



Prudential Communication 7 of 2023

Insurance Act, 2017 (Act No. 18 of 2017)

Completion of Quantitative Reporting Templates following the implementation of International Financial Reporting Standard 17

Objective of this Prudential Communication

This communication provides clarification on the completion of the Quantitative Reporting Templates (QRTs) following the implementation of International Financial Reporting Standard 17 Insurance Contracts (IFRS 17), which replaced International Financial Reporting Standard 4 Insurance Contracts (IFRS 4).

1. Application

- 1.1 This Prudential Communication is applicable to all licensed insurers as defined in the Insurance Act, 2017 (Act No. 18 of 2017) and supervised by the Prudential Authority (PA).

2. Purpose

- 2.1 The purpose of this Prudential Communication is to provide clarity on the completion of the IFRS affected items in the Quantitative Reporting Templates (QRTs), following the implementation of IFRS 17.

3. Introduction

- 3.1 The implementation of IFRS 17 on 1 January 2023 represents a significant shift from the approach and underlying assumptions governing the recognition, measurement, presentation and disclosure of insurance contracts in comparison to IFRS 4.
- 3.2 The PA notes that the current version of the QRTs are not aligned to IFRS 17 requirements, as this version of the QRTs were designed in accordance with the requirements of IFRS 4 which was the applicable accounting standard at the time. This Prudential Communication provides interim guidance to licensed insurers in completing the current version of the QRTs whilst the PA considers potential amendments to the current version of the QRTs in accordance with the requirements of IFRS 17.

3.3 In addition, the PA notifies licensed insurers that the current version of the QRTs will not be amended in accordance with IFRS17 requirements in 2023. Potential changes to the QRTs will be considered by the PA for implementation with effect from January 2024 and will be communicated to insurers in advance of implementation.

4. Guidance on the completion of Quantitative Reporting Templates

4.1 Insurers that have adopted IFRS 17 must note the following when completing the QRTs for 2023:

- The first quarterly/bi-annual/annual QRT submission following the implementation of IFRS 17, the “Current quarter/half-year/year” IFRS entries must be based on IFRS 17. “Previous quarter/half-year/year” IFRS entries must be based on IFRS 4 i.e., no restatement of comparative information on the IFRS basis is required.
- Subsequent quarterly/bi-annual/annual QRT reporting, all IFRS entries must be based on IFRS 17.

4.1.2 The terms “written premiums”, “earned premiums” and “unearned premiums” as referenced in the QRTs, and any other term where the interpretation of such term may be affected by the implementation of IFRS 17, should be interpreted independently of IFRS 17, i.e., in the same manner in which these terms would have been interpreted prior to the implementation of IFRS 17.

4.1.3 Statement of Assets, Liabilities and Basic Own Funds (IFRS basis):

- Deferred Acquisition Costs (DAC) - insurers are not required to disclose/present DAC separately but should apply IFRS 17 principles on the DAC treatment i.e., the DAC should be included in insurance contract fulfilment cash flows and therefore reflected in the overall insurance contract liability.
- Technical Provisions - disclosure/presentation of the gross technical provision (Liability for incurred Claims and/or Liability for Remaining Coverage) amount is required for the IFRS basis. The breakdown thereof into the various components is not required.
- Liability for Remaining Coverage (LRC) - where the LRC is an asset, the balance of the asset should be reported within the “Other Assets” line and a note in the comment section should be added to disclose what portion of other assets relates to the LRC.

4.1.4 Assumptions made by insurers to enable IFRS 17 reporting in the QRTs must be supported by detailed explanations of the basis of such assumptions in the comment sections of the QRTs.

5. Enquiries

5.1 Queries relating to this Prudential Communication should be directed to IFRS17@resbank.co.za.

Fundi Tshazibana
Chief Executive Officer

Date: