

# SLFRS 17 – INVESTOR PERSPECTIVE

Softlogic Life Insurance PLC will adopt SLFRS 17 – Insurance Contracts with effect from 1 January 2026, replacing SLFRS 4. Comparative information for 2025 will be restated in the 2026 financial statements in accordance with the transition requirements of the Standard.

SLFRS 17 introduces a globally consistent framework that aligns reported earnings more closely with the delivery of insurance services and enhances transparency and comparability across the insurance industry. While the Standard changes the timing and presentation of earnings, it does not affect the underlying economics, cash flows or long-term profitability of the Group.

## 1. Reflecting on the Economics of Long-Term Insurance

Life insurance creates value over many years. Under SLFRS 17, expected future profits from insurance contracts are recognised over the coverage period through the Contractual Service Margin (CSM), representing unearned profit from the in-force portfolio. Earnings are therefore recognised in line with the provision of services. Growth in profitable new business increases the CSM, providing greater visibility into future earnings potential and sustainable value creation.

## 2. A Clearer View of Performance

SLFRS 17 enhances performance reporting by separating operating results from market-driven effects:

- Insurance service result – reflecting the underlying profitability of insurance operations, including CSM release and experience variances
- Insurance finance income or expense – reflecting the impact of changes in financial assumptions such as discount rates

The Group has elected to present the impact of changes in discount rates for applicable contracts in Other Comprehensive Income (OCI) to reduce volatility in profit or loss.

Insurance revenue represents services provided during the period rather than premiums received and therefore may not be directly comparable with historical premium trends.

## 3. Expected Financial Effects

The adoption of SLFRS 17 is expected to result in:

- An adjustment to opening equity at transition (1 January 2025) reflecting the updated measurement of insurance liabilities and recognition of the CSM under the fair value approach where full retrospective application is impracticable
- A more stable earnings profile over time due to the systematic release of CSM
- Changes in reported revenue patterns reflecting the service-based revenue model
- Potential changes in performance metrics, including Return on Equity (ROE), due to the revised equity base and profit recognition pattern

These changes are accounting-related and do not affect the underlying cash generation, capital strength or economic value of the business.

## 4. Enhanced Investor Insights

SLFRS 17 provides investors with improved transparency through:

- Visibility of future profitability via the CSM
- A clear distinction between core operating performance and market movements
- Improved comparability with regional and global insurance peers
- Enhanced disclosures on assumptions, risks and profitability drivers

Management will provide additional disclosures and investor communication during the transition period to support understanding of the new performance metrics.

# SLFRS 17 – INVESTOR PERSPECTIVE

A high level impact assessment on SLFRS 17 for Softlogic Life Insurance PLC is provided below.

Expected SLFRS 17 implementation impact assessment on Financial Statements & Impact to CSM

## Expected Impact on Financial Statements

-  High impact (fundamental change in measurement & profit emergence)
-  Moderate impact (measurement changes, timing differences)
-  Low / Presentation change only
-  No significant impact expected

## Conceptual CSM Impact

-  Direct
-  Indirect
-  No Impact

## Statement of Financial Position (Balance Sheet)

Line Item	Line item under SLFRS 17	2024 (Mn)	Category	Impact summary	Expected Impact
Intangible assets	Intangible assets	4	Assets	Outside SLFRS 17 scope	
Property, plant and equipment	Property, plant and equipment	689	Assets	Outside SLFRS 17 scope	
Right of use assets	Right of use assets	1,194	Assets	Outside SLFRS 17 scope	
Deferred Tax	Deferred Tax	468	Assets	Arises from temporary differences resulting from the remeasurement of ICL and the recognition of the CSM	
Financial Investments	Financial Investments	43,938	Assets	Outside SLFRS 17 scope	
Premiums receivables	Insurance Contract Liabilities	2,905	Assets	Eliminated and included within fulfilment cash flows under ICL	
Loans to life policyholders	Insurance Contract Liabilities	350	Assets	Eliminated and included within fulfilment cash flows under ICL	
Reinsurance Receivables	Reinsurance contract asset	518	Assets	Recognised as a reinsurance contract asset measured separately, including its own CSM component	
Receivables and other assets	Other Receivables	1,658	Assets	Outside SLFRS 17 scope	
Cash and cash equivalents	Cash and cash equivalents	1,870	Assets	Outside SLFRS 17 scope	
Stated Capital	Stated Capital	1,062	Equity	Outside SLFRS 17 scope	
Equity (reserves/retained earnings)	Equity	9,293	Equity	Opening retained earnings adjustment on transition	
Insurance Contract Liabilities (ICL)	Insurance Contract Liabilities	33,290	Liabilities	Replaced by the sum of Fulfilment Cash Flows, Risk Adjustment, and the CSM	
Employee benefit liabilities	Employee benefit liabilities	372	Liabilities	Outside SLFRS 17 scope	
Loans and borrowings	Loans and borrowings	3,016	Liabilities	Outside SLFRS 17 scope	
Reinsurance Payables	Reinsurance Contract Liabilities	754	Liabilities	Recognised as a reinsurance contract asset measured separately, including its own CSM component	
Income tax liabilities	Income tax liabilities	980	Liabilities	Arises from transition adjustments	
Other Liabilities - Directly attributable	Insurance Contract Liabilities	4,459	Liabilities	Eliminated and included within fulfilment cash flows under ICL	
Other Liabilities - Non Directly attributable	Other Liabilities		Liabilities	Outside SLFRS 17 scope	
Bank overdraft	Other Liabilities	368	Liabilities	Outside SLFRS 17 scope	

