



Society of Actuaries in Ireland

IFRS 17 – member survey results

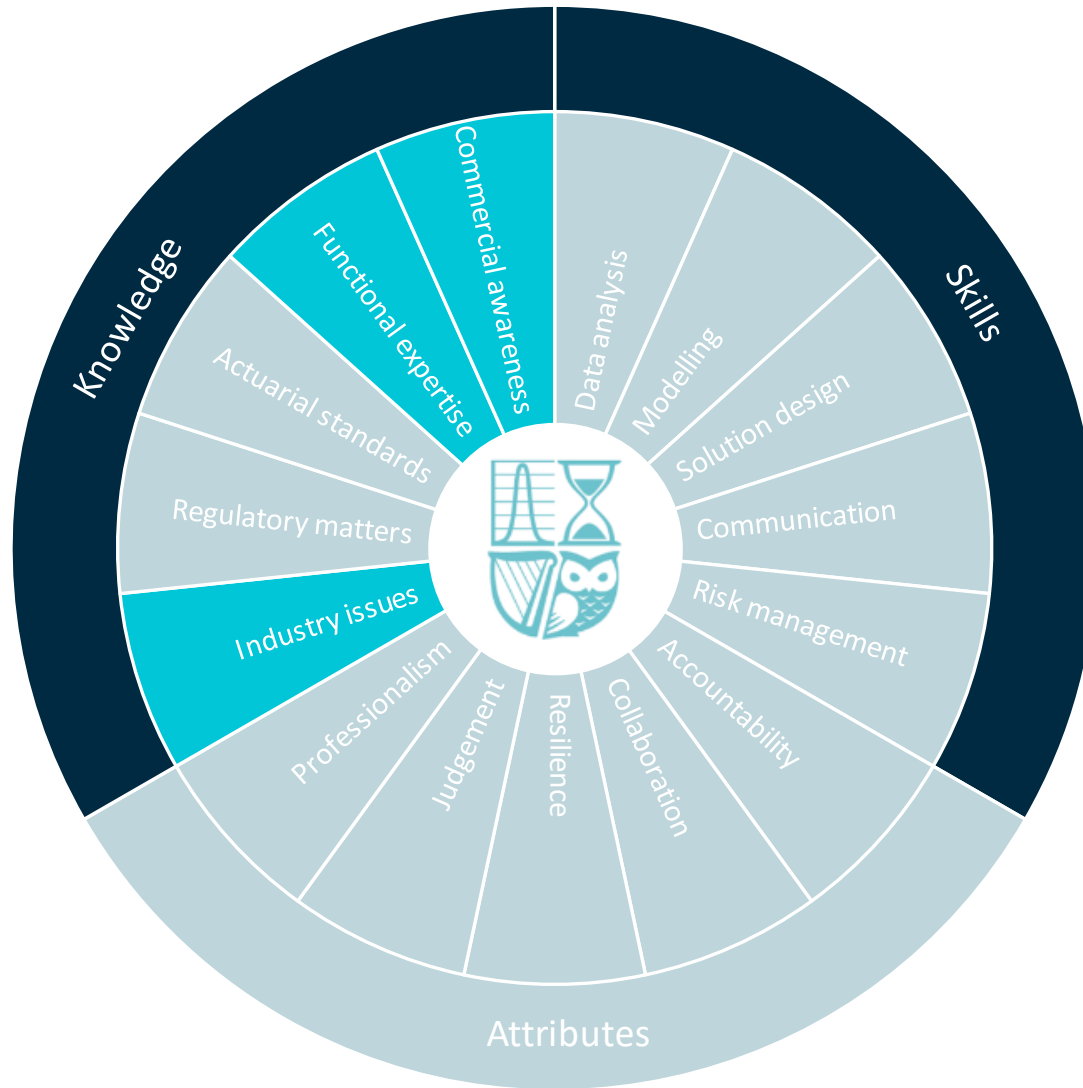
3 December 2021

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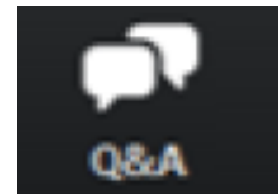
Competency Framework



Agenda

- Introduction
 - SAI IFRS 17 Working Group and activities
 - Timeline
- Survey results
- 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

Andy Smyth

Aoife O'Brien

Brian Walsh

Cecilia Cheuk

Deirdre O'Brien

Joanne Lonergan (Chair)



Working group activities

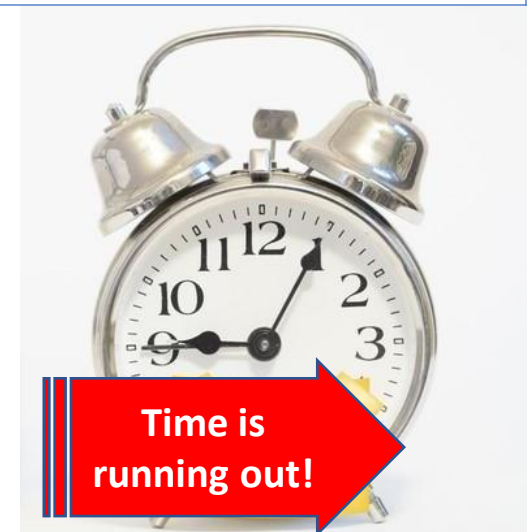
Event	Slides and podcast
Introduction	https://web.actuaries.ie/events/2018/10/introduction-ifs17
GMM	https://web.actuaries.ie/events/2019/02/deeper-dive-ifs17
VFA & PAA	https://web.actuaries.ie/events/2019/09/deeper-dive-ifs-17-vfa-and-paa
Financial reporting emerging issues	https://web.actuaries.ie/events/2019/11/financial-reporting-emerging-issues
Reinsurance & transition	https://web.actuaries.ie/events/2020/02/webinar-deeper-dive-ifs-17-reinsurance-and-transition
IFRS 17 Panel Discussion	https://web.actuaries.ie/events/2020/10/webinar-ifs-17-panel-discussion
Presentation & disclosure; technology, systems & data	https://web.actuaries.ie/events/2021/06/webinar-deeper-dive-ifs-17-presentation-disclosure-and-technology-systems-data

Other

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

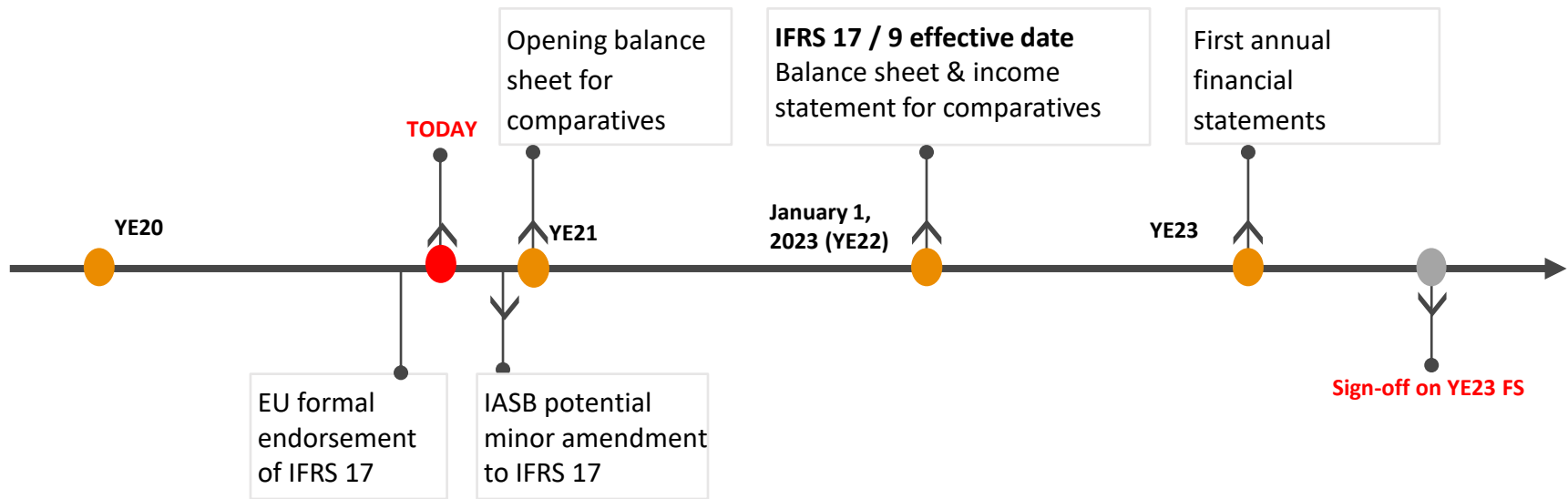
<https://web.actuaries.ie/press-publications/ifs-17-working-group>

- Provides links to materials and publications





Timeline and recent developments



- The European Commission recently published its legislative text adopting IFRS 17 (and the June 2020 amendments), which includes the option to exempt intergenerationally-mutualised and cash flow matched contracts from the annual cohort requirement of IFRS 17
 - See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2036&from=EN>
- The UK Endorsement Board (UKEB) published its draft Endorsement Criteria Assessment for IFRS 17 on 11 November 2021. The consultation period end 3 February 2022
 - see <https://www.endorsement-board.uk/endorsement-projects/ifrs-17>
- Following its May 2021 meeting, the IASB noted classification differences may arise in the comparative information that insurers will present on initial application of IFRS 17 and IFRS 9. Potential minor amendment (by IASB) to IFRS 17 to address this issue expected by end 2021
 - See: <https://www.ifrs.org/news-and-events/news/2021/07/iasb-proposes-minor-amendment-ifrs-17-and-ifrs-9>



Member survey on their IFRS 17 projects

- Survey of all members who noted practice area as life, non-life or reinsurance
- 43 questions across the following areas:
 - Category of respondent
 - Unbundling
 - Unit of account
 - Contract Boundaries
 - Discounting
 - PAA Eligibility Testing
 - Risk Adjustment
 - Transition
 - Reporting
- Summary results provided anonymously by SAI to IFRS 17 Working Group
- 20 responses! Many thanks to everyone who participated!

Survey results: our speakers

Joanne Lonergan is the IFRS 17 Non Life Actuarial Lead in Partner Re, having recently moved from Deloitte where she worked for over 4 years. She is an active member of the SAI IFRS 17 working group and has contributed to many IFRS 17 events with the Society over the last few years.



Andy Smyth is a Director with EY in Ireland, and has worked in consulting roles across Irish, Bermudan and London insurance markets. Andy leads the provision of Non-Life Actuarial Services to EY's Ireland-based clients, including international and domestic insurers & reinsurers.

Andrew Kay is a Principal and Consulting Actuary in Milliman's Dublin office. He provides actuarial advice to insurers on range of topics including IFRS 17 and model validation, and is a member of Milliman's global IFRS 17 team.



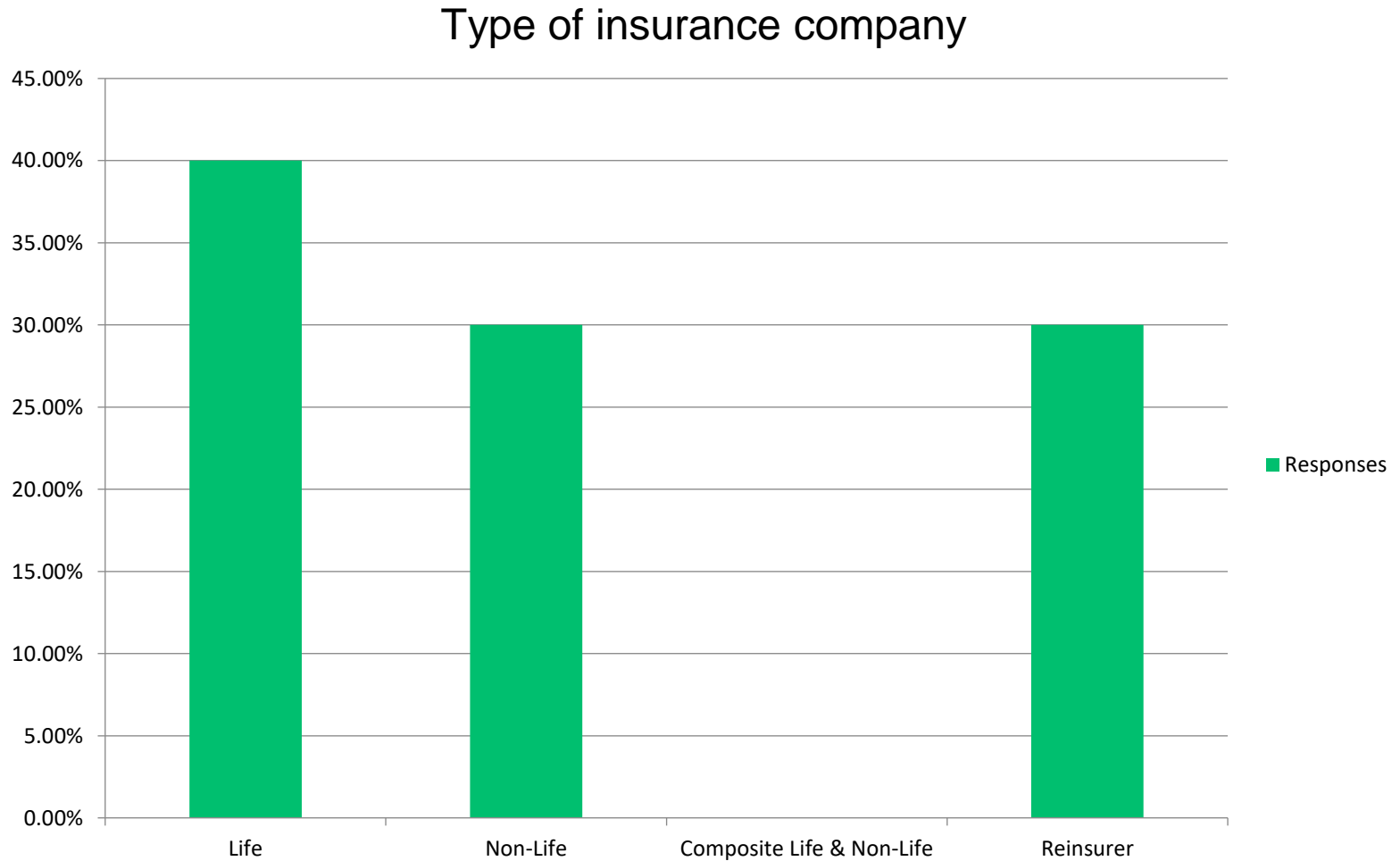
Aileen Murphy is a senior manager in Deloitte's Actuarial Consulting Practice and has assisted clients on IFRS 17 implementation, with a focus on process and control design and target operating model.

Niall Naughton (Chair) is a Director and leads the life actuarial team in PwC Dublin. He has advised several clients on their IFRS 17 implementations. Niall is a member of the SAI life committee and chairs the life IFRS 17 WG.





