



Society of Actuaries in Ireland

**IFRS 17 deep dive:
Presentation & disclosure and
Technology, systems & data**

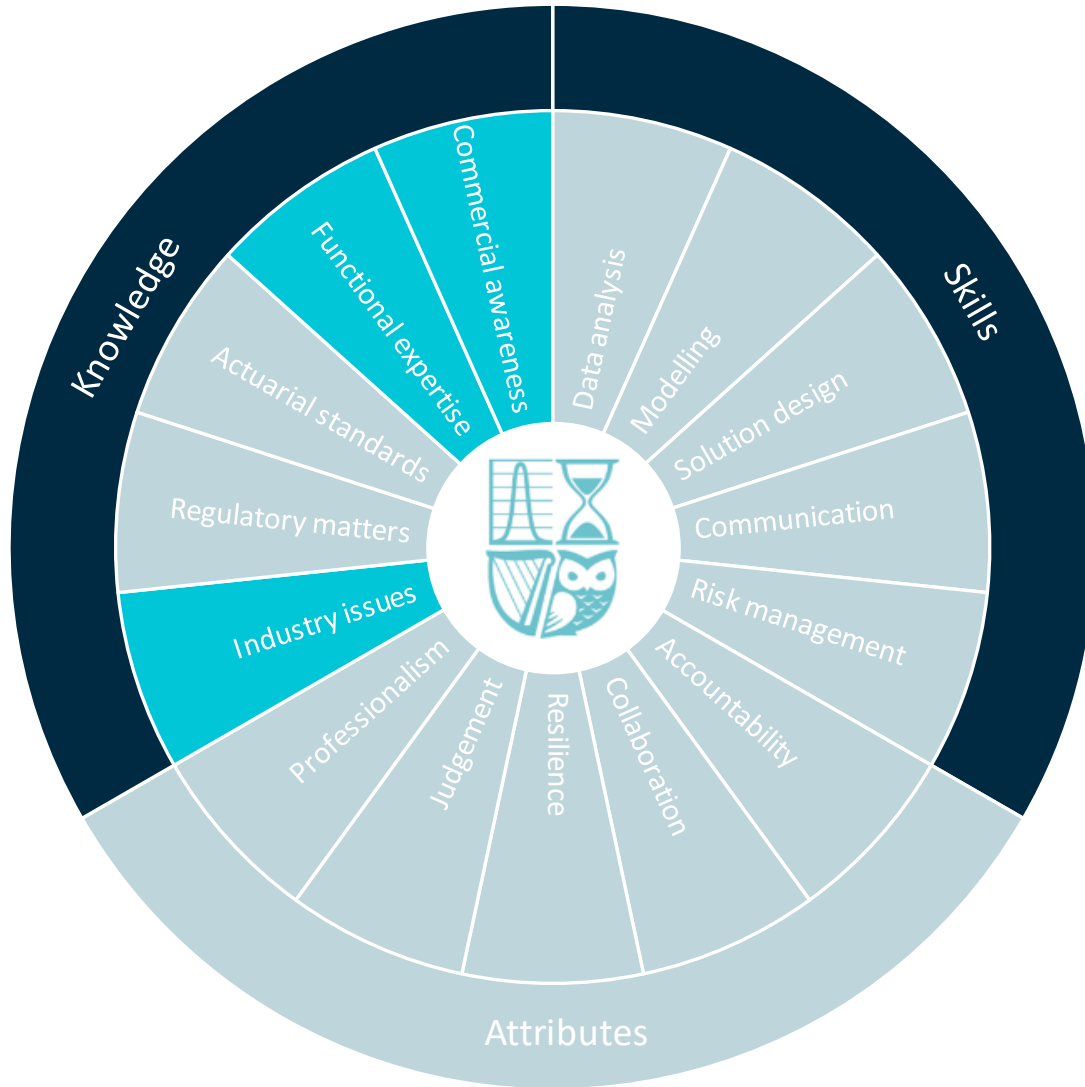
25 June 2021



Disclaimer

The views expressed in this presentation are those of the presenter(s) and not necessarily those of the Society of Actuaries in Ireland or their employers.

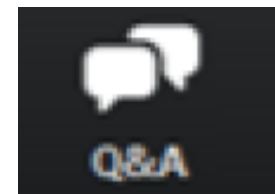
Competency Framework



Agenda

- Introduction
 - SAI IFRS 17 Working Group and activities
 - Timeline
- Presentation, disclosures and the investor story
- Technology, systems and data
- Q&A – please submit questions as we go

Please use the Q&A function in Zoom



IFRS 17 working groups – current members

Life WG

Aileen Murphy

Andrew Kay

Caroline Lynch

Ciara Fitzpatrick

David MacCurtain

Francis Furey

Maaz Mushir

Miriam King

Niall Naughton (Chair)

Paraic Byrne

Non-life WG

Aoife O'Brien

Brian Walsh

Cecilia Cheuk

Deirdre O'Brien

Joanne Lonergan (Chair)

Working group activities

Slides and podcasts

Introduction: <https://web.actuaries.ie/events/2018/10/introduction-ifrs17>

GMM: <https://web.actuaries.ie/events/2019/02/deeper-dive-ifrs17>

VFA & PAA: <https://web.actuaries.ie/events/2019/09/deeper-dive-ifrs-17-vfa-and-paa>

Reinsurance & transition: <https://web.actuaries.ie/events/2020/02/webinar-deeper-dive-ifrs-17-reinsurance-and-transition>

IFRS 17 Panel Discussion: <https://web.actuaries.ie/events/2020/10/webinar-ifrs-17-panel-discussion>

Financial reporting emerging issues:

<https://web.actuaries.ie/events/2019/11/financial-reporting-emerging-issues>

Other

- Responding to IFRS 17 consultations (IAA and AAE)
- SAI IFRS 17 webpage:

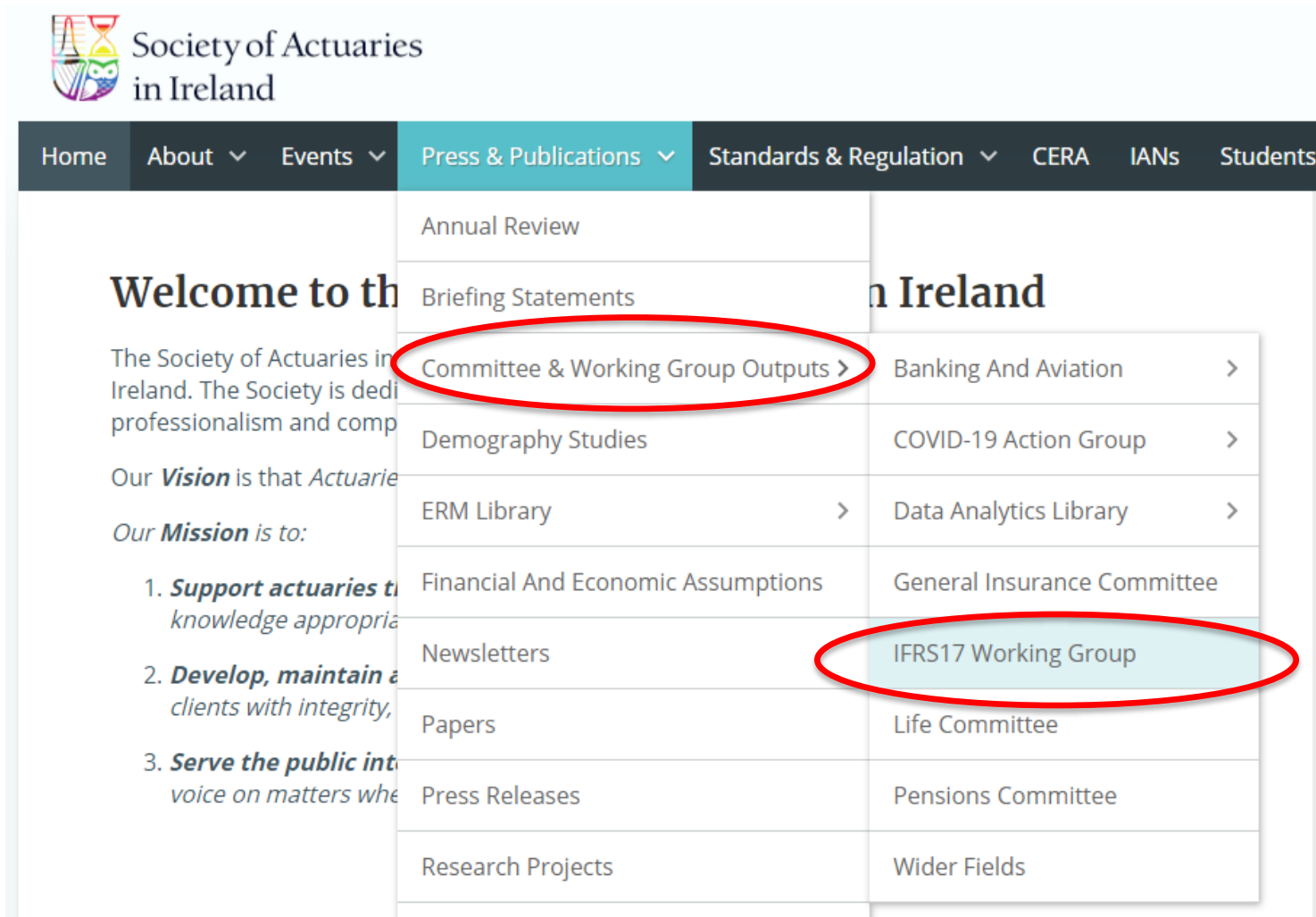
<https://web.actuaries.ie/press-publications/ifrs-17-working-group>


- Provides links to materials and publications



SAI IFRS 17 webpage

<https://web.actuaries.ie/press-publications/committee-working-group-outputs/ifrs-17-working-group>



 Society of Actuaries
in Ireland

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Annual Review

Welcome to the Society of Actuaries in Ireland

The Society of Actuaries in Ireland. The Society is dedicated to the highest standards of professionalism and competence.

