KPMG

Insurers

Are you ready for IFRS 18?

IFRS® Accounting Standards

May 2026

Are you ready?

IFRS 18 *Presentation and Disclosure in Financial Statements* is effective from 1 January 2027 and applies retrospectively, with comparatives restated.

This guide discusses some of the potential impacts as insurers prepare to transition to IFRS 18. It is important to get into the detail and think about how the new requirements apply to your specific circumstances. Don't underestimate the effort required.

The impact may depend on current presentation practices.

As the date of initial application approaches, insurers need to:

- assess the potential impact of IFRS 18;
- develop a detailed implementation roadmap for transition-related activities; and
- communicate the impact to investors, including how IFRS 18 may change non-GAAP measures.

Interpretations and practices are evolving; this guide is based on current information at the time of release. Monitor standard-setting developments as you progress your implementation efforts.

See our **First Impressions** publication for detailed insights.

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Your path to readiness

What's new?

More structured income statement

- New subtotals including 'operating profit'
- Income and expenses classified into three new categories – operating, investing, financing
- Main business activities and nature of asset or liability drive classification
- Analysis of operating expenses is directly on the face

Disclosed and audited MPMs

- Management-defined performance measures (MPMs) are now disclosed in the financial statements and subject to audit
- MPMs capture some but not all non-GAAP measures
- New disclosures may involve additional effort

Enhanced aggregation and disaggregation of information

- Newly defined roles for primary financial statements and notes to guide on where to provide material information
- Enhanced principles of aggregation vs disaggregation based on shared vs non-shared characteristics
- New disclosures for operating expenses by function and items labelled as 'other'

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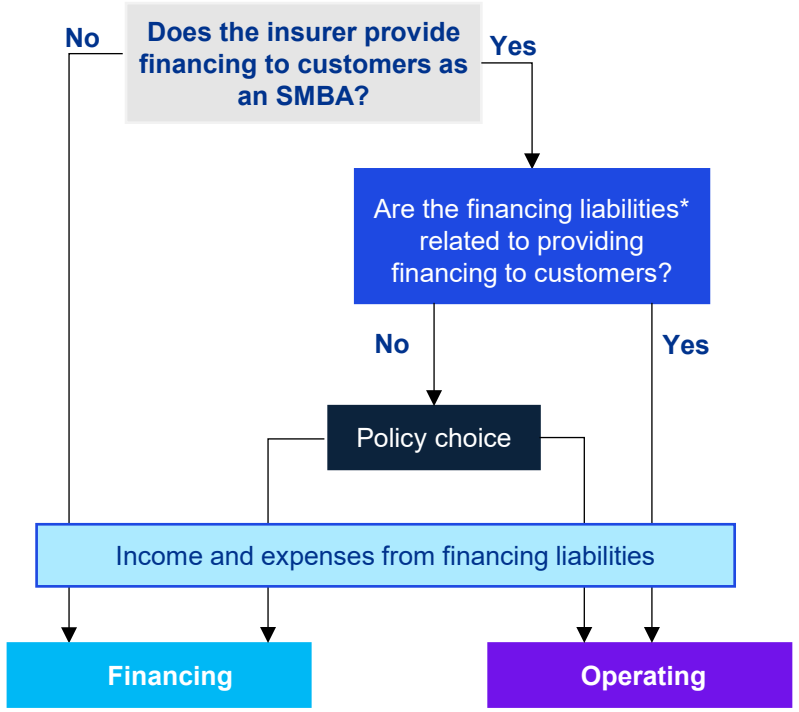
Do you have more than one SMBA?

Potential impacts

- Insurers are generally assumed to invest in assets as a specified main business activity (SMBA), but this assessment needs to be supported by evidence.
- Insurers also need to consider which assets generate a return individually and largely independently of other resources, and whether investing in those assets is an SMBA – e.g. assets held for regulatory purposes and assets held in non-insurance segments.
- Some insurers may also need to assess whether they provide financing to customers as an SMBA – e.g. bancassurers and insurers which issue loans that are not in the scope of IFRS 17 *Insurance Contracts*.
- Insurers with an SMBA of providing financing to customers may need to change the current practice of presenting income and expenses from financing liabilities* within 'finance cost' to meet the new requirements.

