IFRS 17 - A NEW ACCOUNTING STANDARD FOR INSURANCE COMPANIES IN BARBADOS

Implementation Challenges, Implications, and a Regulatory Roadmap

Thematic Article from the **2025 Financial Stability Report**

IFRS 17 - A New Accounting Standard for Insurance Companies in Barbados: Implementation Challenges, Implications, and a Regulatory Roadmap

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Abstract

This article reviews Barbados' transition to IFRS[2] 17 and considers its implications for insurance regulation, supervisory analysis, and financial stability monitoring. It examines the limitations of the previous IFRS 4 standard and outlines how IFRS 17 strengthens transparency, comparability, and consistency in insurance reporting, thereby improving regulators' ability to monitor industry trends, and identify emerging vulnerabilities. A stronger, more consistent regulatory framework supports financial stability analysis for regulators by improving their capacity to monitor industry developments and enhancing their ability to perform supervisory oversight, by, *inter alia*, strengthening disclosure requirements. Finally, this article presents some of the challenges faced by both insurance companies and regulatory bodies in the implementation and adoption of IFRS 17. For Barbados, the transition improves the quality of insurance-sector data available for public disclosure, risk-based supervision, and system-wide financial stability analysis.

Keywords: IFRS 17, insurance regulation, insurance contract liabilities, accounting standard, financial stability, Barbados.

Introduction

As of 2025, Barbados' insurance reporting regime shifted from IFRS 4 to a dual framework under which insurers report using either IFRS 17 or IFRS for Small and Medium-sized Enterprises (SMEs), as applicable. Prior to this transition, insurance companies regulated by the Financial Services Commission (FSC) reported under IFRS 4, as adopted domestically by the Institute of Chartered Accountants of Barbados (ICAB).

Financial regulators need to continually ensure that their reporting regimes align with evolving international reporting best practices. Global best practices emphasise timely, relevant, and reliable information collection, reporting, and dissemination to internal and external stakeholders. This is especially acute in jurisdictions that regulate or host cross-border companies.

A stronger reporting regime, in turn, enhances regulatory agencies' ability to assess inherent risk, monitor industry trends, and more rapidly identify emerging vulnerabilities. Higher quality standards (e.g., enhanced disclosure requirements and more robust valuation methodologies)

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The views expressed in the article are those of the authors and do not necessarily reflect those of the Financial Services Commission or its management.
[2] International Financial Reporting Standards (IFRS) are a set of global accounting rules developed by the International Accounting Standards Board (IASB), intended to improve financial reporting consistency, transparency, and comparability worldwide, with the goal of fostering investor confidence and simplifying international business.

can result in greater insight into company performance (Anderson 2017), and hence improve regulatory oversight. Having a globally consistent standard allows regulators to better facilitate cross-border comparison and align local frameworks with international peers.[3]

Given the advantages of regulatory improvement, the FSC upgraded its regulatory reporting regime for all insurance companies operating in Barbados. This involved a multi-year, multi-stage process, inclusive of internal assessments, regional collaboration, and stakeholder consultation and engagement. This collaborative approach helped the FSC develop guidance documents, determine process timelines, and gain a better understanding of potential transitional challenges for individual companies and the entire sector.

However, the transition was not without its challenges for both the FSC and other regulators. To move towards a more robust framework, a critical self-assessment of potential regulatory shortfalls was needed. Identification of data needs and infrastructural gaps for both the companies and regulator, the development and vetting of new reporting templates, building resource capacity, reconfiguring staff training, storage considerations, and strengthened analytical tools to assess more granular information, were all necessary components of the transitional and implementation process.[4]

Ultimately, this complex transition was designed not only to improve financial reporting but also to support risk-based supervision and overall long-term financial stability.

The Journey Towards IFRS 17 Adoption

Spearheaded by the London-based International Accounting Standards Committee (IASC) (and later succeeded by the IASB), the global effort to develop a new accounting standard for insurance contracts began in 1997 and was only completed in 2017. Initial discussion papers and stakeholder consultations gave rise to the introduction of an intermediate standard (IFRS 4), which was issued around March 2004[5] with an effective date of January 2005. IFRS 4 was designed as an interim measure to allow companies to use their previous local jurisdictional standards while the IASB worked on a more comprehensive and detailed standard. This proved especially helpful for jurisdictions with multiple reporting regimes, e.g., many Caribbean international financial centres host institutions from the US, Canada, and Europe. Reporting standards in these jurisdictions have traditionally included US GAAP, IFRS, amongst others, and as such IFRS 4 provided comparable necessary flexibility for companies operating across different regulatory and accounting environments to continue with established practices during the transition period.