## Statement of Income (P&L)

Line Item	New line item under SLFRS 17	2024 (Mn)	Explanation	Expected Impact	Conceptual impact on the CSM
Gross Written Premium (GWP)	Considered under Insurance Contract Liability (LRC)	31,573	Replaced by insurance revenue recognised as coverage is provided, with movements reflected in the LRC.		
Premiums ceded to reinsurers	Net income/(expense) from reinsurance contracts held	(2,510)	Recognised separately as reinsurance contracts held, with a separate reinsurance result presented within (or alongside) the Insurance Service Result.		
Investment Income	Insurance finance income/expense	9,374	Replaced (in the insurance result) by insurance finance income/expenses, presented separately from the Insurance Service Result. Investment returns on assets continue to be presented as investment income under SLFRS 9/LKAS 1		
	Insurance finance income / (expense) from insurance contracts	-	Represents the effect of the time value of money and financial risks on insurance contract liabilities, including the unwinding of discount and the impact of changes in discount rates. Presented separately from the Insurance Service Result to distinguish underwriting performance from financing effects. Depending on the accounting policy election, part of this amount may be recognised in OCI.		
Other operating income	Other income	7	Directly recognised in profit or loss		
Net insurance benefits and claims paid	Included within insurance service expenses (incurred claims) / LIC movement	(14,188)	Replaced by incurred claims and other insurance service expenses recognised in the period; claim payments are reflected through movements in the LIC.		
Net change in insurance claims outstanding	Reclassified to LIC movement	(62)	Reclassified as movements within the LIC.		
Change in Insurance contract liabilities	Replaced by CSM release, risk adjustment release and fulfilment cash flow movements	(5,271)	Replaced by the release of the CSM and Risk Adjustment for services provided, and by insurance service expenses reflecting fulfilment cash flows relating to current-period incurred claims and expenses.		
Underwriting and net acquisition cost	Deferred as insurance acquisition cash flows and recognised over the coverage period	(5,790)	Insurance acquisition cash flows are deferred (typically through the CSM/LRC) and recognised over the coverage period		
Other expenses - Directly attributable acquisition	Included in insurance acquisition cash flows (CSM)	(6,801)	Fulfilment costs (servicing), are considered under fulfilment cash flows and flow through insurance service expenses when incurred.		
Other expenses - Directly attributable maintenance	Included in insurance service expenses (fulfilment cash flows)		Recognised as insurance service expenses in the period (and reflected in fulfilment cash flows), rather than presented as a separate operating expense line. Claims handling costs are recognised within the LIC as part of incurred claims and related claims handling costs.		
Other expenses - Non directly attributable	Other operating expenses / finance costs		Directly recognised in profit or loss		
Profit Before Tax	No structural change	6,332	Profit recognition is smoother over the coverage period due to the release of the CSM.		
Earnings per Share	No structural change	12.61	Due to the profit emergence pattern		

## SLFRS 17 – INVESTOR PERSPECTIVE

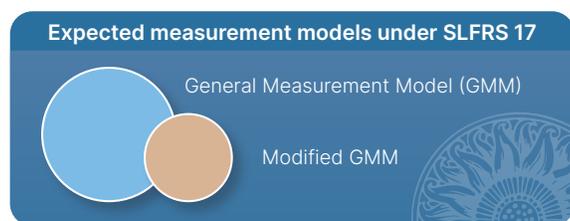
### Statement of Other Comprehensive Income (OCI)

Line Item	New line item under SLFRS 17	2024 (Mn)	Explanation	Expected Impact	Conceptual impact on the CSM
Investment related OCI adjustments	No change	1,329,489	No change. OCI relating to investment assets continues to be recognised in accordance with SLFRS 9.		
Insurance related OCI adjustments	Insurance finance income/expense from insurance contracts		Insurance finance income or expenses arising from insurance contracts may be presented partly in OCI, depending on the accounting policy election under SLFRS 17.		
Other OCI adjustments	No change		Other OCI components continue to be recognised in accordance with the applicable accounting standards.		

