4b	~€2.5b net of tax at HY22
Expected operating profit	No material change in net profit; no quantitative disclosure	No quantitative disclosure	Mid-single-digit reduction to underlying net income in 2022 comparative year	~€1,25b	Limited impact; no quantitative disclosure
Expected revenue	Limited changes in P&C insurance revenue; no quantitative disclosure	No quantitative disclosure	No quantitative disclosure	>€38b (2022 estimate)	Limited impact; no quantitative disclosure
ROE	No quantitative disclosure	No quantitative disclosure	>18%	>10% (vs. ~9%)	>20% (vs. >14%)
Financial leverage ratio	<30% (vs. 26% at 9M 2022)	No quantitative disclosure	No quantitative disclosure	~22%	26% at HY22

1 31 December 2022 estimate: >9b (vs <8b)

Impact to KPIs

	a.s.r.	Admiral Group PLC	Ageas	Allianz	Aviva
P&C combined ratio	▶ Not commented	▶ No longer reported net of all reinsurance	▶ Deterioration by ~1.5pp due to movement to gross while improvement by ~2.5pp due to discounting of all new claims	▶ Expected to be similar or lower level due to discounting ▶ (~93%-94% vs. ~94%)	▶ Calculated net of reinsurance
P&C profitability	▶ Future profitability to be determined by combination of CSM and risk adjustment release	▶ No impact on ultimate profitability of business written	▶ Positive impact of discounting of new claims partially off-set by lower investment result	▶ Operating profit expected to be on similar level	▶ Limited financial impact
NBV	▶ Not commented	▶ Not commented	▶ Not commented	▶ Higher than SII ▶ Includes IFRS9 contracts and is net of tax, reinsurance and NAE	▶ IFRS 17 value-added will be key metric = IFRS 17 operating profit + change in CSM. IFRS 17 NB more aligned to Solvency II VNB
NBV margin and APE	▶ Not commented	▶ Not commented	▶ Not commented	▶ Not commented	▶ Not commented

Impact to KPIs (cont'd)

	AXA	CNP Assurances	Generali	Great-West Lifeco	HISCOX
P&C combined ratio	► Not commented	► Not commented	► Ratio methodology to change, incl. all expenses in the numerator ► Slightly higher, owing to higher restated expense ratio and prior-year development	► Life business only	► Slight deterioration expected due to increase in numerator *(now gross basis)*
P&C profitability	► Future profitability to be determined by combination of CSM and risk adjustment release	► Not commented	► Operating result more sensitive to interest rates due to discounting	► Life business only	► Reduced volatility as changes to investment return arising from interest rate movements are now partially offset by discount rate on net insurance liabilities
NBV	► Not commented	► Not commented	► Will be key (newly introduced) life KPI going fwd.[1]	► New business gains recorded as CSM ► New business gains deferred and recognized over the life of contracts	► Not commented
NBV margin and APE	► Not commented	► Not commented	► Not commented	► Not commented	► Not commented

1 Compared to the old representation of NBV, the new definition considers IFRS 17 economic assumptions, different contractual boundaries and risk adjustment in place of Cost of Capital & Non-Hedgeable Risk (CoC&NHR).

Impact to KPIs (cont'd)

	Legal & General	M&G	Manulife	Munich Re	NN Group
P&C combined ratio	► Life business only	► Life business only	► Life business only	► Reduction in combined ratio of each business segment of 1%–2% points due to deduction of commission from revenue ► Calculation based on net COR	► Expected to be similar
P&C profitability	► Life business only	► Life business only	► Life business only	► Generally stable, currently benefitting from increasing interest rates	► Expected to be similar
NBV	► Defers new business gains over life of the contract – day 1 profit deferred on the balance sheet and spread over contract life through release of CSM. Day 1 losses go through P&L, with some offset against reinsurance profits	► Adjusted operating profit remains the key indicator for the IFRS underlying performance	► New business gains recorded as CSM and recognized over the life of the contract	► Higher current interest rates lead to higher discount	► Not commented
NBV margin and APE	► Not commented	► Not commented	► NB CSM growth of 15% expected	► Not commented	► Not commented

Impact to KPIs (cont'd)