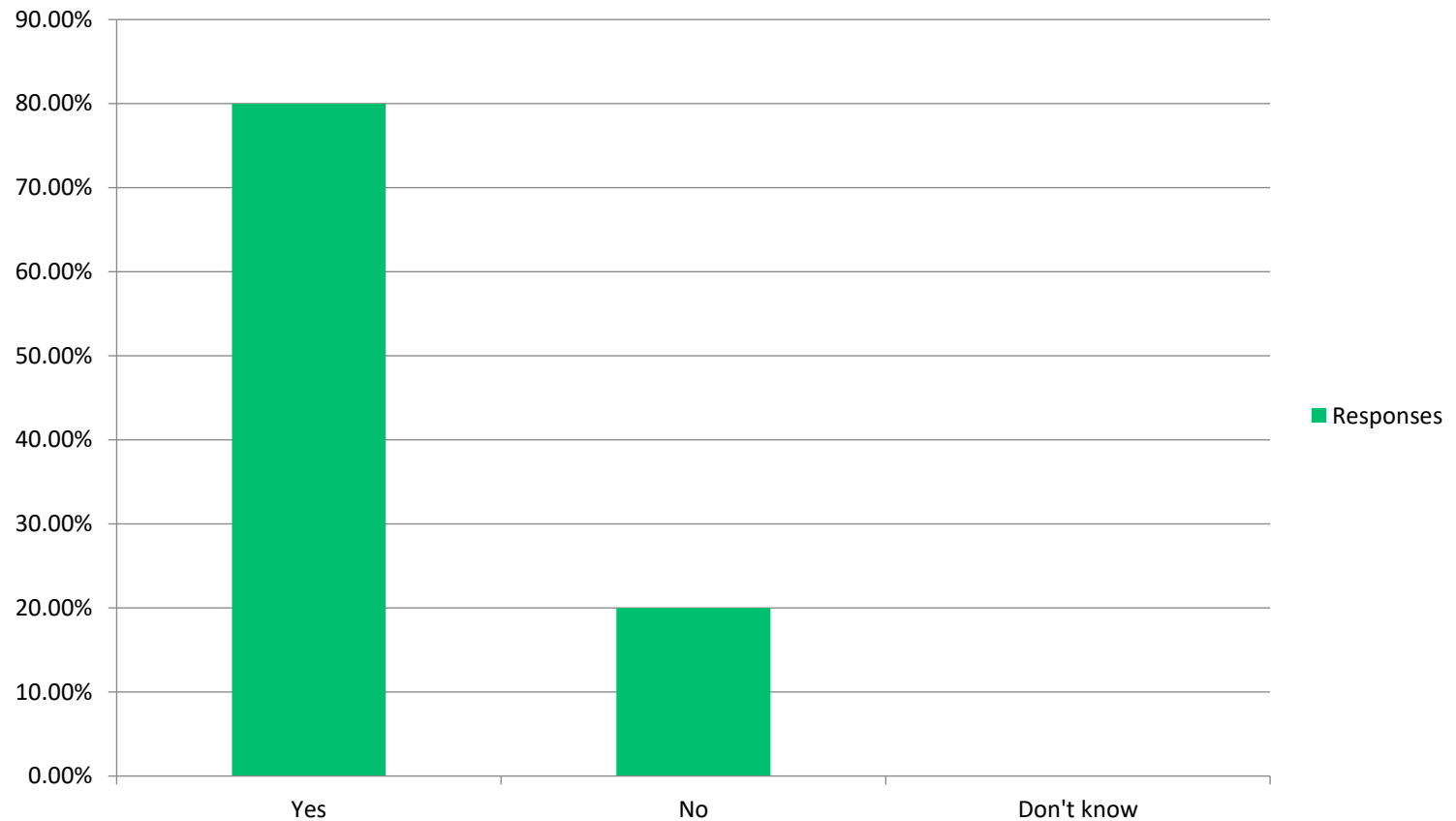
Q1 Type of insurance company





Q2 Reporting under IFRS 17 locally

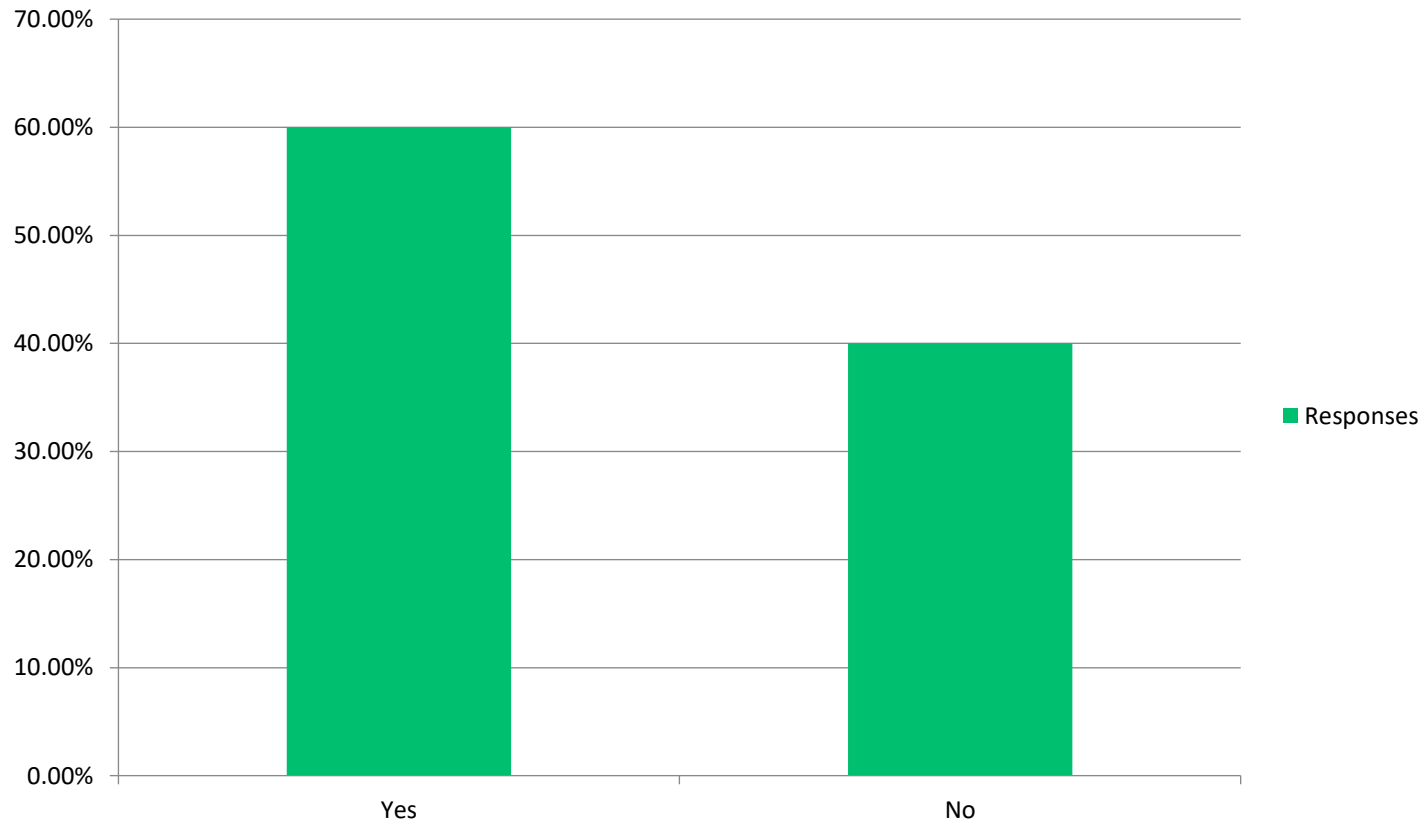
Will your company report under IFRS 17 in its local financial statements from 2023?





Q3 Actuarial lead / owner

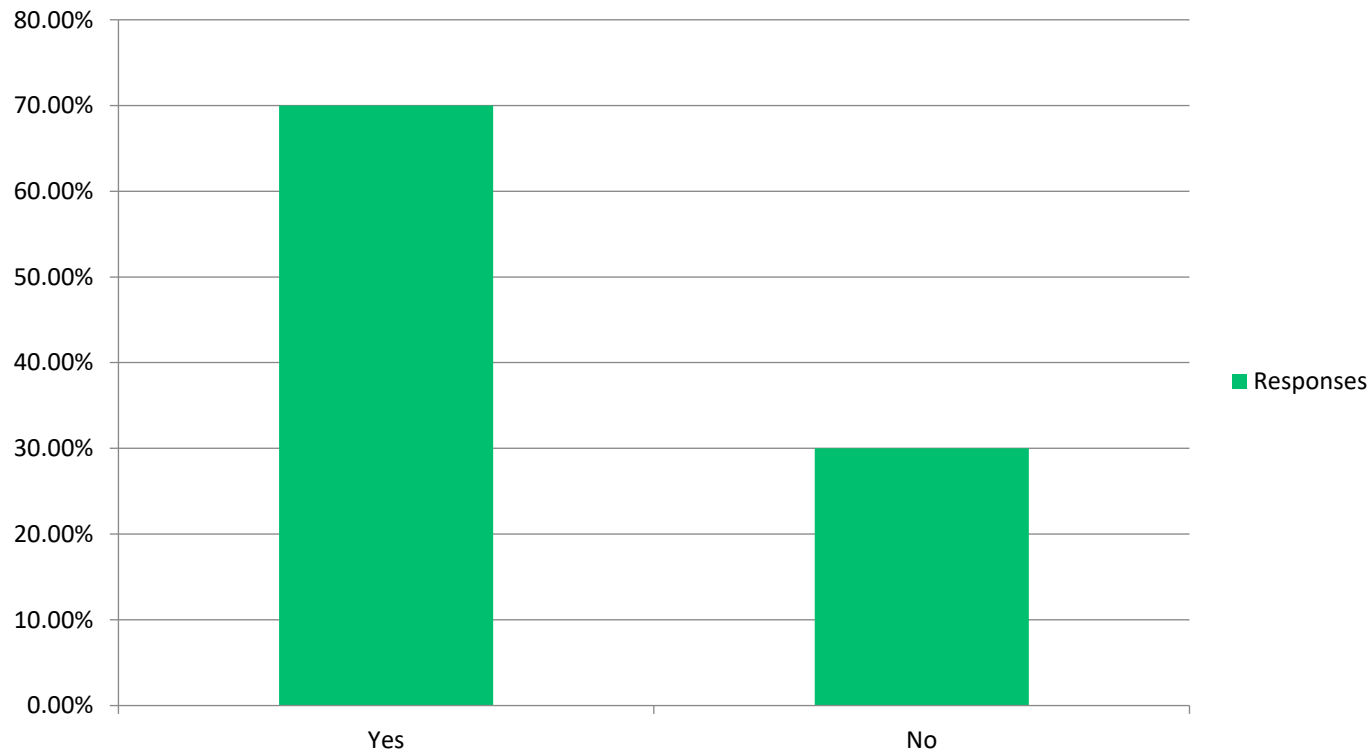
Are you the IFRS 17 actuarial lead or owner for your company?





Q6 Unit of Account

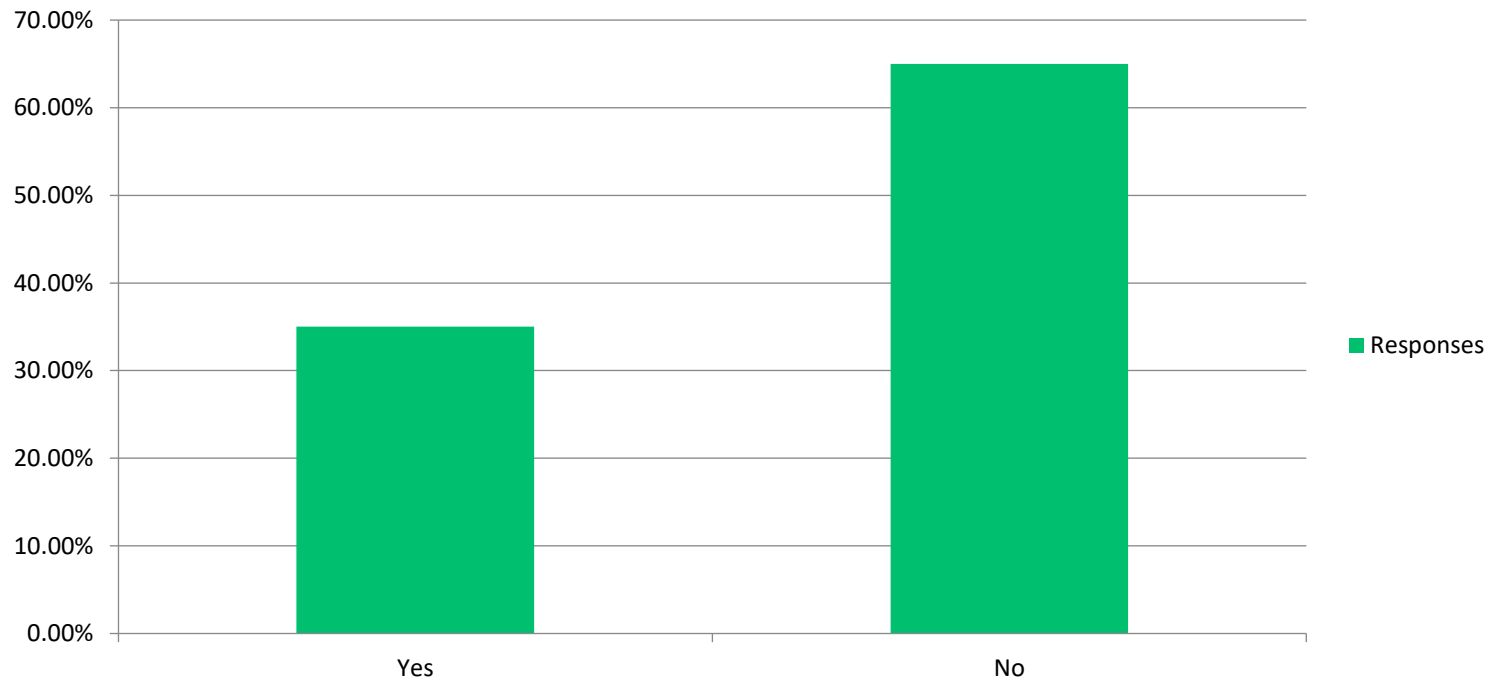
Do you expect to have business falling into the category onerous at initial recognition?





Q7 Unit of Account

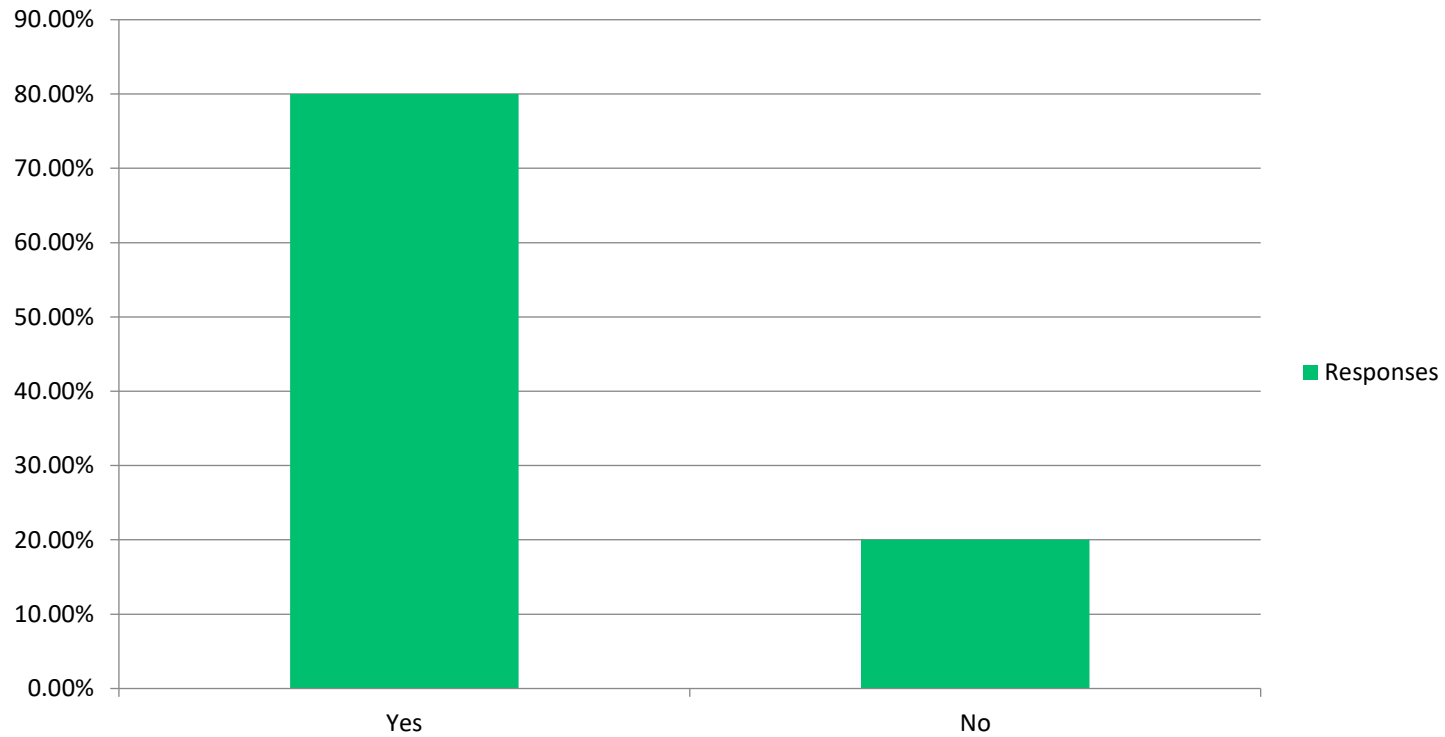
Do you expect to have business falling into the category of profitable at initial recognition and having no significant possibility of becoming onerous subsequently?