### Statement of Changes in Equity

Line Item	New line item under SLFRS 17	2024 (Mn)	Explanation	Expected Impact	Conceptual impact on the CSM
Retained earnings	No change	9,258	Opening retained earnings are adjusted at transition to reflect the cumulative impact of recognising the CSM, fulfilment cash flows, and risk adjustment under SLFRS 17.		
Fair value Reserves - Insurance	No change	-	No direct impact from SLFRS 17. Movements continue to follow the OCI treatment applicable to the underlying assets under SLFRS 9.		
Fair value Reserves - Investment	Insurance finance reserve	(938)	Reflects the OCI component of insurance finance income or expenses arising from discount rate changes when the OCI presentation option under SLFRS 17 is applied.		
Other Reserves	No change	971	Other reserves (e.g., revaluation reserve, statutory reserves, etc.) are generally not affected by SLFRS 17 adoption.		

## Expected profitability Impact



### Impact to CSM and profitability under General measurement model

● Increase ● Decrease ● Neutral

Impacting Factor	Explanation	Current Drivers of 2025 Outcome	CSM Impact	Profitability Impact
New business growth	100% of expected profit is recorded in the CSM, creating a reserve for future profits	39%	● Increase	● Increase
Updating Life Expectancy	The CSM is reduced to reflect higher expected future claim costs, thereby mitigating the impact on the current period profit or loss by utilising the existing profit buffer	77 Years	● Decrease	● Increase
Policy persistency	Higher persistency assumptions (lower lapse rates) increase expected future premiums and overall future profitability, resulting in an increase in the CSM.	86%	● Decrease	● Decrease
Operating Expenses	Higher expected future servicing costs result in a corresponding reduction of the CSM, thereby protecting the current year's Insurance Service Result.	17.2%	● Decrease	● Increase
Claims expenses	Incurred claims impact profit immediately, while expected future claims are deferred through the CSM to smooth earnings. Only the insurance risk component impacts profit.	37%	● Decrease	● Increase

### CSM and profitability impact for existing product/rider mix

● High ● Moderate ● Low

Product/Rider Mix	Business value creation	Contribution to CSM	Contribution to Profitability
Endowment	Long-duration contract with significant savings component. Fulfilment Cash Flows (FCF) are sensitive to discount rates and lapse assumptions. Typically priced with stable margins. Due to long coverage period and predictable margins, a substantial positive CSM is established at initial recognition and released systematically over coverage units	● High	● High
Group related	Typically short-term or annually repriced contracts. Short contract boundary limits present value of future profits, resulting in lower initial CSM. Faster release pattern due to short coverage period. Margins subject to competitive pricing pressure.	● Low	● Moderate
Universal Life	Profit arises from mortality, expense, and investment margin charges. The CSM reflects expected future fee margins and is continuously revalued to incorporate updated persistency and financial assumptions, ensuring that changes in the long-term profit outlook are absorbed by the CSM rather than creating immediate volatility in profit or loss.	● Moderate	● Moderate / ● High
Health riders	Health riders are typically "pure protection" products with no investment component, so almost the entire premium contributes directly to the insurance margin. Premiums are priced to cover volatile risks, creating residual profit that is recognised in the CSM at initial recognition.	● High	● High
Non health riders	Characterised by low-frequency, higher-severity risks and typically strong margins due to underwriting discipline. Premiums with limited additional acquisition costs enhance fulfilment cash flows. The release pattern is generally more stable compared to health riders.	● High	● High