The conclusion drives classification



* Financing liabilities refer to liabilities that arise from transactions involving only the raising of finance.

Actions to consider

- Determine whether you have an SMBA of providing financing to customers.
- Consider the evidence available to support your SMBAs, including how you measure and communicate performance.
- Identify assets that generate individual and largely independent returns and evaluate whether insurers invest in them as an SMBA.

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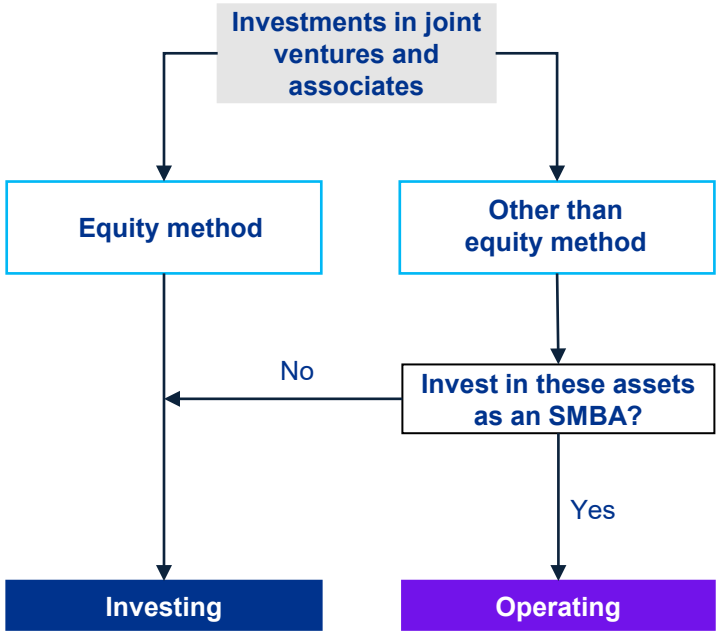
Do you invest in joint ventures or associates?

Potential impacts

- Many insurers view the results of their investment in joint ventures and associates as part of their operating results.
- However, results of equity-accounted associates and joint ventures will be classified in the investing category, even if insurers hold them as part of a main business activity.
- On initial application of IFRS 18, eligible insurers* may change their election to fair value through profit or loss, which – depending on the SMBA assessment – could result in classification in the operating category.
- Applying the fair value option to eligible investments may also change judgements and disclosures under IFRS 13 *Fair Value Measurement*.

Accounting designation drives classification



Actions to consider

- Monitor and assess the proposed amendments to IAS 28.
- Evaluate eligibility to change to the fair value option on transition to IFRS 18, and implications for SMBA assessment and classification.
- If eligible, assess whether to change the measurement of eligible investments upon adoption of IFRS 18.

* Proposed amendments to IAS 28 *Investment in Associates and Joint Ventures* (released in December 2025) would broaden the eligibility to apply the fair value option beyond the entities currently specified in paragraph 18 of IAS 28. Further information can be found here.

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How do you analyse operating expenses?

Potential impacts

- Insurers need to evaluate how to present their analysis of operating expenses, which will need to be included on the face of the income statement rather than in the notes.
- Insurers will present operating expenses either by function or on a mixed basis, depending on which provides the most useful structured summary.
- For all expenses classified by function on the face of the income statement, including line items required by IFRS 17 (e.g. insurance service expenses), insurers will need to disclose, in the notes, information for each of the five specific nature expenses.
- For some insurers, this disclosure will be more granular than current practice and may require additional data to be collated.

Illustration of by-nature expense disclosure

Operating expenses by nature	Employee benefits^
Total amount recognised in the period (expensed and capitalised)*	9,095
Total amount related to*:	
• Insurance service expenses	5,012
• General administrative expenses	3,583
Total amount related to the operating category#	8,595

^ The disclosure is required for depreciation, amortisation, employee benefits, impairment losses and reversals, inventory write-downs and reversals.

