
IASB Abacus Research Forum 2024
University of Sydney

Hybrid Financial Instruments: An
International Examination from the
IFRS 17 and Solvency II Perspective

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Overview of comments

- Overall context
- Comments on paper
- IFRS 17 PIR

IFRS 17 overview



**More useful and
transparent information**



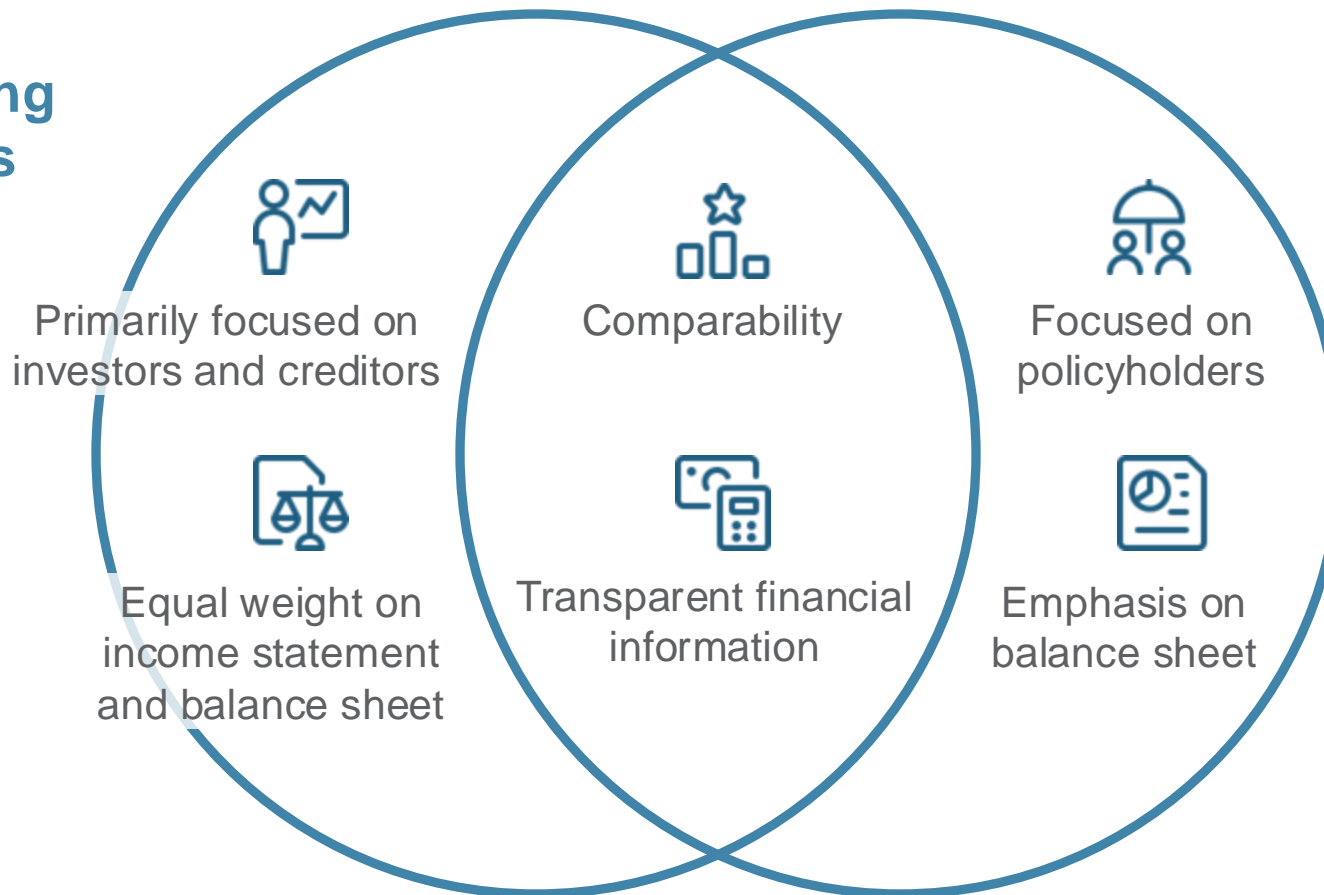
**Better information
about profitability**

- Requires **consistent accounting** for all insurance contracts
- Based on a **current measurement** model
- Provides useful information about the **profitability** of insurance contracts
- Presents **comparable** data across companies
- Assists investors to fulfil **stewardship** responsibilities

- Objectives of Accounting and Regulatory Standards

Accounting standards

Regulatory standards



Comments on paper

- Agree with the general conclusion that Solvency II is likely to have had a greater influence on the financial instruments issued by insurers
- Expand on the effects of the concurrent application of IFRS 9 for the first time, combined effect of IFRS 9 and IFRS 17 is what matters
- Control group of non-IFRS adopters
 - Not accurate to include China as a non-IFRS adopter, China's national standards are substantially converged with IFRS Standards, including IFRS 17
 - Control group dominated by US companies. Does that distort the analysis?

Objectives of a Post-implementation Review

1 Assess whether Standard has improved financial reporting (without disproportionate cost)

- Is the Standard working as intended?
- Are there any significant unexpected effects?
- Are the requirements capable of being applied consistently?

2 Identify any lessons to improve the standard-setting process

- For example, are there any learnings for when Board develops disclosure or transition requirements?



Not a redeliberation of the Standard—consider new information from its use

Approach to research



Research helpful if it provides evidence to assess whether outcomes in line with expectations



IFRS 17 affected insurers globally, but in different ways depending on the previous requirements in their jurisdictions



Review of

- Financial statements
- Investor and analyst reports
- Publications of accounting firms
- Academic literature



Interview of

- Preparers and practitioners
- Investors and analysts

IFRS 17 Effects Analysis



Benefits: Improved and more comparable financial information



Costs: Implementation and ongoing costs, and key cost reliefs



Effects on financial statements

- Balance sheet
- Income statement
- Note disclosures
- Key financial metrics



Other effects

- Interaction with IFRS 9
- Interaction with regulatory frameworks
- Effects on the insurance market

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