Q8 Unit of Account

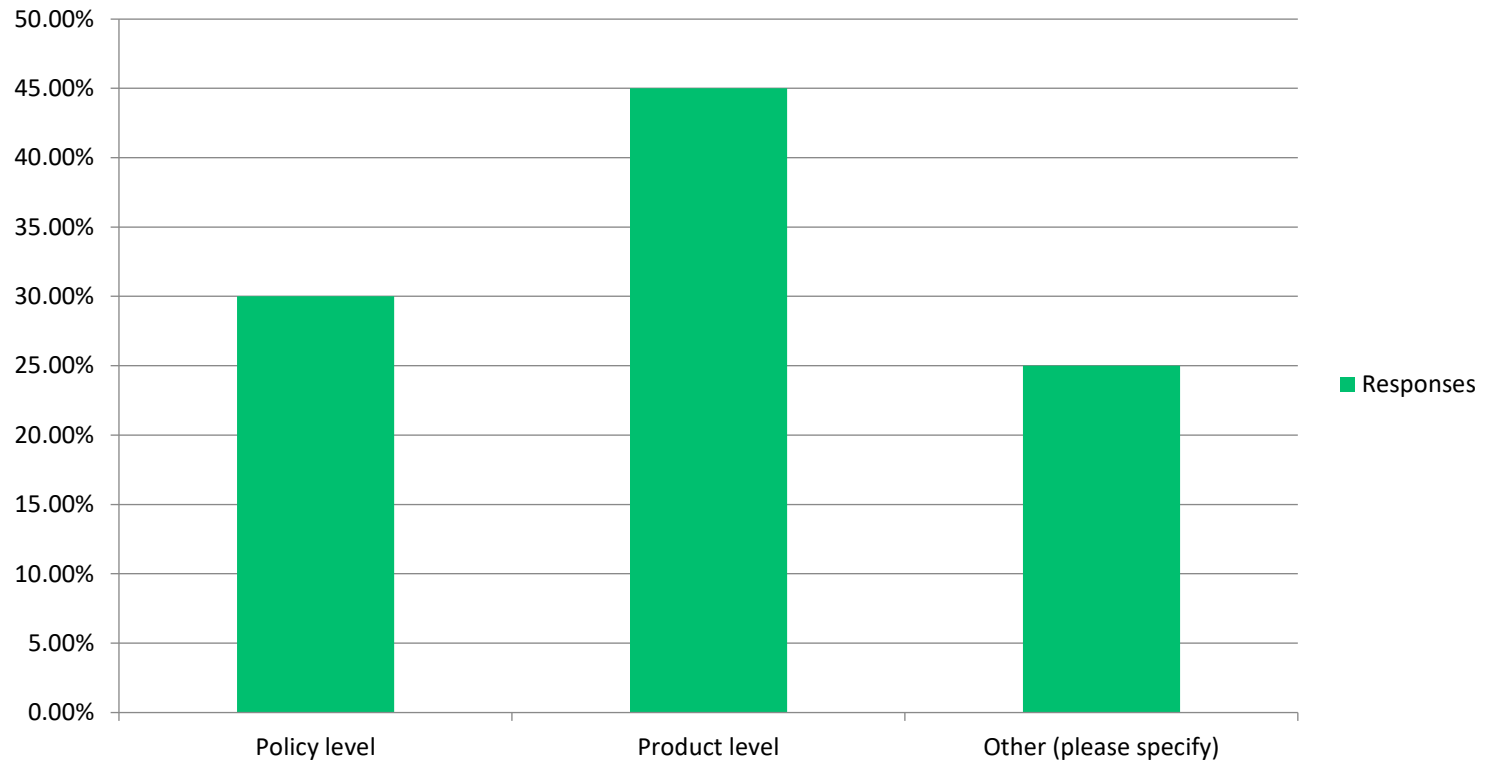
Do you expect to have business falling into the category for the remaining contracts which were not included in the categories in Q6 and Q7?





Q9 Unit of Account

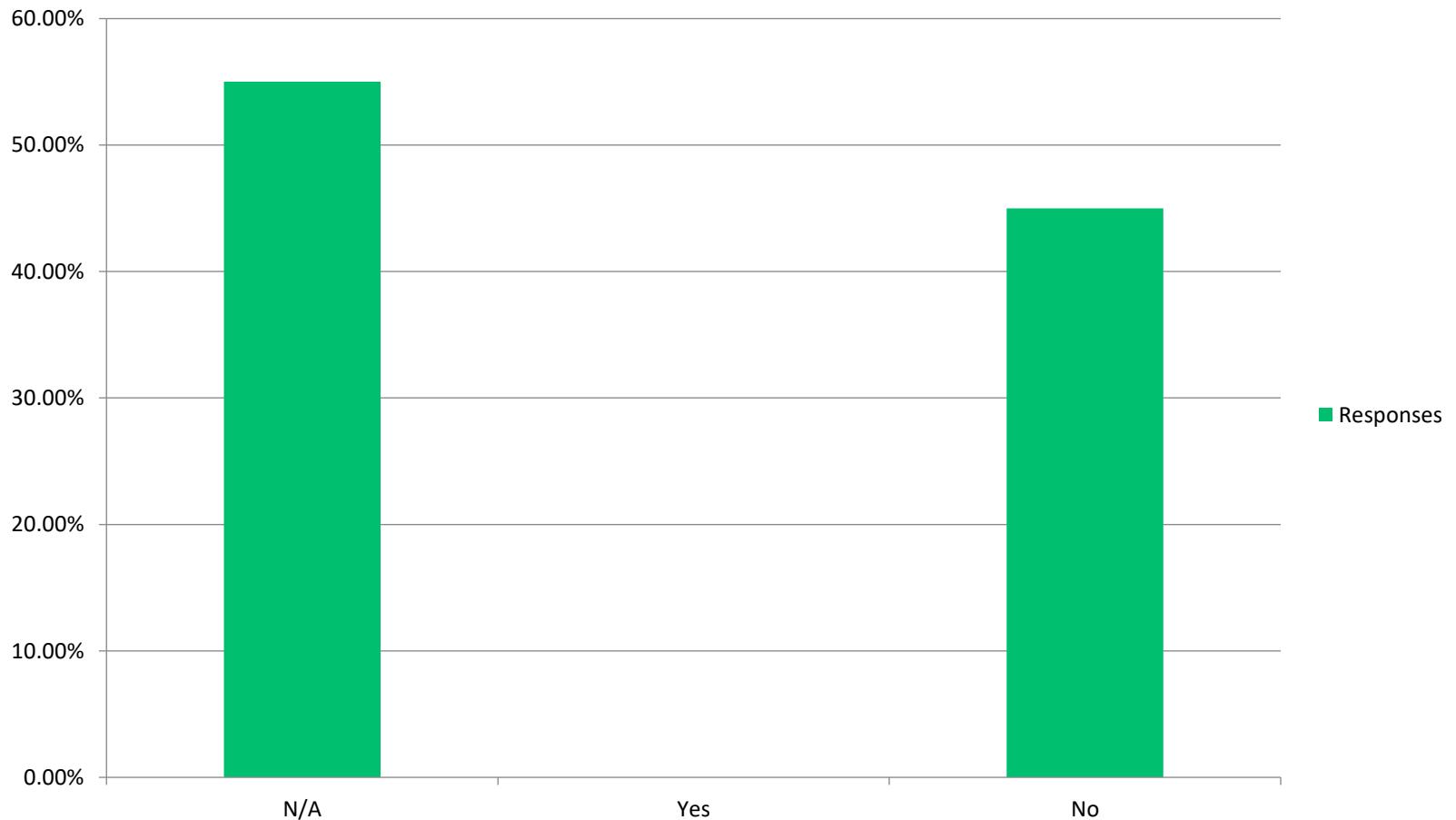
Is profitability being assessed at policy level, product level, or at another level?





Q10 Unit of Account

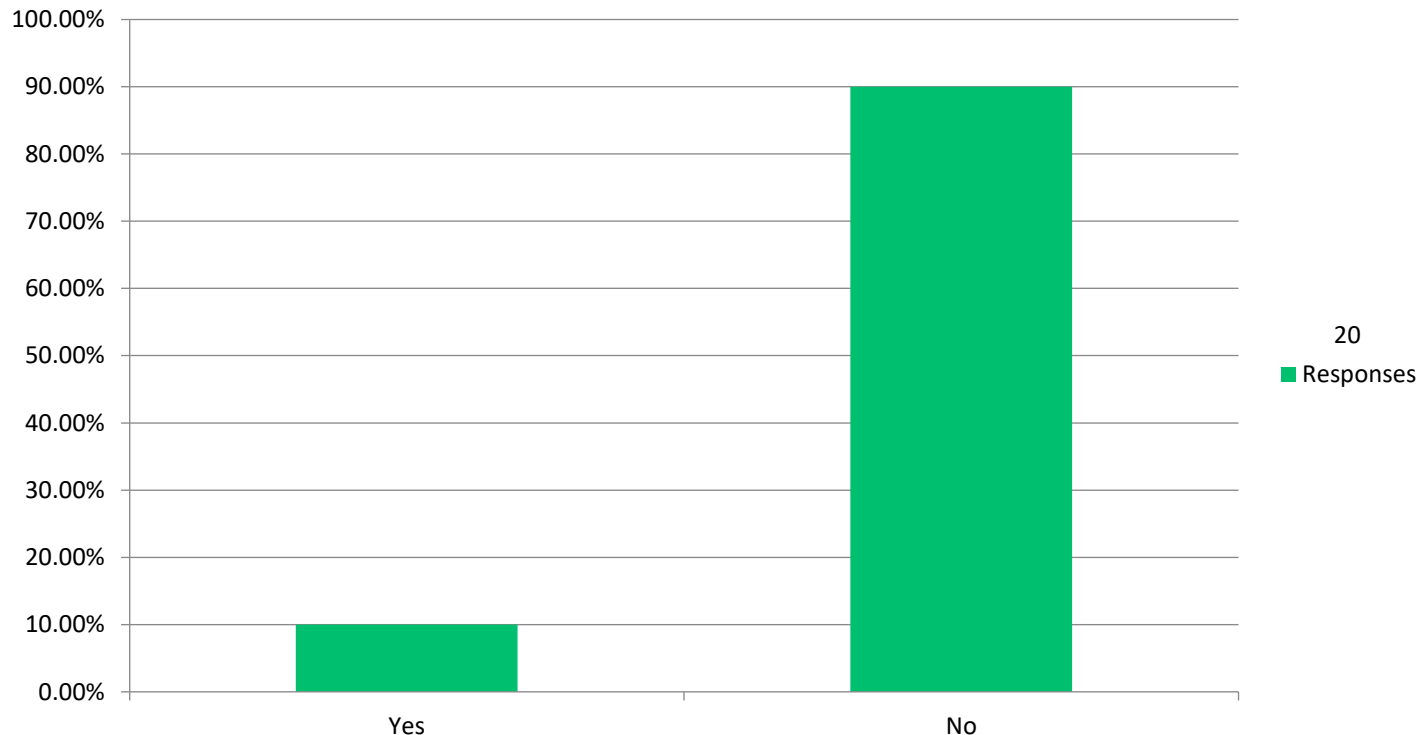
The European Commission recently published its legislative text for the endorsement of IFRS 17, which includes the option to exempt intergenerationally-mutualised and cash flow matched contracts from the annual cohort requirement of IFRS 17. Do you expect





Q4 Unbundling

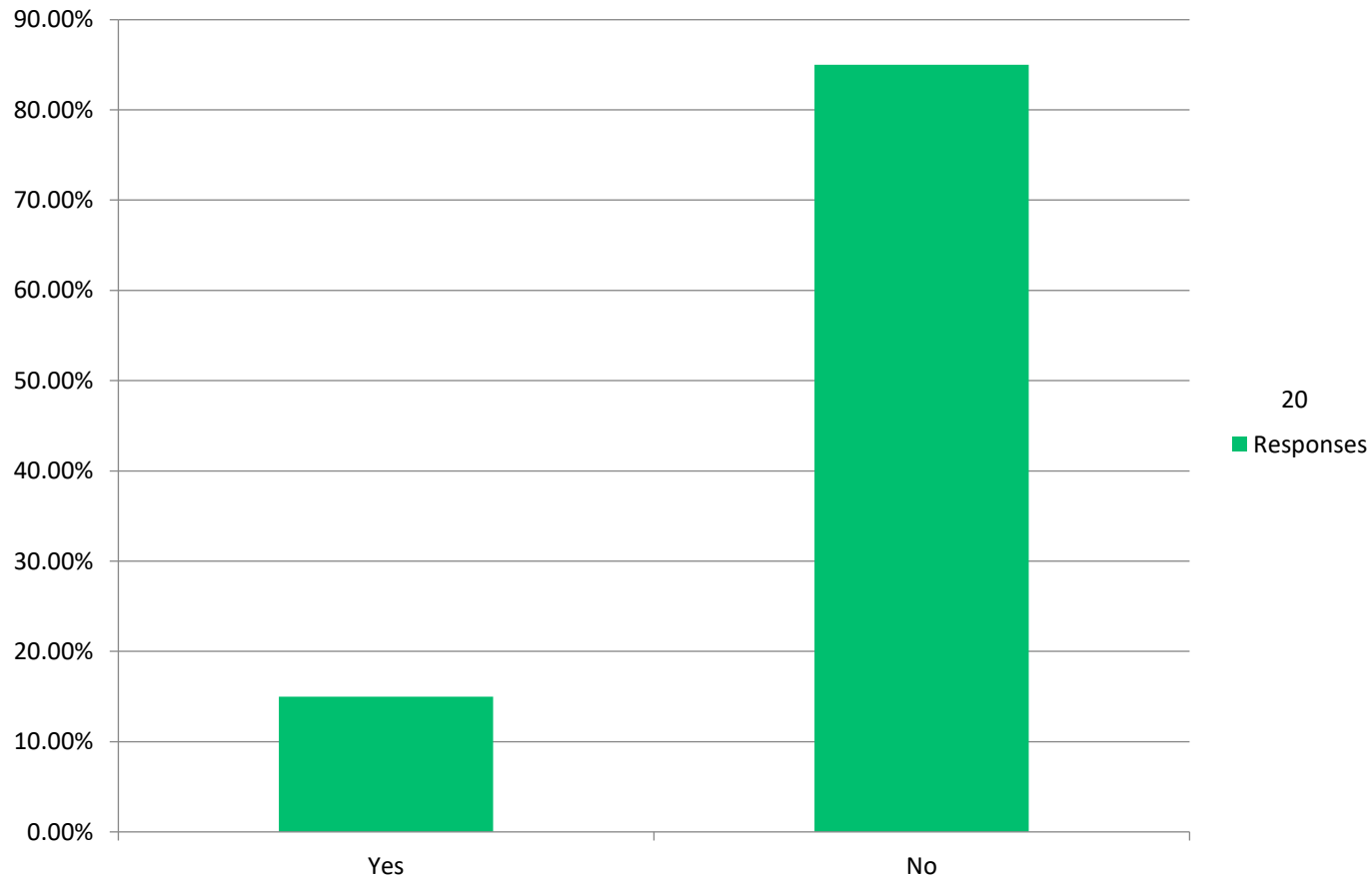
IFRS 17 removed the option to unbundle which exists under IFRS 4. Is the change in unbundling requirements going to have a material impact on the volume of business in scope for IFRS 17 for your company?





Q5 Unbundling

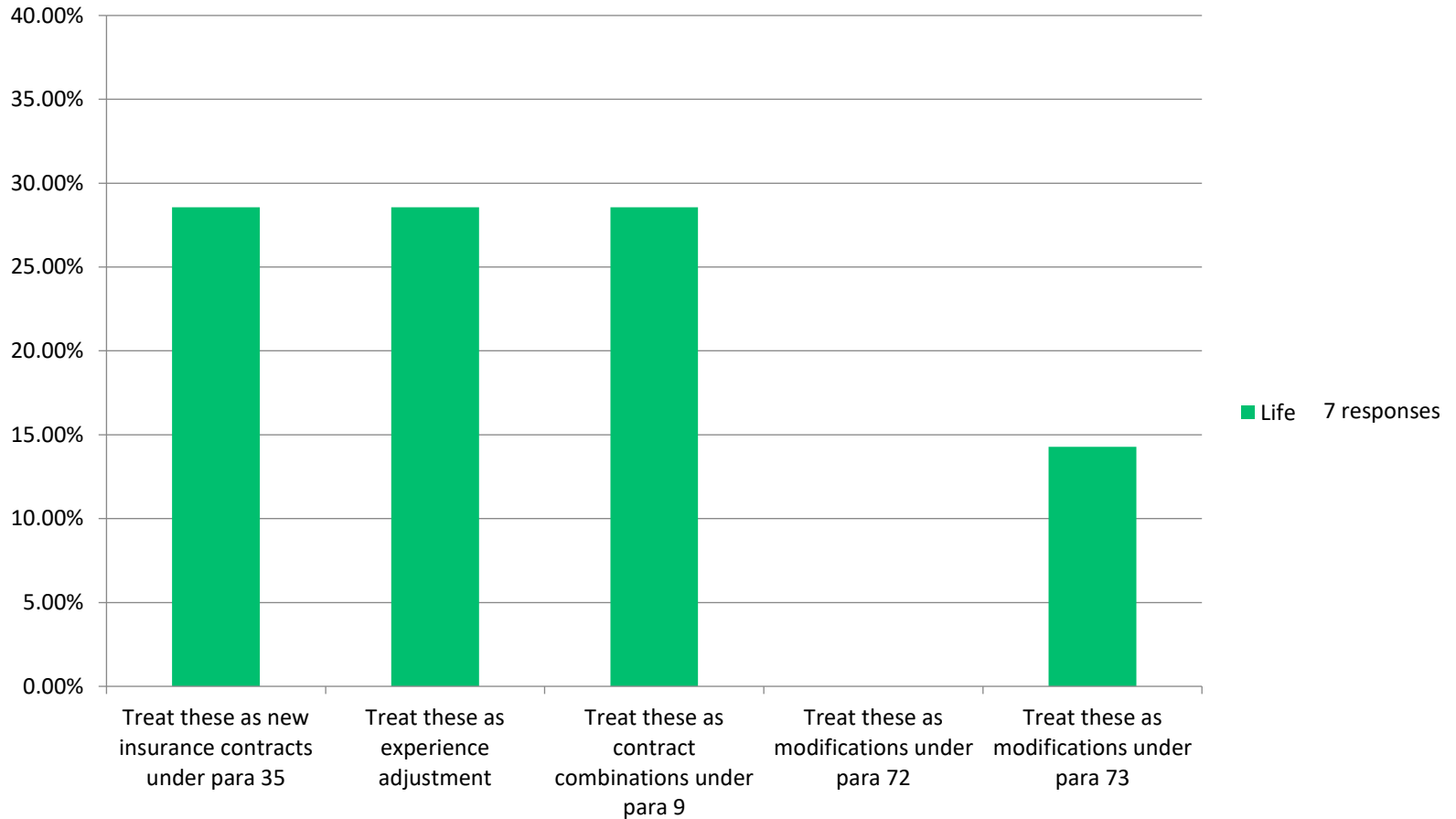
Is the change in unbundling requirements going to have a material impact for your processes?





