



TURKS AND CAICOS ISLANDS FINANCIAL SERVICES COMMISSION

Regulating with Honesty, Integrity and Transparency

24th November 2021

REGULATORY ADVISORY NO. 3 OF 2021 IFRS 17 PREPAREDNESS QUESTIONNAIRE AND PROGRESS REPORT

1.0 Introduction

Pursuant to section 8(6) of the Insurance Ordinance, every licensed insurer, excluding producer owned reinsurance companies, shall prepare annual accounts in accordance with generally accepted accounting principles acceptable to the Commission and audited by an independent auditor.

Insurers using International Financial Reporting Standards (“IFRS”) as the basis for the preparation of their audited financial statements should be aware that IFRS 17, the standard on Insurance Contracts, replaces IFRS 4 and is due to come into effect for reporting periods commencing on or after 1st January 2023. Additionally, insurers were allowed to delay the implementation of IFRS 9 (Financial Instruments) to coincide with the effective date for IFRS 17. The Commission recognises that IFRS 17 represents one of the most significant changes to insurance accounting requirements in decades, and its implementation will require the overhaul of an insurer’s financial statement. IFRS 17 sets out principles-based requirements that aim to improve the comparability of the measurement and presentation of insurance contracts across entities applying IFRS. Further, the impact of IFRS 17 will be felt by many stakeholders, not just preparers of financial statements, including those charged with the governance of insurance companies, investors, regulators, analysts and auditors.

To assist and support their transition to IFRS 17, the Commission has introduced an IFRS 17 Preparedness Questionnaire for insurers that have elected to prepare their annual accounts in accordance with IFRS. The Commission requires these insurers to submit the completed questionnaire, along with a report outlining the progress made in preparation for, or transition to, IFRS 17. This Regulatory Advisory sets out the Commission’s expectations with respect to the contents of the progress report.

Reference to insurers in the remainder of the Advisory applies to insurers that have elected to prepare their annual accounts in accordance with IFRS.

2.0 Timing and Frequency of Reporting

Insurers are expected to submit IFRS 17 Implementation Progress Reports to the Commission. These reports should detail the status of the project and any material decisions made. These progress reports are to be submitted on or before:

- i) 31st January 2022, and
- ii) 31st July 2022

3.0 Submissions

- i) One electronic copy of the progress report detailing information under section 4 below.
- ii) The IFRS 17 Preparedness Questionnaire (Appendix A).



4.0 Scope of Progress Reports

The Progress Reports should include the following:

- i) Description of the project structure, resources, governance and timeline, including the role of the Board or CEO, project sponsor, key project team members (internal and external) and accountabilities.
- ii) Assessment of whether resources are sufficient to meet project deliverables.

5.0 Progress Status

The Commission expects insurers to provide updates on any major changes or risks to the IFRS 17 project plan.

- 1.1. Insurers should indicate the status of key milestones of the project plan ie indicate if the project is on schedule, ahead of schedule or behind schedule. If behind schedule, indicate the steps being taken to bring the project back on schedule.
- 1.2. When evaluating project status, insurers should:
 - i) Conduct a qualitative assessment of IFRS 17/IFRS 4 differences (e.g., impact on policyholder liability, retained earnings, regulatory capital, etc).
 - ii) Identify issues and solutions in applying IFRS 17 where a decision has been made and where a decision has not been made, and the major factors relevant to the decision and the timeline for implementing that decision.
 - iii) Describe possible choices, actions, elections or policies (accounting or actuarial) being considered and applicable criteria when making a decision.
 - iv) Where a decision has been made and it is possible to estimate its impact, provide a preliminary estimate of the range of quantitative impacts for each financial statement item affected by the choice and the potential impact on capital levels. If it is not yet possible to estimate its impact, describe the timeline and process for completing that estimate.

6.0 Significant Accounting Impact

Insurers should provide a summary of the significant changes caused by the difference between IFRS 4 and IFRS 17 in accounting policy options affecting the insurer's financial statements, including:

- i) Level of Aggregation
- ii) Estimate of Future Cash Flows
- iii) Discount Rates
- iv) Risk Adjustment
- v) Contractual Service Margin
- vi) Embedded Guarantees
- vii) Accounting for Financial Guarantee Contracts
- viii) Deferred Acquisition Costs
- ix) Premium Allocation Approach Measurement
- x) Contracts with Direct Participation Features
- xi) Transition



Guidance on IFRS 17 Preparedness Questionnaire and Progress Report

The progress report should comment on the above and on any other items that have a significant impact on the insurer's financial statement balances (mainly on the Statement of Financial Position), recognition, classification, measurement, presentation, or disclosure. Each report should provide the status and progress towards decisions made.

7.0 Operational Preparedness

Insurers should update their assessment of the IFRS 17 impact on:

- i) Preparation of regulatory returns;
- ii) Changes required to systems, if any;
- iii) Training designed and delivered to staff; and
- iv) Any other items impacting the project.

8.0 Reporting of the Information

Required information that has been reported in a previous progress report and that remains unchanged from one reporting period to the next need not be repeated. Where no changes have occurred, the insurer should indicate that the information in question is unchanged from the previous report.

The Commission expects insurers to engage their senior management in the IFRS 17 work plan. Senior management should review and approve all material elements of the information provided to the Commission. Information provided to the Commission by insurers is considered confidential and will be treated in the strictest confidence.

On submission of the questionnaire and progress report, the Commission will advise where further information is required.

Please be advised and guided accordingly.

Niguel Streete
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