	Sampo Group	Storebrand	Sun Life	Talanx	Zurich
P&C combined ratio	▸ Small combined ratio benefit expected on run-rate basis ▸ Will remain on a net of reinsurance basis	▸ Expected to be marginally lower	▸ Life business only	▸ P&C combined ratio to look different	▸ Insurance revenue used as denominator in IFRS 17 resulting in slightly higher combined ratio all else equal due to higher base
P&C profitability	▸ No material change in net profit	▸ Limited impact on P&C, health and group life profits	▸ Life business only	▸ Expected to increase (driven by lower claims due to discounting, lower allocation of technical cost)	▸ Not expected to be materially different
NBV	▸ Not commented	▸ Not commented	▸ New business gains deferred and recognized over the life of contracts	▸ Not commented	▸ NB CSM = PV of NB premiums X NB margin
NBV margin and APE	▸ Not commented	▸ Not commented	▸ Not commented	▸ Not commented	▸ APE replaced by the PV of NB premiums

Impact to KPIs (cont'd)

	a.s.r.	Admiral Group PLC	Ageas	Allianz	Aviva
CSM	► Not commented	► Not commented	► CSM valued at locked-in rates (BBA) or current rates (VFA) ► Operational variance for future service accounted for in CSM	► New KPI, CSM at inception before non-attributable cost and reinsurance, and excluding investment contracts and PAA business	► Stock of future profit to be a key measure of future value = CSM plus risk adjustment
Shareholder's equity	► Expected to be lower compared to SII, mainly due the application of the CSM ► Greater than IFRS 4 equity	► Expected (one-off) reduction in equity on transition	► Limited impact of transition on equity excl. unrealized gains and losses	► Comprehensive SH capital incl, net CSM ► Decrease when incl. OCI, stable at transition excl. OCI	► Including CSM broadly equivalent to Solvency II own funds
ROE	► Not commented	► Measures still relevant under IFRS 17	► Not commented	► Slightly higher	► Not commented
Financial leverage ratio	► Not commented	► Not commented	► No impact ► IFRS financial leverage to be considered in relation to comprehensive equity	► Improvement due to the inclusion of CSM at the denominator	► Continuing to view leverage on a Solvency II basis

EY

Impact to KPIs (cont'd)

	AXA	CNP Assurances	Generali	Great-West Lifeco	HISCOX
CSM	▸ Not commented	▸ The CSM (excluding taxes and non-controlling interests) increased by €1.3b at 30 June 2022, mainly due to higher interest rates	▸ CSM expected to be ~€33b, reflecting profit of in-force business	▸ CSM growth to moderate over time as earnings mix shifts to US and other less impacted product lines	▸ Not applicable (PAA only)
Shareholder's equity	▸ Decrease when incl. OCI, stable at transition excl. OCI	▸ IFRS 17 equity at 30 June 2022 to be less volatile than under IFRS 4 (-€1.7b vs. -€3.6b)	▸ Broadly stable (decrease of €2b in life offset by increase of €2b in P&C)	▸ Expected to reduce by 10% to 15% due to establishment of the CSM	▸ Marginal increase expected on transition due to discounting
ROE	▸ No expected change	▸ Not commented	▸ Not commented	▸ Increase in ROE by 2% to 16%-17% due to reduction in SHE	▸ Impact expected through change in profit emergence
Financial leverage ratio	▸ Improvement due to the inclusion of CSM in the denominator	▸ Not commented	▸ Decrease due to the inclusion of net CSM in comprehensive equity	▸ No impact is expected	▸ Decrease due to the increase in SHE on transition with no changes to the valuation of borrowings

Impact to KPIs (cont'd)

	Legal & General	M&G	Manulife	Munich Re	NN Group
CSM	▶ The CSM represents a discounted store of future value that can be added to IFRS 17 equity from a valuation prospective	▶ CSM release to become main profit driver in adjusted operating profit	▶ CSM represents expected future profits and to be treated as available capital under LICAT	▶ L&H Re: Increase due to profitable business growth ▶ ERGO: Decrease due to run-off of traditional life business and build-up of short-term health business.	▶ CSM at transition highly dependent on fair value transition
Shareholder's equity	▶ No change to the definition	▶ Expected to increase due to the recognition of circa10% of the with-profits surplus as SHE	▶ Expected to decrease due to the establishment of CSM	▶ Decrease due to shift of unrealized gains to CSM	▶ SHE to be more stable (impact mainly driven by introduction of CSM and active discounting)[1]
ROE	▶ Increase due to the reduced SHE at transition and a more gradual release of profit over time	▶ Not commented	▶ Will increase due to the expected changes to core earnings and equity	▶ Increase driven by higher consolidated result	▶ Not commented
Financial leverage ratio	▶ Ratio to decrease if CSM is included in the denominator and to increase if CSM is not included	▶ Expected to fall	▶ Adjusted for CSM	▶ Decrease due to the inclusion of CSM	▶ Slightly lower, reflecting higher equity base, while financial debt is the same

1 Impact on reported equity dependent on interest rates: IFRS 9/17 equity lower than current equity at 1/1/22; IFRS 9/17 equity similar to current equity at 30 June 2022

Impact to KPIs (cont'd)

	Sampo Group	Storebrand	Sun Life	Talanx	Zurich
CSM	▸ Limited impact of overall CSM as UL savings policies (including all UL new business) are accounted for under IFRS 9	▸ New component to the balance sheet ▸ Key driver for operating profit u/IFRS 17	▸ Significantly larger and more stable than existing reinvestment PfADs[1]	▸ CSM end balance expected to increase	▸ New business CSM, a new KPI
Shareholder's equity	▸ Increase due to the wider discounting of claims reserves	▸ Equity expected to be lower by ~20% due to the requirement to set up a CSM and RA	▸ Decrease driven by new CSM liability	▸ Expected to be stable for P&C due to consistent discounting of assets and liabilities ▸ Significant initial drop for L&H due to rise in liabilities and loss recognition results	▸ Decrease mainly driven by introduction of CSM and discounting of long-term liabilities
ROE	▸ Not commented	▸ Higher due to the lower IFRS 17 equity	▸ Expected to increase due to transfer of equity to liabilities (for CSM establishment)	▸ For long-term technical performance, additional communication of RoE excluding earnings from SPPI-fail assets	▸ Higher due to impact on denominator (equity adjusted for unrealized gains/losses related to assets and liabilities)
Financial leverage ratio	▸ Slightly lower due to higher equity	▸ Will reduce due to the CSM addition at the denominator	▸ Not commented	▸ Not commented	▸ Economic leverage expected to remain unchanged post IFRS 17 transition

1 Provisions for Adverse Deviation

EY

Accounting policies and methodological choices – IFRS 17

	a.s.r.	Admiral Group PLC	Ageas	Allianz	Aviva
Measurement Models (PAA, GMM, VFA)	► PAA for P&C and Health ► GMM for Disability	► PAA for short-term contracts ► GMM for the rest	► For P&C: PAA for majority of business; GMM/ BBA for contracts with >1 year coverage period ► For life: GMM/ BBA for discretionary profit-sharing business, UL business spread over BBA/ PAA/VFA	► For P&C, 99% of PAA ► For L&H, 79% VFA, 21% GMM	► Of operating profit: 40% GMM, 15% VFA, 35% PAA ► Remaining business out of scope
Discount rate curve	► Two approaches mentioned: ► Similar to Solvency II incorporating 20-30 year market observations ► Using observations up to a last liquid point of 30 years	► Bottom-up approach ► RFR + ILP	► Top-down approach aligned with discount rates in S2	► Bottom-up approach ► RFR + ILP	► Bottom-up approach other than for annuities which uses top-down approach
OCI option for insurance finance income/expense	► Not commented	► Applied disaggregation approach	► For non-VFA business, OCI-option preferred	► Applied disaggregation approach	► Not commented

Accounting policies and methodological choices – IFRS 17 (cont'd)

	AXA	CNP Assurances	Generali	Great-West Lifeco	HISCOX
Measurement models (PAA, GMM, VFA)	► 60% of PAA (99% of P&C), 24% of VFA and 11% of GMM ► Remaining 5% business to be in asset management	► BBA for term creditor and disability/health insurance (4%-9%) ► VFA for direct participating savings/pensions and unit-linked savings contracts (94.9%) ► PAA for disability/health insurance group and P&C (0.2%)	► For life: 96% VFA, 4% GMM ► For P&C: 99% PAA, 1% GMM	► Not commented	► PAA
Discount rate curve	► Bottom-up approach ► RFR + ILP (framework similar to SII)	► Bottom-up approach: a Solvency II-inspired yield curve: risk-free rate + liquidity premium (e.g., on initial application in France a volatility adjustment at 64 bps)	► Bottom-up approach aligned with S2 ► RFR + ILP	► Not commented	► RFR + ILP
OCI option for insurance finance income/expense	► Applied disaggregation approach	► OCI option activation to the liabilities balance sheet in VFA and BBA	► Changes in discount rates reported through OCI (non-VFA)	► Not commented	► Not commented