Q11. Contract Boundaries - Life Business

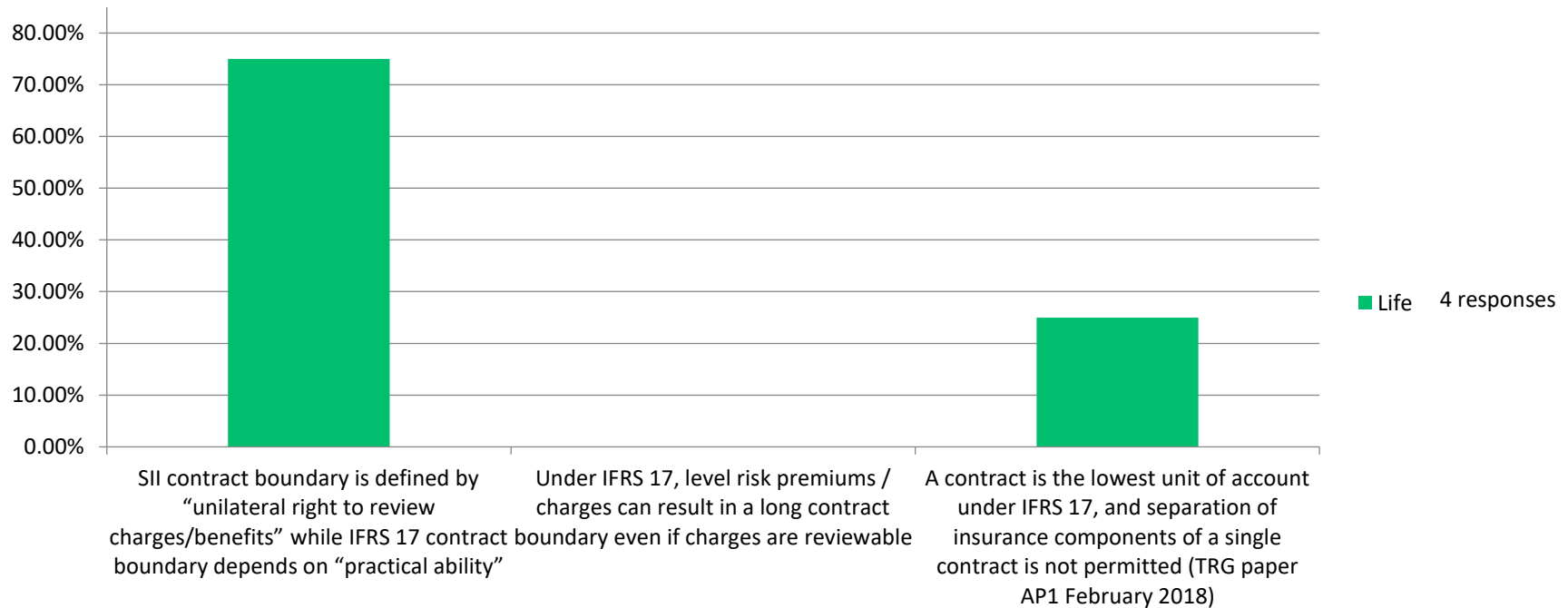
For unit linked insurance contracts, when renewals or top-ups outside the boundary are received – do you:





Q12. Contract Boundaries – Life Business

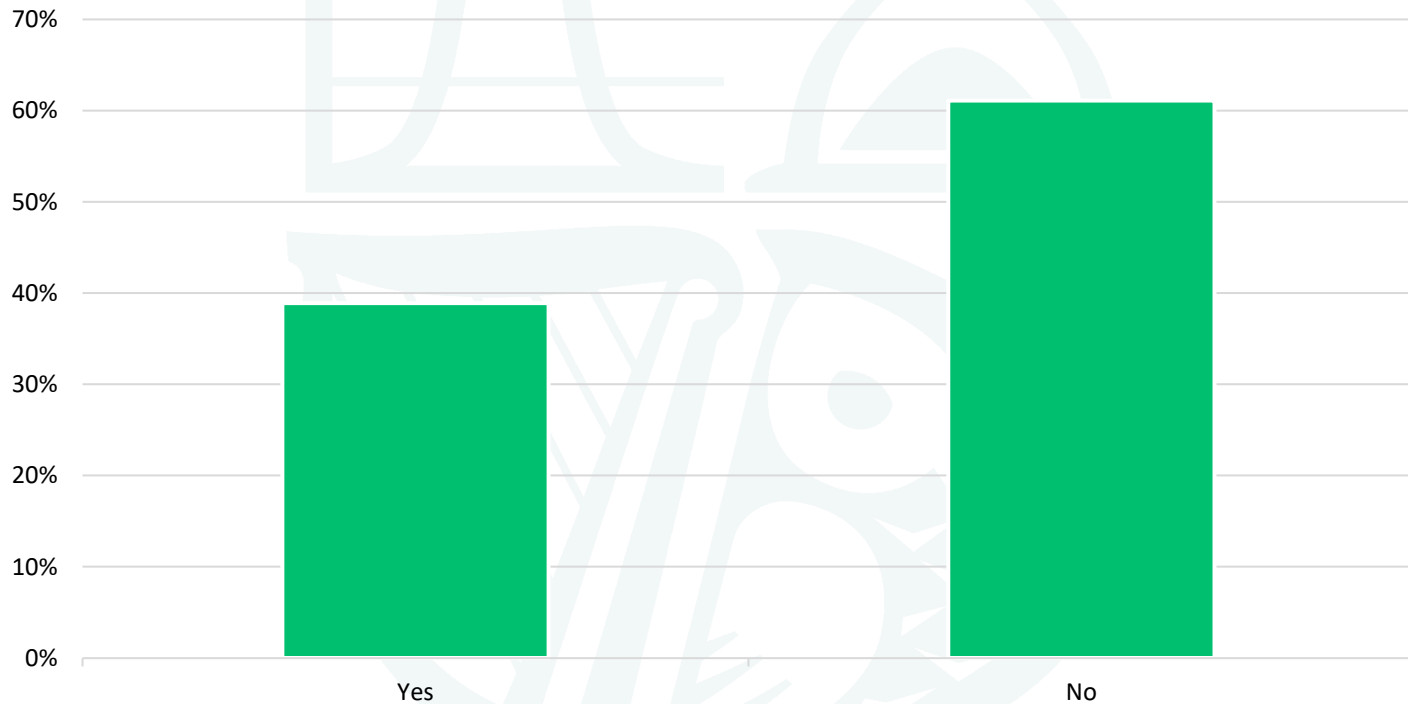
Do you have any unit linked products that have a “long boundary” under IFRS 17 and a short boundary under SII -
If so, what is the main reason for difference in the SII vs IFRS 17 contract boundaries?





Q13. Premium Allocation Approach

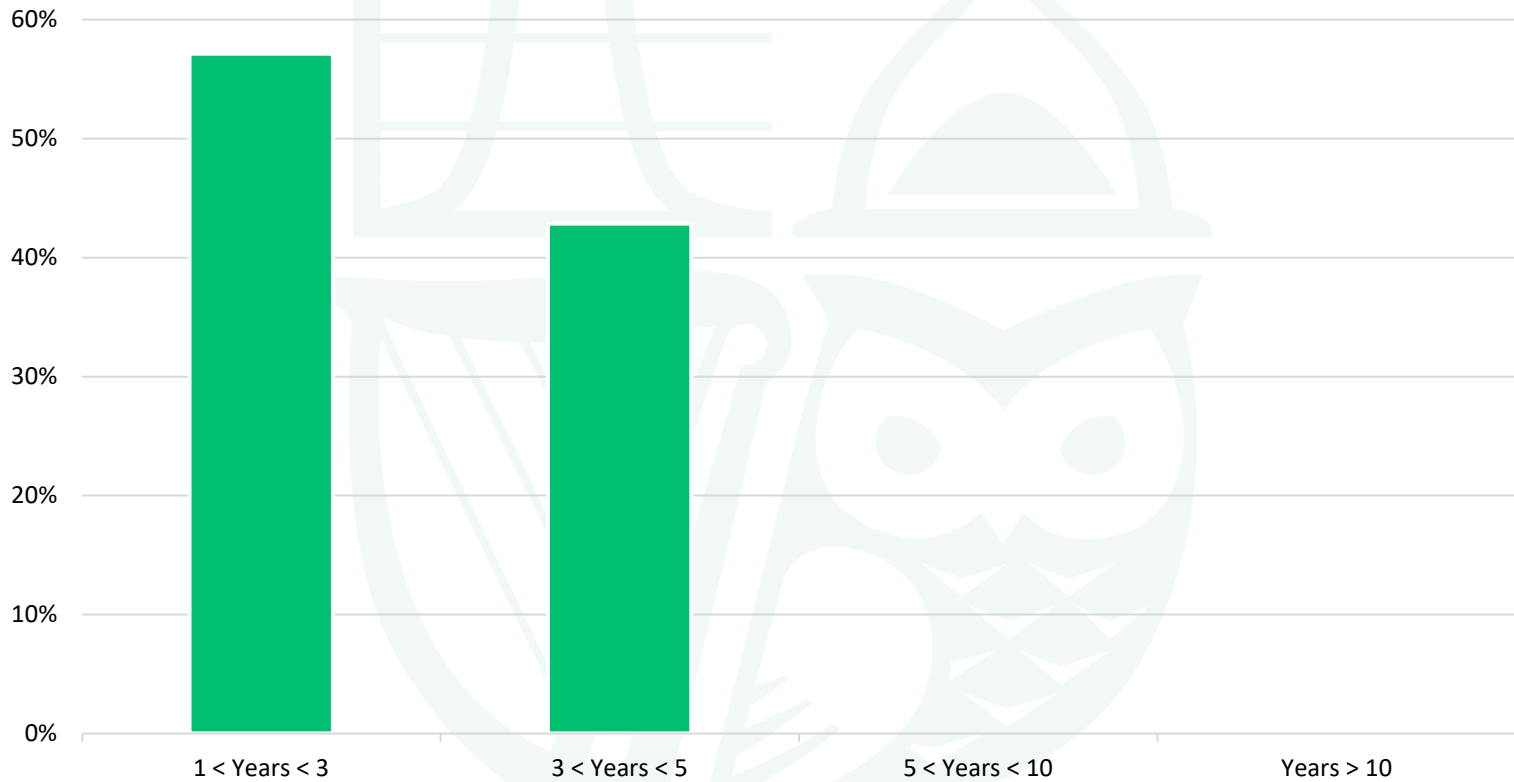
Are you applying PAA to your contracts with a term greater than 1 year?





Q14. Premium Allocation Approach

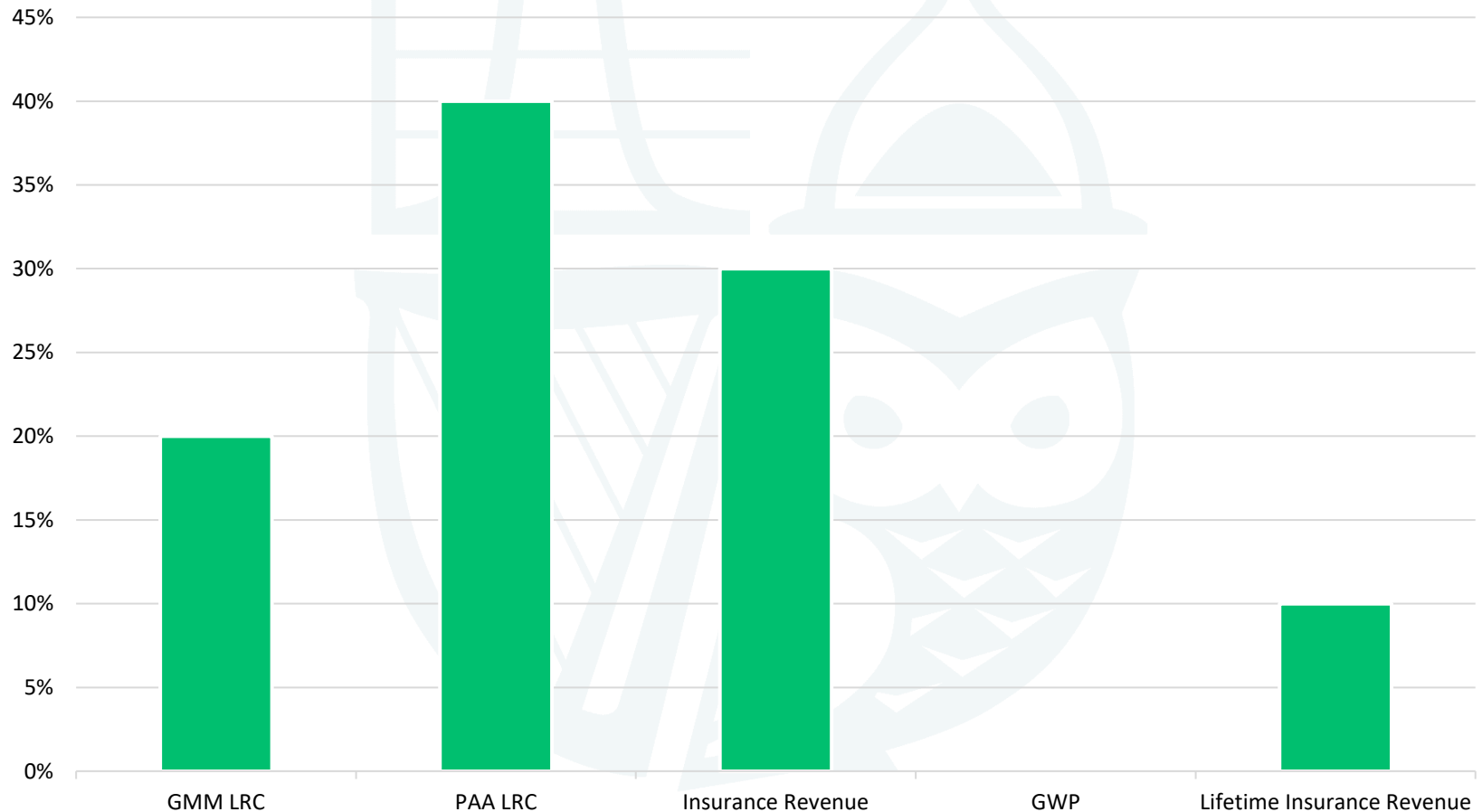
If yes to Q13, what is the average coverage period to which PAA is being applied?





Q15. Premium Allocation Approach

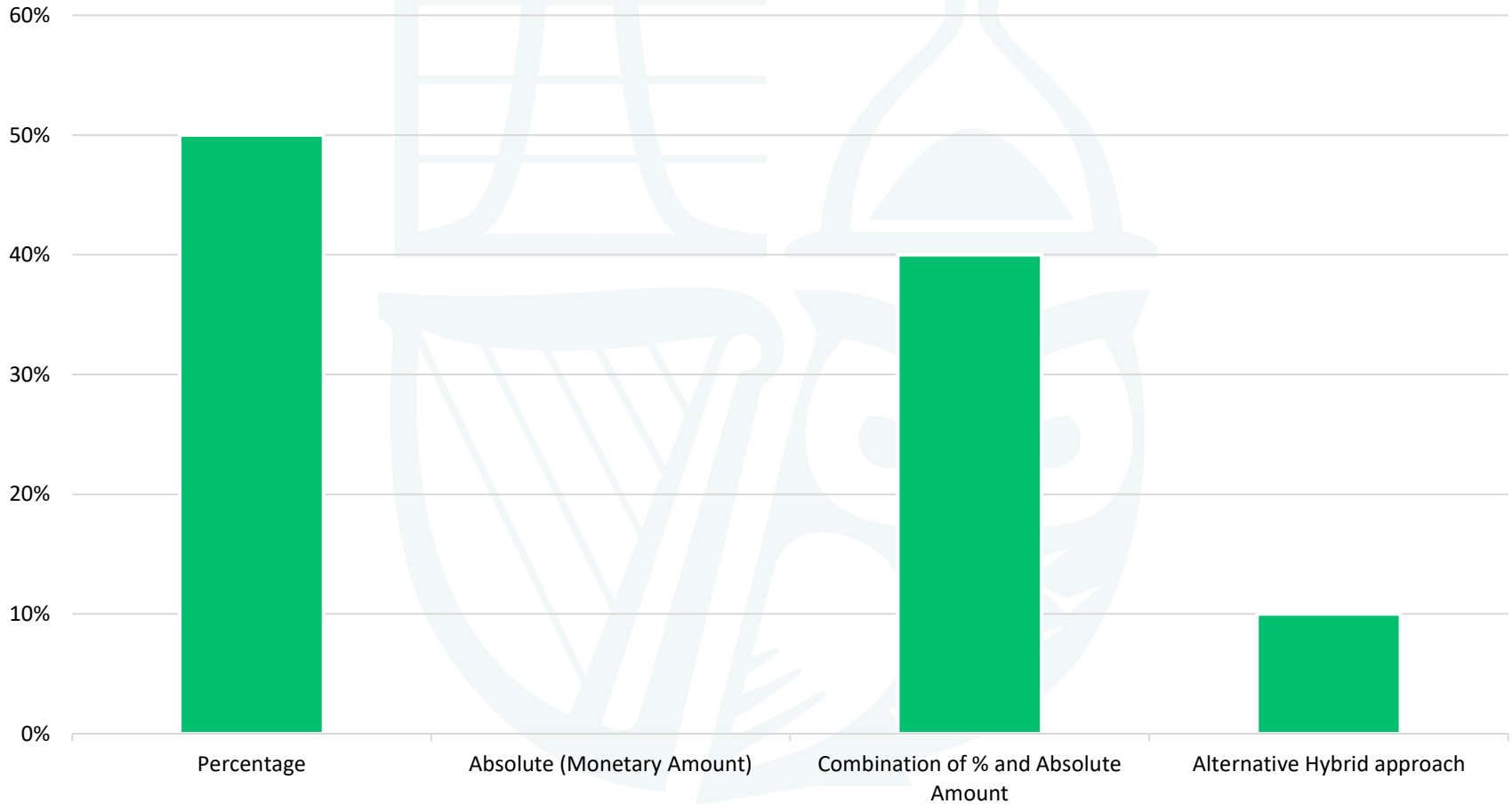
What metric are you using to compare the difference in
a) LRC under the GMM; and b) LRC under the PAA?





