National Bank of Rwanda
Banki Nkuru y'u Rwanda

KN 6 Av.4/P.O. Box 531 Kigali-Rwanda
Tel: (+250) 788199000 /
Website: www.bnr.rw /
E-mail: info@bnr.rw /
Swiftcode: BNRWRWRW /
Twitter: @CentralBankRw

The Governor

GUIDELINES Nº 4230/2024–00039 [613] OF 08/02/024 ON THE IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARD 17-INSURANCE CONTRACTS

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GUIDELINES Nº 4230/2024–00039 [613] OF 08/02/024 ON THE IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARD 17-INSURANCE CONTRACTS

The National Bank of Rwanda;

Pursuant to Law nº 48/2017 of 23/09/2017 governing the National Bank of Rwanda as amended to date, especially in Articles 6, 6bis and 15;

Pursuant to Law n° 007/2021 of 05/02/2021 governing companies as modified to date especially in Articles 121 and 123;

Pursuant to Law nº 11/2008 of 06/05/2008 establishing the Institute of Certified Public Accountants of Rwanda and determining its powers, organization and functioning, especially in Article 3;

Noting that International Financial Reporting Standards (IFRS) 17 aims at establishing principles for recognition, measurement, presentation, and disclosure of insurance contracts. International Financial Reporting Standards (IFRS) 17 replaces International Financial Reporting Standards (IFRS) 4 and is effective for annual periods beginning on or after January 1, 2023;

In order to provide additional guidance to ensure consistency, especially where judgement is required, while ensuring compliance with the International Financial Reporting Standards (IFRS);

ISSUES THE FOLLOWING GUIDELINES:

CHAPTER ONE: GENERAL PROVISIONS

Article One: Purpose of these guidelines

These guidelines aim at –

(1) establishing a standardized process to facilitate the effective implementation of International Financial Reporting Standards (IFRS) 17;

(2) achieving consistency in the application of IFRS 17 across the insurance industry; and

(3) providing guidance to industry on the principles for recognition, measurement, presentation, and disclosure of insurance contracts.

Article 2: Interpretation

In these guidelines:

(a) "**Supervisory Authority**" means the National Bank of Rwanda;

(b) **“confidence level”** is a measure of the likelihood that entity will consider reflecting its risk tolerance;

(c) **“contract boundary”** means the expected cash flows that relate to existing insurance contracts from those that relate to future insurance contracts;

(d) **“contractual service margin”** means the unearned profit is released to profit or loss as entity provides insurance services over coverage period;

(e) **“coverage period”** means the period within which an entity provides insurance contract services;

(f) **“coverage units”** means the quantity of coverage to measure and recognize insurance contract revenue provided by an insurance contract;

(g) “**discount rate**” the interest rate that reflects the time value of money that is consistent with observable market prices and reflects the cash flows’ characteristics and the contract’s liquidity;

(h) **“financial risk”** means the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, currency exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;

(i) **“fulfilment cash flows”** means an explicit, unbiased, and probability-weighted estimate or expected value of the present value of the future cash outflows less the present value of the future cash inflows that will arise as the insurer fulfils its obligations under the insurance contract.;

(j) **“insurance acquisition cashflows”** means cashflows that arise from selling, underwriting, and starting a group of insurance contracts issued or expected to be issued. they encompass commissions, underwriting costs and other direct acquisition costs;

(k) **“insurance contract”** means an agreement which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;

(l) **“insurance risk”** means the risk other than financial risk, that the policyholder transfers to the insurer;

(m) **“investment component”** means the amount of financial risk that the insurer guarantees to pay the policyholder even if the insured event does not occur;

(n) **“liability for incurred claims”** means insurers obligation to provide payment amounts relating to events that have already occurred;

(o) **“liability for remaining coverage”** means the fulfilment cash flows that relate to coverage that will be provided under the contract in future periods insurers obligation to provide insurance services;

(p) **“onerous contracts”** means a group of policies for which the estimated future cash flows are expected to be insufficient to fulfil the insurer's obligations;

(q) **“portfolio of insurance contracts”** means a group of insurance business that are subject to similar risks and managed together;

(r) **“reinsurance contract”** means an agreement which one party (the reinsurer) accepts significant insurance risk from another party (the insurer) by agreeing to compensate the insurer if a specified uncertain future event (the insured event) adversely affects the insurer;

(s) **“risk adjustment”** means the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the insurers fulfil insurance contracts;

(t) **“transition”** means the date from which an entity applies IFRS 17, typically the beginning of the earliest period presented when the entity first adopts the standard;

(u) **“underlying items”** means items that determine some of the amounts payable to a policyholder underlying items can comprise any items, for example, a reference portfolio of assets, the net assets of the entity, or a specified subset of the net assets of the entity.

Article 3: Scope of application

(1) These guidelines apply to institutions regulated by the Supervisory Authority issuing insurance contracts as described in Paragraph (2) of this Article.

(2) An entity applies IFRS 17 to contracts that meet the definition of an insurance contract, as follows:

(a) insurance or reinsurance contracts that it issues;

(b) reinsurance contracts that it holds; and

(c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

(3) These guidelines do not supersede IFRS 17 requirements.

CHAPTER II: LEVEL OF AGGREGATION

Article 4: Separation of components

(1) There are various types of insurance contracts in the market that contain one or more components that would be in the scope of another standard if the entity accounted for them separately;

(2) IFRS 17 makes a distinction between 'distinct' and 'non-distinct' components. Insurers must separate investment components and goods and services components from an insurance contract if they are distinct.

(3) The insurance contracts components and their applicable standards are as follows:

(a) Insurance contracts measured under IFRS 9:

(i) Embedded derivatives (that have to be separated);

(ii) Distinctive investment component.

(b) Insurance contracts measured under IFRS 15: Distinct goods and services other than insurance contract services;

(c) Insurance contracts measured under IFRS 17 but excluded from insurance service and insurance expenses: Non-Distinctive investment components;

(d) Insurance contracts measured under IFRS 17.

(4) Non-distinct investment components are excluded from insurance revenue and insurance service expenses in the statement of profit or loss.

(5) The separation is intended to improve transparency so that –

(a) separated non-insurance components will be more comparable to similar, separate contracts; and

(b) risks undertaken by entities in different businesses or industries may be more comparable.

(6) The insurer is required to disclose any limitations experienced in the separation of components or cash flows.

Article 5: Level of aggregation

(1) IFRS 17 requires a granular grouping of individual contracts for the purpose of measuring insurance contract liability and in the recognition of profitability.

(2) At a minimum, insurers must identify portfolios of insurance contracts that are subject to similar risks and managed together.

(3) These portfolios must then be disaggregated into annual cohorts, or cohorts of periods covering less than one year. Limiting groups to contracts issued within one year or less eliminates the possibility that an entity creates a CSM that is everlasting (i.e., an open group of new and existing business); and improves the transparency of profitability within an entity's set of financial statements.

(4) The key steps to assessing the applicability under IFRS17 are described in annex 10 (figure 1).

CHAPTER III: MEASUREMENT APPROACHES

Section One: General Measurement Model

Subsection One: Initial recognition

Article 6: Approach for measuring insurance contracts

(1) The General Measurement Model (GMM) is the primary prescribed methodology for valuing insurance contracts under IFRS 17. The GMM is applied unless insurance contracts have direct participation features, in which case the Variable Fee Approach (VFA) is used, or if they qualify for the Premium Allocation Approach (PAA).

(2) The GMM entails computing insurance contract liabilities comprising the Best Estimate Liability (BEL), Risk Adjustment (RA) and the Contractual Service Margin (CSM).

Article 7: Initial measurement

(1) An entity recognizes a group of insurance contracts it issues from the earliest of the following:

(a) The beginning of the coverage period of the group of contracts;

(b) The date when the first payment from a policyholder in the group becomes due; and

(c) For a group of onerous contracts when the group becomes onerous.

(2) If there is no premium contractual due date specified in the contract, the first payment from the policyholder determines the date of recognition;

(3) The date on which an entity recognises a group of insurance contracts is particularly important for the following reasons:

(a) in determining the CSM on initial recognition, which is subsequently recognised in profit or loss over the coverage period; or

(b) in determining the discount rate on initial recognition to:

(i) accrete the interest on the CSM;

(ii) measure the changes in fulfilment cash flows that adjust the CSM;

(iii) present the insurance finance income or expense recognised in profit or loss.

(4) The fulfilment cash flows comprise –

(a) estimates of future cash flows;

(b) an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and

(c) a risk adjustment for non-financial risk.

(5) If the total mentioned above is a net inflow, then the group of contracts are profitable, otherwise if it is a net cash outflow, then the group of contracts is onerous as illustrated in annex 10 (figures 2 and 3).

Article 8: Expected cash flows

(1)The expected future cash flows must be –

(a) based on current estimates at each reporting date;

(b) probability-weighted;

(c) unbiased;

(d) be within the boundary of each contract within the group;

(e) relate directly to the fulfilment of each contract within the group; and

(f) may be estimated at a higher level than the group of contracts level and then allocated to groups.

(2)The contract boundary differentiates the expected cash flows that relate to existing insurance contracts from those that relate to future insurance contracts as illustrated in annex 10 (figure 4).

(3)The cash flows that are within the contract boundary include –

(a) claims and benefits paid to policyholders;

(b) premiums and any other costs specifically chargeable to the policyholders;

(c) allocation of fixed and variable overheads directly attributable to fulfilling contracts;

(d) claims handling costs – investigating, processing and resolving claims, salvage and subrogation;

(e) an allocation of insurance acquisition cash flows attributable to the portfolio;

(f) policy administration and maintenance costs;

(g) transaction-based taxes and levies;

(h) costs of providing investment related services and investment activities that enhance benefits from insurance coverage;

(4)The cash flows that are outside the contract boundary include –

(a) investment returns;

(b) payments to and from reinsurers;

(c) cash flows that may arise from future contracts;

(d) acquisition costs not directly related to obtaining the portfolio of contracts;

(e) cash flows between different components of the reporting entity (e.g., policyholder funds and shareholder fund);

(f) income tax payments and receipts unless specifically chargeable to the policyholder;

(g) cash flows from unbundled components;

(h) cash flows arising from abnormal amounts of wasted labour.