### New KPI s under SLFRS 17 world for performance/profitability measures

KPI Category	Formula/Balance	SLFRS 17 Metric	SLFRS 4 Metric	SLFRS 17 Financial Statement reference
Top line growth	Reported insurance revenue	Insurance revenue	Gross written premium	Face of P&L
Future value creation	CSM from contracts initially recognised in the period	New business CSM	Value of new business	CSM Roll-forward Note
Core operating performance	Insurance Revenue - Insurance Service Expenses	Insurance Service Result (ISR)	Operating profit	Face of P&L
Efficiency	Attributable expenses / Insurance revenue	Operating Expense Ratio	Expense Ratio (Opex / GWP)	From P&L notes
Return on Capital	Net Profit / Total equity + Closing CSM	Return on Comprehensive Equity (ROCE)	Return on Equity (ROE) (Net Profit / Equity)	Face of P&L

# SLFRS 17 – INVESTOR PERSPECTIVE

## How to read Softlogic Life under SLFRS 17 and what's in it for Investors

Understanding our performance and value creation



#### 4.a. Key Metrics for Investors

The adoption of SLFRS 17 introduces new performance indicators that better reflect the long-term value creation of the life insurance business. While reported revenue and profit patterns will differ from previous periods, the following metrics provide a clearer view of underlying performance, future profitability and capital efficiency.

Matrix	What it represents:	How to interpret:	Investor insight:
Contractual Service Margin (CSM)	The CSM is the unearned profit from in-force insurance contracts that will be recognised over future periods as services are provided.	<ul style="list-style-type: none"> <li>• CSM balance – an indicator of future earnings potential</li> <li>• CSM growth – driven by profitable new business and favourable experience</li> <li>• CSM release – systematic recognition of profit into earnings over time</li> </ul>	<ul style="list-style-type: none"> <li>• Represents unearned profit from in-force contracts.</li> <li>• Growth in CSM reflects profitable new business and future earnings potential.</li> </ul>
Insurance Service Result	The primary measure of core operating performance, reflecting earnings from insurance services provided during the period. Components include: <ul style="list-style-type: none"> <li>• CSM release (earned profit)</li> <li>• Risk adjustment release</li> <li>• Experience variances (claims, persistency, expenses)</li> <li>• Losses or reversals on onerous contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Reflects the underlying profitability of operations</li> <li>• Provides a clearer view of performance independent of investment market movements</li> </ul>	Primary measure of operational performance under SLFRS 17
New Business Value Creation	Value generated from new policies written, reflected through the CSM generated from new business, shifting the focus from premium volume to profitability	<ul style="list-style-type: none"> <li>• Growth in new business CSM indicates profitable expansion</li> <li>• More emphasis and quality and profitability of sales rather than premium volume</li> </ul>	Highlights the long-term economic value created by current growth.
Insurance Finance Income or Expense	Captures the impact of changes in economic assumptions and should be viewed separately from operating performance.	<ul style="list-style-type: none"> <li>• May introduce periodic volatility due to interest rate movements</li> <li>• The Group presents the impact of discount rate changes for applicable contracts in OCI to reduce volatility in profit or loss.</li> </ul>	Separates economic market effects from underlying insurance performance.
Equity and Return on Equity (ROE)	<ul style="list-style-type: none"> <li>• Equity at transition reflects the updated measurement of insurance liabilities and recognition of the CSM.</li> <li>• Profit recognition is spread over time through CSM release.</li> </ul>	<ul style="list-style-type: none"> <li>• ROE levels may change due to the revised equity base and profit timing.</li> <li>• Trend analysis should focus on: <ul style="list-style-type: none"> <li>» Growth in insurance service result</li> <li>» CSM growth and coverage</li> <li>» Capital strength and solvency</li> <li>» Efficiency of value delivery</li> </ul> </li> </ul>	ROE should be assessed together with CSM growth to understand total value creation.

#### Key Message

SLFRS 17 does not change the underlying economics, cash flows or long-term profitability of the business. The new framework enhances transparency by aligning reported earnings with the delivery of insurance services and providing clearer visibility of future profitability through the CSM.