Q16. Premium Allocation Approach

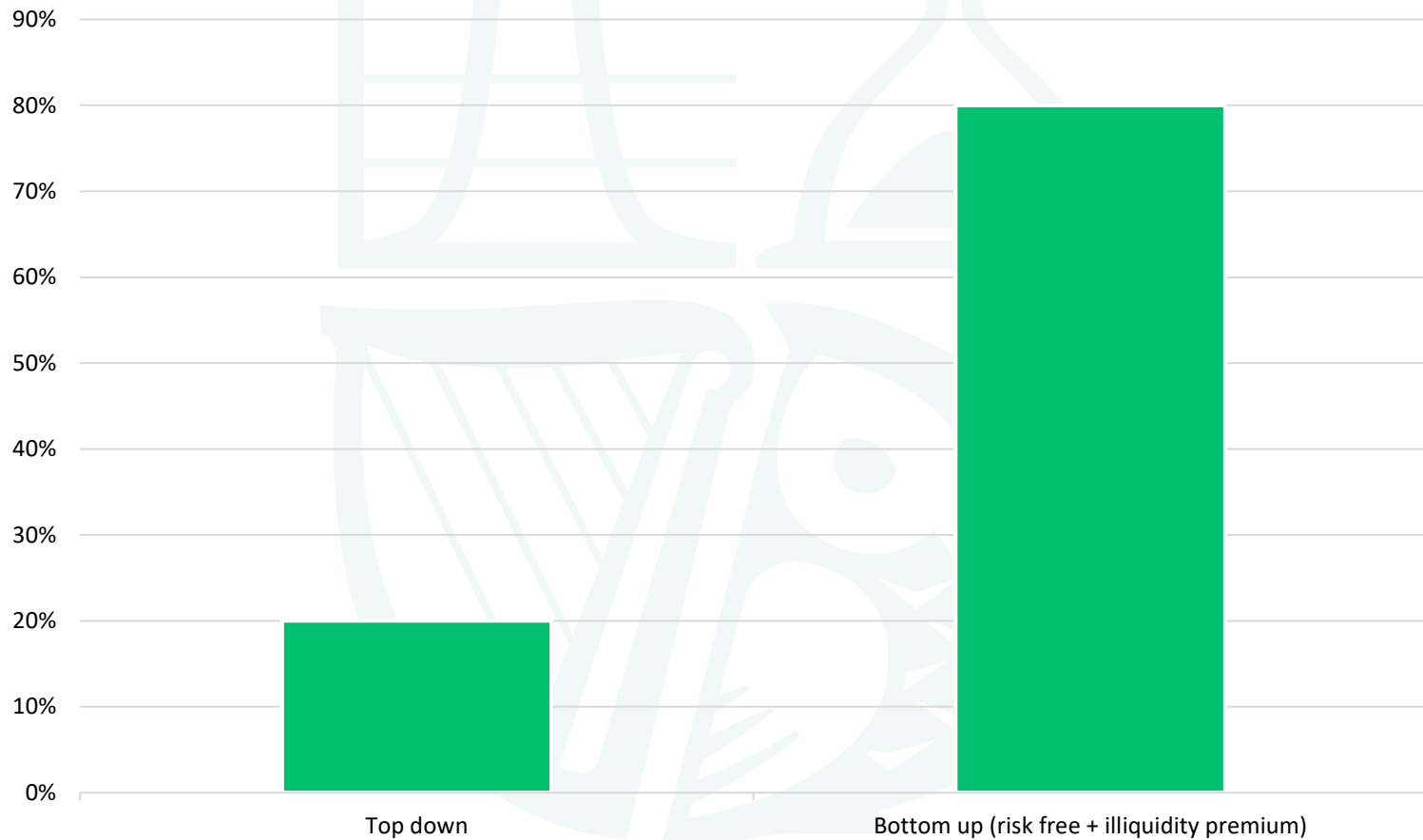
What materiality thresholds are you using for PAA Eligibility Testing





Q17. Discounting

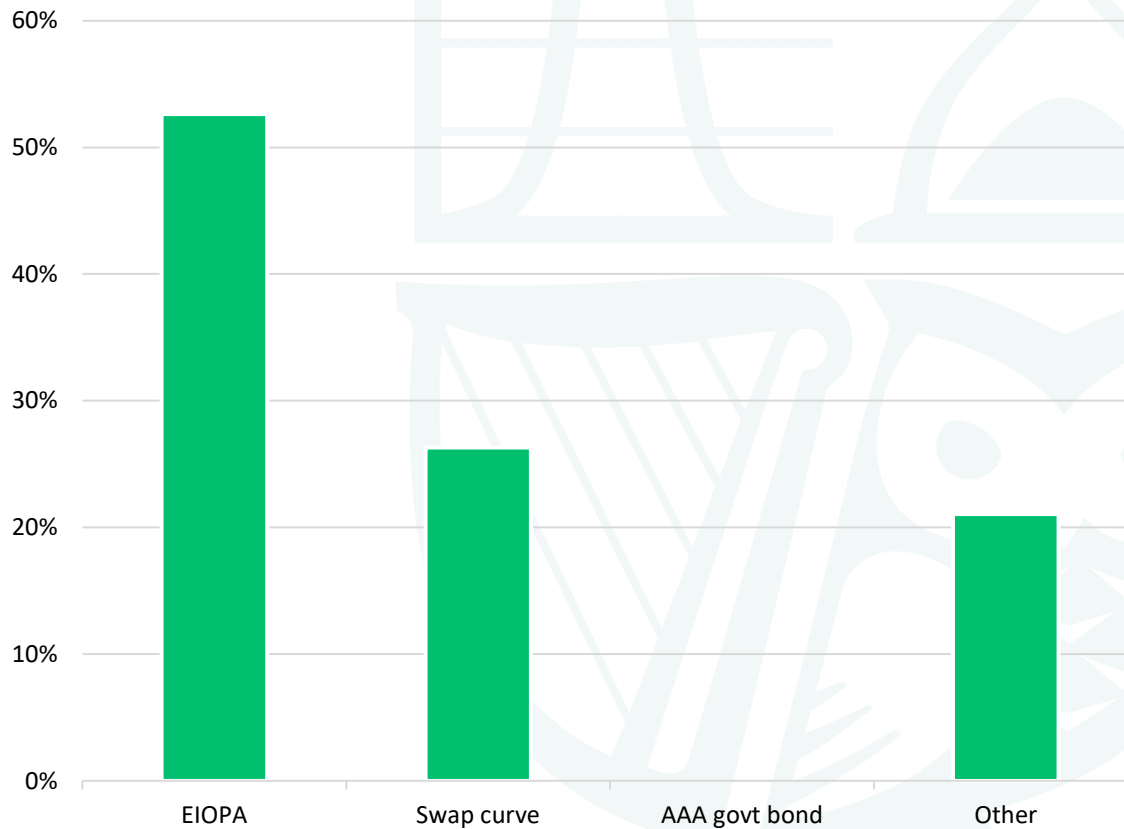
What is your approach for setting discount rates?





Q18. Discounting

What is the source of risk free rate used to set your discount rates?



“Other” included:

- PRA rates
- Rates from Group
- Etc.



Q19. Discounting

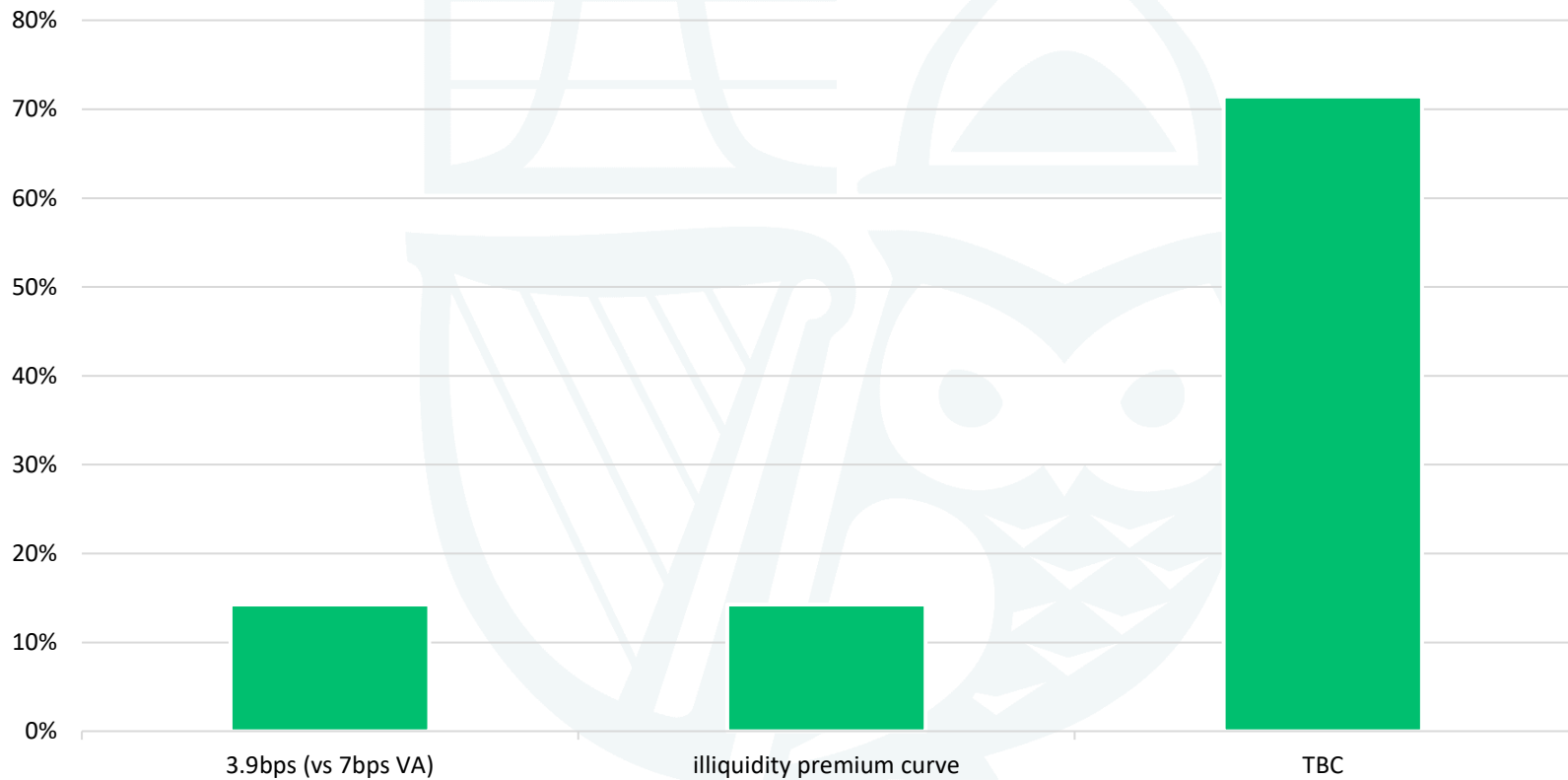
Please state how the Ultimate Forward Rate (“UFR”) and Last Liquid Point (“LLP”) are determined for your risk free rate:

- Approach not determined yet for some responses
- UFR:
 - Long term inflation target + small real return
- LLP:
 - EIOPA approach
 - PRA curve



Q20. Discounting

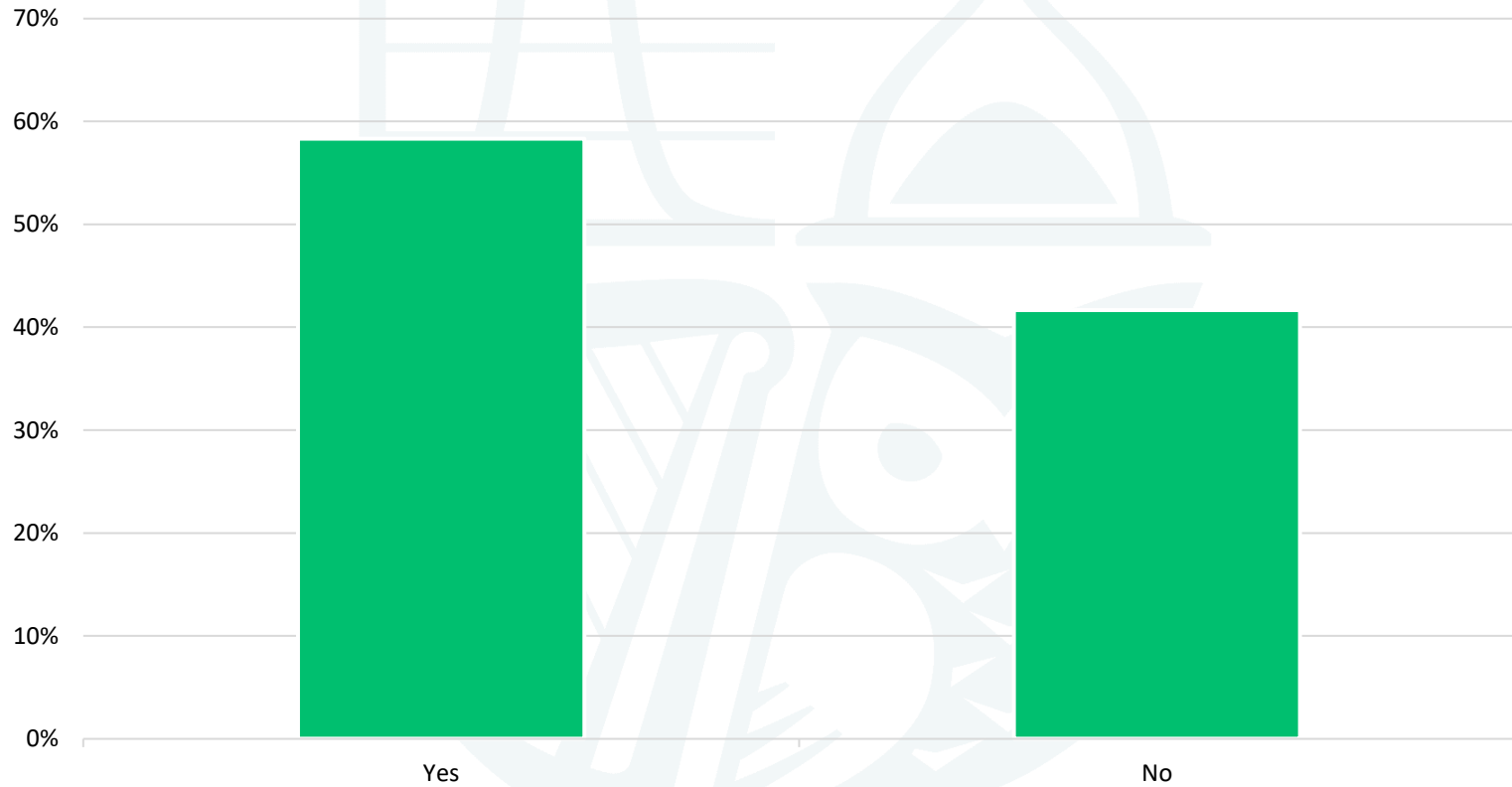
If using the bottom-up approach for discounting, what would have been the level of illiquidity premium at YE20, at the average duration for Euro-denominated liabilities?