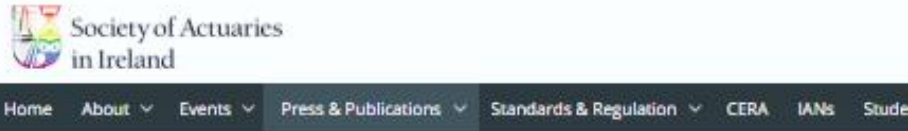
Our **Vision** is that Actuarial Science is the best way to manage risk.

Our **Mission** is to:

1. **Support actuaries to apply their knowledge appropriately**
2. **Develop, maintain and enhance the skills of actuaries to serve their clients with integrity, competence and efficiency**
3. **Serve the public interest by providing a clear and consistent voice on matters where actuarial expertise is required**

Briefing Statements	Banking And Aviation >
Committee & Working Group Outputs >	COVID-19 Action Group >
Demography Studies	Data Analytics Library >
ERM Library >	General Insurance Committee
Financial And Economic Assumptions	IFRS17 Working Group
Newsletters	Life Committee
Papers	Pensions Committee
Press Releases	Wider Fields
Research Projects	

SAI IFRS 17 webpage



Society of Actuaries in Ireland / Press & Publications / Committee & Working Group Outputs / IFRS17 Working Group

IFRS 17 Working Group

WELCOME to the IFRS 17 Working Group Webpage



Introduction

Purpose

Welcome to the Society's SAI IFRS 17 webpage! The purpose of this webpage is to act as a central source of information for IFRS 17 resources for actuaries wishing to develop their knowledge of the IFRS 17 standard and its practical application, though it is not meant to be a comprehensive repository of all material that may be available.

Background

In 1997, work started on the delivery of an international financial standard for insurance contracts. After nearly 20 years of discussion, the International Accounting Standards Board (IASB) published IFRS 17 Insurance Contracts in May 2017. Following feedback from various industry bodies, a revised version of the standard was issued in June 2020. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023.

The objective of the Standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations from insurance contracts it issues. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting practices by providing a single principle based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. In particular, the new standard introduces a prescribed valuation basis for liabilities for the first time. However, IFRS 17 does not only affect the liability measurement and financial reporting and disclosures of an insurer; the standard also has a significant impact on data, systems and processes, therefore requiring a greater level of interaction between the actuarial function, the finance function and others within an organisation.

Structure of the IFRS 17 Webpage

The IFRS 17 webpage is a live document to be maintained on an ongoing basis as materials and experience evolves in this area.

The webpage consists of a number of sections as follows:

1. Introduction – purpose of the webpage and background information (this page).
2. Materials and Publications - reference materials (TRG papers, IASB publications, material from previous SAI events etc.) for members interested in the details
3. Contacts - contact members of the IFRS 17 GI and Life Working Groups of the Society, in case you have any queries or feedback on the library

If you have questions about IFRS 17, please email info@actuaries.ie and you will be put in contact with one of the members of the IFRS 17 working groups.

Contacts

Materials & Publications

Event – Webinar:
IFRS 17 Panel Discussion
27.11.2020

Materials & publications page

Home About Events Press & Publications Standards & Regulation CERA IANs Stu

Home / Press & Publications

IFRS 17 Working Group - Materials

The IFRS 17 Standard

Title	Description
IFRS 17 Standard	The amended IFRS 17 standard as at June 2020

SAI IFRS 17 Working Group Presentations

Title	Description
SAI Introduction to IFRS 17	Covers the basic principles of IFRS 17 across all topics
SAI IFRS17 - Deep Dive - VFA and PAA 2019-11-15	Deep dive into the Variable Fee Approach and Premium Allocation Approach models under IFRS 17
SAI IFRS17 Educational Session - GMM	Deep dive into the General Measurement Model under IFRS 17

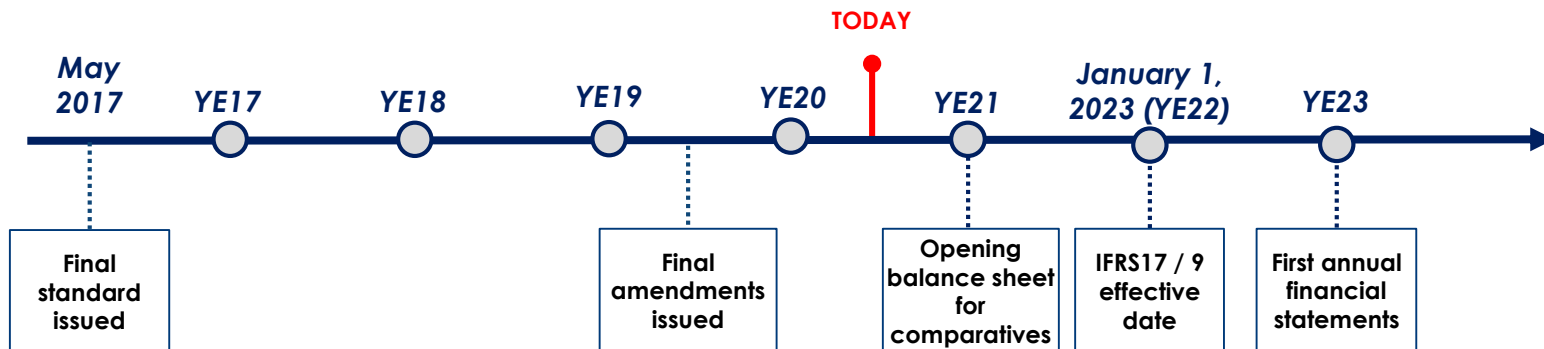
IFRS 17 Transition Resource Group ("TRG")

Title	Description
Summary of TRG Meeting February 2018	Summary of the topics discussed at the February 2018 TRG Meeting
Summary of TRG Meeting May 2018	Summary of the topics discussed at the May 2018 TRG Meeting
Summary of TRG Meeting September 2018	Summary of the topics discussed at the September 2018 TRG Meeting

International Accounting Standards Board ("IASB") Meetings

Title	Description
IASB Meeting December 2018	This link contains all board papers pertaining to IFRS 17 discussed at the the IASB meeting in December 2018
IASB Meeting January 2019	This link contains all board papers pertaining to IFRS 17 discussed at the IASB meeting in January 2019
IASB Meeting February 2019	This link contains all board papers pertaining to IFRS 17 discussed at the IASB meeting in February 2019
IASB Meeting March 2019	This link contains all board papers pertaining to IFRS 17 discussed at the IASB meeting in March 2019
IASB Meeting May 2019	This link contains all board papers pertaining to IFRS 17 discussed at the IASB meeting in May 2019
IASB Meeting December 2019	This link contains all board papers pertaining to IFRS 17 discussed at the IASB meeting in December 2019
IASB Meeting January 2020	This link contains all board papers pertaining to IFRS 17 discussed at the IASB meeting in January 2020
IASB Meeting February 2020	This link contains all board papers pertaining to IFRS 17 discussed at the IASB meeting in February 2020
IASB Meeting March 2020	This link contains all board papers pertaining to IFRS 17 discussed at the IASB meeting in March 2020

Timeline and recent developments



- IASB

- issued amendments to IFRS 17 in June 2020 (and provided webcasts explaining the changes): <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>
- discussed at its May 2021 meeting classification differences that may arise in the comparative information that insurers will present on initial application of IFRS 17 and IFRS 9. The Board also discussed preliminary staff views on a possible narrow-scope amendment to IFRS 17 to address this issue

- EFRAG & EU endorsement

- final endorsement advice submitted 31 March 2021: <https://www.efrag.org/Activities/289/IFRS-17---Insurance-Contracts>
- largely endorsing IFRS 17 (and amendments) other than lack of consensus on annual cohorts for certain intergenerationally-mutualised and cash-flow matched contracts
- options for the endorsement of an amended version of IFRS 17 are now being considered by the Accounting Regulatory Committee (“ARC”) of the EU Commission

- Many insurance companies now keenly focused on finalising data requirements, systems and methodologies ahead of year end 2021, so comparative statements can be calculated from 2022.