Accounting policies and methodological choices – IFRS 17 (cont’d)

	Legal & General	M&G	Manulife	Munich Re	NN Group
Measurement models (PAA, GMM, VFA)	▶ GMM for all business	▶ GMM for annuities and other insurance contracts ▶ VFA for “with-profits” (incl. PruFund) and unit-linked business	▶ Not commented	▶ GMM (30%) ▶ PAA (56%) – all P&C ▶ VFA (14%)	▶ PAA for P&C ▶ GMM for traditional life ▶ VFA for unit linked
Discount rate curve	▶ Top-down approach starting from an appropriate asset portfolio with economic deductions	▶ Top-down approach for GMM ▶ Bottom-up approach (risk free + illiquidity premium) for VFA	▶ Not commented	▶ Bottom-up approach in accordance with Solvency II parameters	▶ Methodology similar to SII ▶ Parameters used for IFRS 17: last liquid point at 30y, long-term forward rate at 3.35%, ILP derived from own assets
OCI option for insurance finance income/expense	▶ Intend to use OCI for vast majority of liabilities within its protection business	▶ Not commented	▶ Interest rate impacts and hedge ineffectiveness recorded in OCI and CSM	▶ Separation of the effect of changes in discount rates between income statement and OCI	▶ Applied disaggregation approach

Accounting policies and methodological choices – IFRS 17 (cont'd)

	Sampo Group	Storebrand	Sun Life	Talanx	Zurich
Measurement models (PAA, GMM, VFA)	▶ PAA for P&C ▶ GMM and VFA for life liabilities	▶ GMM for long-term non-participating business ▶ VFA for long-term participating business ▶ PAA for short-term business such as P&C and Health	▶ Not commented	▶ GMM for long-term business (~60%) ▶ PAA for short-term business (~35%) ▶ VFA long-term direct participating business (~5%)	▶ PAA for P&C ▶ BBA (GMM)/VFA for life insurance
Discount rate curve	▶ Bottom-up approach ▶ RFR + ILP	▶ S2-like discount rate applied	▶ Not commented	▶ Bottom-up approach ▶ RFR + ILP	▶ Bottom-up approach ▶ RFR + ILP (Illiquidity premium not applied for onerous contracts)
OCI option for insurance finance income/expense	▶ Not commented	▶ Not commented	▶ Not commented	▶ Changes in discount rate to be recorded in OCI	▶ Applied disaggregation approach incl. for RA

Accounting policies and methodological choices – IFRS 17 (cont'd)

	a.s.r.	Admiral Group PLC	Ageas	Allianz	Aviva
Risk adjustment information	▶ Risk adjustment ~~is~~ discounted including liability illiquidity premium (LIP)	▶ Confidence level approach, corridor around 90th percentile	▶ Confidence level method at 75th percentile (both for life/non-life)	▶ Assumptions broadly consistent with SII risk margin	▶ Leverages Solvency II view of risk but allows for diversification and considers lifetime (vs. one year) view
Non-attributable expenses	▶ Not commented	▶ Not commented	▶ Full cost view, allocating non-attributable costs both in life & P&C	▶ Not commented	▶ More than 90% of Solvency II maintenance expenses are directly attributable
Transition method	▶ Full retrospective approach– Funeral (Life) ▶ Fair value approach– Life and pensions ▶ Partly retrospective and partly fair value approach – Disability (non-life)	▶ Not commented	▶ Full retrospective approach for several years in both life and non-life ▶ Early years: life majority fair value approach; non-life majority modified retrospective approach	▶ For L&H, retrospective approach for ca 75% (25% FVA)	▶ FRA from 1 January 2016 (~35%) ▶ Extensive use of FVA for heritage, annuity and protection prior to 2016 (~ 55%), ▶ Limited use of MRA (~10%)