Q21. Discounting

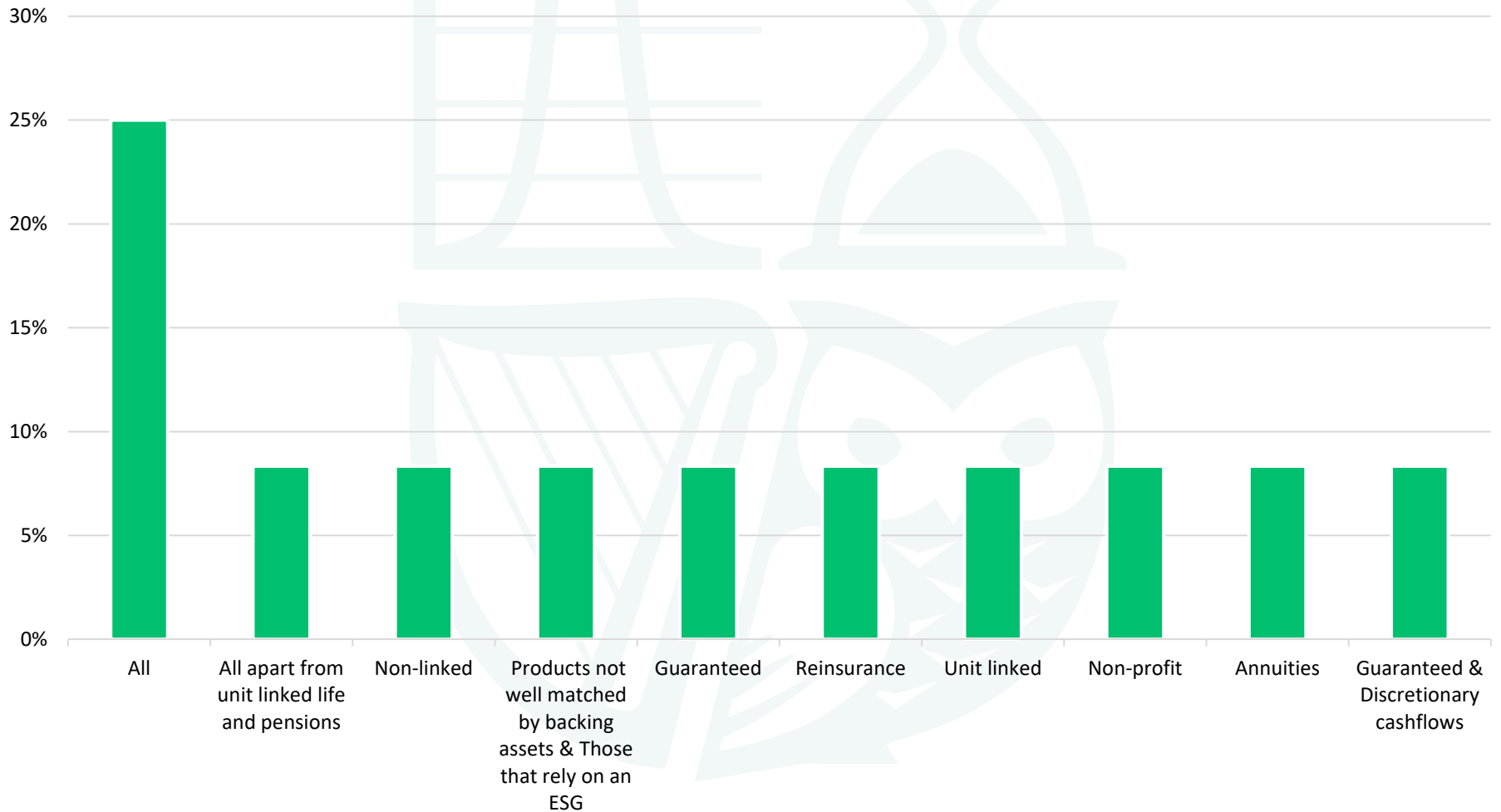
Are you differentiating your illiquidity premium by currency?





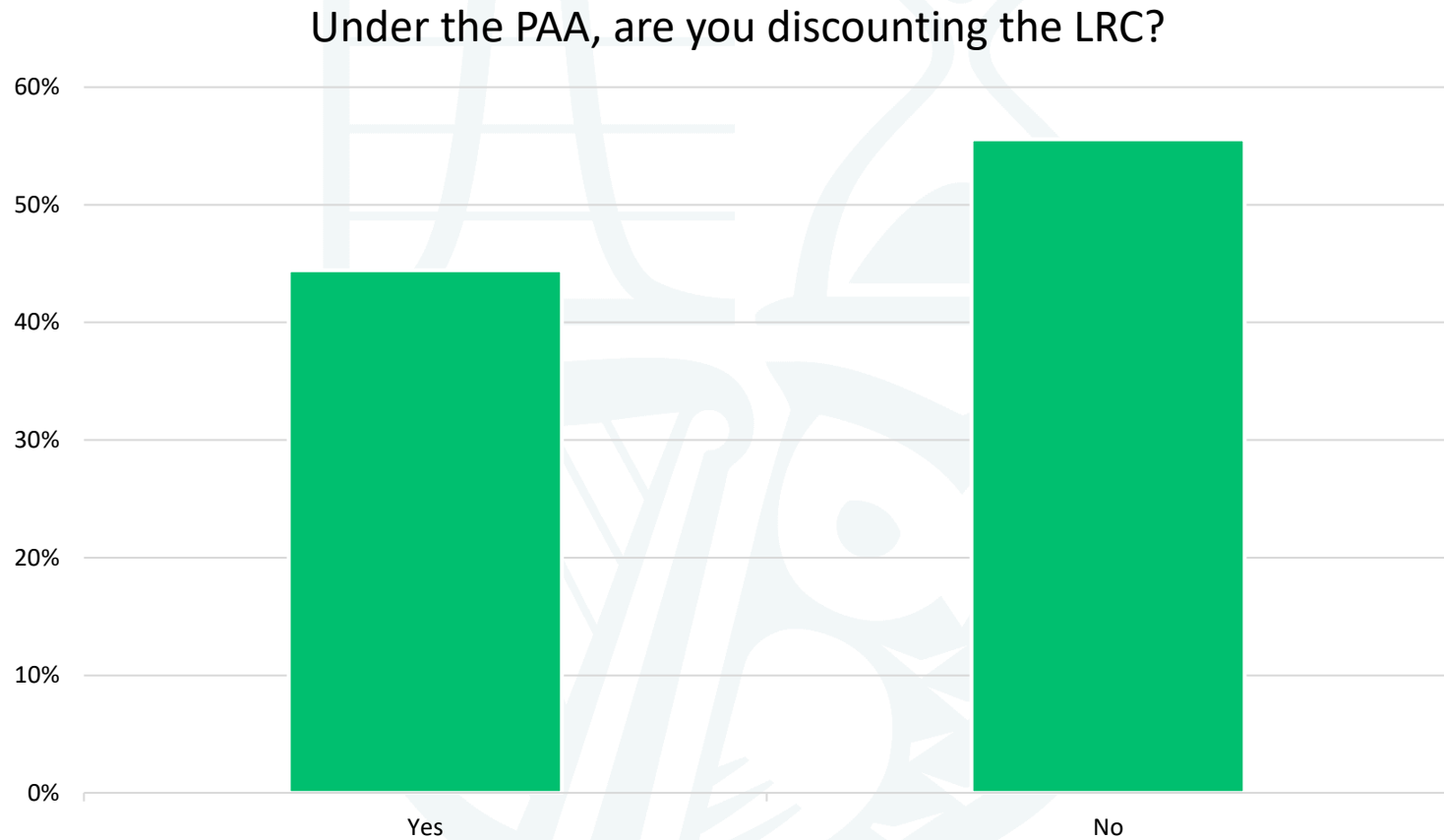
Q22. Discounting

Which products are you applying an illiquidity premium to?





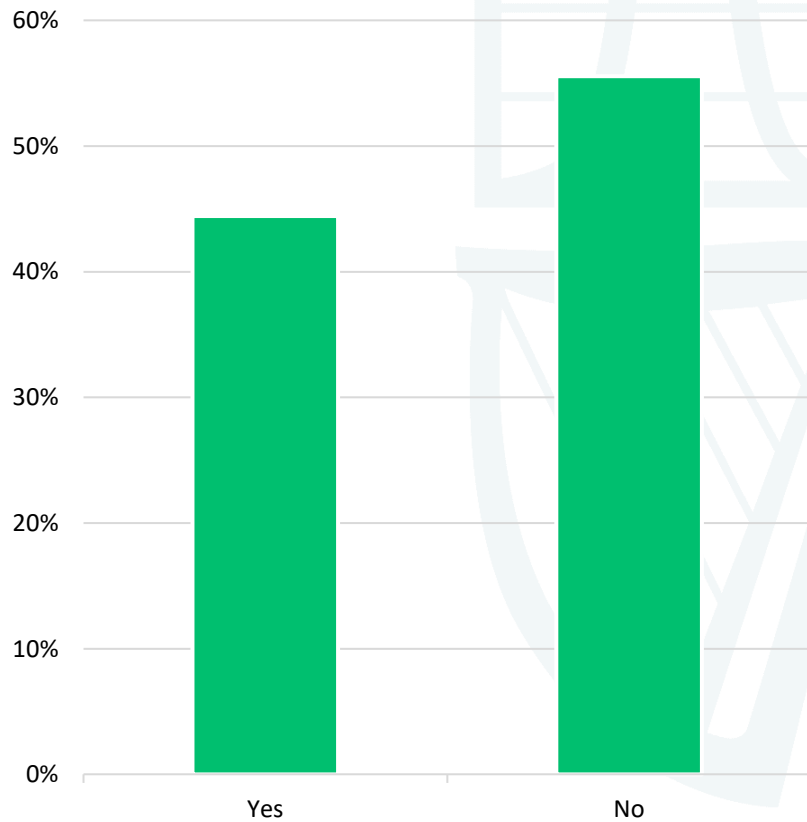
Q23. Discounting



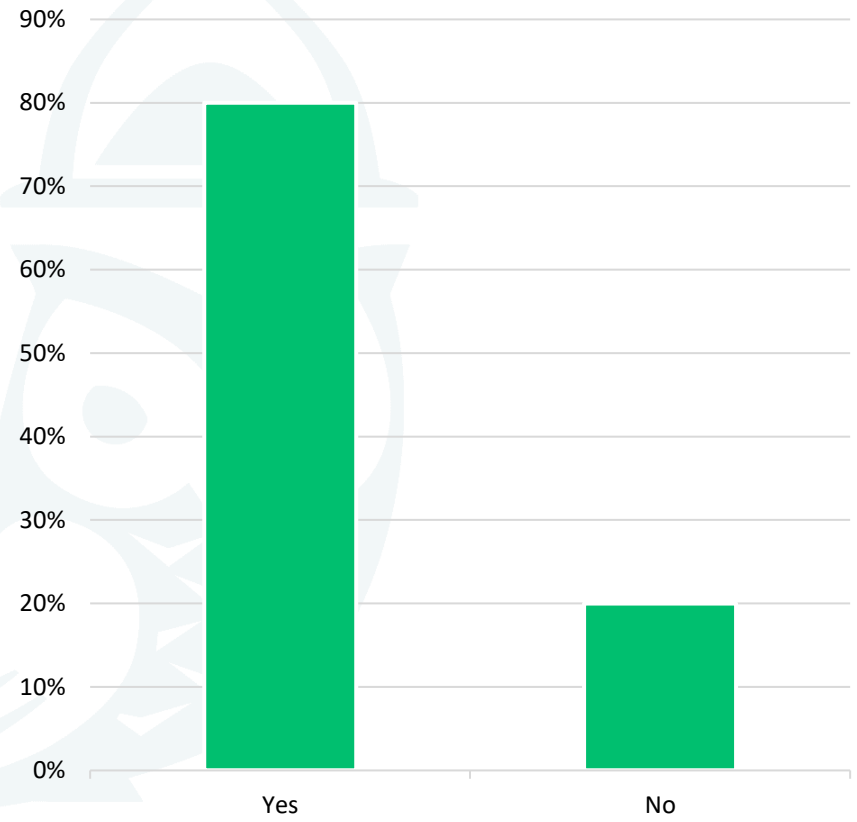


Q24. Discounting

All: Are you availing of the OCI option?



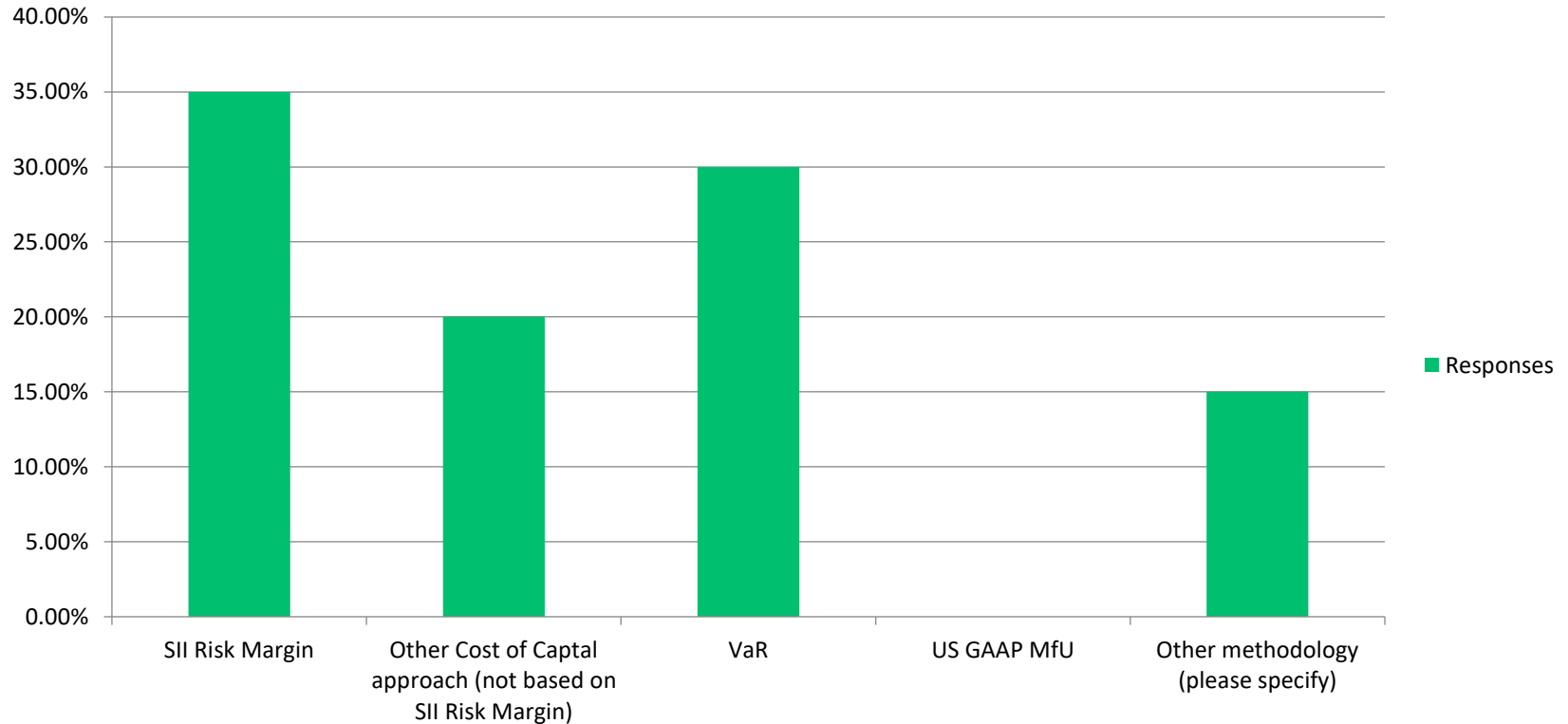
Non-Life: Are you availing of the OCI option?





Q25. Risk Adjustment

What is the basis for your risk adjustment methodology?





Q26. Risk Adjustment

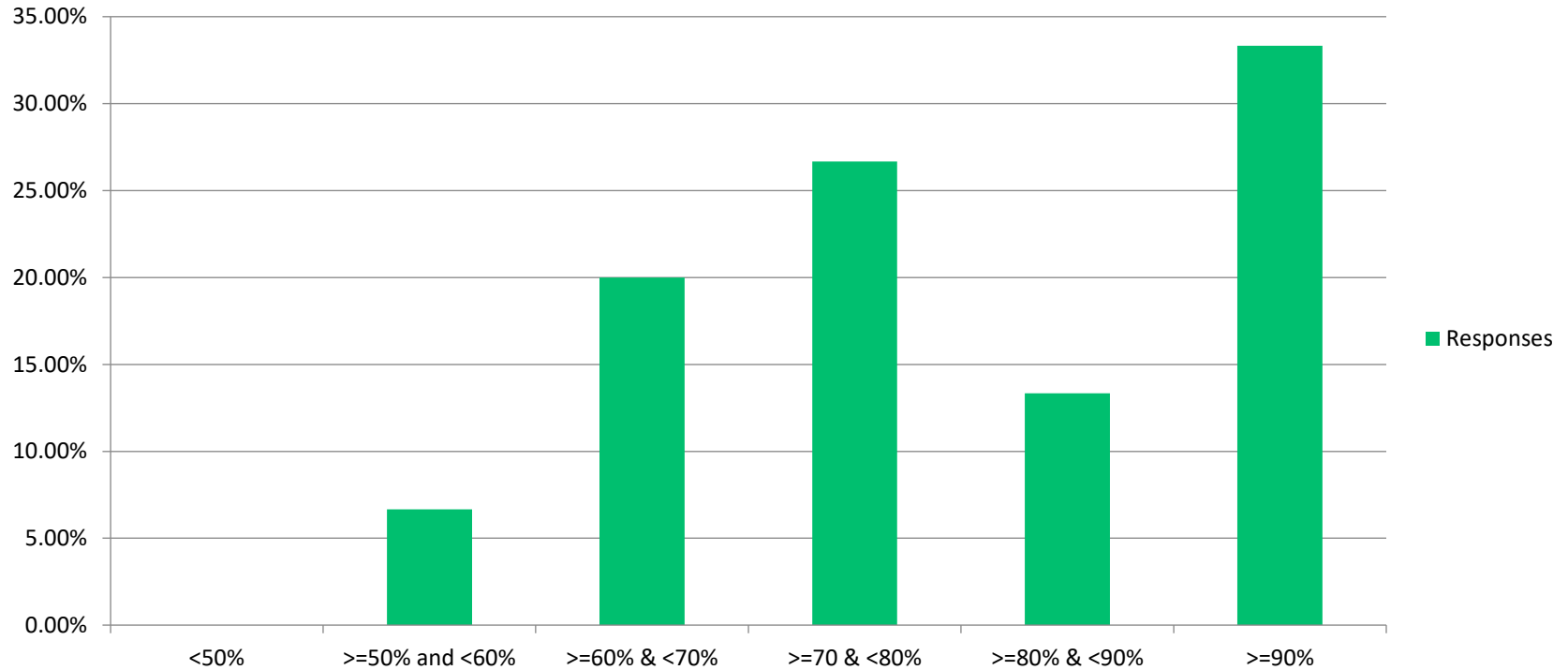
If using a Solvency II Cost of Capital approach, what cost of capital rate is used?