Presentation and Disclosure

- **Primary statements**
- **Explanation of Recognised Amounts**
- **Significant Judgements**
- **Nature and Extent of Risk**
- **Investor Story**



Primary Statements & Explanation of Recognised Amounts

Primary Statements

- Balance Sheet
- Profit & Loss

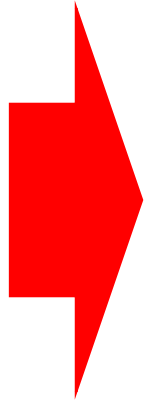
Explanation of Recognised Amounts

- Insurance Revenue
- Insurance Contracts Liabilities
- Insurance Contracts Initially Recognised
- CSM Run-off



Primary Statements – Balance Sheet

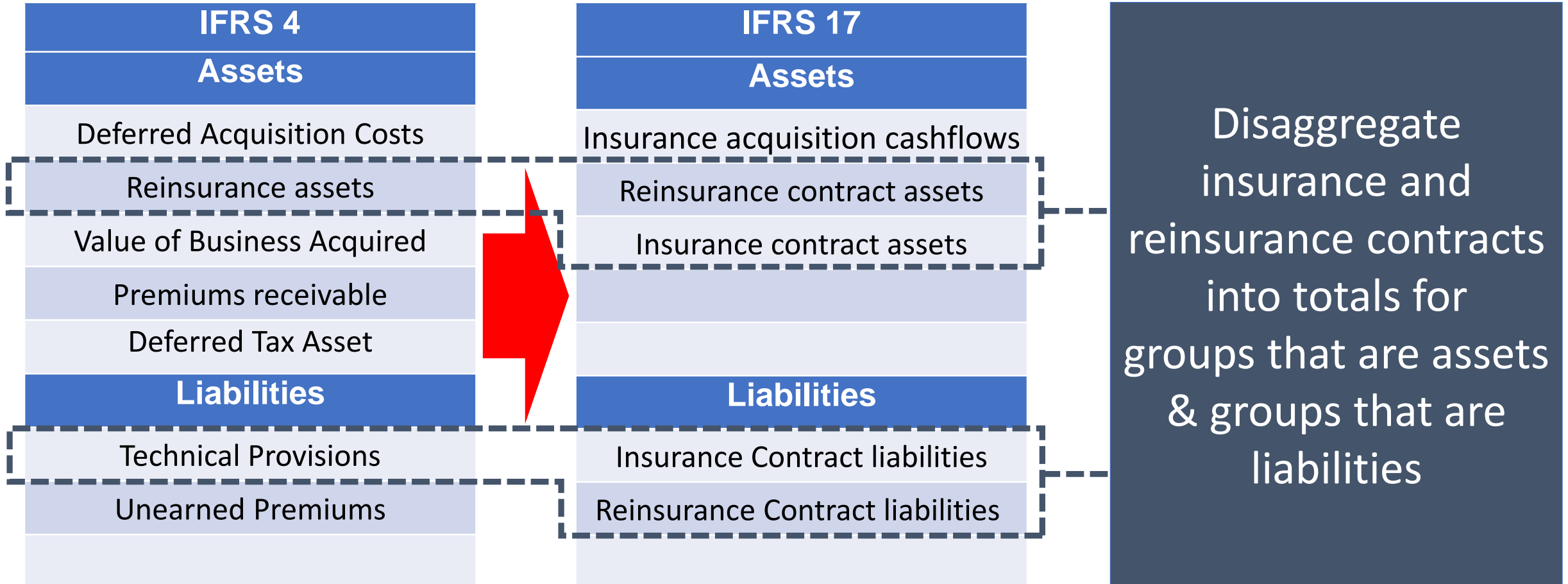
IFRS 4
Assets
Deferred Acquisition Costs
Reinsurance assets
Value of Business Acquired
Premiums receivable
Deferred Tax Asset
Liabilities
Technical Provisions
Unearned Premiums



IFRS 17
Assets
Insurance acquisition cashflows
Reinsurance contract assets
Insurance contract assets
Liabilities
Insurance Contract liabilities



Primary Statements – Balance Sheet





Primary Statements – Balance Sheet

IFRS 4	IFRS 17
Assets	Assets
Deferred Acquisition Costs	Insurance acquisition cashflows
Reinsurance assets	Reinsurance contract assets
Value of Business Acquired	Insurance contract assets
Premiums receivable	
Deferred Tax Asset	
Liabilities	Liabilities
Technical Provisions	Insurance Contract liabilities
Unearned Premiums	Reinsurance Contract liabilities

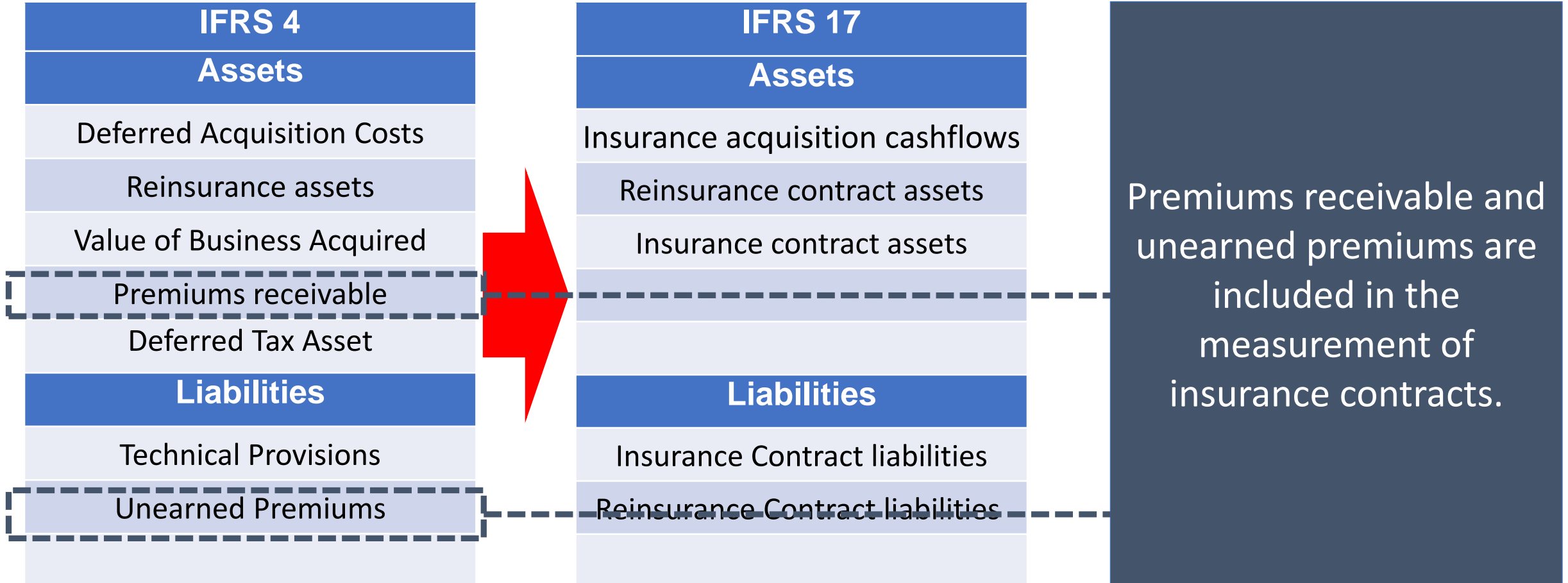


Attributable acquisition costs are deferred through the CSM.

A separate *Asset for Insurance Acquisition Cashflows* established for renewals outside the contract boundary, subject to impairment testing.



Primary Statements – Balance Sheet





Primary Statements – Balance Sheet

IFRS 4
Assets
Deferred Acquisition Costs
Reinsurance assets
Value of Business Acquired
Premiums receivable
Deferred Tax Asset
Liabilities
Technical Provisions
Unearned Premiums

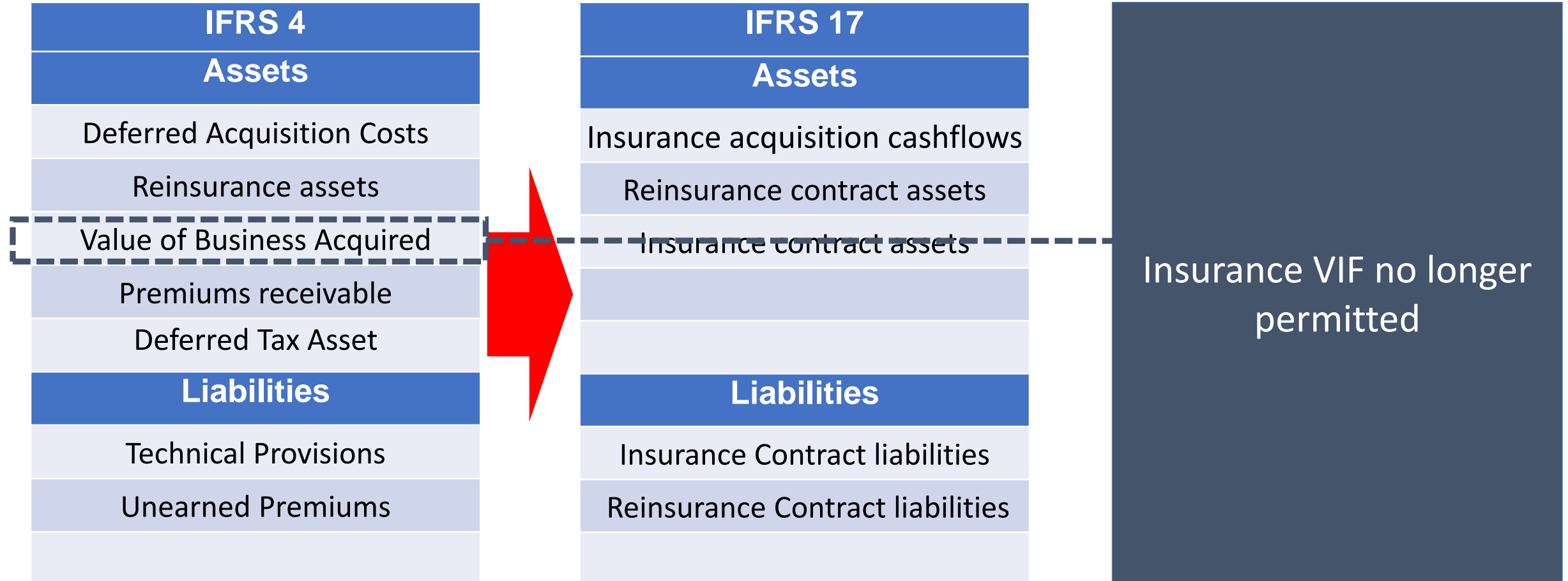


IFRS 17
Assets
Insurance acquisition cashflows
Reinsurance contract assets
Insurance contract assets
Liabilities
Insurance Contract liabilities
Reinsurance Contract liabilities

Pattern of profit emergence now very different with knock on deferred taxation position implications



Primary Statements – Balance Sheet





Primary Statements – Balance Sheet

IFRS 4
Assets
Deferred Acquisition Costs
Reinsurance assets
Value of Business Acquired
Premiums receivable
Deferred Tax Asset
Liabilities
Technical Provisions
Unearned Premiums



IFRS 17
Assets
Insurance acquisition cashflows
Reinsurance contract assets
Insurance contract assets
Liabilities
Insurance Contract liabilities
Reinsurance Contract liabilities

Changes to Balance Sheet presentation driven by changes to the calculation of insurance liabilities.



