

Appendix 5 : Table 6 : Impact on equity

Long-term insurance contracts
↑ Factors that are expected to increase reported equity
Acquisition costs are currently expensed as incurred.
Fees for insurance contracts with participation features are currently based on account balances and recognised when deducted, or when discretionary payments to policyholders are declared.
Insurance contracts are currently measured using historical interest rates that are lower than market rates when first applying IFRS 17.
Risk margins currently used are higher than risk adjustments used to apply IFRS 17.
↓ Factors that are expected to decrease reported equity
Profits are currently recognised at contract inception.
Aggregation of onerous and profitable contracts is currently permitted.
Discount rates are currently based on assets backing insurance contract liabilities. ^{a2}
Value of guaranteed rates (ie both time value and intrinsic value) is currently not fully included in the measurement of insurance contract liabilities.
Insurance contracts are currently measured using historical interest rates that are higher than market rates when first applying IFRS 17.
Risk margins currently used are lower than risk adjustments used to apply IFRS 17.

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¹ IASB, May 2017 (effect analysis pp.79)