- Relevant to 6 respondents
- 3 respondents noted 6% is being used
- 1 respondent noted 5.8%, 1 noted 4% and the other noted still TBC but expected in the region of 8%-15%



Q27. Risk Adjustment

What is your company's target confidence level for the RA?





Q28. Risk Adjustment

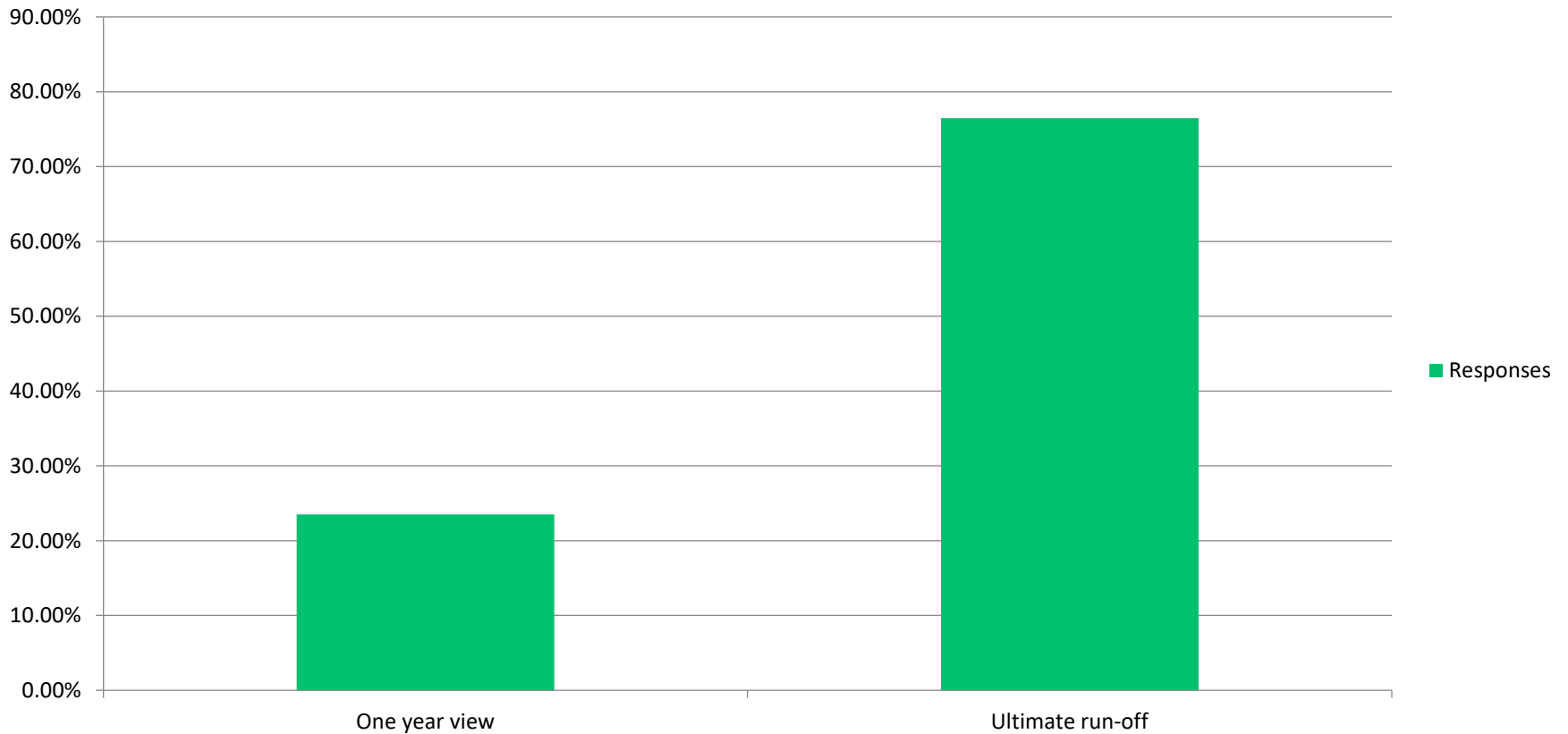
What duration is used for assessing the confidence level of your risk adjustment?
E.g. x% VaR over 10 years?

- 11 respondents to this question
- 2 respondents noted TBD
- 4 respondents noted full lifetime of the contract
- 3 respondents noted 1 year
- 2 respondents noted 12 and 15 years as the duration



Q29. Risk Adjustment

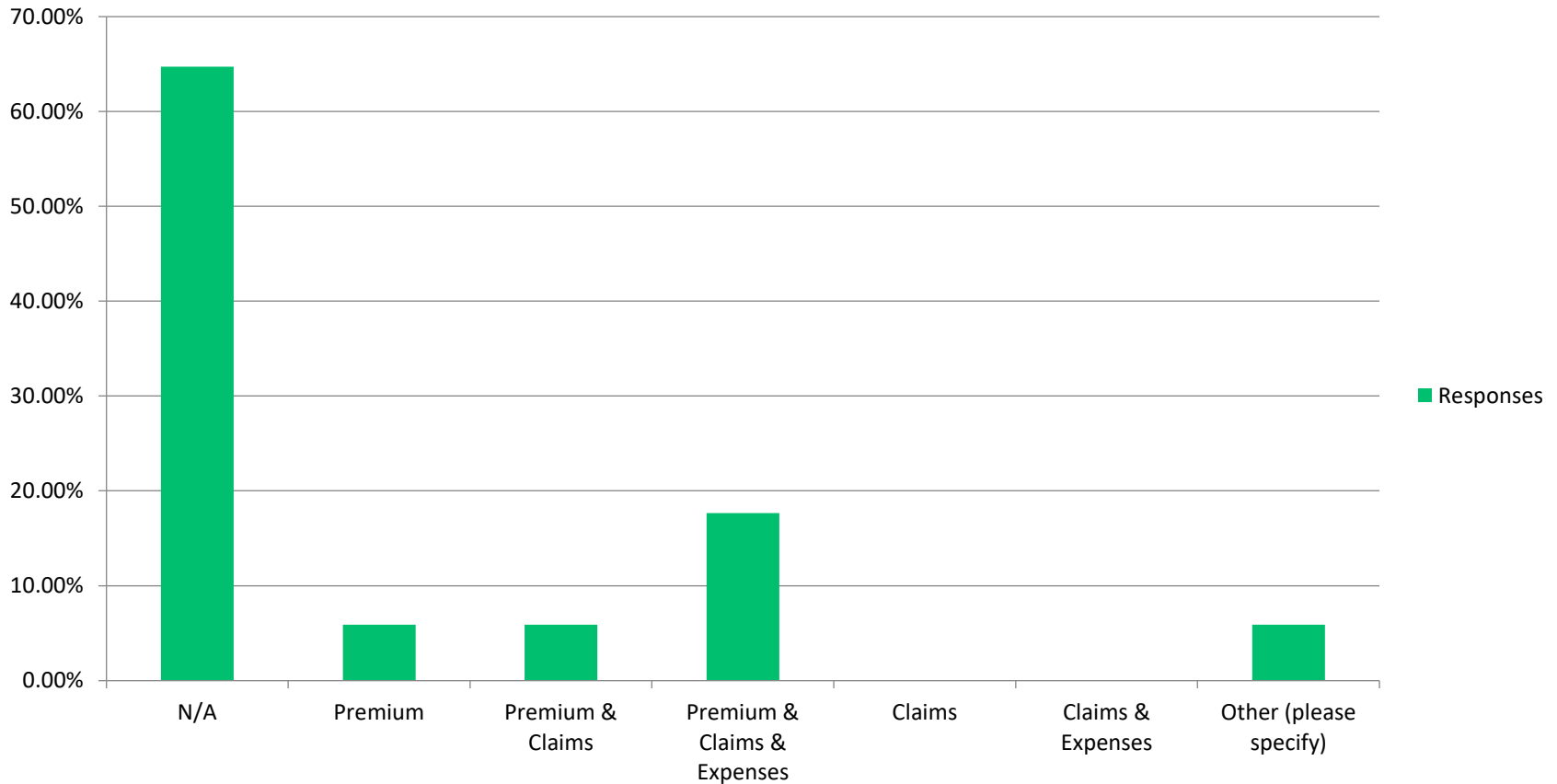
Are you determining your risk adjustment based on a one year view vs. ultimate run-off?





Q30. Risk Adjustment

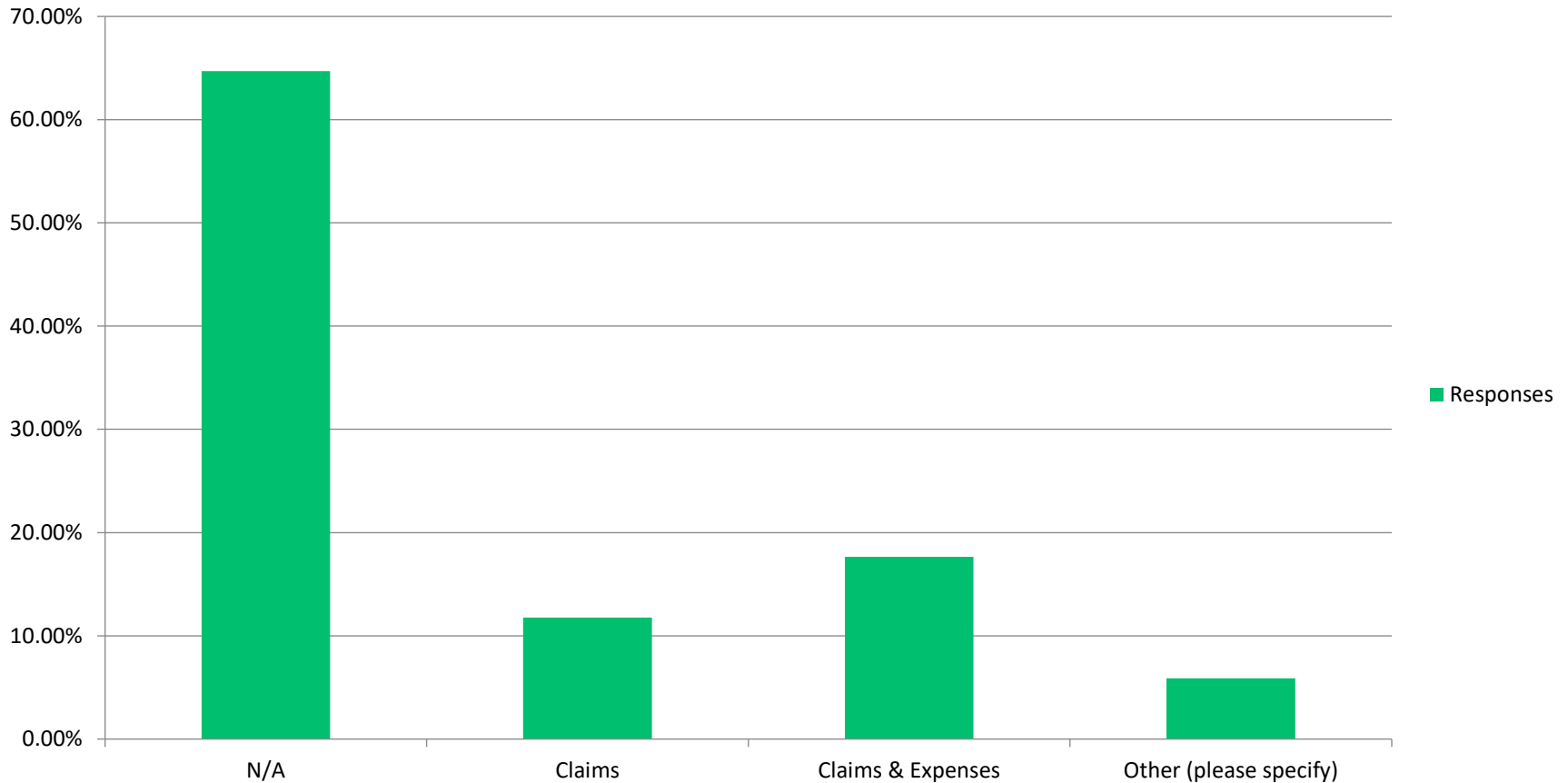
For non-life business using the GMM, to which cashflows are your risk adjustment parameters being applied for the LRC?





Q31. Risk Adjustment

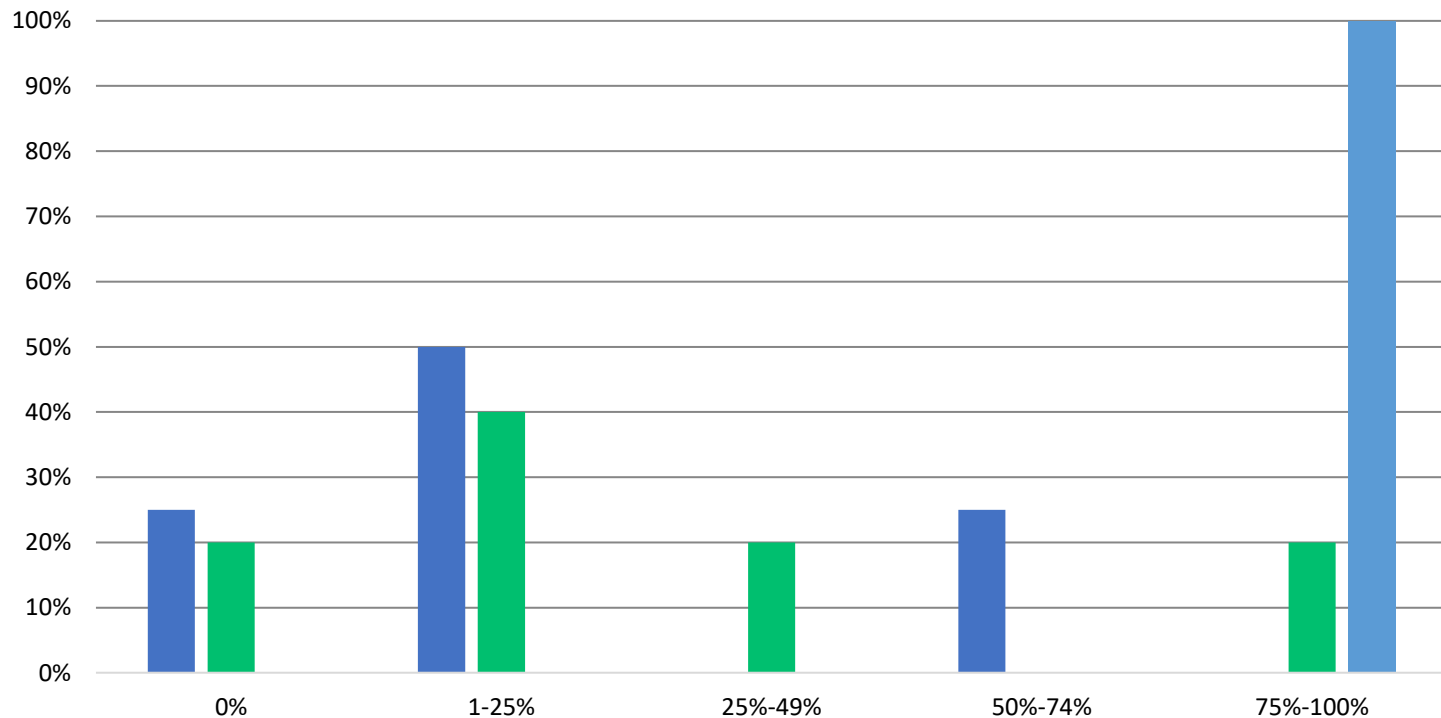
For non-life business using the GMM, to which cashflows are your risk adjustment parameters being applied to for the LIC?





Q32. Transition

On transition, what proportion of your business (e.g. based on BEL) will you apply the FRA (Fully Retrospective Approach)?