In May 2017, the IASB issued the finalised standard, "IFRS 17 for Insurance Contracts," with a proposed start date of 2021. The effective date of implementation of the standard was ultimately delayed by two years to January 2023. The immense complexity of conversion and substantial

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[3] Feature: What investors ask about IFRS 17 by Nick Anderson IASB: https://www.ifrs.org/news-and-events/news/2017/11/what-investors-ask-about-ifrs-17/

[4] IFRS 17: Current challenges and creating value beyond compliance: https://kpmg.com/us/en/articles/2023/ifrs-17-current-challenges-creating-value-beyond-compliance.html

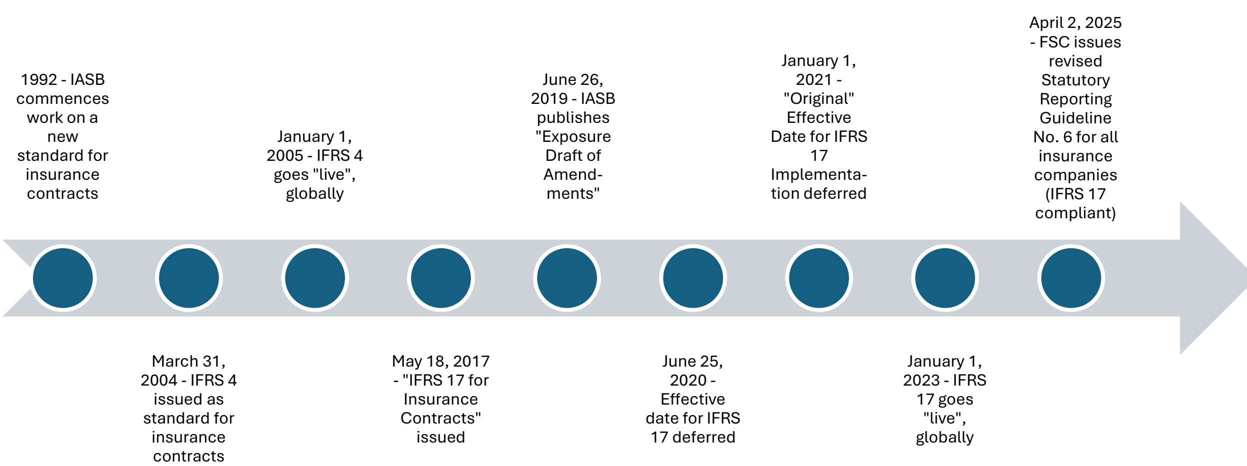
[5] International Financial Reporting Standards (IFRS). n.d. IFRS 17 Insurance Contracts. https://www.ifrs.org/issued-standards/list-of-standards/ifrs-17-insurance-contracts/

industry feedback on the challenges encountered during implementation of the standard were the main reasons for the delay.[6]

In Barbados, regulators also faced challenges moving forward with IFRS 17, as statutory reporting forms and industry guidance were required to be provided to regulated entities. To assist with the complex task of conversion, the FSC joined other regional supervisors of the Caribbean Association of Insurance Regulators (CAIR) to build capacity, share resources, and harmonise reporting forms and possible legislative changes among member countries. These CAIR countries worked together to implement the standard, while continuing to offer insurance companies opportunities to provide feedback on proposed reporting forms.

Despite the challenges, the FSC proceeded with issuing IFRS 17-compliant statutory reporting directions to the insurance industry, with first submissions expected for April 2025 (see Figure 1).

Figure 1: Timeline of the Transition to IFRS 17



Source: Financial Services Commission

Transitional Efforts & Historical Challenges with IFRS 4

IFRS 4, the prior accounting standard, was intended as an interim standard that permitted diversity in accounting standards. This diversity however, reduced comparability across insurers and jurisdictions. IFRS 4 was also limited in its transparency around the technical liabilities, insurance liabilities,[7] and insurers' profit declarations. This lack of transparency made it difficult for regulators with limited access to actuarial and technical resources to determine the strength

[6]IFRS Staff Paper, November 2018: https://www.ifrs.org/content/dam/ifrs/meetings/2018/november/iasb/ap02-ifrs-17.pdf

[7] The terms "insurance liabilities" and "actuarial or technical liabilities" (often termed technical provisions) are not the same and represent different aspects of an insurer's obligations. Insurance liabilities are the obligation itself, while technical/actuarial liabilities are the quantification and provisioning of that obligation according to strict technical methods.