Primary Statements: Profit & Loss Account

IFRS 4 Income Statement	
A) Premiums	€xx
B) Investment Income	€xx
C) Claims in period	€xx
D) Expenses in period	€xx
E) Movement in technical provisions	€xx
F) Profit before taxation	A+B-C-D-E



IFRS 17 Statement of Profit or Loss	
<u>Insurance Revenue</u>	
A) Expected Claims	€xx
B) Expected Expenses	€xx
C) Movement in Risk adjustment	€xx
D) Amortisation of CSM	€xx
E) Total Insurance Revenue	A+B+C+D
<u>Insurance Service Expenses</u>	
F) Actual claims	€xx
G) Actual Expenses	€xx
H) Insurance Service Result	E+F+G
I) Insurance Finance Income (Expenses)	€xx
J) Investment Income	€xx
K) Non-Insurance Activities	€xx
Profit before tax	H+I+J+K

Lots more change to be seen to the P&L...



Primary Statements: Profit & Loss Account

IFRS 4 Income Statement	
A) Premiums	€xx
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H) Insurance Service Result	E+F+G
I) Insurance Finance Income (Expenses)	€xx
J) Investment Income	€xx
K) Non-Insurance Activities	€xx
Profit before tax	H+I+J+K

.. with a few familiar items...



Primary Statements: Profit & Loss Account

IFRS 4 Income Statement

A) Premiums	€xx
B) Investment Income	€xx
C) Claims in period	€xx
D) Expenses in period	€xx
E) Movement in technical provisions	€xx
F) Profit before taxation	A+B-C-D-E



IFRS 17 Statement of Profit or Loss

<u>Insurance Revenue</u>	
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G) Actual Expenses	€xx
H) Insurance Service Result	E+F+G
I) Insurance Finance Income (Expenses)	€xx
J) Investment Income	€xx
K) Non-Insurance Activities	€xx
Profit before tax	H+I+J+K

...and a few missing items...



Primary Statements: Profit & Loss Account

IFRS 4 Income Statement	
A) Premiums	€xx
B) Investment Income	€xx
C) Claims in period	€xx
D) Expenses in period	€xx
E) Movement in technical provisions	€xx
F) Profit before taxation	A+B-C-D-E



IFRS 17 Statement of Profit or Loss	
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J) Investment Income	€xx
K) Non-Insurance Activities	€xx
Profit before tax	H+I+J+K

...some new items!



Primary Statements: Profit & Loss Account

New items...

Some assumptions...

1. Contract is non-linked
2. Experience = Assumptions
3. Contract is profitable.
4. Zero investment income and discount rates.



IFRS 17 Statement of Profit or Loss

Insurance Revenue

A) Expected Claims	€xx
B) Expected Expenses	€xx
C) Movement in Risk adjustment	€xx
D) Amortisation of CSM	€xx
E) Total Insurance Revenue	A+B+C+D

Insurance Service Expenses

F) Actual claims	€xx
G) Actual Expenses	€xx
H) Insurance Service Result	E+F+G
I) Insurance Finance Income (Expenses)	€xx
J) Investment Income	€xx
K) Non-Insurance Activities	€xx
Profit before tax	H+I+J+K



Primary Statements: Profit & Loss Account

New items...

Some assumptions...

1. Contract is non-linked
2. Experience = Assumptions
3. Contract is profitable.
4. Zero investment income and discount rates.

...and some equations (over contract lifetime)

1

$$\text{Profits} = \text{Premiums} - \text{Claims} - \text{Expenses}$$

2

$$\text{Profits} = \text{CSM} + \text{Risk Adjustment}$$

3

$$\text{Premiums} - \text{Claims} - \text{Expenses} = \text{CSM} + \text{Risk Adjustment}$$

4

$$\text{Premiums} = \text{Claims} + \text{Expenses} + \text{CSM} + \text{Risk Adjustment}$$



Primary Statements: Profit & Loss Account

New items...

IFRS 17 Statement of Profit or Loss

IFRS 17 Statement of Profit or Loss	
<u>Insurance Revenue</u>	
A) Expected Claims	€xx
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...and some equations (over contract lifetime)

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$$\text{Profits} = \text{Premiums} - \text{Claims} - \text{Expenses}$$

2

$$\text{Profits} = \text{CSM} + \text{Risk Adjustment}$$

3

$$\text{Premiums} - \text{Claims} - \text{Expenses} = \text{CSM} + \text{Risk Adjustment}$$

4

$$\text{Premiums} = \text{Claims} + \text{Expenses} + \text{CSM} + \text{Risk Adjustment}$$



Primary Statements: Profit & Loss Account

Simplifying assumption – PAA

IFRS 17 Statement of Profit or Loss	
<u>Insurance Revenue</u>	
A) Expected Claims	€xx
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K) Non-Insurance Activities	€xx
Profit before tax	H+I+J+K

Contracts measured under the PAA

1 Revenue = Expected Premium receipts allocated to the period



Primary Statements: Profit & Loss Account

“Un-simplifying”
assumptions ...

Some assumptions...

1. ~~Contract is non linked~~
2. Experience = Assumptions
3. Contract is profitable.
4. Zero investment income and discount rates.

Contract is unit-linked

- Insurance revenue = charges deducted over the lifetime of the product.
- Units paid out in the event of death/withdrawal are defined as an “investment component” and excluded insurance revenue.



Primary Statements: Profit & Loss Account

“Un-simplifying”
assumptions ...

Some assumptions...

1. Contract is non-linked
2. Experience = Assumptions
3. Contract is profitable.
4. Zero investment income and discount rates.

Experience != Assumptions

- Difference between expected and actual cashflows is an “Experience adjustment”. When an experience adjustment is realised:
 - It is recognised immediately in the reporting period in the insurance P&L;
 - It is recognised over the remaining lifetime of the contract by adjusting the CSM;
 - Part of it is recognised immediately through the P&L and the other part is deferred through the CSM.



Primary Statements: Profit & Loss Account

“Un-simplifying”
assumptions ...

Some assumptions...

1. Contract is non-linked
2. Experience = Assumptions
3. Contract is profitable.
4. Zero investment income and discount rates.

Contract is loss-making

- “Simplified equations” break down:
 - No CSM on loss making contracts;
 - Loss component is recognised immediately;
 - Claims and expenses exceed premiums.
- Even if loss making contracts we can say that...
Insurance Revenue = Premiums (non-linked)
Insurance Revenue = Charges (unit-linked)
...over the contract lifetime.
- Further reading:
“IFRS 17: Loss components – Part 1 of 3: Why do loss components need to be amortised?” *Link below*



Primary Statements: Profit & Loss Account

“Un-simplifying”
assumptions ...

Some assumptions...

1. Contract is non-linked
2. Experience = Assumptions
3. Contract is profitable.
4. ~~Zero investment income and discount rates~~

Positive investment income/discount rates

- Investment income recognised under “Investment income and insurance finance income/expenses” (IFRS 9).
- Recognised within insurance finance income/expenses, not insurance service result:
 - Unwind of discount rate on insurance liabilities;
 - Accretion of interest on CSM;
 - Impact of changes in financial risk on insurance liabilities



Primary Statements: Profit & Loss Account

IFRS 4 Income Statement	
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IFRS 17 Statement of Profit or Loss	
<u>Insurance Revenue</u>	
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- *More change relative to Balance Sheet*
- *“New” concepts*
- *New layout & narrative*



Explanation of Recognised Amounts

Objective: Disclose information that...

“gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the entity’s financial position, financial performance and cash flows.”

- ⚠ IFRS 4 outlines what should be disclosed but with limited guidance
- ⚠ IFRS 17 is more extensive requiring specific reconciliations

More detail
needed

Some points to consider...

- ❓ The level of detail necessary to satisfy the disclosure objective
- ❓ The emphasis to place on each of the various requirements
- ❓ The need to disclose additional information to meet objective

Judgement
Required

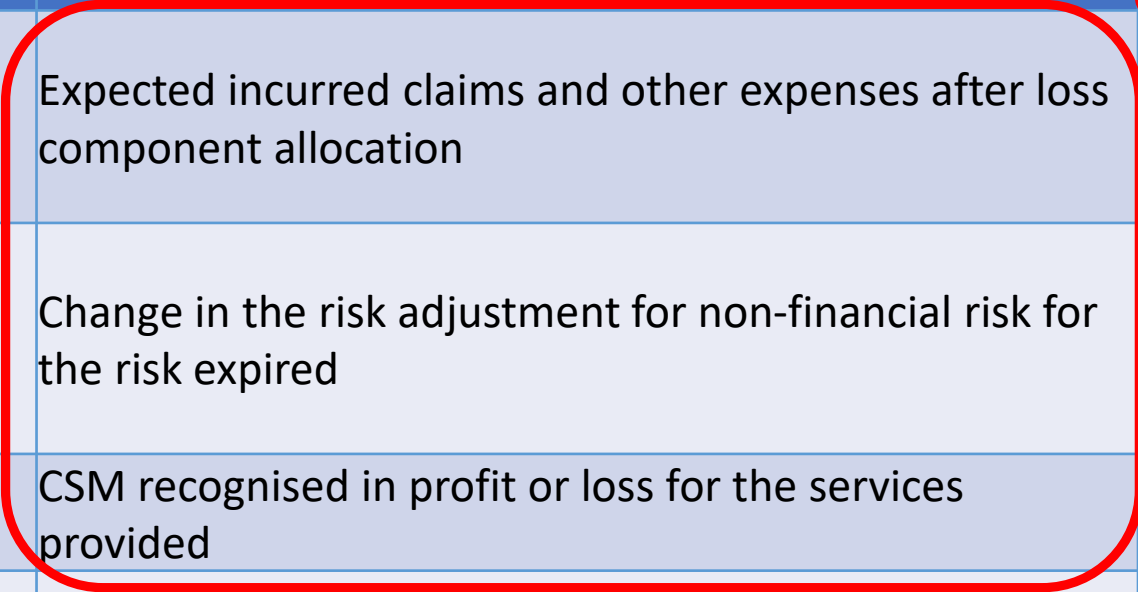


Insurance Revenue disclosures

106 ~~PAA~~

Companies are required to disclose analysis of insurance revenue recognised in the period.