Accounting policies and methodological choices – IFRS 17 (cont'd)

	AXA	CNP Assurances	Generali	Great-West Lifeco	HISCOX
Risk adjustment information	► Percentile approach based on 62.5th-67.5th percentile	► Quantile approach based on 80% confidence level	► Percentile approach: 75th percentile	► Not commented	► Value at risk (percentile) and scenario (sensitivities on a range of outcomes) approach
Non-attributable expenses	► On L&H, ca 5% of non-attributable expenses indicated by AXA	► Most of the administrative expenses now included in the insurance service result as they represent attributable costs	► Not commented	► Not commented	► Excluded from CoR in line with insurance service result
Transition method	► For L&S, retrospective approach for ca 80% (20% FVA to manage risk of onerous contracts)	► FVA for the majority of contracts within the scope inspired by the mandarine valuation covering more than 70% of the CSM ► FRA for 2021 term creditor insurance cohorts ► MRA for the BPCE term creditor insurance portfolio and certain Brazilian portfolios	► Retrospective approach (~95%) ► Fair value approach (~5%)	► Not commented	► Full retrospective approach

Accounting policies and methodological choices – IFRS 17 (cont'd)

	Legal & General	M&G	Manulife	Munich Re	NN Group
Risk adjustment information	► Value at risk (VaR) method used to derive the overall non-financial risk	► Confidence level approach	► Not commented	► Cost-of-capital approach based on Solvency II risk capital	► Consistent with SII, with a lower cost of capital (4% vs. 6% under S2) ► IFRS 17 risk adjustment <S2 risk margin
Non-attributable expenses	► Not included within IFRS 17 insurance liabilities; recognized as incurred in P&L	► Not commented	► Not commented	► Not commented	► Not commented
Transition method	► ~55% of the CSM calculated using the modified retrospective approach ► ~35% using the fair value ► ~10% using the fully retrospective approach	► More than 50% of business to use the FVA, ~40% the MRA and ~10% the FRA	► Not commented	► Full retrospective approach (~10%) ► Fair value approach (~40%) ► Modified retrospective approach (~50%)	Extensive use of the FVA: ► Retrospective where possible or necessary (e.g., international) ► FVA where historical information is not sufficient

Accounting policies and methodological choices – IFRS 17 (cont'd)

	Sampo Group	Storebrand	Sun Life	Talanx	Zurich
Risk adjustment information	▸ Confidence level approach	▸ No specific comment	▸ Not commented	▸ Percentile approach in primary insurance (65%–75%) ▸ Pricing margin approach in reinsurance (non-financial risk loadings in premium)	▸ Percentile approach, based on SST target level of >160%, with a periodical review of cost of capital
Non-attributable expenses	▸ Not commented	▸ Not commented	▸ Not commented	▸ Not commented	▸ Not commented
Transition method	▸ Full retrospective approach to be applied in the Group's non-life companies whereas all transition methods are expected to be applied in the Group's life company	▸ Not commented	▸ Not commented	▸ FVA where FRA/MRA not applicable ▸ FVA used for insurance liabilities before 2016 due to lack of detailed yield curve data	▸ For L&H, 80% of CSM based on retrospective approach, 20% on FVA ▸ Discount rates 2021 used for pre 2016 P&C LIC ▸ No restatement of 2022 numbers under IFRS 9

Accounting policies and methodological choices – IFRS 9

	a.s.r.	Admiral Group PLC[1]	Ageas	Allianz	Aviva
Listed equity investments	► Not commented	► Largely FVOCI	► Largely FVOCI	► FVOCI without P&L recycling	► No measurement differences expected on adoption of IFRS 9 ► IFRS 9 does not recognize future profits for Wealth business ► Retain current approach and report fair value movements on assets backing insurance business in P&L
Investment funds and private equity	► Not commented	► FVPL	► FVPL	► FVPL	
Vanilla fixed income	► Not commented	► FVOCI	► FVOCI	► FVOCI with P&L recycling	
Real estate	► Not commented	► Amortized cost	► Amortized cost	► Mostly at FVPL	
ECL	► Not commented	► ECL not material	► Not material as major portion of portfolio (97%) is investment grade	► Not commented	

1) IFRS 9 already adopted

Accounting policies and methodological choices – IFRS 9 (cont'd)