* This includes amounts expensed during the period, and amounts capitalised to assets for insurance acquisition cash flows.

The difference with the total amount recognised in the period relates to employee benefits included in the investing category.

Actions to consider

- Select the analysis of operating expenses that provides the most useful structured summary.
- Assess whether existing systems, processes and controls need updates to capture data for the new disclosure.

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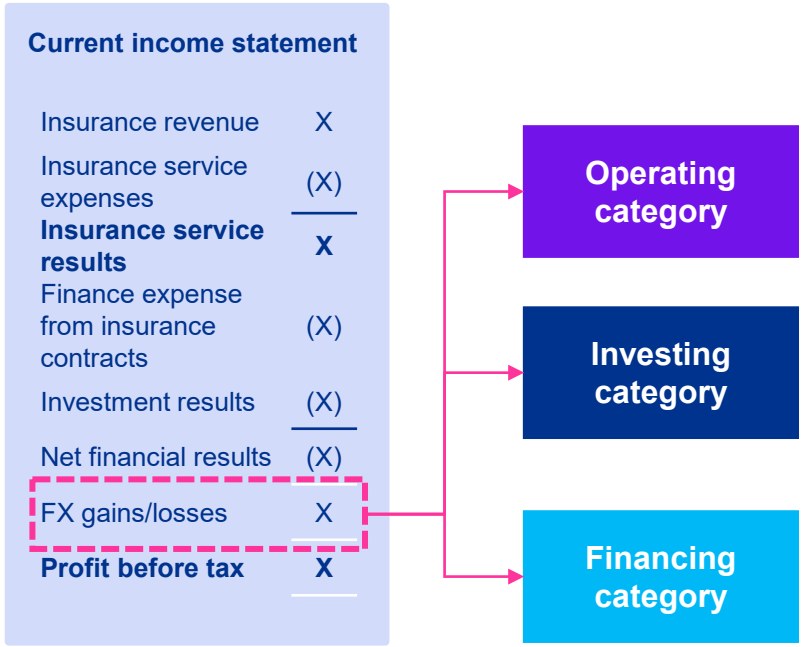
How do you classify and present FX differences?

Potential impacts

- Current foreign exchange (FX) presentation practices vary across insurers. FX differences are typically included within other line items (e.g. insurance finance income or expenses) or split across multiple line items, but some insurers present as a separate line item.
- FX arising from insurance contracts will be classified in the operating category. However, judgment will be required when classifying FX differences on other liabilities, as the underlying income and expenses might be classified in multiple categories but the FX needs to be classified in a single category.
- For FX on inter-company transactions, there is an accounting policy choice to either classify all FX differences as operating, or classify each separately in the same category as the related income or expense was classified before elimination on consolidation#.

Follow the related income and expense



Actions to consider

- Identify the sources of FX differences.
- Assess whether presenting FX as a separate line item or aggregating it within other line items provides a useful structured summary.
- Classify FX differences in the appropriate category.
- Assess whether chart of accounts, reporting systems and controls require updates to track FX differences and map them to the relevant category.

See IFRIC® Interpretations agenda decision.