(5)The decision tree that may be used to determine the cash flows that are within the contract boundary is provided in annex 10 (figure 5).

Article 9: Insurance acquisition cash flows

(1) An entity must –

(a) recognise an asset for any insurance acquisition cash flows relating to a group of existing or future insurance contracts that it pays (or for which a liability has been recognised under another standard) before the related group is recognised (An entity should recognise as an asset any insurance acquisition cash flows that are incurred before the related contract is added to a group of contracts, as well as those insurance acquisition cash flows that are incurred before the first contract in a group is initially recognised);

(b) derecognise that asset (or a portion of it) when the group of insurance contracts is recognised; and

(c) assess the recoverability of the asset if facts and circumstances indicate that the asset may be impaired and recognises an impairment loss at each reporting date if it is impaired.

Article 10: Risk adjustment

(1) This is the amount the entity charges for bearing the uncertainty over the amount and timing of cash flows arising from non-financial risk;

(2) Although risk adjustments for financial risk can be included either in the estimates of expected cash flows or in the discount rate, the risk adjustment for non-financial risk is explicit;

(3) The types of risks covered in the risk adjustment include –

(a) claims occurrence, amount, timing and development;

(b) lapse, surrender, premium persistency and other policyholder actions;

(c) expense risk associated with costs of servicing contracts;

(d) external developments and trends, to the extent that they affect insurance cash flows;

(e) claims and expense inflation risk, excluding direct inflation index linked risk;

(f) claims and expense inflation risk, excluding direct inflation index linked risk;

(g) operational risks arising from fulfilling insurance contracts.

(4) The financial risk, asset liability mismatch risk, price or credit risk on underlying assets as well as general operational risks (not arising from fulfilling insurance contracts) are not covered in the risk adjustment;

(5) IFRS 17 does not prescribe methods for determining the risk adjustment for non-financial risk. Therefore, entities may apply judgement to determine an appropriate risk adjustment technique to use. Some of the approaches that may be considered are –

(a) Value at Risk (VaR);

(b) Cost of Capital approach; and

(c) Tail Value at Risk approach.

(6) Characteristics that are to be considered as part of the above determination are illustrated in annex 10 (figure 6);

(7) IFRS 17 does not specify the estimation technique(s) used to determine the risk adjustment for non-financial risk. However, to reflect the compensation the entity would require for bearing the non-financial risk, the risk adjustment for non-financial risk shall have the following characteristics:

(a) risks with low frequency and high severity will result in higher risk adjustments for non- financial risk than risks with high frequency and low severity;

(b) for similar risks, contracts with a longer duration will result in higher risk adjustments for non-financial risk than contracts with a shorter duration;

(c) risks with a wider probability distribution will result in higher risk adjustments for non-financial risk than risks with a narrower distribution;

(d) the less that is known about the current estimate and its trend, the higher will be the risk adjustment for non-financial risk; and

(e) to the extent that emerging experience reduces uncertainty about the amount and timing of cash flows, risk adjustments for non-financial risk will decrease and vice versa.

(8) In addition, risk adjustment for non-financial risk should convey the information to users of financial statements about the amount charged by the entity for the uncertainty arising from non-financial risk about the amount and timing of cash flows". This could suggest that assumptions made by insurance firms in their risk adjustment calculation should be consistent with the method used in pricing;

(9) The choice of method for an Insurer should depend on their computational competences, understanding of the approach, and alignment with existing data and processes. An Insurer should disclose the existence of any technical or data challenges, explain the methods used and impact on earnings against any other method, and changes in method should be guided by existing requirement of the standards;

(10) Entities are required to disclose the approach used and the corresponding confidence level to the results as provided for by Article 54 of these guidelines. Insurers are required to adopt an approach that results in a confidence level of a minimum of 75%.

Article 11: Discounting

(1) Discounting adjusts the estimates of expected cash flows to reflect the time value of money and the financial risks associated with those cash flows as per the following estimation techniques:

(a) Bottom-up approach: An entity Starts with a risk-free yield curve, then add an illiquidity premium to adjust for differences between the liquidity characteristics of risk-free assets and those of the insurance contracts;

(b) Top-down approach: An entity starts with a yield curve based on the current market rates of return from either an actual portfolio of assets held by the company or a reference portfolio, then adjusts the yield curve to eliminate any factors which are not relevant to the insurance contracts.

(2) An entity may also determine the discount rates based on a yield curve that reflects the current market rates of return implicit in a fair value measurement of a reference portfolio of assets. The yield curve generated is then adjusted to eliminate any factors that are not

relevant to the insurance contracts but not for differences in liquidity characteristics of the insurance contracts and the reference portfolio as per Annex 10 (figure 7).

(3) Entities that do not currently discount their liabilities for example non-life insurers that calculate undiscounted loss reserve will need to develop systems and processes to do so. In addition, with the change in the methodology, entities will need to source and track new and historical data introducing volatility.

(4) All approaches chosen need to be clearly documented, approved by the board and disclosed.

Article 12: Onerous contracts

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. the loss on such contracts must be recognized immediately.

Article 13: Derecognition of insurance contracts

(1) There are three different types of derecognition of a contract, depending on the circumstances and these are:

   (a) Derecognition resulting from extinguishment;

   (b) Derecognition resulting from transfer; and

   (c) Derecognition resulting from modification.

(2) An insurer derecognizes an insurance contract only when –

   (a) it is extinguished, i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled; or

   (b) any of the conditions for modifications which result in derecognition are met.

(3) When an insurance contract is extinguished, the insurer is no longer at risk and is not required to transfer any economic resources to satisfy the insurance contract. Therefore, the settlement of the last claim outstanding on a contract does not necessarily result in derecognition of the contract, although it may result in the remaining fulfilment cash flows under a contract being immaterial. For derecognition to occur, all obligations must be discharged or cancelled.

(4) For a derecognition resulting from extinguishment, an insurer derecognizes an insurance contract from within a group of insurance contracts by applying the following requirements:

   (a) the fulfilment cash flows allocated to the group for both the liability for remaining coverage and liability for incurred claims are adjusted to eliminate the present value of

the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognized from the group;

(b) the contractual service margin of the group is adjusted for the change in fulfilment cash flows to the extent required by the general model;

(c) the number of coverage units for expected remaining insurance contract services is adjusted to reflect the coverage units derecognized from the group, and the amount of the contractual service margin recognized in profit or loss in the period is based on that adjusted number to reflect services provided in the period.

(5) For a derecognition resulting from transfer, when an insurer derecognizes an insurance contract because it transfers the contract to a third party, the insurer must –

(a) adjust the fulfilment cash flows allocated to the group for the rights and obligations that have been derecognized;

(b) adjust the contractual service margin of the group from which the contract has been derecognized for the difference between the change in the contractual cash flows resulting from derecognition and the premium charged by the third party (unless the decrease in fulfilment cash flows is allocated to the loss component of the liability for remaining coverage);

(c) if there is no contractual service margin to be adjusted, then the difference between the fulfilment cash flows derecognized and the premium charged by the third party is recognized in profit or loss.

(6) For a derecognition resulting from modification, when an insurer derecognizes an insurance contract and recognizes a new insurance contract as a result of a modification, the insurer must:

(a) adjust the fulfilment cash flows allocated to the group relating to the rights and obligations that have been derecognized;

(b) adjust the contractual service margin of the group, from which the contract has been derecognized for the difference between the change in the contractual cash flows resulting from derecognition and the hypothetical premium the insurer would have charged, had it entered into a contract with terms equivalent to the new contract at the date of the contract modification, less any additional premium charged for the modification (unless the decrease in fulfilment cash flows is allocated to the loss component of the liability for remaining coverage); and

(c) measure the new contract recognized assuming the insurer received the hypothetical premium that it would have charged, had it entered into the modified contract at the date of the contract modification.

<u>Article 14</u>: Contractual service margin (CSM)

On initial recognition, the CSM of a profitable group of insurance contracts is the equal and opposite amount of the net inflow that arises from the sum of the following:

(a) the fulfilment cash flows;

(b) the derecognition of any asset or liability previously recognised for cash flows related to the group; and

(c) any cash flows arising from contracts in the group at that date.

<u>Subsection 2</u>: Subsequent measurement

<u>Article 15</u>: Subsequent measurement of onerous contracts

(1) A group of contracts that has a CSM on initial recognition can become onerous in subsequent periods, if any of the following exceed the carrying amount of the CSM:

(a) unfavourable changes relating to future service in the fulfilment cash flows. This might be from changes in estimates of expected cash flows and the risk adjustment for non-financial risk; and

(b) a decrease in the amount of the entity's share of the fair value of the underlying items for contracts with direct participation features.

(2) The excess amount is immediately recognised as the loss component of the liability for remaining coverage in profit or loss.

(3) Once a group of contracts has a loss component as part of its liability for remaining coverage, subsequent changes in the fulfilment cash flows of that liability shall be allocated on a systematic basis. The systematic allocation results in the total amounts allocated to the loss component being zero by the end of the coverage period;

(4) Due to favourable assumptions, a group of onerous contracts can become profitable during a reporting period. The loss component is reversed and a CSM arising for the group of contracts is considered. At the reporting date, the entity would release an allocation of the reinstated CSM to insurance revenue, to the extent that it is allocated to coverage units in the current period.

<u>Article 16</u>: Presentation of insurance finance income or expense

(1) The effect of and change in the time value of money and financial risk are presented as Insurance Finance Income or Expense (IFIE) within the statement of financial performance.