(or weakness) of the actuarial methodologies used by insurance companies and, therefore, to set assumptions and risk margins. These limitations in IFRS 4 served as constraints on regulators' ability to better effect the following:

1. Consistent and meaningful stress testing across entities
2. Market conduct oversight
3. Judging economic reality, on current value measurement for insurance liabilities
4. Explicit risk adjustment for non-financial risks

IFRS 17 New Principles and Benefits

To address these gaps, IFRS 17 offered fundamental changes in its approach. To reflect the actual economic value of the insurance contracts held by insurance companies, several core principles had to be established. Under IFRS 17, insurers measure groups of insurance contracts using updated estimates of future cash flows, discount rates, a risk adjustment for non-financial risk, and the contractual service margin, which represents unearned profit recognised as insurance services are provided. The standard also improves presentation by distinguishing the insurance service result from insurance finance income or expenses. These changes also enhanced financial stability frameworks and include:

1. Recognition and measurement using the new **General Measurement Model (GMM).** This model introduced the concept of **Contractual Service Margin (CSM)** to recognise unearned profit recognised as services are provided. Insurers were now required to measure insurance contracts based on regularly updated assumptions, ensuring that current and future cash flows were accurately reflected. Liabilities were now to be measured on current value measurement, rather than utilising outdated information from prior valuations. A simplified optional approach to GMM, called the Premium Allocation Approach (PAA), can also be used for eligible contracts, typically shorter-duration contracts.

2. Enhanced disclosures for greater transparency, to provide a better understanding to all stakeholders of the actual risk exposure, profitability, and true nature of the contracts written by insurance companies.

3. Under IFRS 17, financial performance is presented in two distinct results:

    a. The insurance service result, which reflects insurance revenue for services provided during the period less insurance service expenses. Insurance revenue reflects services provided and excludes investment components, and
    b. Insurance finance income or expenses, which capture the effect of the time value of money and of financial risk, including changes in discount rates. Presenting the two separately reduces the scope for hidden losses and for the delayed recognition of poor underwriting performance

IFRS 17 Global Implementation Challenges

Despite the ultimate financial stability benefits, some jurisdictions reported challenges in adopting IFRS 17.

Firstly, given the emphasis on using current market conditions, insurance companies' balance sheets and income statements were now more sensitive to changes in interest rates. Additionally, their financial performance was now more sensitive to changes in discount rates, claims assumptions, lapses, expenses, mortality, morbidity, and other actuarial inputs. With this increased sensitivity, higher income and equity volatility were reported. Where economic shocks were previously absorbed by premium income or equity, the change to the new accounting standard made their effects more likely to rapidly manifest.

Along with the financial cost of transitioning systems to a new reporting standard, it is anticipated to increase the volatility in reported equity, profit, and solvency indicators, particularly during the early transition period.

An analysis of 24 large European insurers by ter Hoeven, Borelli and van Vlijmen (2024)[8] found that 11 insurers reported a reduction in opening equity of 10 percent or more following the transition to IFRS 17, while a further 5 reported declines of between 5 percent and 10 percent. The study suggests that these reductions largely reflect the new measurement and recognition requirements under IFRS 17, including the introduction of the CSM. This new requirement defers recognition of expected future profits over the coverage period rather than recognising them upfront. As a result, the transition generally reduced reported opening equity for many insurers, although the magnitude of the effect varied depending on insurer's previous accounting policies under IFRS 4 and the transition approach adopted.

IFRS 17 Domestic Implementation Challenges

In Barbados, the FSC began a similar analysis of dual quarterly returns for 2024.[9] Some companies submitted under both reporting standards in a parallel, phased approach. Although not a requirement for companies, this allowed the regulator to meaningfully assess the impact of the transition in one year, comparing the new standard with the prior submissions. Some companies were delayed in their transition process and at times, data was either late or limited. The percentage equity impact for each company, submitting both returns only, was determined as follows:

$$\text{Total Equity Impact}_t = \frac{(Total\ IFRS\ 17\ Equity(t) - Total\ IFRS\ 4\ Equity(t)}{Total\ IFRS\ 4\ Equity(t)} \text{ X } 100$$

The average percentage impact on the equity position was then recorded for both the life and general insurance companies.

$$\text{(Unweighted) Average Equity Impact}_t = \frac{\Sigma Total\ Equity\ Impact(t)}{Number\ of\ Submitting\ Companies(t)}$$

Where t = 1,2,3 or 4, representing the corresponding quarter of the year 2024, i.e. 1 represents Q1 2024.

[8] ter Hoeven, Ralph, Antonio Borelli, and Pelle van Vlijmen. 2024. "First year's application of IFRS 17 in the financial statements of European Insurance Companies" Maandblad voor Accountancy en Bedrijfseconomie 98(6): 403-422. November 27. (Ralph ter Hoeven, 2024).