	AXA	CNP Assurances	Generali	Great-West Lifeco	HISCOX
Listed equity investments	► FVOCI without P&L recycling	► FVOCI	► Equities not backing variable fee approach (VFA) at FVOCI w/o recycling	► Not commented	Mark-to-market investments at fair value through profit and loss
Investment funds and Private Equity	► FVPL	► FVPL	► FVPL	► Not commented	
Vanilla fixed income	► HTCS	► FVOCI or amortized cost	► FVOCI	► Not commented	
Real estate	► Amortized cost	► Amortized cost or FVPL	► Real estate backing VFA business at FVPL (83%) ► At cost (17%)	► Not commented	
ECL	► Not expected to be material	► At the transition, expected ECL for approx. €500m	► Limited impact from recognition of ECL reflecting portfolio credit quality	► Not commented	Not commented

Accounting policies and methodological choices – IFRS 9 (cont'd)

	Legal & General	M&G	Manulife	Munich Re	NN Group
Listed equity investments	L&G's statement that assets to be classified based on their characteristics and the business model Annuities: A portion of annuity assets, broadly backing the CSM, classified as amortized cost Protection: All assets backing the protection business classified as either fair value through OCI or amortized cost	► Not commented	► Not commented	► FVPL	► FVOCI without P&L recycling
Investment funds and Private Equity		► Not commented	► Not commented	► FVPL	► FVPL
Vanilla fixed income		► Not commented	► Not commented	► FVOCI (SPPI-passed) ► FVPL (SPPI-failed)	► HTCS (low volume that fails SPPI test)
Real estate		► Not commented	► Not commented	► Amortized costs (non-VFA) ► FVPL (VFA)	► Not commented
ECL	► Not commented	► Not commented	► Not commented	► ECL at transition to be small given the high portfolio quality	► Not expected to be significant

Accounting policies and methodological choices – IFRS 9 (cont'd)

<table>
<tr><th></th><th>Sampo Group</th><th>Storebrand</th><th>Sun Life</th><th>Talanx</th><th>Zurich</th></tr>
<tr><td>Listed equity investments</td><td rowspan="4">▸ Following the implementation of IFRS 9, Sampo to mark financial assets to market though the P&L instead of in OCI
▸ Only a minor amount of assets to be held at amortized cost</td><td rowspan="4">▸ Amortized cost portfolio to be recognized as “hold to collect and sell"
▸ Under IFRS 9</td><td>▸ Not commented</td><td>▸ FVOCI</td><td>▸ FVPL</td></tr>
<tr><td>Investment funds and Private Equity</td><td>▸ Not commented</td><td>▸ FVPL</td><td>▸ FVPL</td></tr>
<tr><td>Vanilla fixed income</td><td>▸ Not commented</td><td>▸ FVOCI</td><td>▸ HTCS (low volume that fails SPPI test)</td></tr>
<tr><td>Real estate</td><td>▸ Not commented</td><td>▸ FVPL</td><td>▸ Not commented</td></tr>
<tr><td>ECL</td><td>▸ Effect expected to be minor</td><td>▸ Not commented</td><td>▸ Not commented</td><td>▸ Quarterly impairment test</td><td>▸ Not expected to be material</td></tr>
</table>

3 Appendix

Glossary

Abb.	Full expression
CSM	Contractual Service Margin
ECL	Expected Credit Loss
FVPL	Fair Value through Profit & Loss
GMM	General Measurement Model
GOC	Group of Contracts
HTCS	Held to collect and sell
IFRS	International Financial Reporting Standard
ILP	Illiquidity Premium
L&H	Life & Health
LICAT	Life Insurance Capital Adequacy Test
L&S	Life & Savings
NAE	Non Attributable Expenses
NBV	New Business Value

Abb.	Full expression
OBS	Opening Balance Sheet (1/1/22)
OCI	Other Comprehensive Income
FVOCI	Fair Value through Other Comprehensive Income
PAA	Premium Allocation Approach
P&C	Property & Casualty
PfAD	Provisions for Adverse Deviation
PVEP	Present Value of Expected Premiums
RFR	Risk Free Rate
RA	Risk Adjustment
ROE	Return on Equity
SHE	Shareholders' equity
VFA	Variable Fee Approach

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ED None

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