

September 23, 2022
Circular No. SBP-DR-0070-2022

General Manager

Subject: Application of IFRS 17 “Insurance Contracts”

Dear General Manager:

We refer hereby to Circular SSRP-DSES-025-2022 dated July 20, 2022, issued by the Superintendency of Insurance and Reinsurance of Panama, by means of which said entity informs the postponement of the effective date of IFRS 17 “Insurance Contracts” to January 1, 2024, as it has happened in other countries in the region, because of the high complexity that such application entails.

Since various banking groups in the market have subsidiaries engaging in the insurance business, the Superintendency of Banks has deemed it necessary to make comments in this regard.

First, IFRS 1 introduces major changes to the way insurance contracts are accounted for and presented in the financial statements and, in turn, it replaces IFRS 4. The effective date, as defined by the International Accounting Standards Board (IASB), is for annual reporting periods beginning on or after January 1, 2023.

As a result of the postponement of the effective date of IFRS 17, for the update of the new standard in the Panamanian insurance sector for the annual reporting periods beginning on or after January 1, 2024, the consolidated financial statements of banking groups with insurance companies, for the year ending December 31, 2023, and those ending on June 30, 2024, as well as the respective half-year closings, in principle, would have a deviation from the new IFRS 17 standard.

However, there are banking groups where insurance operations and balances are immaterial for the consolidated financial statements. In other cases, insurance companies have made the decision of strictly following the date imposed by IASB to update to IFRS 17 and conducting double accounting to report to the Superintendency. These situations would be ideal and should not affect the banking group’s financial statements.

The Superintendency is aware that there may be cases where the potential impacts are material and, therefore, it recognizes the need for the auditor to submit a modification to the audit report because of the non-compliance with all current international accounting standards. If this is the case, the banking groups must inform of this situation to the Superintendency sufficiently in advance.

Banking groups must evaluate as soon as possible, along with their external auditors, the impact that the change to IFRS 17 could have on the banking group’s consolidated financial statements, as well as

the explanatory notes to the consolidated financial statements and eventual drafting of a modification to the audit report, if necessary.

We would appreciate your providing the necessary instructions to your staff for compliance with these provisions.

Best regards,

Digitally signed by [S]
NAME ARANGO COBOS,
MICHELLE NATALIE – ID 8-786-350
Date: 2022.09.23 14:27:40 - 05'00'
Michelle Arango
Acting Superintendent

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