[9] Dual reporting in this instance refers to providing an IFRS 4 return alongside an IFRS 17 return.

During the analysis, a greater number of dual IFRS 4 and IFRS 17 submissions were received from general insurance companies than from life insurance companies in most reporting quarters. Consequently, the life insurance analysis was based on a very limited sample, with only one (1) insurer providing dual submission for three (3) of the four (4) reporting quarters. This restricted sample limits the extent to which the observed results can be interpreted as representative of the wider life insurance sector, as they may reflect company-specific characteristics, rather than broader industry trends. Nevertheless, the results are presented as an initial indication of the potential accounting effects of the transition to IFRS 17 and provide a basis for future observation as a larger and more consistent dataset becomes available.

Table 1: Statistical Results for General and Life Insurance Submissions

A: General Insurance					
Reporting Quarter	**Submissions**	**Mean**	**Median**	**Minimum**	**Maximum**
Q1 2024	4	31%	46%	-70%	101%
Q2 2024	1	2%	2%	2%	2%
Q3 2024	6	-47%	-56%	-100%	39%
Q4 2024	5	17%	1%	-52%	107%

Source: Financial Services Commission

B: Life Insurance					
Reporting Quarter	**Submissions**	**Mean**	**Median**	**Minimum**	**Maximum**
Q1 2024	1	44%	44%	44%	44%
Q2 2024	1	36%	36%	36%	36%
Q3 2024	0	N/A	N/A	N/A	N/A
Q4 2024	1	16%	16%	16%	16%

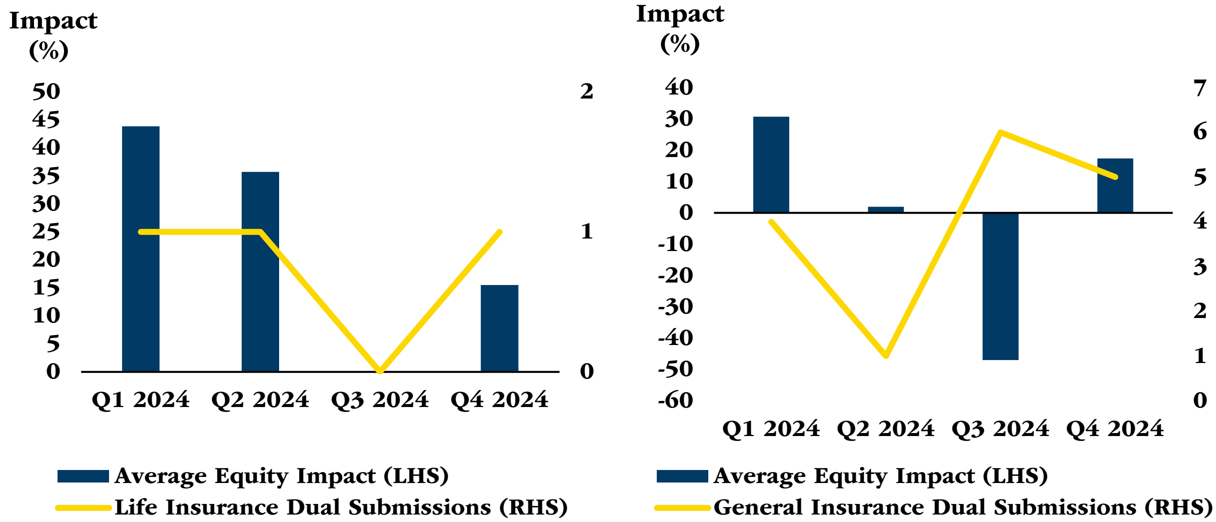
Source: Financial Services Commission

Initial dual-return analysis suggests that the transition had a positive impact on reported equity for one (1) life insurer in quarters with available submissions,[10] while general insurers showed more mixed results, with Q3 2024 recording a significant negative average impact (Figure 2). Given the small number of dual submissions, these findings should be interpreted as preliminary and indicative rather than conclusive. The greater number of dual submissions received from the general sector permitted a more meaningful assessment of that sector. The comparison of the mean and median across the reporting quarters, together with wide ranges between the minimum and maximum average equity impacts, indicates considerable variation in accounting outcomes and suggests that the quarterly averages were influenced by outliers. Possible drivers of these impacts could include changes in liability measurement, discounting, risk adjustment, and the timing of profit recognition under IFRS 17. It is important to note that an increase in reported equity is an accounting measurement effect, not newly injected equity nor an automatic improvement in economic solvency. While these findings do provide useful

[10] No dual submissions were available for Q3 2024.

preliminary evidence of accounting effects of IFRS 17, they should be approached with caution, given the small sample sizes and the transitional nature of the reporting period.

