

INSURANCE – GENERAL – IFRS17

IFRS17 implementation in Qatar

Insurers in Qatar have been making progress in adopting IFRS17. While some insurers may have the resources needed to implement the new standard, others will need to overcome data collection issues.

By Nadhir Mokhtar

Insurers in Qatar have been preparing for IFRS17, optimising their systems and process to keep up with the new standard. A few insurers in Qatar have recently implemented IFRS17 in their financial disclosures following a transition period last year.

According to the QFC Regulatory Authority (QFCRA), IFRS17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. The QFCRA said that for the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Implementation in financial disclosures

In May, QIC announced in its release of 1Q2023 financial performance results that it had successfully implemented IFRS17 for its consolidated financial statements in accordance with the guidelines of the Qatar Central Bank and the IASB.

“In line with the global insurance reporting standards, QIC group and its subsidiaries successfully adopted the new IFRS17 accounting standard during 1Q2023, which will be a major transformation for the entire insurance industry. We are the first insurance company in the region to report its consolidated financial statements in IFRS17,” said QIC group CEO Salem Al Mannai in a statement following the results.

QIC said IFRS17 which is a

principle-based standard, is a major departure from current insurance accounting practice and involves measuring insurance liabilities based on expected cash flows adjusted for the compensation an insurer requires for bearing uncertainty about the amount and timing of these cash flows as it fulfils the contract.

Likewise, insurer QLM which also announced its 1Q2023 results in May said that it had successfully implemented IFRS17 in its consolidated financial statements according to news report by the Gulf Times.

QLM had previously set up a group implementation team sponsored by the head of finance, comprising senior management from finance, risk, operations and investment operations to evaluate the effects of adopting IFRS17.

Progress behind the scenes

To find out how insurers in Qatar are progressing with IFRS17, *Middle East Insurance Review* spoke to SAM Corporate co-founder and managing director Sunil Kumar for insights.

“With early design confirmations coming from regulators, the industry is preparing for the adoption of IFRS17 beginning January 2023. Some insurers have started preparations in terms of underlying data, which remains the most contentious issue in IFRS17 preparations, ramping up internal and outsources actuaries’ teams, hunting around for software and solutions for IFRS17,” said Dr

Kumar.

Insurers also face challenges trying to find relevant data in insurance contracts when adopting IFRS17, especially if such data was not collected in retrospect.

“The most difficult part of IFRS17 implementation comes from desperate sources of insurance core data. Moreover, many of the data points are not captured at the time of contract initiation and recording in the books and this leads to issues while preparing the data for IFRS17.

“Then there are cumulated and bulk data booking which in many cases cannot be easily split/allocated among underlying contracts, creating a bottleneck for contract wise calculation of IFRS17 values. The second challenge is availability of qualified and experienced resources to handle IFRS17 projects end to end,” he said.

More support needed

While insurers like QIC and QLM might have claimed success in implementing IFRS17, other insurers may need more support, training and resources to keep up with the changes.

“First, (insurers need) a team of experts who can design, handhold, train and manage the entire IFRS17 projects. Second, a solution which is simple and flexible enough to allow seamless loading of IFRS17 underlying data, do accurate calculations and provide compliant reports.

“Third, an independent actuary who can validate the numbers produced by solution and in-house team. Finally, a strong technology team with deep understanding of insurance data set to provide the data quickly and correctly for IFRS17 projects,” said Dr Kumar. ■



Dr Sunil Kumar