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EFFECTS ON THE STATEMENT OF FINANCIAL POSITION

EFFECTS ON THE STATEMENT OF COMPREHENSIVE INCOME



MEASUREMENT OF INSURANCE CONTRACTS

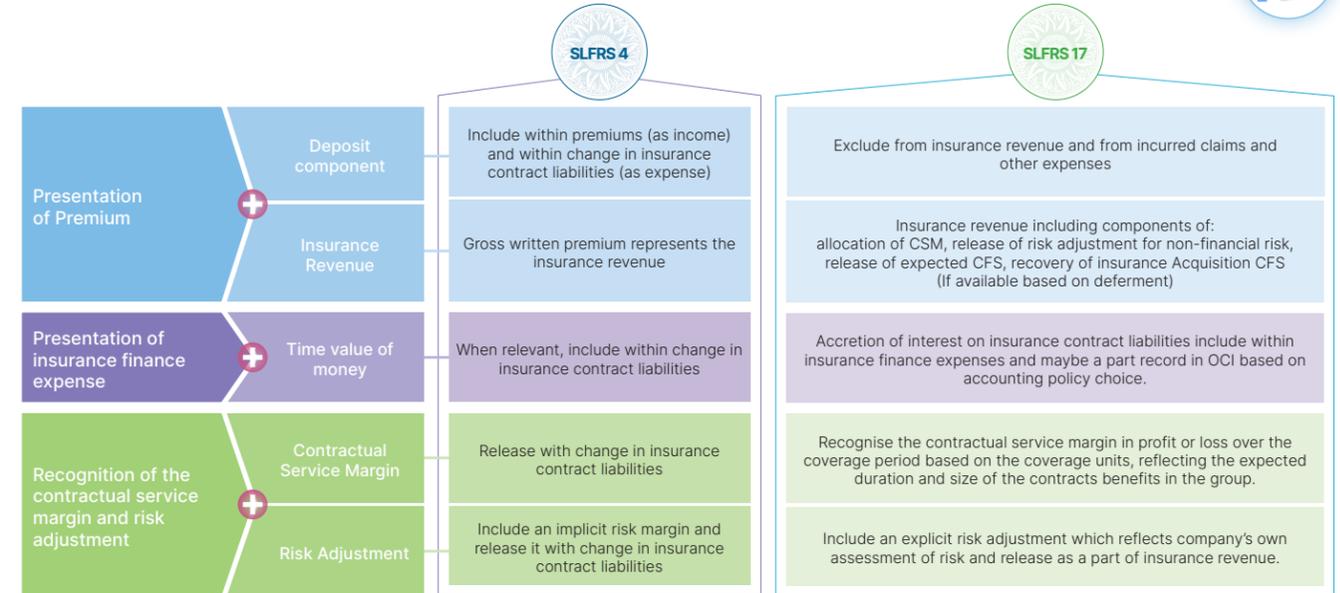
PRESENTATION OF INSURANCE CONTRACTS

SCENARIO		EXPECTED EFFECTS OF SLFRS 17	
		Insurance contract liabilities	Equity
Current or historical Assumptions	Currently used discount rate (i.e. historical rate)	Decrease	Increase
		Increase	Decrease
Risk Margins	Currently used Risk margin	Decrease	Increase
		Increase	Decrease
Financial options and guarantees	Current value of minimum interest rate guarantees	Increase	Decrease
		Low effect	Low effect
Acquisition Cost	Existing treatment on acquisition costs	Decrease	Increase
		Depends	Depends

General model (Building Block Approach - BBA)	Complex: requiring calculation of a Unearned Premium at a granular level at inception and tracked over life of the contract	Default approach for the measurement of insurance contracts
Premium allocation approach (PAA)	Simplified: similar to current accounting but with liability valuation based a model which is similar to discounting and risk margin	Generally, used for the contracts with duration of less than 12 months
Variable fee approach (VFA)	Similar to the general model, but with an obligation to pay policyholders an amount equal to the fair value of underlying items, less an insurer's fee which is variable.	Used for the contracts with direct participation features

Indicator	Caption	SLFRS 4	SLFRS 17	
◀ ▶	Insurance contract liabilities			
◀ ▶	Reinsurance contract assets	Present separately	Present separately	
✓	Insurance contract assets	Net with insurance contract liabilities	Present separately on the Statement of Financial Position	
✓	Reinsurance contract liabilities	Net with reinsurance contract assets		
X	Deferred acquisition costs	Present separately	Include under Insurance contract liabilities and provide a reconciliation from the opening to closing balances of insurance acquisition cash flows (CFS) as a disclosure note.	
	Value of business acquired			Include in the measurement of insurance contracts and disclose value of contracts acquired on initial recognition. Subsequently, this value will be included within the contractual service margin.
	Policy loans			
	Premiums receivable	Present separately as financial assets	Include in the measurement of insurance contracts and disclose premiums received for insurance contracts issued in a reconciliation from the opening to closing balances of insurance contracts.	
	Unearned premiums	Present separately for non-life insurance contracts		Include in the measurement of insurance contracts and are disclosed as specified in premium receivable.
	Claims payable	Present separately as financial liabilities	Include in the measurement of insurance contracts and disclose claims paid in a reconciliation from the opening to closing balances of insurance contracts.	