Figure 2: Unweighted Average Equity Impact[11] by Quarter on Life and General Insurance Companies



Source: Financial Services Commission

Recommendations and Regulatory Roadmap

Completed Actions (2025)

The FSC has completed the principal elements required for implementation of IFRS 17, including the development of IFRS 17-compliant statutory reporting forms, stakeholder consultation with the insurance industry, collaboration with the Caribbean Association of Insurance Regulators (CAIR) and the issuance of the Revised Statutory Reporting Guideline. These initiatives established the regulatory reporting framework necessary for insurers to commence reporting under IFRS 17 in 2025.

Actions Currently in Progress (2026 – 2027)

The FSC is currently focused on monitoring the quality and consistency of IFRS 17 submissions and analysing parallel reporting under IFRS 4 and IFRS 17 where available. Concurrently, internal data aggregation, validation and reporting processes are being enhanced. These activities are expected to provide a more reliable dataset for future prudential and financial stability analysis, especially with regard to smaller insurers as well as systemically important institutions.

The first bottom-up supervisory stress-testing exercise, conducted under the Insurance Stress Testing Directive, 2026 and drawing on IFRS 17 data, has been completed as per the FSC's financial stability and general risk monitoring functions. Insurers submitted their results by 30

[11] The Impact on Equity for an individual company was calculated as "(Total IFRS 17 Equity – Total IFRS 4 Equity)/Total IFRS 4 Equity" times 100. The average impact in any quarter was then calculated as the sum of the available impacts divided by the number of dual submissions from companies.

June 2026 and those results were under review at the time of writing, with an internal report to follow.

Globally, there is an expected lag before more consistent data and meaningful analysis across the industry emerges, with this likely occurring two to three years post-implementation. As part of its supervisory reporting mandate, the FSC is actively involved with regional and international stakeholders to ensure that this transition provides the most efficient and accurate data for aggregation and dissemination.

Planned Actions (2026 and beyond)

Given the initial submissions, the FSC intends to strengthen its analytical capabilities through the development of consistent submissions of statutory filings by registered entities via reviews of the forms on a two- to three-year basis. Conducting these periodic reviews will allow the FSC to better understand patterns around cyclicality, seasonality, errors, and one-off irregular deviations by observing a longer time horizon and a larger data set.

Training for the staff complement, especially the Supervision and Regulation, Legal and Research functions, is a critical element. As such, the FSC continues to upskill many employees with planned seminars and continued collaboration with interregional counterparts like CAIR, as part of its 2025-2029 Strategic Goals.

With the FSC's new reporting regime and an expanded dataset, it is also expected that related functions will need to be adapted to present realities and best practices in accordance with the FSC's three-year Strategic Plan. This will include redesigned stress testing, scenario analysis, capital analysis, under the FSC's Financial Stability Mandate and risk-based focus. Given expected changes to equity line items and calculations, this requires revised definitions and frameworks for capital adequacy and solvency, amongst other areas. It will also necessitate further capacity-building for supervisory staff, insurers, and other industry stakeholders over the next three years.

Conclusion

The adoption of IFRS 17 represents a significant step in aligning and harmonising insurance financial reporting in Barbados with international standards and best practices. While the standard itself does not establish prudential capital requirements or dictate insurers' solvency requirements, it provides a more transparent and consistent framework that enhances the quality of financial information available to regulators, investors, and other relevant stakeholders. As a result, IFRS 17 significantly strengthens the analytical foundation upon which the supervisory assessments and financial stability monitoring can be conducted.

This transition has come with substantial investment from both the regulator and the registrants in terms of governance, reporting processes, and technical capacity. While the preceding work represents the most preliminary findings, it can be understood that the standard can have a material impact on reported financial positions. This highlights the importance of careful interpretation of transitional results. These changes should be understood as accounting measurement effects, rather than changes in underlying economic solvency or regulatory capital.

As more insurers commit to submitting timely and consistent statutory returns, the quality and comparability of the supervisory data are expected to improve. Given a sufficient time series, the FSC will be able to undertake a more robust analysis under a common accounting basis. Comparable IFRS 17 data will also support the year-on-year analysis that the Financial Stability Report cannot perform currently. This data will also guide insurance stress testing scenario development and evidence-based supervisory decision-making.

Looking ahead, the successful implementation of IFRS 17 should be considered as an important foundational step for continued development of Barbados' insurance supervisory framework. As reporting practices and supervisory methodologies develop, it is expected to improve and support more effective risk-based supervision, stronger financial stability analysis, and greater confidence in the Barbadian insurance sector.

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