(2) The insurers have an accounting policy choice to either present the Insurance Finance Income or Expenses in either the profit or loss; or disaggregate between profit or loss and the Other Comprehensive Income (OCI).

<u>Article 17</u>: CSM at subsequent measurement

At each reporting date, the carrying amount of a group of insurance contracts is remeasured by using current assumptions to update the fulfilment cash flows and updating the CSM with the changes in the Fulfilment Cash Flows (FCFs).

<u>Article 18</u>: Interest accretion

Interest is accreted on the carrying amount of the CSM using the discount rate applied on initial recognition specifically for contracts without direct participation features. There will be a need to update systems and process to accommodate both the locked-in and current rates.

<u>Article 19</u>: Changes in the fulfilment cash flows

Experience adjustments relating to past or current service do not adjust the CSM. However, experience adjustments arising from premiums received in the period that relate to future service shall adjust the CSM.

<u>Article 20</u>: Determination of coverage units

(1) Determining and tracking the CSM is new and will require significant effort, cost, resourcing and upgrades to systems, processes, and controls. It is an area of judgement and there is complexity involved in allocating the CSM to profit or loss as service is provided;

(2) The following principles must be considered in determining the coverage units:

(a) should reflect the likelihood of insured events occurring to the extent that they affect the expected duration of coverage in the group. for example, lapses are considered;

(b) different levels of service across periods to be reflected in the determination of coverage units at each period. for example, changes in sum assured between different periods to be considered;

(c) the ‘quantity of benefits’ provided under a contract and used in determining coverage units should refer to the benefits expected to be received by the policyholder and not the insurer’s cost of providing them;

(d) to reflect the policyholders' benefit from the perspective of the insurer obligation to meet a valid claim and not just from making a claim if the insured event occurs;

(e) consider the different probabilities of an insured event occurring over the coverage period and how it affects the quantity of benefit payable.

Section 2: Premium Allocation Approach (PAA)

Article 21: Measurement at initial recognition applying the Premium Allocation Approach

(1) An insurer may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group:

(a) The insurer reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the requirements of the general measurement model; or

(b) The coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date applying) is one year or less.

(2) Using the premium allocation approach, an insurer measures the liability for remaining coverage as follows:

(a) On initial recognition, the carrying amount of the liability is:

(i) the premiums, if any, received at initial recognition;

(ii) minus any insurance acquisition cash flows at that date, unless the Insurer chooses to recognize the payments as an expense; and

(iii) plus, or minus any amount arising from the derecognition at that date of:

(A) any asset for insurance acquisition cash flows; and

(B) any other asset or liability previously recognized for cash flows related to the group of contracts as specified in IFRS 17.

(iv) If at any time during the coverage period, including at initial recognition, facts and circumstances indicate that a group of insurance contracts is onerous, an insurer shall calculate the difference between:

(A) the carrying amount of the liability for remaining coverage, and

(B) the fulfilment cash flows that relate to remaining coverage of the group.

Article 22: Simplified model

(1) On initial recognition, the Liability for Remaining Coverage (LRC) is measured as described in annex 10 (figure 8).

(2) Unless the entity chooses when applicable to recognise insurance acquisition cash flows as expenses as they are incurred, there is no need for discounting if payments are within one year.

Article 23: Insurance acquisition cash flows

(1) If the acquisition cash flows are deferred, they are recognized over time as an expense in a systematic way. An asset for insurance acquisition cash flows relating to a group of existing or future insurance contracts that it pays before the group is then recognised.

(2) If on initial recognition, the coverage period of each contract in the group is one year or less, then an entity may choose to recognise insurance acquisition cash flows as an expense when they are incurred as provided for in Article 7 of these guidelines.

(3) Entities are to disclose any variability in profitability over reporting periods which may arise due to the level of costs incurred for underwriting activities varying significantly during the year.

Article 24: Onerous contract liability

(1) If a group of contracts is deemed to be onerous, the increase in the LRC and the loss recognised is equal to the difference between:

(a) the FCFs that relate to remaining coverage of the group; and

(b) the carrying amount of the liability for remaining coverage calculated using PAA.

(2) To the extent that the fulfilment cash flows exceed the carrying amount, the Insurer recognises a loss in profit or loss and increase the liability for remaining coverage.

Section 3: Variable Fee Approach (VFA)

Article 25: Applicability of VFA

(1) The Variable Fee Approach (VFA) is applicable to investment contracts with discretionary participation features.

(2) The treatment of the CSM in respect of contracts with participation features gives rise to the Variable Fee Approach (VFA).

(3) VFA is not applicable to reinsurance contracts held.

Article 26: Participation features

(1) The variable fee approach modifies the treatment of the CSM to accommodate direct participating contracts.

(2) There is a distinction between contracts with direct participation features and other participating and non-participating insurance contracts, which is reflected in how the measurement model is applied in subsequent periods.

(3) An insurance contract is a direct participating contract when –

(a) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

(b) the entity expects to pay the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

(c) the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

(4) An assessment is required to validate if these conditions are met for each contract based on its expectations at inception of the contract, and it is not reassessed subsequently unless the contract is modified.

(5) When the investment-related services are not sufficiently substantial and the contract fails to meet the definition of a direct participating contract, any changes relating to these fees are recognised according to the general measurement model without any modifications. The insurer is required to disclose how the term substantial has been defined by management.

(6) Note that the policyholder has a share in a clearly identified pool of underlying items and the link to the underlying items has to be enforceable, and enforceability is a matter of law as per the contractual terms.

Article 27: Investment contracts with Discretionary Participation Features (DPFs)

If the entity issues investment contracts, it is required to conduct an assessment of the contract features to ascertain whether they meet the definition of a direct participating contract. In such case, these contracts must be within the purview of IFRS 17.

Article 28: Subsequent measurement under VFA

The treatment of the CSM, in subsequent measurement, is drawn through an obligation of the policyholder which is less the obligation to pay fair value of underlying items. (This result is recognized immediately in profit or loss), less the variable fee which adjusts the CSM accordingly. Refer to Annex 10 (figure 9).

CHAPTER IV: REINSURANCE CONTRACTS HELD

Article 29: Reinsurance contracts treatment

(1) Where there is significant insurance risk transfer, the reinsurance contract is considered as an insurance contract under IFRS 17. Such a treatment applies to both reinsurance contracts held (reinsurance ceded) and reinsurance contracts issued (reinsurance assumed).

(2) Reinsurance contracts held are measured separately to the underlying insurance contracts.

(3) An insurer is required to divide portfolios of reinsurance contracts held applying level of aggregation, except that the references to onerous contracts shall be replaced with a reference to contracts on which there is a net gain on initial recognition. Therefore, on the basis of profitability the grouping of reinsurance contracts shall be net gain, net cost and net gain but have a risk of becoming net cost, where applicable.

Article 30: Accounting for reinsurance contracts

The cedant accounts for a group of reinsurance contracts held separately from the underlying contract.

Article 31: Initial recognition

(1) An entity recognises a group of reinsurance contracts held as described in annex 10 (figure 10).

(2) On a proportionate basis, if the group of reinsurance contracts held covers the loss of a group of contracts on a proportionate basis, the entity shall not recognise the group of reinsurance contracts held until it has recognised at least one of the underlying contracts.

Article 32: Measurement of reinsurance contracts

(1) The initial measurement of the reinsurance asset or liability is based on the fulfilment cash flows, representing the present value of the cash flows expected to arise from the reinsurance contract. A risk adjustment is included in the measurement to reflect the uncertainty about the amount and timing of the cash flows.

(2) The initial measurement of the reinsurance asset or liability is measured as follows:

(a) Determine whether the reinsurance contract is held or ceded;

(b) Group the reinsurance contracts based on risk characteristics and coverage periods;

(c) Calculate the CSM as the difference between expected fulfilment cash flows and premiums;

(d) Recognize the contract as an asset or liability in the statement of financial position.

(e) Subsequently, the carrying amount of the reinsurance asset or liability is updated over time, reflecting changes in estimates and discounting future cash flows. The Contractual Service Margin (CSM) is accreted over the coverage period.

<u>Article 33</u>: Estimating expected cash flows

(1) The entities use consistent assumptions and estimates of the present value of the expected cash flows for the group of underlying insurance contracts to measure the present value of expected cash flows for the reinsurance contracts held.

(2) Any risk of non-performance by the insurer is also to be considered.

<u>Article 34</u>: Reinsurance asset impairment included in the measurement model

The impairment losses related to reinsurance contracts held are recognised on an expected basis, similar to the expected credit loss model for credit-impaired assets under IFRS 9. Any non-performance risk is included in the measurement of the reinsurance contract held.

<u>Article 35</u>: Presentation of reinsurance contracts held

(1) The portfolios of reinsurance contracts held are to be presented separately from portfolios of insurance contracts issued. Those held that are assets are to be presented separately from those that are liabilities. This also includes income or expense from reinsurance contracts held.

(2) Amounts recognised in the statement of financial performance are then disaggregated between the insurance service result and insurance finance income or expense. In particular–

  (a) cash flows that are contingent on the claims or benefit experience of the underlying contracts for example profit commissions are included as part of the expected claim reimbursement unless they are considered an investment component;

  (b) any amounts that the entity expects to receive from the reinsurer that are not contingent on the claims experience of the underlying contracts for example some types of ceding commissions are treated as a reduction in the premiums to be paid to the reinsurer;

  (c) allocations of premiums paid are not presented as a reduction in revenue; and

  (d) amounts recognised related to a recovery of losses on underlying onerous insurance contracts are treated as amounts recovered from the reinsurer;

(3) The insurance finance income or expense are presented in profit or loss in its entirety or disaggregated between profit or loss and OCI.

CHAPTER V: SPECIFIC REQUIREMENTS

Article 36: Use of assumptions and judgements to be evidence based.