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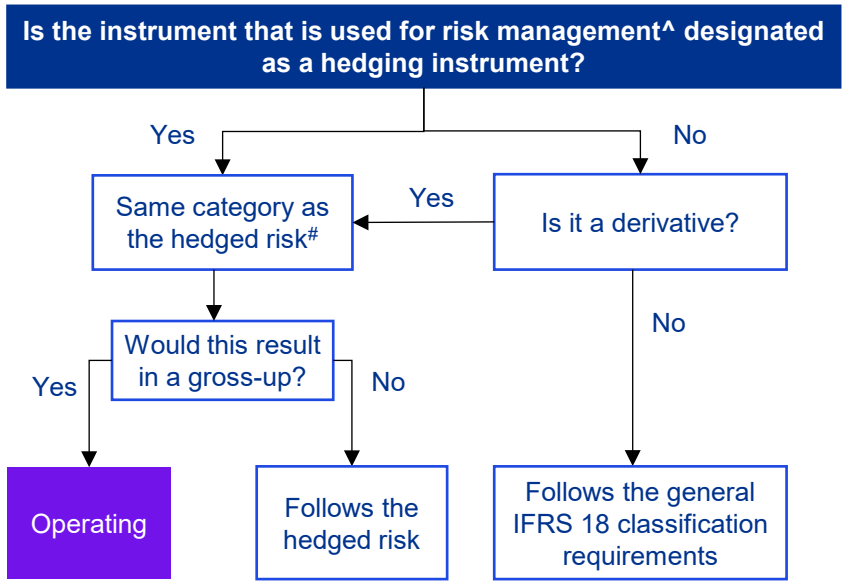
Do you have derivatives or hedging instruments?

Potential impacts

- Many insurers use derivatives and non-derivative instruments to manage risks arising from their investments or other sources. Some are designated in a hedging relationship* while others are not.
- Some insurers already present gains and losses on designated hedging instruments together with the hedged item.
- This classification is now required for all insurers and also applies to derivatives not designated as a hedging instrument but used to manage risks# – e.g. foreign currency risk on the contractual service margin (CSM).
- For non-derivatives used for risk management and not designated as a hedging instrument*, classification of gains and losses depends on the nature of the instrument – i.e. whether it is an asset or a liability, including its type.

Risk management drives classification



Actions to consider

- Identify the purpose of derivatives – i.e. risk management or other uses.
- Ensure classification of gains and losses is supported and consistent with risk management documentation.
- Assess whether reporting systems and controls require updates to classify gains and losses on hedging instruments and derivatives in the relevant category.

* Designated under IFRS 9 *Financial Instruments*.
# Economic hedges are subject to an undue cost or effort relief to classify them in the operating category.

^If the derivative is held for a purpose other than managing risk, the classification depends on whether the transaction involves financing and is related to an SMBA of providing financing to customers.

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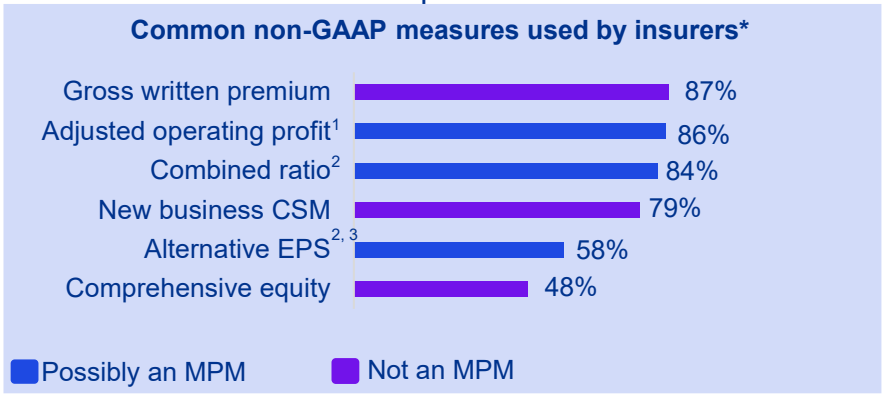
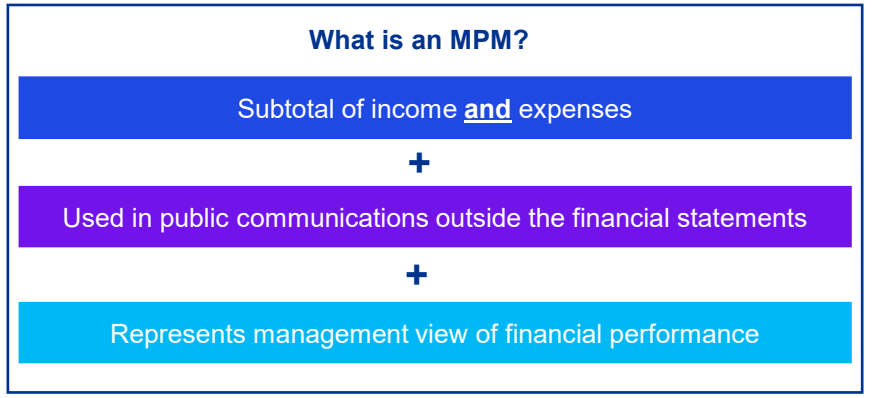
Which of your non-GAAP measures are MPMs?

