TECHNICAL NOTE

Solvency II and IFRS 17

Reading value creation beyond the solvency ratio

A strong solvency ratio does not, by itself, show how an insurer replenishes future earnings. Reconciling capital, distributions and IFRS 17 metrics separates operational production from the capital actually retained.

Key points

- In Milliman's sample of 13 European insurers, operational impacts added 6.9% to own funds in the first half of 2026.
- Dividends, buybacks and other capital-management actions removed 5.6%, leaving net growth of 1.1%.
- New business added 3.8% to the opening stock of future profits, while CSM and risk-adjustment releases consumed 5.2%.

Three flows to reconcile

The first flow is operational capital generation. The second is distribution to shareholders. The third is replenishment of the future-profit reserve represented by the contractual service margin and risk adjustment. Reading them separately avoids treating a stable ratio as evidence of durable value creation.

What IFRS 17 shows

Comprehensive equity increased by 0.7%, while the stock of future profits grew by 1.8%. That progress also relied on assumption updates, experience and economic movements. Those sources can support the future-profit stock, but they are less repeatable than contributions from profitable new business.

Use for Finance leadership

A single reconciliation can combine Solvency II own-fund movements, distributions and changes in CSM and risk adjustment. The purpose is to identify how much growth comes from operations, capital management, assumptions and new production.

Reference
Source: Milliman, "Shareholder value reporting in Europe: Solvency- and IFRS-based metrics — Half-year 2026 results", David Burston, Markus Hersche, Subadra Raman, Stuart Reynolds and Henny Verheugen, 23 October 2026.
https://de.milliman.com/en/insight/shareholder-value-reporting-europe-solvency-ifrs-half-year-2026