(1) Assumptions and models surrounding implementation of IFRS 17 are realistic and supportable without undue cost or effort and they have to be certified by Actuaries and management; whereas review of processes in place to implement IFRS 17 are included in the scope of external audit by external auditors while auditing financial statements for the year end 2023.

(2) In case an insurer engages an external auditor in the development of processes or consultancy services to facilitate implementation of IFRS 17, it should not engage the same auditor in auditing its financial statements for the same period.

Article 37: Financial reporting systems in alignment with IFRS 17

The financial reporting systems of an insurer must at a minimum, be able to address the following aspects:

(a) Data storage and archiving;

(b) Grouping contracts according to the required level of aggregation, in addition to separating the non-insurance components from the insurance contract (unbundling);

(c) Apply the requirements of the accounting measurement approach appropriate to the nature of the company's business;

(d) Estimate the future cash flows of insurance contracts and the respective share of reinsurance separately and automatically. Actuarial assumptions on cash flow estimates must be captured in the system;

(e) Calculate the present value of future cash flows according to the Board approved discount rate policy for insurance contracts and the respective share of reinsurance;

(f) Determine the value of the non-financial risk adjustments (Risk Adjustments), and calculate Contractual Service Margin (CSM) according to actuarial assumptions;

(g) Prepare financial reports and related disclosures.

Article 38: Interaction of IFRS 17 with IFRS 9

(1) IFRS 9 (financial instruments) requires an insurer to assess its current measurement basis for financial assets and ensure that it will be able to offset income and expense against profit and loss measured in accordance with IFRS 17. When assets are managed on segregated basis and matching each portfolio liabilities by nature, term and currency the measurement under IFRS 9 becomes effective.

(2) Insurer should consider choosing fair value option to value financial instruments under IFRS 9 in order to minimize accounting mismatches between measurement of insurance contract liabilities under IFRS 17.

(3) For insurers that deferred implementation of IFRS 9 on financial instruments while awaiting IFRS 17 should start implementing IFRS 9 with regard to financial instruments.

Article 39: Interaction of IFRS 17 with IFRS 15

(1) Under IFRS 15 (Revenues from contracts with customers), insurers should separate contracts for goods and services from contracts for insurance coverage. Where these are bundled, an attempt to unbundle should be pursued and allow measurement of the various elements correctly.

(2) If insurers take early steps to ascertain the impact of the documented interactions between these standards, the results are to be positively managed. Reviews need to be undertaken to arrive at definitive conclusion of the size of impact in each case as the design of insurance products may vary.

(3) Insurers are able to choose which standard to apply to specific line items, which may result in positive interaction between the two standards.

Article 40: Monitoring, evaluation and skilling

(1) Each insurer is required to establish an internal steering committee for the effective implementation of the IFRS 17 and these guidelines. The composition and responsibilities of the committee shall be determined by the Management considering the nature, scale and complexity of the institution.

(2) Given the complexity of IFRS 17 and occasional changes in staff, there is a need for continued training of staff on application of the standard. Each insurer must engage in continuous training on IFRS 17.

CHAPTER VI: TRANSITION

Article 41: Transition period

(1) IFRS 17 is to be applied for annual reporting periods beginning on or after 1 January 2023, except otherwise stated in these guidelines.

(2) Earlier application is permitted for entities that apply IFRS 9 on or before the date of initial application of IFRS 17.

Article 42: Transition approaches

(1) During transition, insurers have the following three options available for adoption:

(a) Full Retrospective Approach;

(b) Modified Retrospective Approach; and

(c) Fair Value Approach.

(2) The transition methods to be applied in Rwanda is the full retrospective approach unless it is impracticable. Entities may then either apply the modified retrospective approach or the fair value approach with well stated reasons;

(3) The following two areas are crucial on transition:

(a) determining the CSM or loss component;

(b) determining the cumulative effect of the difference between the insurance finance income or expense recognised in profit or loss and the total insurance finance income or expense.

Article 43: Full Retrospective Approach (FRA)

(1) Under the Full Retrospective Approach, IFRS 17 reporting is adopted by identifying and measuring each group of insurance contracts as though IFRS 17 had always applied;

(2) When historical data exists and hindsight is not required, the insurer adopts the full retrospective approach.

Article 44: Modified Retrospective Approach (MRA)

(1) When not all historical information is available but information about historical cash flows is available or can be constructed, the insurer is required to apply modified retrospective approach (MRA);

(2) The aim of MRA is to use reasonable and supportable information that is available without undue cost or effort to achieve the closest possible outcome to full retrospective application otherwise FVA is applied.

Article 45: Fair value approach (FVA)

(1) When no historical information of cash flow is available without undue cost or effort the insurer is required to apply Fair value approach. The Fair Value Approach entails measuring the insurance contracts in force as at the date of transition as though it were the date of initial recognition.

(2) The CSM or loss component is determined at the date of transition for a group of contracts based on the difference between the fair value of the group and the fulfilment cash flows of the group at that date.

(3) It involves utilisation of reasonable and supportable information determined given the terms of the contract and the market conditions at the date of inception or initial recognition, or reasonable and supportable information available at the date of transition as described in annex 10 (figure 11).

Article 46: Transition disclosures

An entity provides disclosures about the CSM and insurance revenue separately for insurance contracts that existed at the date of transition and to which it applies the MRA and FVA. The disclosures should help its users understand the nature and significance of the methods used and judgements applied in determining the amounts on transition.

CHAPTER VII: PRESENTATION AND DISCLOSURE

Article 47: Reporting templates

The full standard reporting templates for Rwanda are provided separately. These templates are provided in the Annexes 1,2,3,4,5,6,7,8 and 9 of these guidelines.

Article 48: Statement of financial position

The portfolios of insurance contracts issued, and reinsurance contracts held are either assets or liabilities, and are to be presented separately in the statement of financial position.

Article 49: Statements of financial performance

Amounts recognised in the statements of financial performance are to be disaggregated into –

(a) an insurance service result comprising:

(i) insurance revenue; and

(ii)insurance service expenses; and

(b) insurance finance income or expense.

Article 50: General disclosures

The specific disclosure requirements under IFRS 17 focus on information about –

(a) amounts recognised in the financial statements;

(b) significant judgements and changes in those judgements; and

(c) the nature and extent of risks that arise from insurance contracts.

<u>Article 51</u>: Level at which to disclose information

Entities consider the level of detail to disclose to satisfy the general disclosure objective and how much emphasis to place on each of the disclosure requirements.

<u>Article 52</u>: Disclosures about recognised amounts

An entity discloses reconciliations (separately for insurance and reinsurance contracts held) that depict how the net carrying amounts changed during the period arising from cash flows and amounts recognised in the statement of financial performance.

<u>Article 53</u>: Disclosures about significant judgements

(1) An entity discloses information about the significant judgements that it makes and changes in those judgements. These include:

(a) the methods used to measure insurance contracts and the processes for estimating the inputs into those methods; and

(b) any changes in the methods and processes, the reason for the changes and the type of contracts affected.

(2) The following areas of judgment are to be disclosed:

(a) If OCI option is chosen, need to explain how it is determined in the insurance finance income or expense recognised in profit or loss;

(b) The confidence level used to determine the risk adjustment for non-financial risk. If another technique other than the confidence level technique is applied, then the technique used and the confidence level that corresponds to the results of that technique needs to be disclosed;

(c) The yield curve used to discount cash flows that do not vary based on the returns on underlying items.

<u>Article 54</u>: Disclosures about risks

(1) An entity discloses information on insurance and financial risks from insurance contracts (typically including credit risk, liquidity risk and market risk) and risk management processes applied;

(2) For each type of risk, an entity discloses –

(a) the exposure to risks, how they arise and changes from the previous period;

(b) the entity's policies and processes for measuring and managing risk, and any changes in these from the previous period; and

(c) quantitative information about the exposure to the risk at the reporting date.

(3) The specific disclosure requirements about exposure to risk at the reporting date include

(a) information about risk concentration;

(b) sensitivity analyses to changes in risk variables arising from insurance contracts;

(c) claims development (i.e., actual claims compared with previous estimates);

(d) maximum exposure to credit risk, and information about the credit quality of reinsurance contracts held that are assets; and

(e) information about liquidity risk.

(4) The effect of the regulatory frameworks for example minimum capital requirements is part of the disclosures.

CHAPTER VIII: TRANSITIONAL AND FINAL PROVISIONS

Article 55: Transition period for special insurance schemes

Micro insurers, Health Maintenance Organization (HMOs), captive and mutual insurers have an optional 1-year deferral period for adoption of IFRS 17. Therefore, these guidelines will apply to them for annual reporting periods beginning on or after 1 January 2024.

Article 56: Entry into force

These guidelines come into force on the date of its signature.

Done at Kigali on 14th February 2024

RWANGOMBWA John
Governor

ANNEXES TO GUIDELINES No 4230/2024–00039 [613] OF 08/02/024 ON THE IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARD 17-INSURANCE CONTRACTS.