Potential impacts

- Some non-GAAP measures used by insurers are often presented outside the financial statements with limited information. If they meet the criteria of MPMs, they will be disclosed in the financial statements and subject to audit. A detailed reconciliation to IFRS measures will be required, including tax and non-controlling interest effects.
- Judgement may be required to determine which non-GAAP measures used by insurers will qualify as MPMs. Many non-GAAP measures will not be an MPM as they are not subtotals of income and expenses.



Only subtotals of income and expenses



1 A measure that often includes normalised investment returns.
2 Only numerators or denominators of the ratios.
3 Earnings per Share.

* Percentage of insurers or insurance segments (where relevant) that provided this non-GAAP measure based on benchmarking of 55 insurers' FY25 annual reports. See our publication Real-time IFRS 17 – Insurers' 2025 annual financial statements.

Actions to consider

- Assess which of your non-GAAP measures are MPMs.
- Reassess whether current non-GAAP measures remain relevant in the context of the new income statement structure.
- Review current non-GAAP disclosures including reconciliations and identify where additional information is needed.

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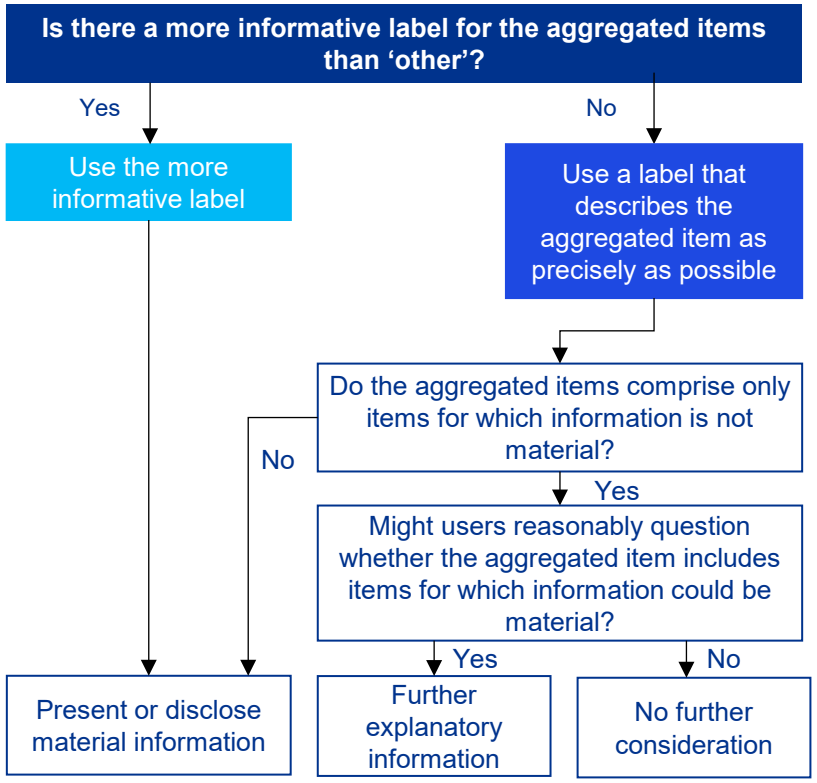
How do you aggregate or disaggregate?