		LOB1	LOB2	...	Standard Paragraph
A	Expected incurred claims and other expenses after loss component allocation	€xx	€xx	€xx	n/a for PAA
B	Change in the risk adjustment for non-financial risk for the risk expired	€xx	€xx	€xx	Might be: <ul style="list-style-type: none"> Type of Contract Geographical Area Reportable Segment (IFRS 8)
C	CSM recognised in profit or loss for the services provided	€xx	€xx	€xx	Change to Liability for remaining coverage
D	Insurance acquisition cash flows recovery	€xx	€xx	€xx	Required level of detail
E = Sum (A:D)	Insurance Revenue	€xx	€xx	€xx	





Insurance Contracts Initially Recognised

Requirement to disclose the effect on the balance sheet separately for insurance contracts issued and reinsurance contracts held that are initially recognised in the period.

		Non Onerous contracts	Onerous contracts
A	Insurance acquisition cash flows	€xx	€xx
B	Claims and other directly attributable expenses	€xx	€xx
C = A + B	Estimates of the present value of future cash outflows	€xx	€xx
D	Estimates of the present value of future cash inflows	€xx	€xx
E	Risk adjustment for non-financial risk	€xx	€xx
F	CSM	€xx	€xx
G = C + D + E + F	Increase in insurance contract liabilities from contracts recognised in the period	€xx	€xx

Required to separately show Onerous Contracts and (if applicable) contracts acquired from other entities

Prescribed level of detail



Expected Recognition of CSM

109

~~PAA~~

Companies are required to disclose the expected release of CSM into the P&L.

		Insurance Contracts issued			Reinsurance Contracts held		
		LOB1	LOB2	...	LOB1	LOB2	...
Total CSM		€xx	€xx	€xx	€xx	€xx	€xx
Expected Recognition by year	N	€xx	€xx	€xx	€xx	€xx	€xx
	N+1	€xx	€xx	€xx	€xx	€xx	€xx
	N+2	€xx	€xx	€xx	€xx	€xx	€xx
	N+3	€xx	€xx	€xx	€xx	€xx	€xx
	...	€xx	€xx	€xx	€xx	€xx	€xx

Expected release of profit over lifetime, excluding release of risk adjustment

Breakdown of release of expected profits by year (excluding risk adjustment)



Reconciliation of Insurance Contract Liabilities

Companies are required present a reconciliation from the opening to the closing balance separately for the below components of the insurance contract liabilities

		Liability for remaining coverage		Liability for Incurred Claims	TOTAL
		With Loss Component	Without Loss Component		
A	Opening insurance contract liabilities	€xx	€xx	€xx	€xx
B	Opening insurance contract assets	€xx	€xx	€xx	€xx
C = A + B	Total Opening balance	€xx	€xx	€xx	€xx
D	Insurance Revenue	€xx	€xx	€xx	€xx
E	Insurance Service Expenses	€xx	€xx	€xx	€xx
F = D + E	Insurance Service Result	€xx	€xx	€xx	€xx
G	Cashflows	€xx	€xx	€xx	€xx
H = C + F + G = I + J	Total Closing Balance	€xx	€xx	€xx	€xx
I	Closing insurance contract liabilities	€xx	€xx	€xx	€xx
J	Closing insurance contract assets	€xx	€xx	€xx	€xx

Disaggregate into total for groups of contracts that are assets & liabilities

- Requirement to show separately:
- incurred claims
 - amortisation of insurance acquisition cash flows;
 - changes to past service
 - changes to future service.

In line with amounts presented on the balance sheet



Reconciliation of Insurance Contract Liabilities – Measurement Components

Companies are required present a reconciliation from the opening to the closing balance separately for the below components of the insurance contract liabilities

		Present Value of Future Cashflows	Risk Adjustment	CSM
A	Opening insurance contract liabilities	€xx	€xx	€xx
B	Opening insurance contract assets	€xx	€xx	€xx
C = A + B	Total Opening balance	€xx	€xx	€xx
	<u>Changes to current service</u>			
D	CSM recognised in P&L	-	-	€xx
E	Change to RA for non-financial risk expired	-	€xx	-
F	Experience Adjustments	€xx	-	-
	<u>Changes to future service</u>			
G	CSM adjustments	€xx	€xx	€xx
H	Onerous contract losses / reversal of losses	€xx	€xx	€xx
I	Contracts initially recognised	€xx	€xx	€xx
J	<u>Changes to past service</u>	€xx	€xx	€xx
K = Sum (D:J)	Insurance Service result	€xx	€xx	€xx
L	Finance income / expenses	€xx	€xx	€xx
M	Cashflows	€xx	€xx	€xx
N = (C + K + L + M) = (O + P)	Total Closing balance	€xx	€xx	€xx
O	Closing insurance contract liabilities	€xx	€xx	€xx
P	Closing insurance contract assets	€xx	€xx	€xx

Disaggregate:

- Groups of contracts that are assets
- Groups of contracts that are liabilities

Current Service:

- CSM recognised as profit
- RA that does not relate to future service
- Experience adjustments

Future Service:

- Effect of change in estimates on CSM, RA, PVFC
- Contracts initially recognised

Cashflows:

- Premiums
- Claims
- Directly Attributable expenses
- Acquisition cashflows



Primary Statements & Explanation of Recognised Amounts

Primary Statements

- Balance Sheet
- Profit & Loss

Explanation of Recognised Amounts

- Insurance Revenue
- Insurance Contracts Liabilities
- Insurance Contracts Initially Recognised
- CSM Run-off

- *Balance Sheet changes*
- *“New” concepts & layout in P&L*
- *More detail needed*
- *Judgement required*
- *Challenges to be expected!*



New Disclosures Requirements

Under IFRS 17, an entity shall disclose qualitative and quantitative information about:

- The amounts recognized in its financial statements that arise from contracts
- **The significant judgements, and changes in those judgements**
- **The nature and extent of the risks that arise from contracts**

Amounts

- Para 97-116
- Covered by Paraic

Significant judgements

- Para 117-120
- Covered by Francis

Nature and Extent of risk

- Para 121-132
- Covered by Francis



Disclosures Requirements for Significant Judgements

The Standard generally require from entities to disclose the following items for all significant judgments made to measure insurance contracts in scope of IFRS 17:

- the processes for estimating the inputs to those methods;
- the methods used to measure insurance contracts; and
- any changes in the methods and processes for estimating inputs used to measure contracts

Inputs

- Para 117 -120
- Risk adjustment CL
- Yield curve
- IFI&E disaggregation

Methodology

- Para 117 – 120
- Methods used
- IFI&E disaggregation

Changes in methodology/inputs

- Para 117 – 120
- Methods
- Processes



Disclosures Requirements for Nature and Extent of risks

An entity shall disclose information that enables users of its financial statements to evaluate the nature, amount, timing and uncertainty of future cash flows that arise from contracts within the scope of IFRS 17.

For each type of risk arising from contracts within the scope of IFRS 17, an entity shall disclose:

- (a) the exposures to risks and how they arise;
- (b) the entity's objectives, policies and processes for managing the risks and the methods used to measure the risks; and
- (c) any changes in (a) or (b) from the previous period.

Nature and Extent of risks

- Para 121 – 126
- Para 122: Insurance and financial risk
- Para 123: Exposure isn't representative
- Para 124: risk exposures, objectives, policies and processes & changes
- Para 125: Quantitative information
- Para 126: Effect of regulatory framework and Para 20



Disclosures Requirements for concentration of risks

An entity shall disclose information about concentrations of risk arising from contracts within the scope of IFRS 17, including

- a. a description of how the entity determines the concentrations,
- b. a description of the shared characteristic that identifies each concentration (for example, the type of insured event, industry, geographical area, or currency).

All types of risks – concentrations of risks

- Para 127
- Description of determination
- Results
- Examples: Interest rate guarantees and product liability protection



Disclosures Requirements for financial risks

The Standard mentions financial risk explicitly and asks for the disclosure of quantitative information. The entity should also disclose how financial risks are managed. Items to be disclosed:

- 1) the exposure to risks and how they arise-
- 2) the entity's objectives, policies and processes for managing the risks and the methods use to measure the risks; and
- 3) any changes from the previous periods

Financial risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

Market – sensitivity analysis

- Para 128

Credit

- Para 131

Liquidity

- Para 132



Disclosures Requirements for financial risks

Market – sensitivity analysis

- Para 128
- Sensitivity analysis
 - Methods and assumptions
 - Changes

Credit

- Para 131

Liquidity

- Para 132



Disclosures Requirements for financial risks

Market	Credit	Liquidity
<ul style="list-style-type: none">• Para 128	<ul style="list-style-type: none">• Para 131• Maximum exposure• Credit quality	<ul style="list-style-type: none">• Para 132



Disclosures Requirements for financial risks

Market

- Para 128

Credit

- Para 131

Liquidity

- Para 132
- How to manage risk
- Maturity analysis
- Amounts payable on demand



Disclosures Requirements for non- financial risks

Items to be disclosed:

- the exposure to risks and how they arise
- the entity's objectives, policies and processes for managing the risks and the methods use to measure the risks; and
- any changes from the previous periods

Insurance risk - Sensitivity analysis

- Para 128
- Same requirements as market risk

Claims development

- Para 130
- Example next slide



Claims disclosures

Comparison of prior claim estimates against current claim estimates by accident year

Companies are required to compare the prior claim estimates for current claim estimates. This will provide the investors with a view on the reliability and uncertainty in the claim reserves calculated by the Company.