ANNEX ONE: STATEMENT OF FINANCIAL POSITION – ASSETS AS PER RBC REPORTING TEMPLATE			
Assets	**Notes**	**Current Year**	**Prior year**
Property and Equipment			
Owner Occupied Property		-	-
Motor Vehicles		-	-
Computer Equipment		-	-
Furniture, Fittings and Office equipment		-	-
Investments			
Financial Investments measured at fair value			
Government Bonds and Treasury Bills		-	-
Corporate Bonds & Debentures		-	-
Commercial Papers		-	-
Shares in Companies		-	-
Other		-	-
Financial Investments measured at amortised cost			
Government Bonds and Treasury Bills		-	-
Corporate Bonds & Debentures		-	-
Commercial Papers		-	-
Investment Funds		-	-
Other		-	-
Non-Financial Investments			
Investments in subsidiaries and affiliates		-	-
Investment Property		-	-
Loans			
Loans to Policyholders		-	-
Loans to Directors & Employees		-	-
Loans to Agents		-	-
Loans to Related Parties		-	-
Loans to Unrelated Parties		-	-
Mortgages		-	-
Cash and Cash Equivalents			
Bank Term Deposits		-	-
Cash Balances and Cash in Hand		-	-
Deposits in MFIs and SACCOs		-	-
Receivables			
Receivables from related companies		-	-
Receivables from unrelated companies		-	-
Other Receivables		-	-
Insurance Contract Assets		-	-
Reinsurance Contract Assets		-	-
Other			
Prepaid Expenses		-	-
Intangible Assets		-	-
Other Assets		-	-
Total Assets		**-**	**-**

ANNEX 2: STATEMENT OF FINANCIAL POSITION-EQUITY & LIABILITIES AS PER RBC REPORTING TEMPLATE			
Equity	**Notes**	**Current Year**	**Prior year**
Ordinary Share Capital		-	-
Share Premium		-	-
Preference Shares		-	-
Revaluation Reserves		-	-
Retained Earnings		-	-
Available For Sale Reserve		-	-
Proposed Dividends		-	-
Contingency Reserves		-	-
Insurance Finance Reserve from Insurance Contract		-	-
Insurance Finance Reserve from Reinsurance Contract Held		-	-
Other Reserves		-	-
Technical Provisions			
Insurance Contract Liabilities		-	-
Reinsurance Contract Liabilities		-	-
Long Term Liabilities			
Loans		-	-
Debentures		-	-
Deferred Income Tax		-	-
Current Liabilities			
Bank Overdrafts		-	-
Payables		-	-
Dividends		-	-
Retirement Benefit Obligations		-	-
Expenses Due and Accrued		-	-
Taxes Due and Accrued		-	-
Other			
Provisions			
Amount Due to Related Parties		-	-
Other Creditors		-	-
Total Equity and Liabilities		**-**	**-**

ANNEX 3: REVENUE ACCOUNTS				
		Notes	**Current Year**	**Prior year**
	Revenue from PAA Contracts		-	-
	Revenue from GMM Contracts (excluding VFA contracts)		-	-
	Revenue from VFA Contracts		-	-
Total Insurance Revenue			-	-
	Incurred claims		-	-
	Insurance contract expenses (other than claims)		-	-
	Insurance contract acquisition costs		-	-
	Amortization of Insurance Acquisition Cash Flows		-	-
	Losses and Reversal of Losses on Onerous Contracts		-	-
	Adjustments to Liabilities for Incurred Claims		-	-
Insurance service expenses			-	-
Insurance service results before reinsurance contracts held			-	-
	Allocation of reinsurance premiums		-	-
	Amount recoverable from reinsurers for incurred claims		-	-
	Effect of changes in non-performance risk of reinsurers		-	-
Net expenses from reinsurance contracts held			-	-
INSURANCE SERVICE RESULT			-	-

ANNEX 4: EXAMPLE STATEMENT OF COMPREHENSIVE INCOME AS PER STATUTORY FINANCIAL STATEMENTS			
		Current year	**Prior year**
	Notes	**Frw'000**	**Frw'000**
Insurance revenue		XX	XX
Insurance service expenses		XX	XX
Net expenses from reinsurance contracts		XX	XX
Insurance service result		**XX**	**XX**
Interest revenue calculated using the effective interest method		XX	XX
Other investment revenue		XX	XX
Net impairment loss on financial assets		XX	XX
Investment return			
Net finance expenses from insurance contracts		XX	XX
Net finance income from reinsurance contracts		XX	XX
Movement in investment contract liabilities		XX	XX
Movement in third party interests in consolidated funds		XX	XX
Net financial result		**XX**	**XX**
Revenue from investment management services		XX	XX
Other income		XX	XX
Other operating expenses		XX	XX
Other finance costs		XX	XX
Share of profit of equity-accounted investees, net of tax		XX	XX
Profit before tax		**XX**	**XX**
Income tax expense		XX	XX
Profit for the year		**XX**	**XX**
Profit attributable to:			
Owners of the Company		XX	XX
Non-controlling interests		XX	XX
		XX	XX
Earnings per share			
Basic earnings per share (Frw)		XX	XX
Diluted earnings per share (Frw)		XX	XX
Profit for the year		**XX**	**XX**

ANNEX 5: STATEMENT OF COMPREHENSIVE INCOME AS PER STATUTORY FINANCIAL STATEMENTS (CONTINUED)			
		Current period	**Prior year**
	Notes	**Frw'000**	**Frw'000**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit liability/asset – re-measurement		XX	XX
Equity investments at FVOCI – net change in fair value		XX	XX
Equity-accounted investees – share of OCI		XX	XX
Related income tax		XX	XX
		XX	**XX**
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations			
Foreign currency translation differences		XX	XX
Net amount reclassified to profit or loss		XX	XX
Net investment hedges – net gain (loss)		XX	XX
Costs of hedging			
Net change in fair value		XX	XX
Net amount reclassified to profit or loss		XX	XX
Debt investments at FVOCI			
Net change in fair value		XX	XX
Net amount reclassified to profit or loss		XX	XX
Available-for-sale financial assets			
Net change in fair value		XX	XX
Net amount reclassified to profit or loss		XX	XX
Net finance expenses from insurance contracts		XX	XX
Net finance income from reinsurance contracts		XX	XX
Equity-accounted investees			
Share of OCI		XX	XX
Net amount reclassified to profit or loss		XX	XX
Related income tax		XX	XX
Other comprehensive income for the year, net of tax		**XX**	**XX**
Total comprehensive income for the year		**XX**	**XX**
Total comprehensive income attributable to:			
Owners of the Company		XX	XX
Non-controlling interests		XX	XX
		XX	**XX**

ANNEX 6: STATEMENT OF FINANCIAL POSITION AS PER STATURORY FINANCIAL STATEMENTS				
	Note	**31-Dec-23**	**31-Dec-22 Restated**	**01-Jan-22 Restated**
Assets				
Cash and cash equivalents		XX	XX	XX
Financial investments		XX	XX	XX
– Measured at fair value		XX	XX	XX
– Measured at amortised cost		XX	XX	XX
– Transferred under securities lending and		XX	XX	XX
repurchase agreements		XX	XX	XX
Receivables		XX	XX	XX
Current tax assets		XX	XX	XX
Insurance contract assets		XX	XX	XX
Reinsurance contract assets		XX	XX	XX
Investment property		XX	XX	XX
Equity-accounted investees		XX	XX	XX
Property and equipment		XX	XX	XX
– Owner-occupied property at fair value		XX	XX	XX
– Other		XX	XX	XX
Intangible assets and goodwill		XX	XX	XX
Deferred tax assets		XX	XX	XX
Other assets		XX	XX	XX
Total assets		**XX**	**XX**	**XX**
Liabilities				
Payables		XX	XX	XX
Derivative liabilities		XX	XX	XX
Current tax liabilities		XX	XX	XX
Investment contract liabilities		XX	XX	XX
Third party interests in consolidated funds		XX	XX	XX
Insurance contract liabilities		XX	XX	XX
Reinsurance contract liabilities		XX	XX	XX
Loans and borrowings		XX	XX	XX
Provisions		XX	XX	XX
Deferred tax liabilities		XX	XX	XX
Other liabilities		XX	XX	XX
Total liabilities		**XX**	**XX**	**XX**
Equity				
Share capital and share premium		XX	XX	XX
Retained earnings		XX	XX	XX
Other reserves		XX	XX	XX
Equity attributable to owners of the Company		XX	XX	XX
Non-controlling interests		XX	XX	XX
Total equity				
Total liabilities and equity		**XX**	**XX**	**XX**

ANNEX 7: EXAMPLE STATEMENT OF CHANGES IN EQUITY AS PER STATURORY FINANCIAL STATEMENTS

		Attributable to owners of the Company			Attributable to								
Frw'000	***Note***	**Share capital**	**Preference shares**	**Share premium**	**Translation reserve**	**Costs of hedging reserve**	**Fair value reserve**	**Insurance finance reserve**	**Treasury share reserve**	**Retained earnings**	**Total**	**NCI**	**Total equity**
Balance at 1 January 2022, as previously reported		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Adjustment on initial application of IFRS 17, net of tax		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Adjustment on initial application of IFRS 9, net of tax		-	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Restated balance at 1 January 2022		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total comprehensive income for the year (restated)													
Profit for the year		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Other comprehensive income for the year		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total comprehensive income for the year (restated)		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Transactions with owners of the Company													
Contributions and distributions Treasury shares acquired		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Dividends		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Equity-settled share-based payment		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Share options exercised		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total transactions with owners of the Company		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Restated balance at 31 December 2022		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Balance at 1 January 2023		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total comprehensive income for the year													
Profit for the year		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX

Other comprehensive income for the year		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total comprehensive income for the year		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Transactions with owners of the Company													
Contributions and distributions													
Issue of ordinary shares		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Issue of ordinary shares related to a business		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
combination		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Treasury shares sold		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Dividends		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Equity-settled share-based payment		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Share options exercised		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total contributions and distributions		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Changes in ownership interests					XX	XX	XX	XX	XX	XX	XX	XX	XX
Acquisition of subsidiary with NCI		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total transactions with owners of the Company		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Balance at 31 December 2023		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX

ANNEX 8: EXAMPLE STATEMENT OF CASH FLOWS AS PER STATURORY FINANCIAL STATEMENTS

	Note	**31-Dec-23**	**31-Dec-22**
			Restated
		Frw'000	**Frw'000**
Cash flows from operating activities			
Profit for the year		XX	XX
Adjustments for:			
– Gain on remeasurement of pre-existing interest in acquired subsidiary		XX	XX
– Gain on disposal of subsidiary		XX	XX
– Gain on disposal of property and equipment		XX	XX
– Depreciation and amortisation		XX	XX
– Impairment loss on intangible assets and goodwill		XX	XX
– Other finance costs		XX	XX
– Share of profit of equity-accounted investees, net of tax		XX	XX
– Equity-settled share-based payment transactions		XX	XX
– Income tax expense		XX	XX
Changes in:			
– Financial investments and derivatives		XX	XX
– Insurance and reinsurance contracts		XX	XX
– Receivables		XX	XX
– Investment property		XX	XX
– Owner-occupied property at fair value		XX	XX
– Other assets		XX	XX
– Payables		XX	XX
– Investment contract liabilities		XX	XX
– Third party interests in consolidated funds		XX	XX
– Provisions		XX	XX
– Other liabilities		XX	XX
Cash used in operating activities		**XX**	**XX**
Interest received		XX	XX
Dividends received		XX	XX
Income taxes paid		XX	XX
Net cash from operating activities		**XX**	**XX**

ANNEX 9: EXAMPLE STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Current year	Previous year
			Restated*
		Frw'000	**Frw'000**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		XX	XX
Disposal of subsidiary, net of cash disposed of		XX	XX
Acquisition of property and equipment		XX	XX
Proceeds from sale of property and equipment		XX	XX
Acquisition of intangible assets		XX	XX
Net cash from (used in) investing activities		**XX**	**XX**
Cash flows from financing activities			
Proceeds from issue of share capital		XX	XX
Proceeds from issue of redeemable preference shares		XX	XX
Proceeds from loans and borrowings		XX	XX
Proceeds from sale of treasury shares		XX	XX
Proceeds from exercise of share options		XX	XX
Transaction costs related to redeemable preference shares		XX	XX
Acquisition of treasury shares		XX	XX
Repayment of loans and borrowings		XX	XX
Payment of lease liabilities[d]		XX	XX
Interest paid[c]		XX	XX
Dividends paid[c]		XX	XX
Net cash from (used in) financing activities		**XX**	**XX**
Net increase in cash and cash equivalents		XX	XX
Cash and cash equivalents at 1 January			
Effect of movements in exchange rates on cash and cash equivalents held		XX	XX
Cash and cash equivalents at 31 December		**XX**	**XX**

ANNEX 10: LIST OF FIGURES

Figure 1: Steps to assessing applicability under IFRS 17

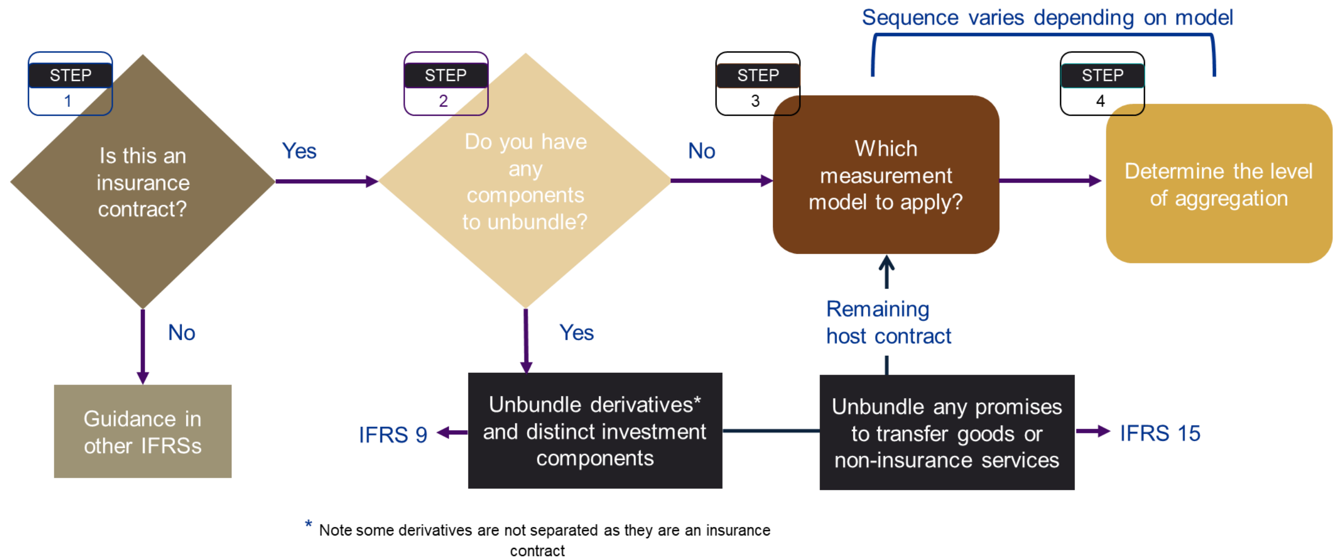


Figure 2: Fulfilment cash flows building blocks and CSM

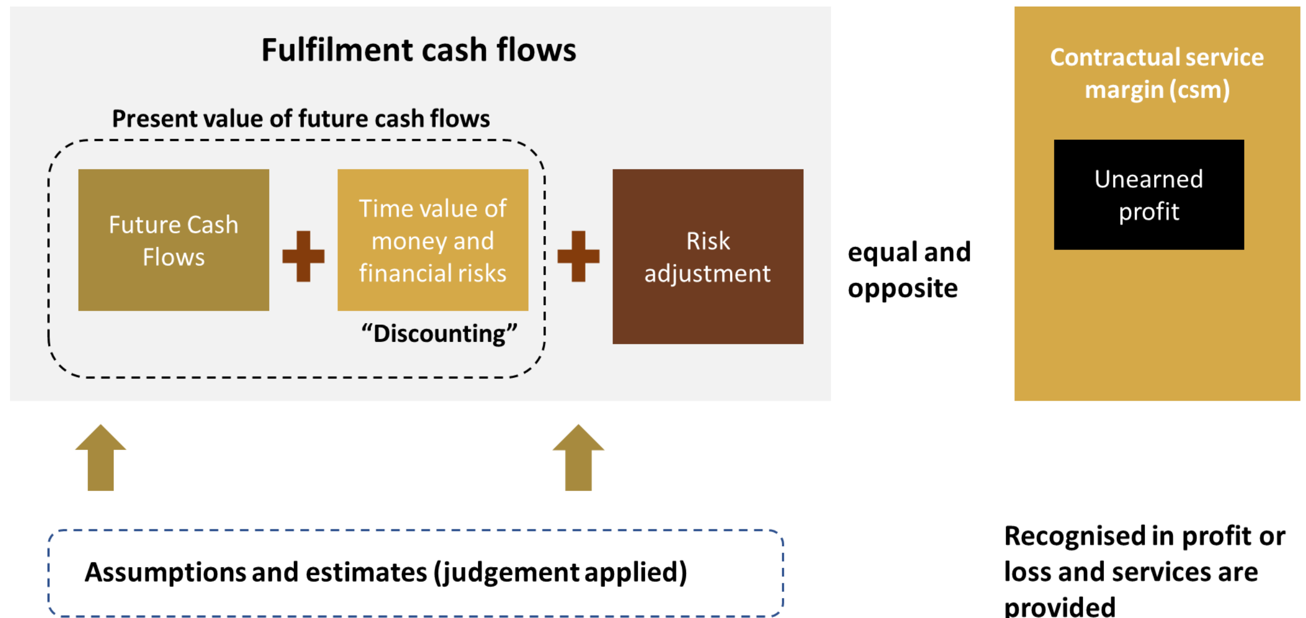


Figure 3: Fulfilment cash flows and Loss component

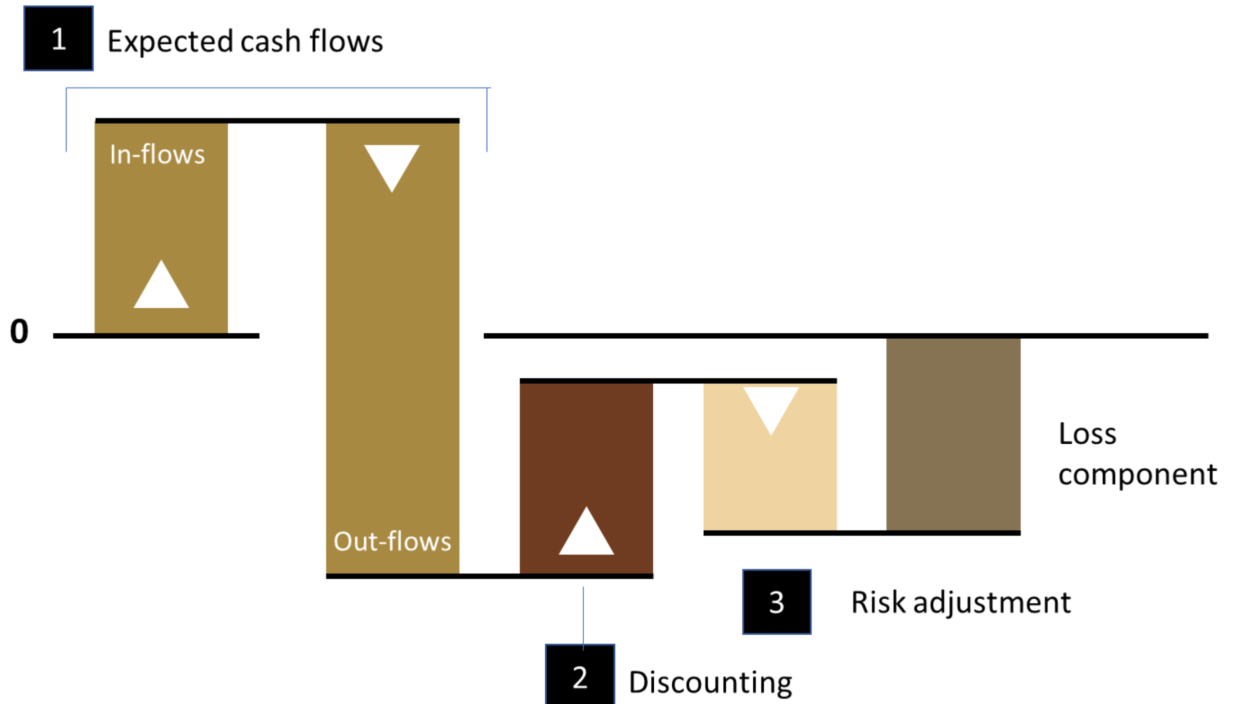


Figure 4: Distinction of expected cash flows relating to existing contracts from those relating to future insurance contracts