◀ ▶ Line items unchanged (for presentation purposes) ✓ Expected 'new' line items X Line items not required by either SLFRS 4 or SLFRS 17



Changes to the financial assumptions		
Effects of changes in discount rates	Scenarios	
	Increase in risk-free rate	Increase in asset default risk
Value of financial assets measured at fair value	Decrease	Decrease
Value of insurance contract liabilities	Decrease	No change
Effect on profit— SLFRS 4	Decrease	Decrease
Effect on profit— SLFRS 17	No effect if matched	Decrease

Treatment for estimation changes in fulfillment cash flows		
Effects of changes in estimation of fulfilment CFs	Initial Recognition	Subsequent Measurement
	Results net outflow (onerous contracts)	Charge loss immediately to the Profit or Loss (P&L)
Results net inflow (Profitable and contracts can become onerous subsequently)	Recognise the contractual service margin and releases it to the P&L based on coverage units over the period.	Adjust contractual service margin and if it becomes zero, recognise the additional charge to P&L.



SLFRS 4		SLFRS 17	
Premiums	xx	Insurance revenue	xx
Investment income	xx	Incurred claims and expenses	(xx)
Incurred claims and expenses	(xx)	Insurance service result	xx
Change in insurance contract liabilities	xx	Investment income	xx
Profit or loss for the year	xx	Insurance finance expenses	xx
Other comprehensive income	xx	Net financial result	xx
Total comprehensive income	xx	Profit or loss for the year	xx
		Other comprehensive income	xx
		Total comprehensive income	xx

EFFECTS ON DISCLOSURE NOTES

Disclosure requirements	What's new?
<b>Insurance Contract Liabilities</b> Reconciliation of the net carrying amounts of contracts analysed by: • The net liabilities (assets) for remaining coverage excluding the loss component • Any loss component • The liabilities for incurred claims • The estimates of the present value of the future cash flows • The risk adjustment for non-financial risk • The CSM	●
<b>Insurance Finance Income or Expense (IFI or IFE)</b> Explanation of the relationship between insurance finance income or expenses and the investment return on assets	●
<b>Assets for insurance acquisition cash flows</b> Reconciliation of assets for insurance acquisition cash flows including: • Recognition of impairment losses and reversals • Quantitative disclosure of when the entity expects to derecognise an asset for insurance acquisition cash flows in appropriate time bands	●
<b>Contracts not measured under the PAA</b> • An analysis of insurance revenue • An analysis of the effect of contracts initially recognised in the period • Quantitative disclosure of when the entity expects to recognise the remaining CSM in profit or loss in appropriate time bands	●
<b>Direct participating contracts</b> • The composition of underlying items and their fair values • The effect of the risk mitigation option • For any change in the basis for disaggregating IFI or IFE (Why change is required, amount of adjustment, impact on carrying amount)	●
<b>Transition amounts</b> For contracts measured under the modified retrospective approach or the fair value approach: • Reconciliation of the CSM • Amounts of insurance revenue separately under each approach • How the entity determined the measurement of the contracts at the date of transition • If IFI or IFE are disaggregated between P&L and OCI, a reconciliation of the cumulative amounts included in OCI for related financial assets at FVOCI	●

Disclosure requirements	What's new?
<b>Estimation techniques</b> • Methods used to measure insurance contracts and processes for estimating the inputs to those methods • Any changes in methods and processes for estimating inputs used to measure contracts, the reason for each change and the type of contracts affected • Approach used to identify changes in discretionary cash flows for contracts without direct participation features • If IFI or IFE are disaggregated between P&L and OCI, an explanation of the methods used to determine the amounts recognised in P&L. • If a technique other than the confidence level technique is used to determine the risk adjustment for non-financial risk (RANFR), disclosure of the technique used and the confidence level that corresponds to the results of that technique	●
<b>Assumptions</b> • Determine the risk adjustment for non-financial risk, including whether changes therein are disaggregated into an insurance service component and an insurance finance component • Determine discount rates • Determine investment components • Determine the relative weighting of the benefits provided by insurance coverage and investment services	●
<b>Inputs</b> Yield curve (or range of yield curves) used to discount cash flows that do not vary based on the returns on underlying items	●
Confidence level used to determine the risk adjustment for non-financial risk	●