	Accident Year				
	2019	2020	2021	2022	2023
At end of Accident year	€xx	€xx	€xx	€xx	€xx
1 year later	€xx	€xx	€xx	€xx	
2 years later	€xx	€xx	€xx		
3 years later	€xx	€xx			
4 years later	€xx				
5 years later					

Investor Story

Investor Story

Part 1 – Financial measurement frameworks



Financial Frameworks – IFRS 4

IFRS 4 within the landscape – varies by product type / sector



Value metrics



**Distributable Cash /
Dividend metrics**



**Profit / IFRS
metrics**

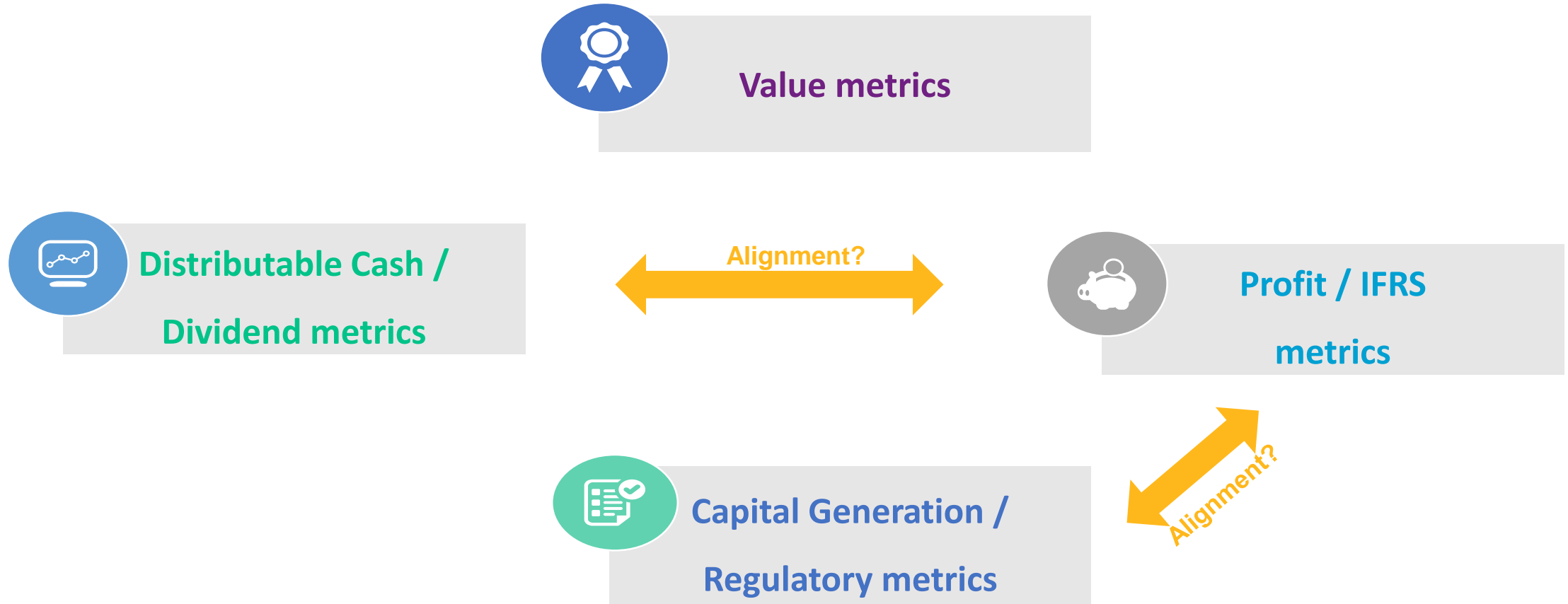


**Capital Generation /
Regulatory metrics**



Financial Frameworks – IFRS 4

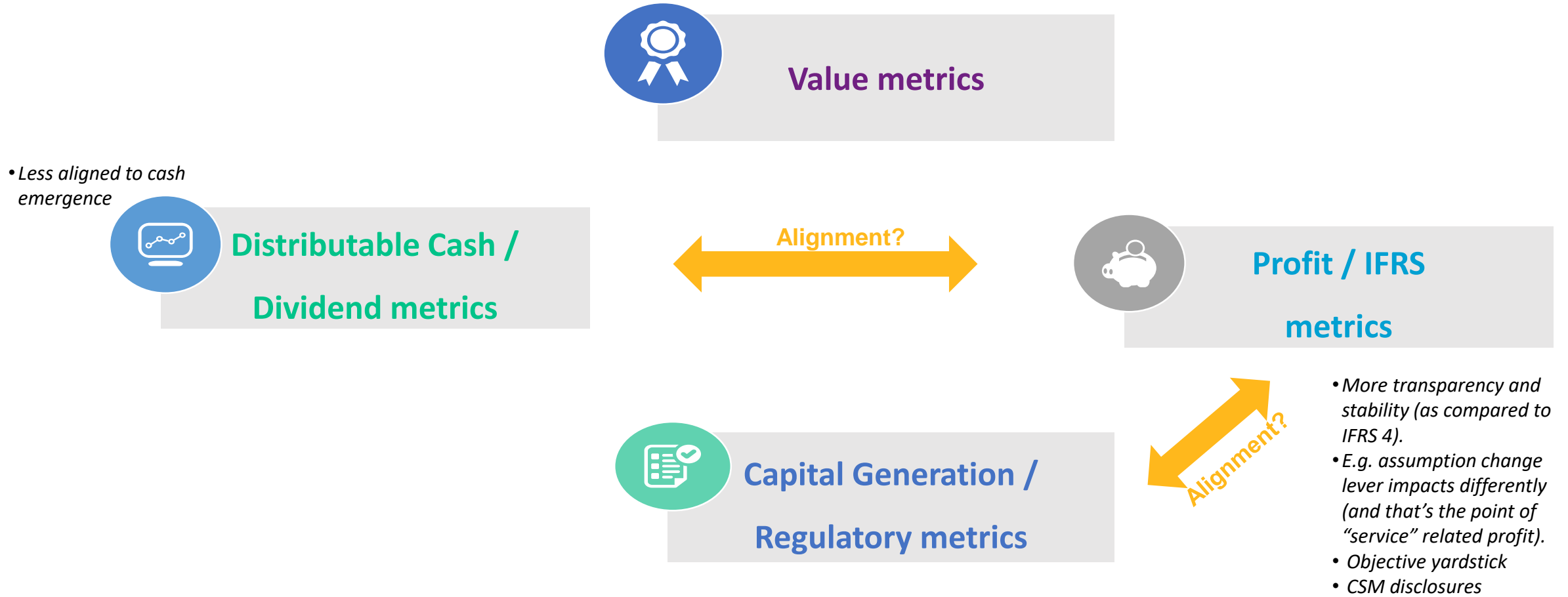
IFRS 4 within the landscape – varies by product type / sector





Financial Frameworks – IFRS 17 (new world)

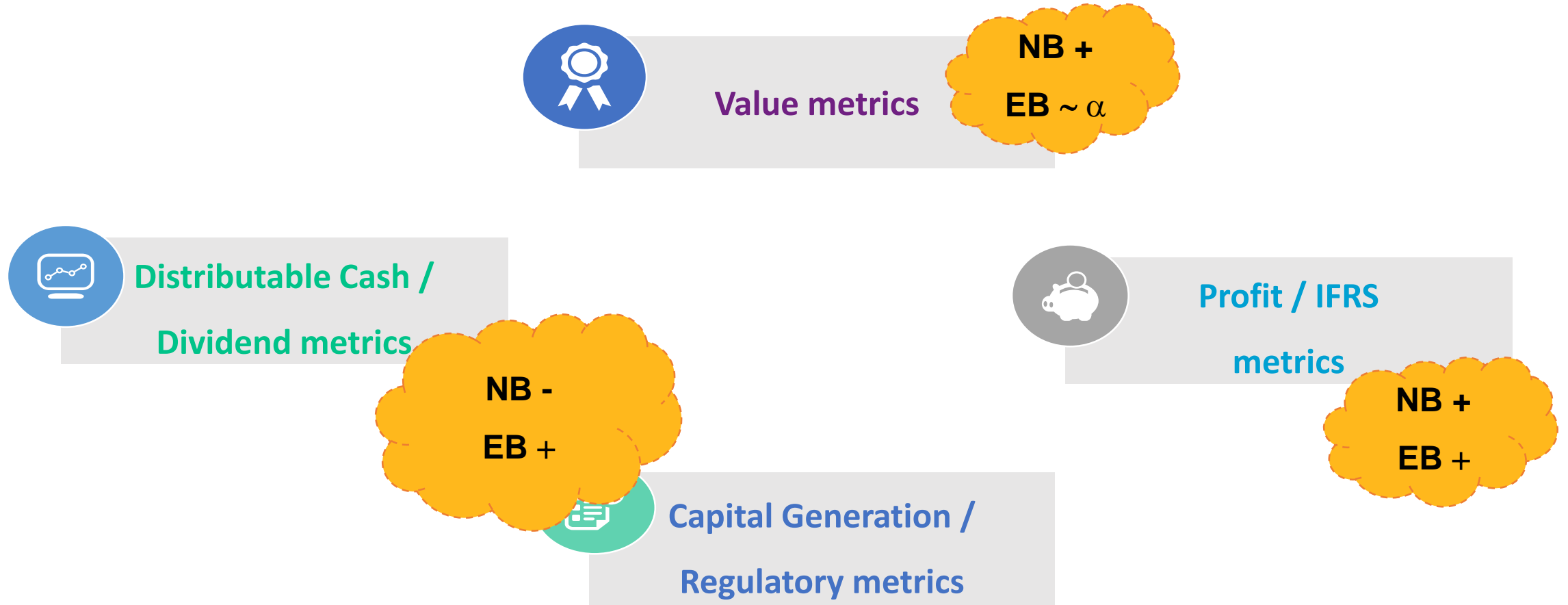
IFRS 17 within the landscape – does it take focus?