Potential impacts

- Insurers often present certain line items as ‘other’ on the primary financial statements and in the notes, without providing further explanatory information – e.g. ‘other expenses’ or ‘other non-financial assets’.
- IFRS 18 introduces enhanced guidance on aggregation and disaggregation based on shared characteristics. Insurers often present highly aggregated information on other expenses. Therefore, they will need to reassess if the current aggregation of items is appropriate and judgement will apply.
- Even though ‘other’ labels are permitted, IFRS 18 discourages their use and requires more informative labels where items remains aggregated.

Be informative and specific in labelling



Actions to consider

- Reassess whether current financial statement line items and note disclosures provide sufficient aggregation or disaggregation.
- Evaluate possible enhancements to improve the usefulness of information presented or disclosed.
- Assess whether existing systems, processes and controls need updates to capture more granular data.

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Your path to readiness

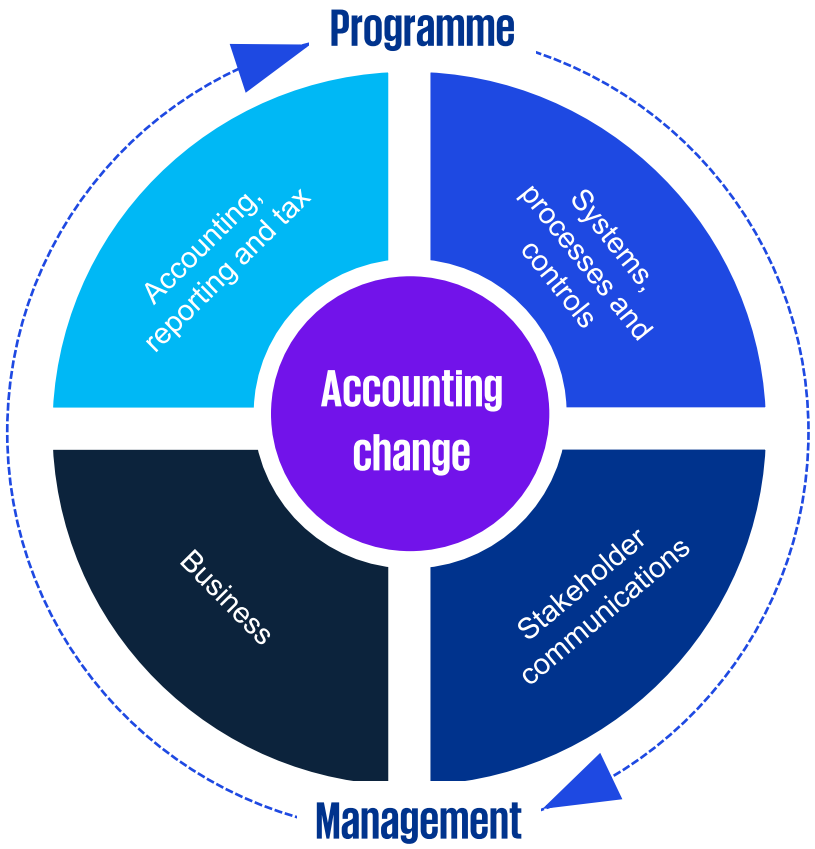
IFRS 18 readiness is a change programme, not just a reporting update. Impacts go beyond the financial statements to include systems, processes and controls, contracts linked to financial performance measures and stakeholder communications.

Insurers need to plan for timely implementation and engage with relevant stakeholders (e.g. investor relations, tax) to align scope, timelines and governance.

Our global network of insurance professionals combines deep industry expertise and practical experience to help insurers navigate the implementation of IFRS 18.

Key actions for transition

Assess	• Assess impacts on the financial statements and MPMs, including new judgements • Assess knock-on impacts on covenants, remuneration and other arrangements linked to performance measures
Design	• Identify data requirements and changes needed to systems (source systems, ERPs, consolidation tools), processes and controls • Develop future-proof and audit-ready solutions • Plan approach for comparatives and additional data requirements
Engage	• Engage the Board, Audit Committee, auditors and investors • Communicate key impacts and transition plans • Explain changes to performance measures
Implement	• Test output from updates to systems, processes and controls • Finalise IFRS 18 financial statements and disclosures, including supporting internal documentation



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