SIGNIFICANT JUDGEMENTS MADE WHEN APPLYING SLFRS 17

Disclosure requirements	What's new?
Information about the effect of the regulatory frameworks if contracts are included within the same group as a result of law or regulation	●
Information about risk concentrations	
For each type of risks: • The exposures to risks, how they arise and changes therein • The entity's objectives, policies and processes for managing the risks, methods used to measure the risks and changes therein • Summary quantitative information about exposure to the risk at the reporting date, based on information provided internally to key management personnel or, when this is not provided, based on the specific disclosure requirements provided	●
<b>Insurance and market risks</b> For insurance risk, a sensitivity analysis that shows the effect for insurance contracts issued, before and after risk mitigation by the reinsurance Methods and assumptions used in preparing the sensitivity analyses, changes therein and the reasons for such changes If an entity discloses an alternative sensitivity analysis in place of any of those specified above, explanations of the method used and its objective, the main parameters and assumptions, and any limitations that may result in the information provided For each type of market risk, a sensitivity analysis that explains the relationship between the sensitivities from insurance contracts and those from financial assets	●

Disclosure requirements	What's new?
<b>Insurance risk</b> Claims development – i.e. actual claims compared with previous estimates of the undiscounted amount of the claims	●
<b>Credit risk</b> The entity's maximum exposure to credit risk Information about the credit quality of reinsurance contract assets	●
<b>Liquidity risk</b> A description of how liquidity risk is managed Maturity analyses that show, as a minimum, net cash flows for each of the first five years after the reporting date and in aggregate beyond the first five years, which may be based on the estimated timing of: • The remaining contractual undiscounted net cash flows; or • The estimates of the present value of the future cash flows Amounts that are payable on demand and their relationship with the carrying amounts of the related portfolios of contracts	●

New disclosure ● Existing requirement ●  
Expanded requirement - Similar disclosure more detailed or specific under SLFRS 17 ●

EFFECTS ON KEY FINANCIAL METRICS

Metric	Common method of calculation	Effects - SLFRS 17	Explanation
<b>Volume Metrics</b> Earned premiums (SLFRS 4) and insurance revenue (SLFRS 17)	As reported in financial statements (measurement methods vary when applying SLFRS 4)	●	Depends on existing insurance accounting practices. For companies that currently include within earned premiums any deposit component on long-term insurance contracts, when they apply SLFRS 17, insurance revenue is expected to be significantly lower.
Gross premiums (or premiums written)	Premiums expected to be collected over the contracts' duration (ie not only premiums already received)	■	This metric could be disclosed in the notes to the financial statements, but is not permitted to be presented on the face of the statement of comprehensive income as a measure of insurance revenue.
Premiums due	Invoiced or receivable premiums, which are unconditionally due to the insurer	■	The premiums-due metric is similar to the premiums received in a period. When applying SLFRS 17, premiums received for insurance contracts issued are required to be disclosed in the notes to the financial statements, but are not permitted to be presented on the face of the statement of comprehensive income as a measure of insurance revenue.
<b>Profitability Metrics</b> Contractual service margin added from new contracts	Contractual service margin initially recognised in the period	▲	This will be a new metric provided by all insurers in a consistent manner. SLFRS 17 requires its disclosure in the notes to the financial statements. This metric is similar to the value added from new business, a metric provided by some insurers within their embedded value reporting.
Insurance service result	As reported applying SLFRS 17	▲	This will be a new metric comprising insurance revenue less insurance service expenses.
Profit or loss	As reported applying SLFRS Standards	●	Depends on the existing insurance accounting practices applied by a company.
Return On Equity (ROE)	$\frac{\text{Profit or loss}}{\text{Equity}}$	●	Depends on the effects on profit or loss and on equity, which depend on the existing insurance accounting practices applied by a company.
Earnings Per Share (EPS)	$\frac{\text{Profit or loss}}{\text{Number of shares outstanding}}$	●	Depends on the effects on profit or loss, which depend on the existing insurance accounting practices applied by a company. SLFRS 17 does not change the denominator.
Net investment return	Investment return less insurance finance expenses	▲	The investment margin earned in the period will be presented in the statement of comprehensive income and will provide an important new profitability measure.
Operating profit and underlying profit	Various methods—earnings from ordinary activities before income taxes, excluding earnings from investments	●	The effects of applying SLFRS 17 will depend on the existing insurance accounting practices applied by a company and on the nature of the adjustments made to profit or loss reported applying SLFRS Standards.
Combined ratio	$\frac{\text{Incurred claims and other expenses}}{\text{Earned premiums}}$	●	Incurred claims will be reported discounted and adjusted for risk. The change in ratio will depend on particular facts and circumstances.
<b>Liquidity Metrics</b> Net operating cash flow	Various methods—cash flow from operating activities does not include cash related to equity and borrowing	●	Insurers are expected to review the cash flow classification in their operating, financing and investing activities in the light of the changes introduced by SLFRS 17 in the presentation of information about insurance contracts in the statement of comprehensive income.