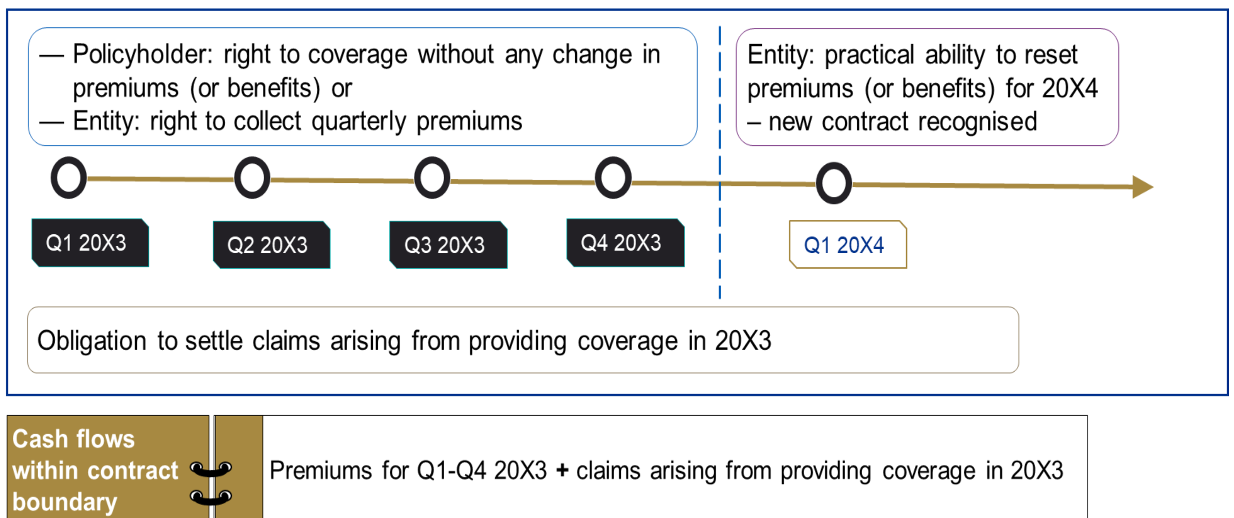


Figure 5: Determining the cash flows that are within the contract boundary.

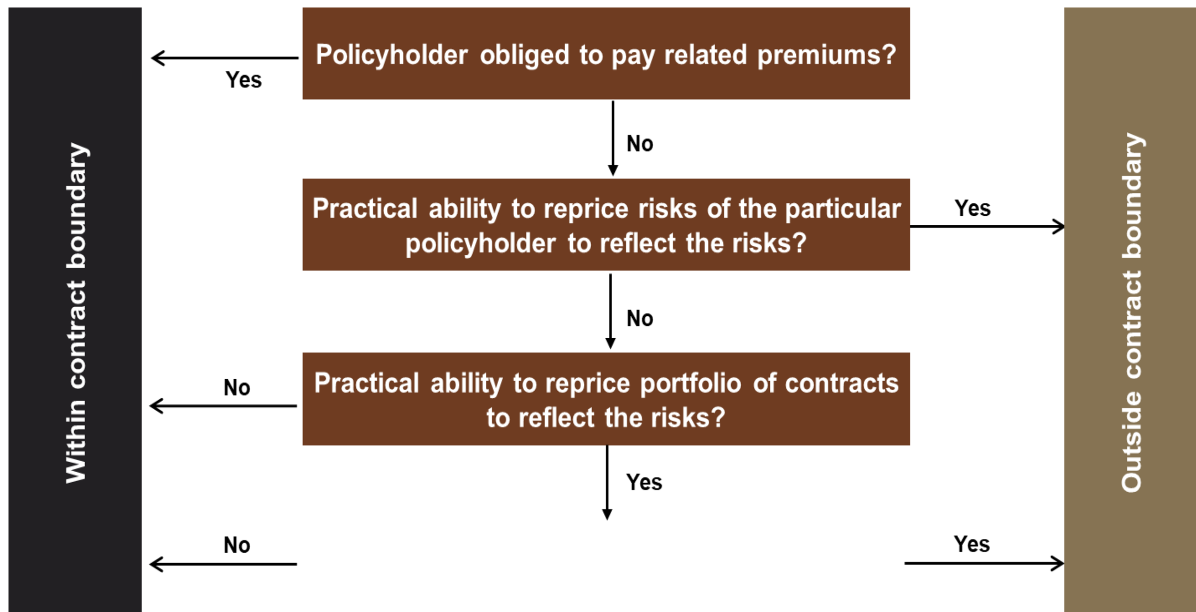
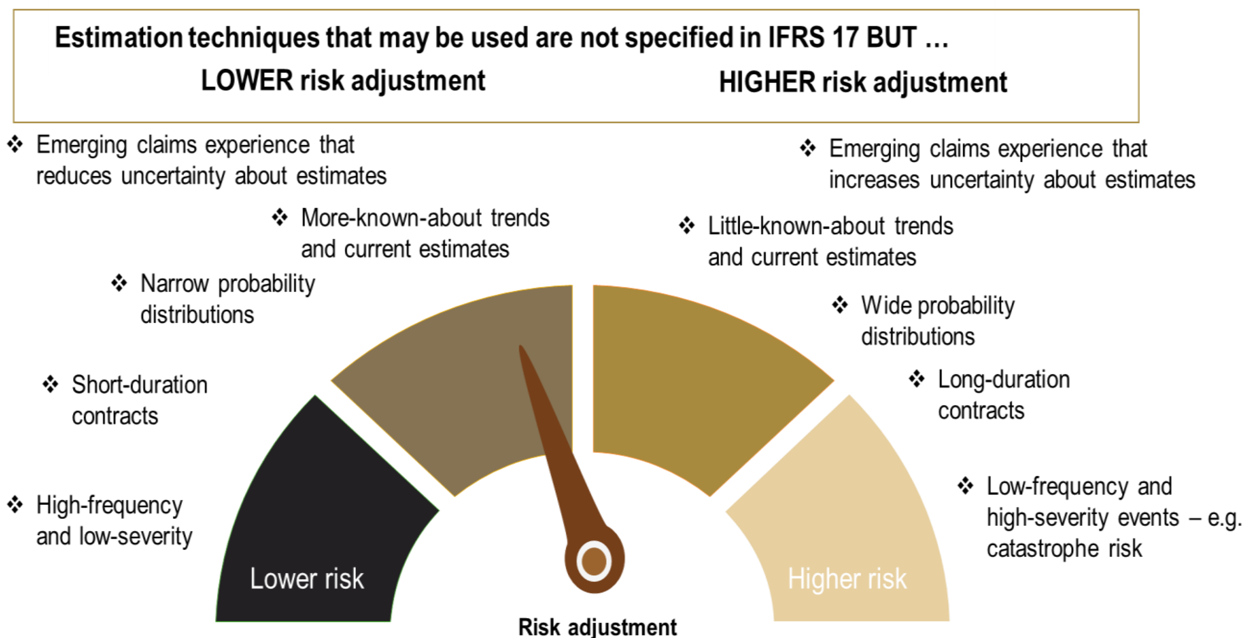


Figure 6: The characteristics that are to be considered as part of RA determination.