Financial Frameworks – NB and EB

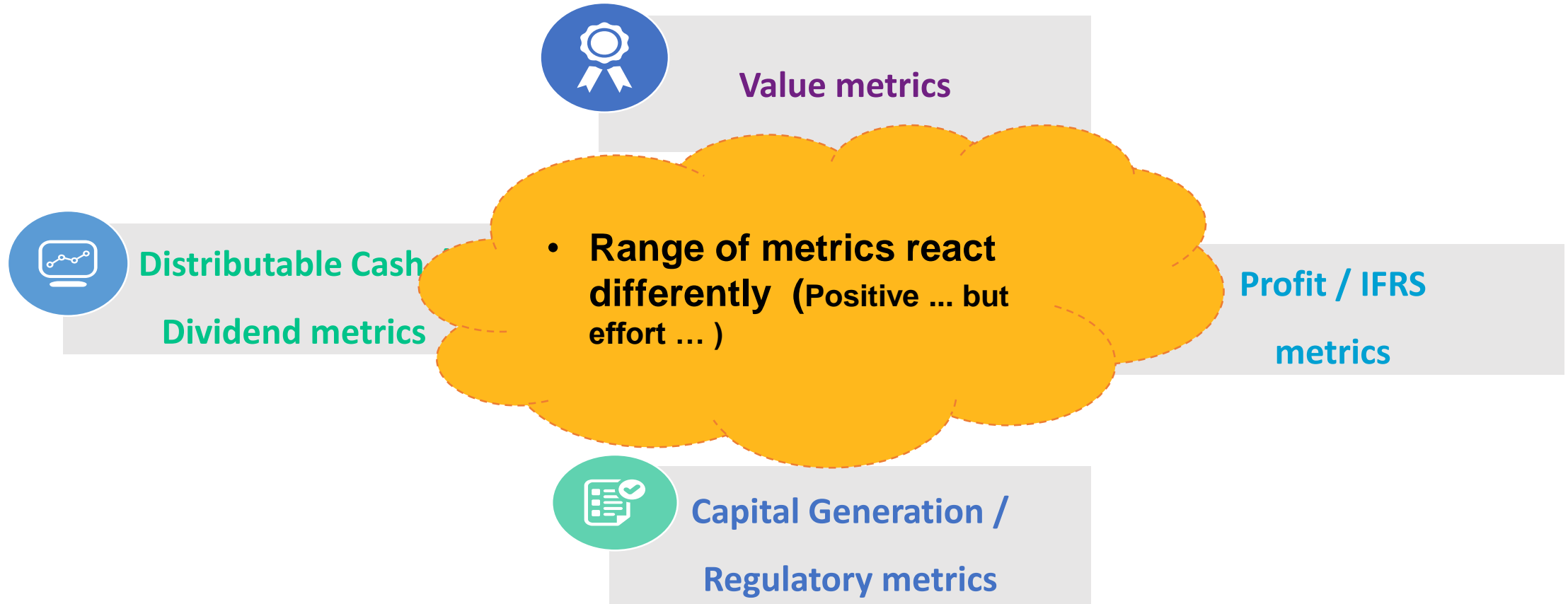
Differing impacts of New Business and Existing Business (including IFRS17)





Financial Frameworks – Summary

IFRS 17 within the landscape



Investor Story

Part 2 – usage of disclosures



Results Analysis KPIs

- Use of the IFRS 17 disclosures, for insight and making comparisons.
- Existing measures remain important – but the amounts change.

Familiar measures –but interpretation effort

- Step change in numbers (and volatility).
- Adaptation phase needed.

Additional KPIs enabled?

- E.g. Could construct an “economic ROE”?
- E.g. New data (Disclosures, Balance Sheet, P&L)



Results Analysis – comprehensive view?

- Possible to construct an economic view out of IFRS figures
- E.g. a “Total Comprehensive Return on Equity”

$$\text{TCRoE} = \frac{(\text{Net Income} + \text{change in OCI} + \text{change in "net" CSM})}{(\text{Equity} + \text{OCI} + \text{"net" CSM})}$$

IFRS 17 sources of shareholder return

- Net income
- Capture optional presentation in OCI (Other Comprehensive Income)
- CSM “value” created

Possible refinements?

- Tax, minorities
- Averaging across period, for denominator
- Expansion perhaps: Risk Adjustment? PV non-attributable expenses?



Earnings / dividend sustainability

- Flexibility in design choices, which influences earnings
- ... but disclosures help assess sustainability of earnings.

Design choices

- Balance of 'equity vs CSM' at outset
- E.g. coverage units, yield curve construction, RA approach

Use of disclosures

- Disclosures re NB profitability & future CSM pattern
- Investigating earnings sustainability



Usage of CSM disclosures

- Disclosure requirements allow insights, both at current timepoint and forward looking

Possibly adjust CSM

- An investor may want an overall view
- E.g. onerous contracts, contract boundaries, PAA, Risk Adjustment, ...

Possible metrics

- Simple reconciliation of opening to closing
- CSM “replacement rate” / “sustainability index”
- CSM “runoff pattern”
- Use these together



Volume / scale and growth

- Change in the “headline”: GWP (IFRS 4) versus Insurance Revenue (IFRS 17) ...
- ... but does GWP still get attention as a measure of scale?

GWP

- Interpreted as scale of company
- Brand value, distribution power
- Simplistic (but highly transparent)

Insurance Revenue in IFRS17

- Expected benefit payment amounts plus release of CSM+RA.
- Different meaning – less to say about scale of company
- Other – useful info on new CSM



Wrap up

- IFRS17 within the landscape of insurer metrics
- “Outside-in” usage of disclosures
 - Results Analysis KPIs
 - Earnings sustainability
 - Scale and volume



Technology Systems & Data

1

- What are the main drivers of technology change
- Where is the Irish market
- Life vs Non-Life Impact
- What systems impacted by IFRS 17
- Approaches to achieve strategic benefits from IFRS 17



New Technology Requirements

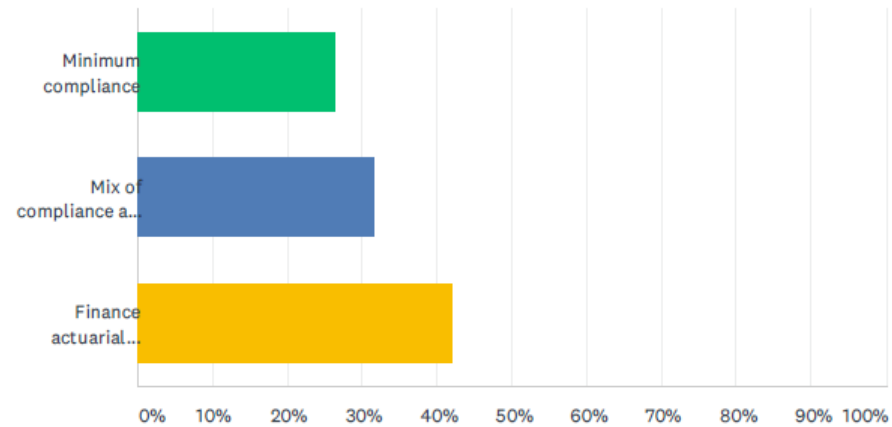
- **CSM / Actuarial Modelling Changes**
- **Granularity**
 - By annual cohort
 - By profitability group
 - By measurement model
- **Market data**
 - Increased use of discount rates (for Life & some non-life)
 - More sophisticated methodologies for discount rate derivation
 - Locked in rates must be stored and used in subsequent runs (GMM)
- **More detailed disclosures**
 - Data lineage is needed to determine where numbers in disclosure arise
 - Data reconciliation is required to ensure consistency with different feeds
 - Reconciliation of opening and closing balances for several items is required (Present Value of Future Cashflows, Risk Adjustment, CSM, Loss Component, LIC)
 - Analysis of insurance revenue is required, comparing actual to expected cashflows



Where is the market

Q4 What is your company's approach to IFRS 17?