THE ESSENTIAL INSURANCE JARGONS

SLFRS 4	SLFRS 17	SLFRS 4	SLFRS 17	SLFRS 4	SLFRS 17
Claim or loss reserves	Liability for incurred claims-LIC	Value in force-VIF	Contractual service margin-CSM	Unearned premium reserves-UPR	Liability for remaining coverage-LRC
Underwriting profit	Insurance service result	New business profit	Contractual service margin-CSM	Experience variances -life	Experience adjustments and change in estimates
Earned premiums	Insurance revenue	Premiums due	Premiums received	Premiums written	Present value of new business premiums

▲ New metric ■ No change ● Depends

## Risks associated with change in new accounting standard (SLFRS 17) and risk mitigation actions

It is clear that operational risk associated with SLFRS 17 implementation will extend beyond the process, people and technology. Therefore it has significant influence on the organisation's risk management framework and its role. The steering committee is responsible for setting strategies and objectives of SLFRS - 17 implementation and for setting up proper governance structure and managing cultural changes smoothly. The steering committee has identified and assessed risks associated with SLFRS 17 implementation and relevant mitigation actions as prescribed in the table below.

Risk Type	Management Focus	Risk Source	Risk Description	Risk Mitigation Action
Operational risk	Change management	Data	Data management	<ul style="list-style-type: none"> <li>Develop a secured data room and limited access to authorised persons</li> <li>Enter into non-disclosure agreements where necessary</li> </ul>
		Systems	Risk of new IT systems	<ul style="list-style-type: none"> <li>Establish criteria for evaluation of vendors</li> <li>Deployment of appropriate expertise to sign off the BRD (Business Requirements Document)</li> <li>Perform UAT (User Acceptance Testing) before the deployment</li> </ul>
		Processes	Changes in actuarial and accounting processes	<ul style="list-style-type: none"> <li>Analyse options available under the standard and assess the impact on actuarial and accounting practices.</li> <li>Identify system modifications and take necessary actions to redesign the existing data fields as necessary.</li> </ul>
		People	Lack of capabilities	<ul style="list-style-type: none"> <li>Formulate the project team representing necessary expertise.</li> <li>Obtain consultancy service from experts.</li> <li>Conduct extensive workshops for focus groups to enhance capabilities.</li> </ul>
		Project management	Uncertain timelines	<ul style="list-style-type: none"> <li>Develop a Gantt chart with relevant timelines and continuously monitor the progress.</li> </ul>
Financial risk	Financial management	Financial stability	Increased Balance Sheet volatility	<ul style="list-style-type: none"> <li>Formulate a clear capital management framework.</li> <li>Select the best transition approach.</li> <li>Re-evaluate financial asset classifications at the point of transition.</li> </ul>
		Financial performance	Risk of lower profits	<ul style="list-style-type: none"> <li>Modify product features of onerous contracts to improve profitability.</li> <li>Apply transition approaches that maximise the Group's value.</li> <li>Conduct proper asset-liability management.</li> </ul>
Strategic risk	Strategic management	Investor confidence	Increased in investor scrutiny and pressure	<ul style="list-style-type: none"> <li>Develop a BRD incorporating corporate key priorities</li> <li>Educate investors about key financial metrics impacted by SLFRS 17 implementation.</li> </ul>
		Performance management	Change in prevailing KPIs	<ul style="list-style-type: none"> <li>Communicate proactively about new KPIs and their impact.</li> <li>Identify and develop new Key performance indicators (KPIs) aligned with organisational objectives.</li> </ul>
Regulatory Risk	Stakeholder Management	Regulator	Increased influence and governance	<ul style="list-style-type: none"> <li>Identify changes to the regulatory reporting framework</li> <li>Approach relevant authorities for required clearance.</li> <li>Redesign data fields in the system to support changes in the Risk-Based Capital.</li> </ul>
		Competitors	Comparison of Financial Statements	<ul style="list-style-type: none"> <li>Maintain consistency of policies used for the SLFRS 17 implementation.</li> <li>Advocate for common industry-level consistent metrics for insurers.</li> </ul>