/Figure 7: Illustration of the two approaches

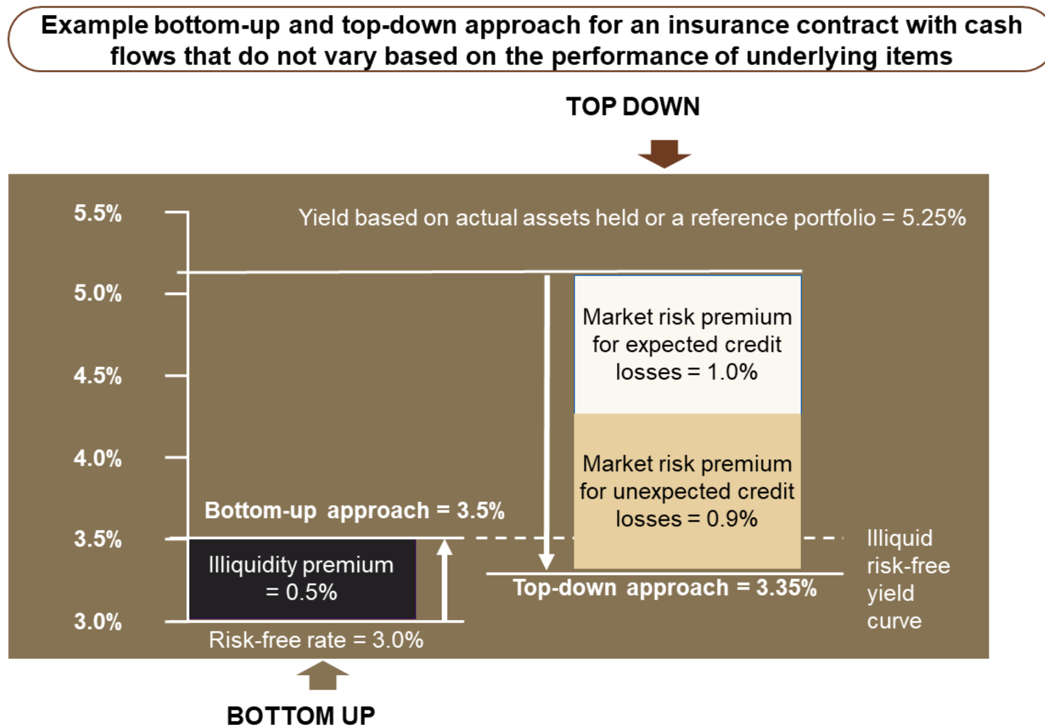


Figure 8: Premium Allocation Approach – Liability For Remaining Coverage

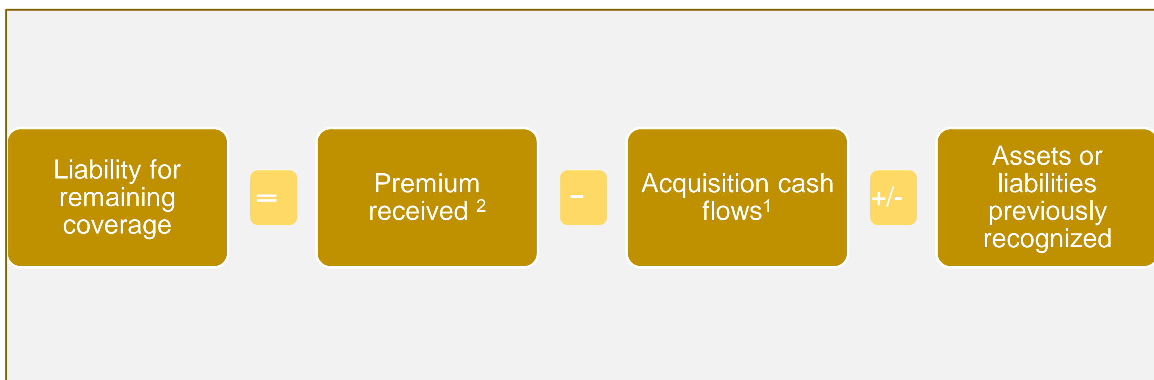


Figure 9: The treatment of the CSM in subsequent measurement

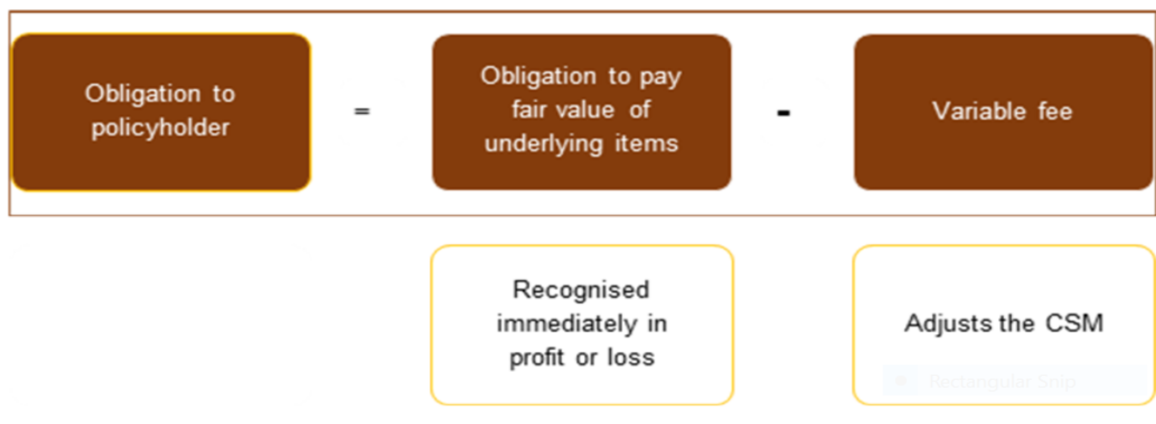


Figure 10: Initial recognition on reinsurance contracts held.

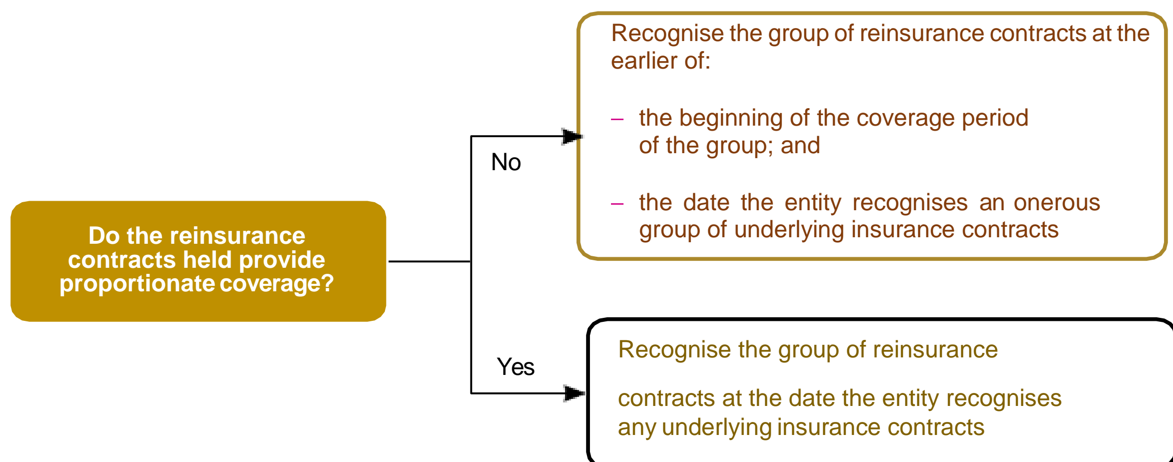
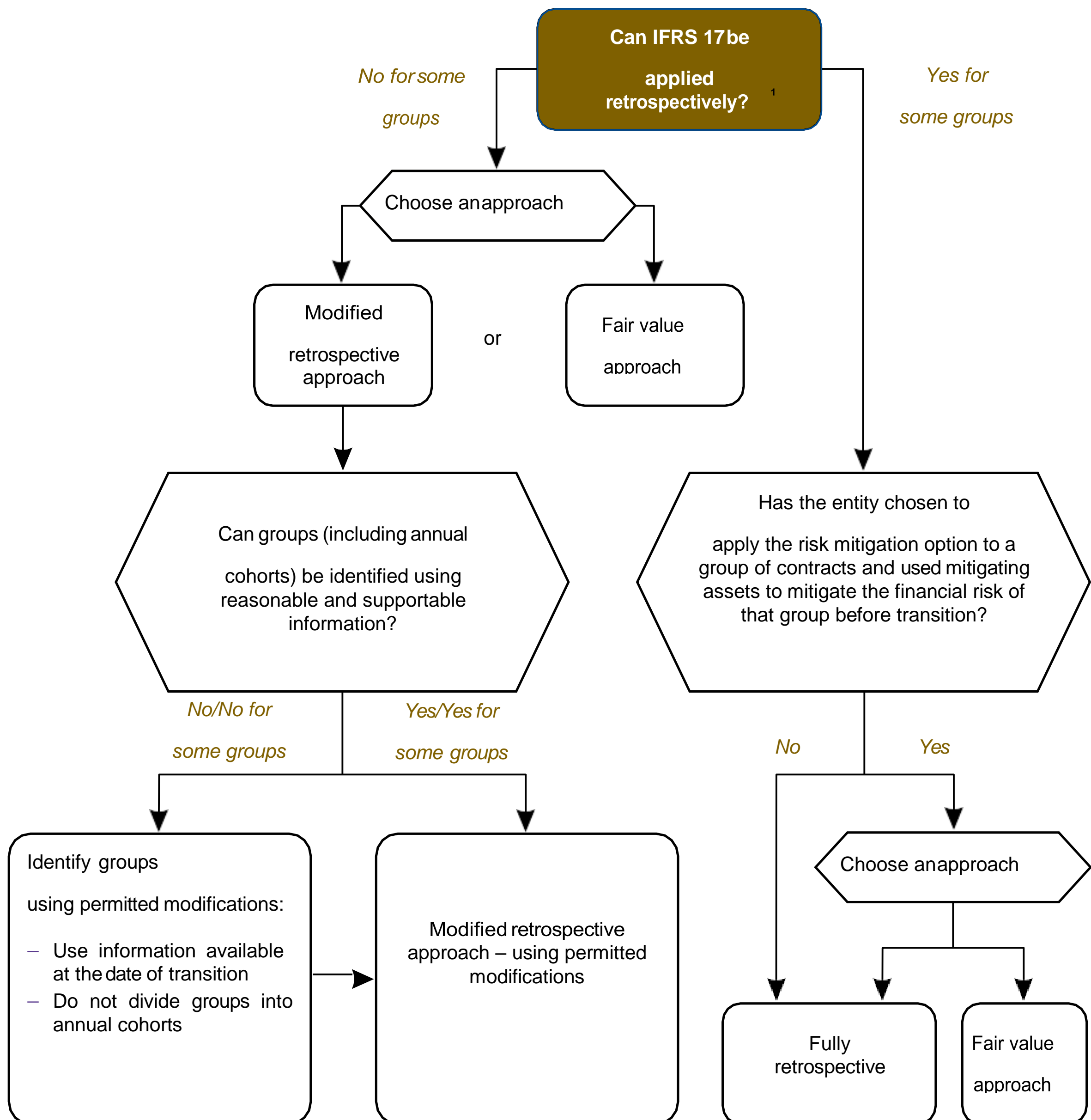


Figure 11: Transition approach decision tree



SEEN TO BE ANNEXED TO GUIDELINES Nº 4230/2024–00039 [613] OF 08/02/024 ON THE IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARD 17-INSURANCE CONTRACTS

Done at Kigali on 14th February 2024

RWANGOMBWA John
Governor