Answered: 19 Skipped: 0

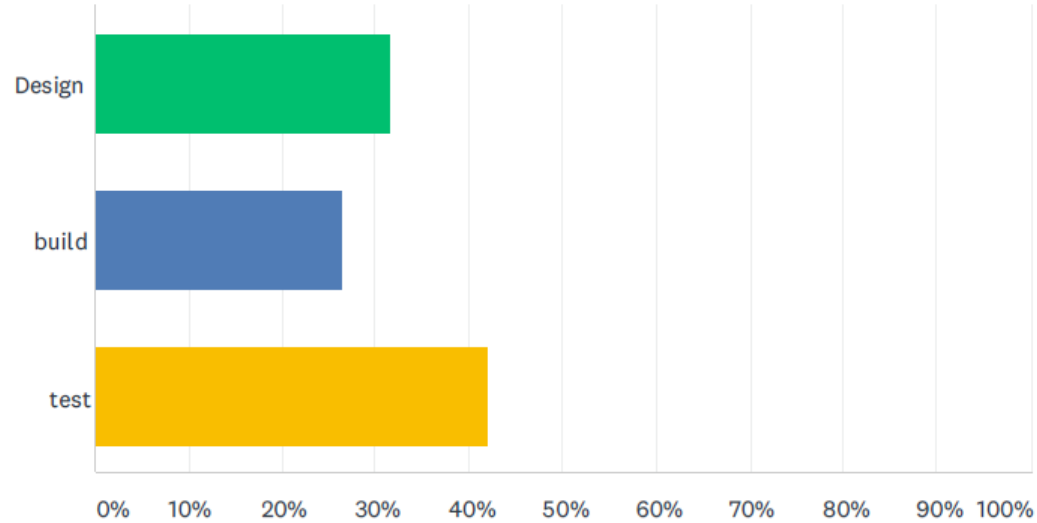




Where is the market

Q5 At what stage is your company in its IFRS 17 implementation?

Answered: 19 Skipped: 0

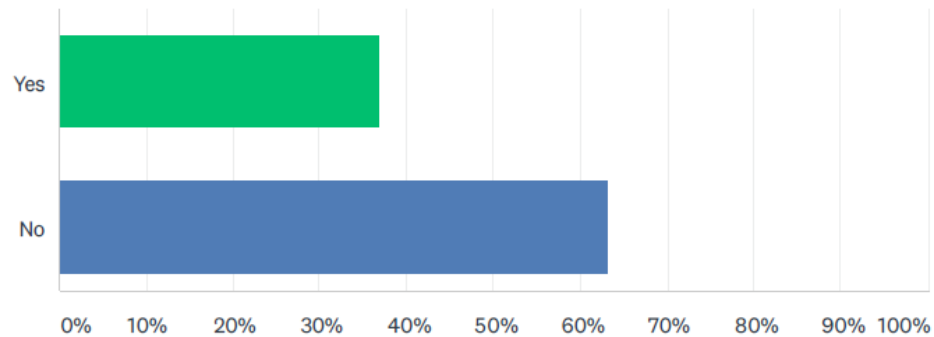




Where is the market

Q11 Have you put your full volume of data through your IFRS 17 modelling solution?

Answered: 19 Skipped: 0





Impacted Systems

Core Systems

- Legacy systems
- Multiple disparate systems
- Data culture issues if multi-jurisdictional
- Data is required at a new granularity

Actuarial Modelling

- Operates in a silo
- New data requirements from core systems
- New modelling requirements
- Storing profitability flags
- CSM ownership questions

Accounting Finance

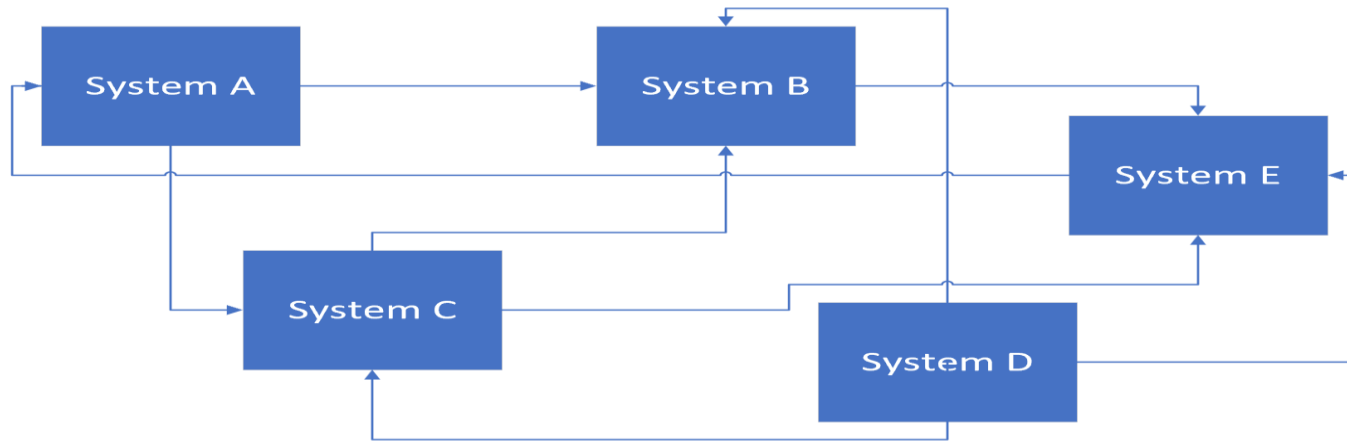
- Many systems, lots of manual processing / posting
- Data is required at a new granularity
- Automation being introduced

Disconnected Systems That Are Not Accustomed To Communication



Point-to-Point Communication Is The Norm

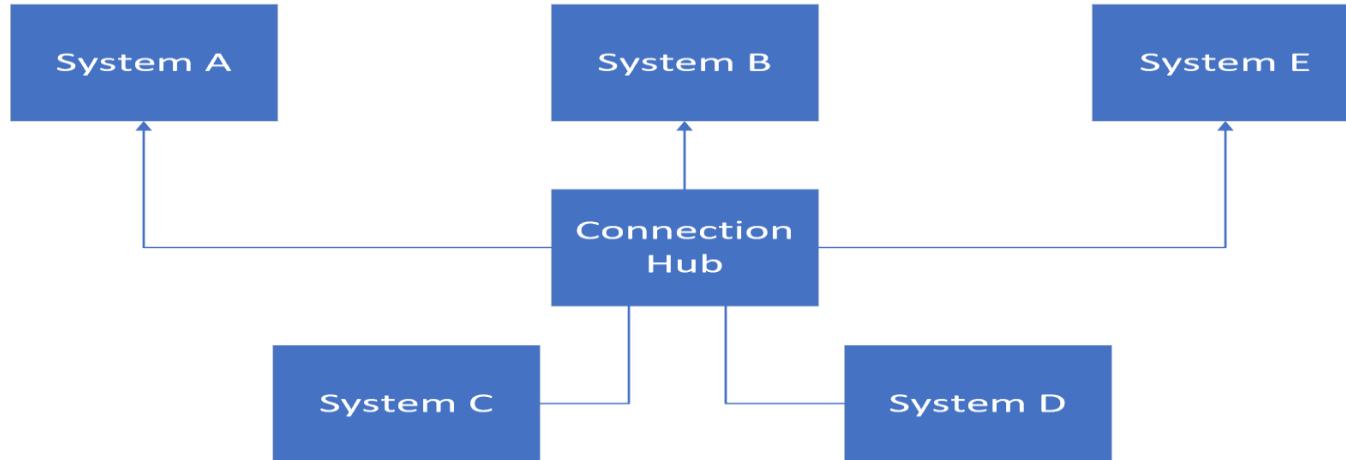
7



- New system requires N new connectors
- Difficult to apply company wide rules, validations, aggregations
- Reconciliation issues abound
- Heavy IT involvement in all projects



Hub-and-Spoke Alternative



- All communication flows through the hub
- The hub is responsible for all aggregation and validation of data
- The hub can provide data lineage to determine where numbers in the disclosures came from
- Testing effort is reduced
- Brings benefits to the business beyond IFRS 17 compliance



Summary

- It's much more than just CSM, this is an operating model change
- Methodology decisions can have a very large impact/cost on system change
- More disclosures mean more questions
- Constantly ask *"how can I figure out where this number came from"*
- IFRS 17 will touch virtual every system in the insurance company
- Insurance is moving digital first, IFRS 17 is a good opportunity to drive that change



New Controls

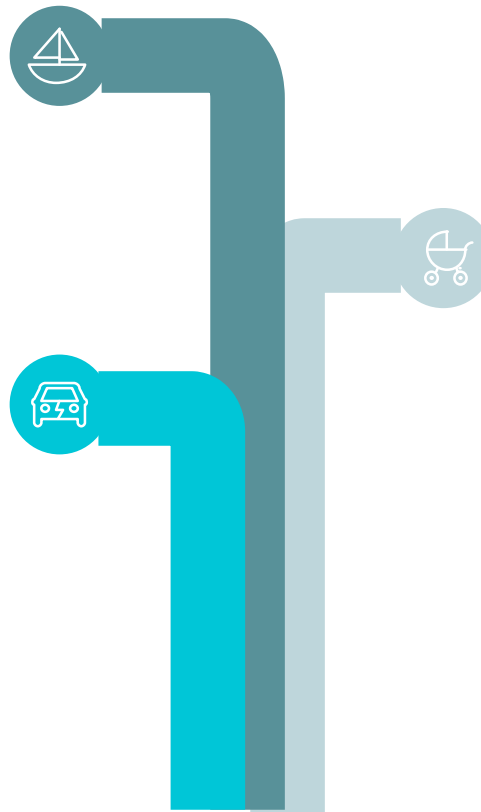
Discount
rate
validation



S2 NB
margin
and CSM



Validation
of income
statement





Controls Which May Change

Analysis of
change/trend
monitoring

DAC

Controls related to
balance sheet items
no longer in place
e.g. unit liability



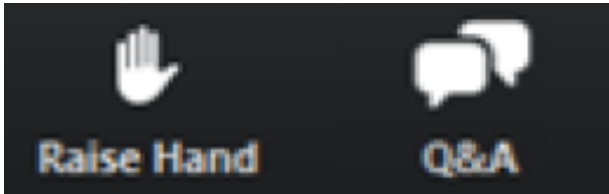
Data
reconciliations

Reconciliation
of IFRS to S2



Questions

**Please click on the Hands Up icon
to ask a question
and
wait to be unmuted
or
Use the Q&A function**





Society of Actuaries in Ireland

Thank you!