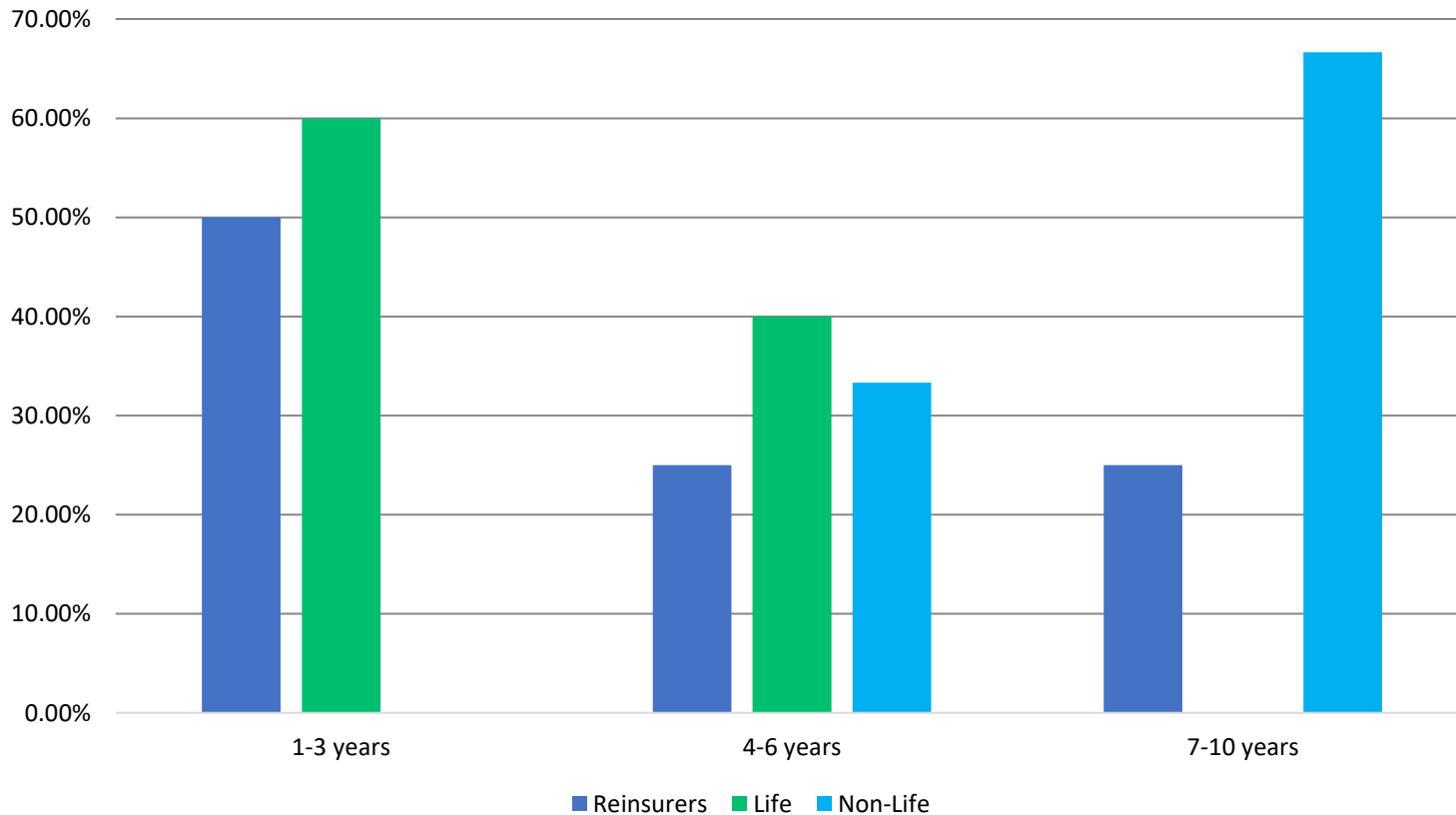
■ Reinsurers ■ Life ■ Non Life

4 reinsurers, 5 life, 4 non-life responses



Q35. Transition

For how many years prior to the 1/1/2023 will your company use FRA? (i.e. how many annual cohorts)



4 reinsurers, 5 life, 4 non-life responses



Q36. Transition

What are your main justifications for the FRA being impracticable (if applicable)?

Discount rates

Data

Hindsight

Change of ownership

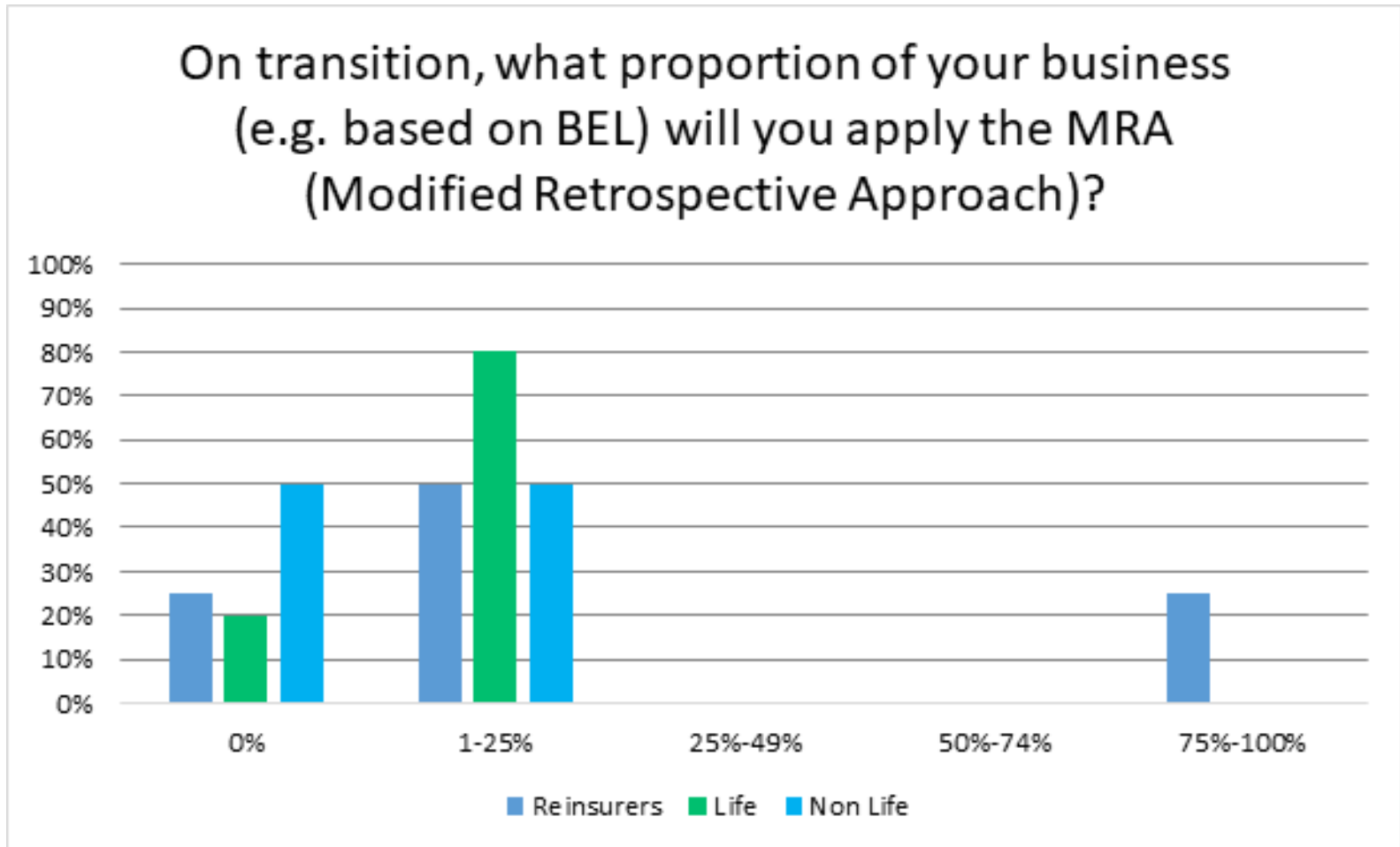
Change of systems

Too costly?

Note: IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors defines applying a requirement as impracticable when the entity cannot apply it after making every reasonable effort to do so.



Q33. Transition

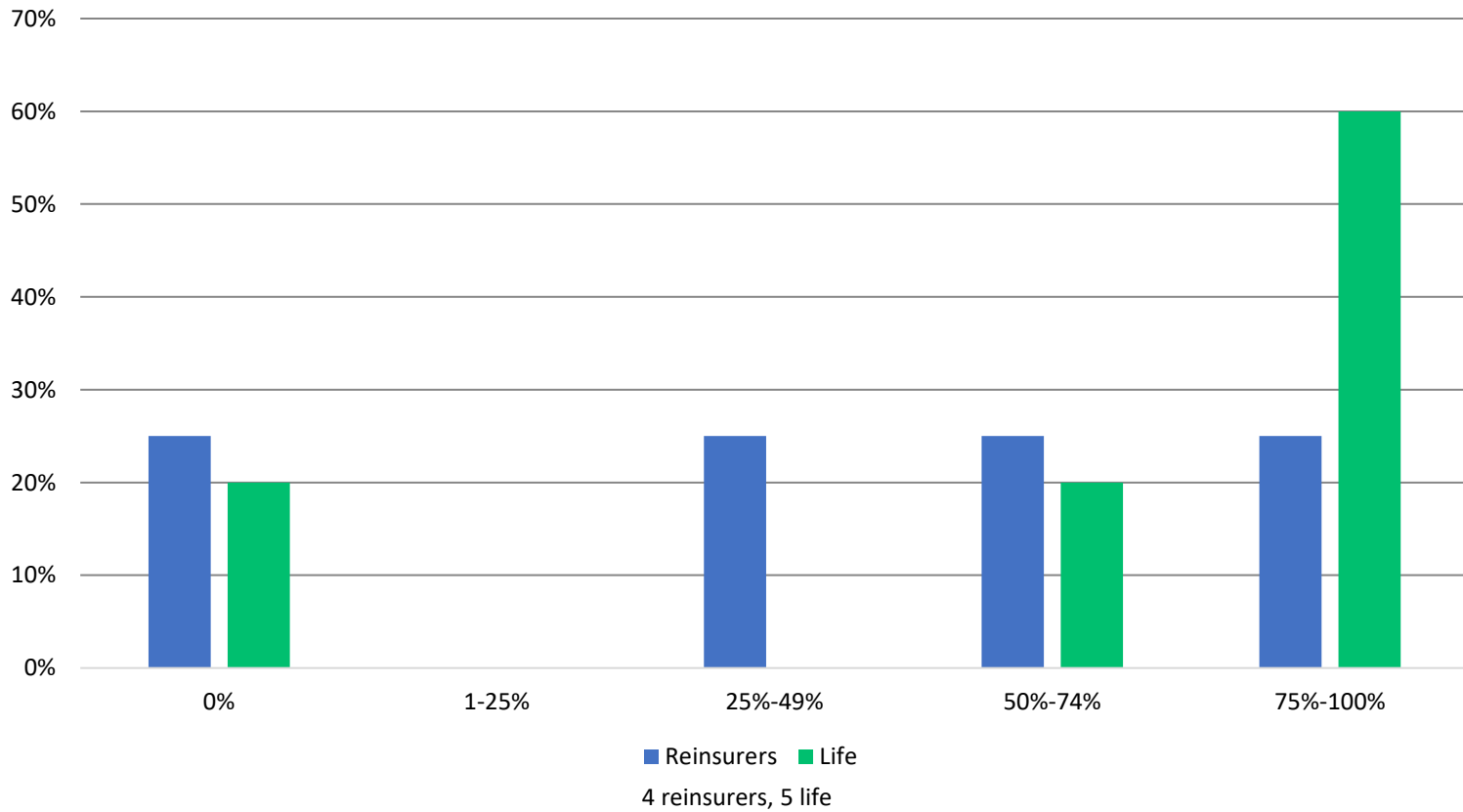


4 reinsurers, 5 life, 4 non-life responses



Q34. Transition

On transition, what proportion of your business (e.g. based on BEL) will you apply the FVA (Fair Value Approach)?

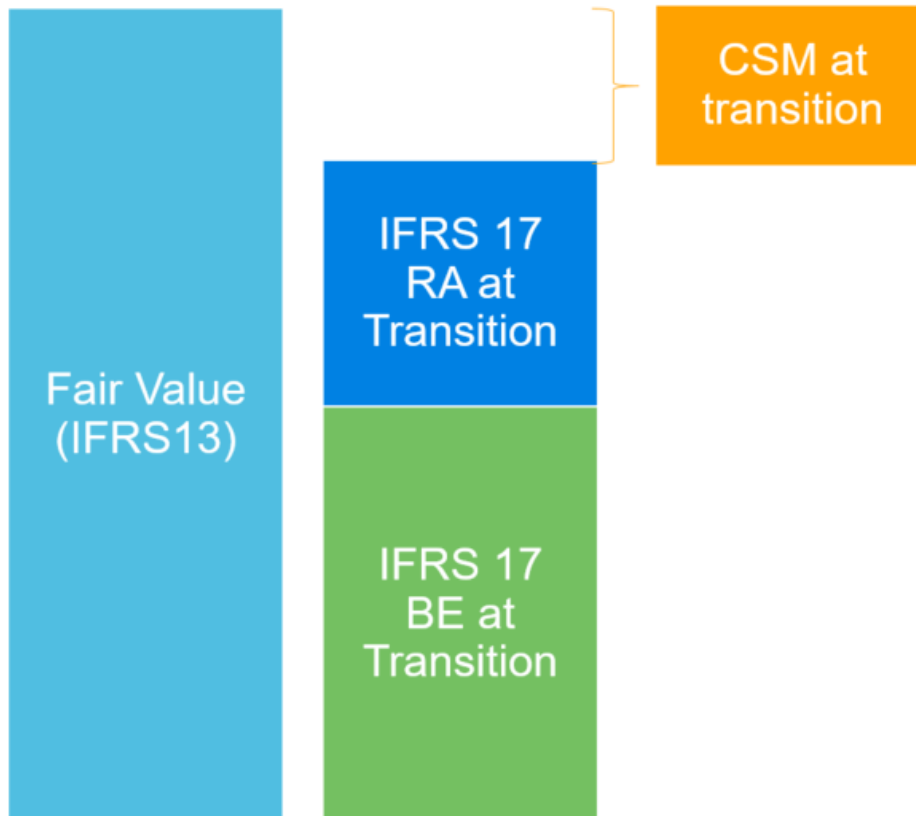




Q37. Transition

If using FVA on transition, how is the FV determined?

Fair Value is defined in IFRS 13 as *“the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date”*.



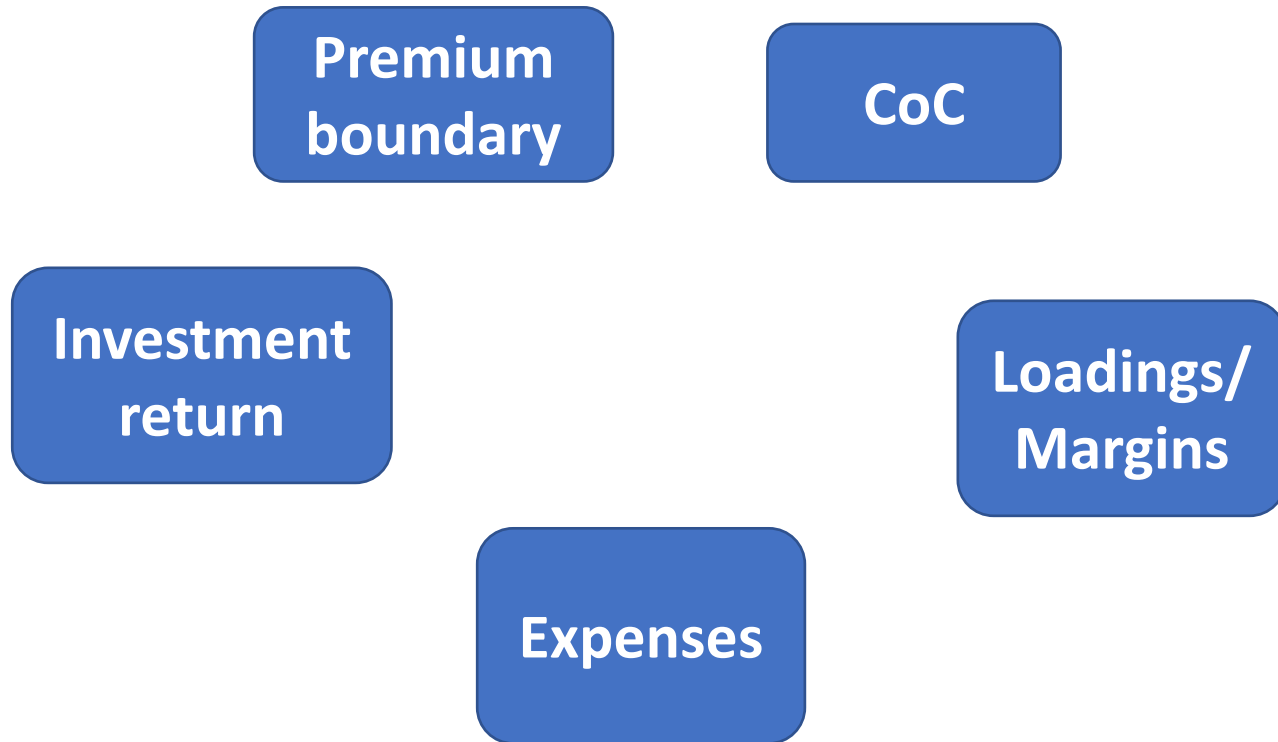
Methods Include:

- BEL + cost of capital
- GMM cashflows + loading
- Embedded value approach
- Deal model



Q38. Transition

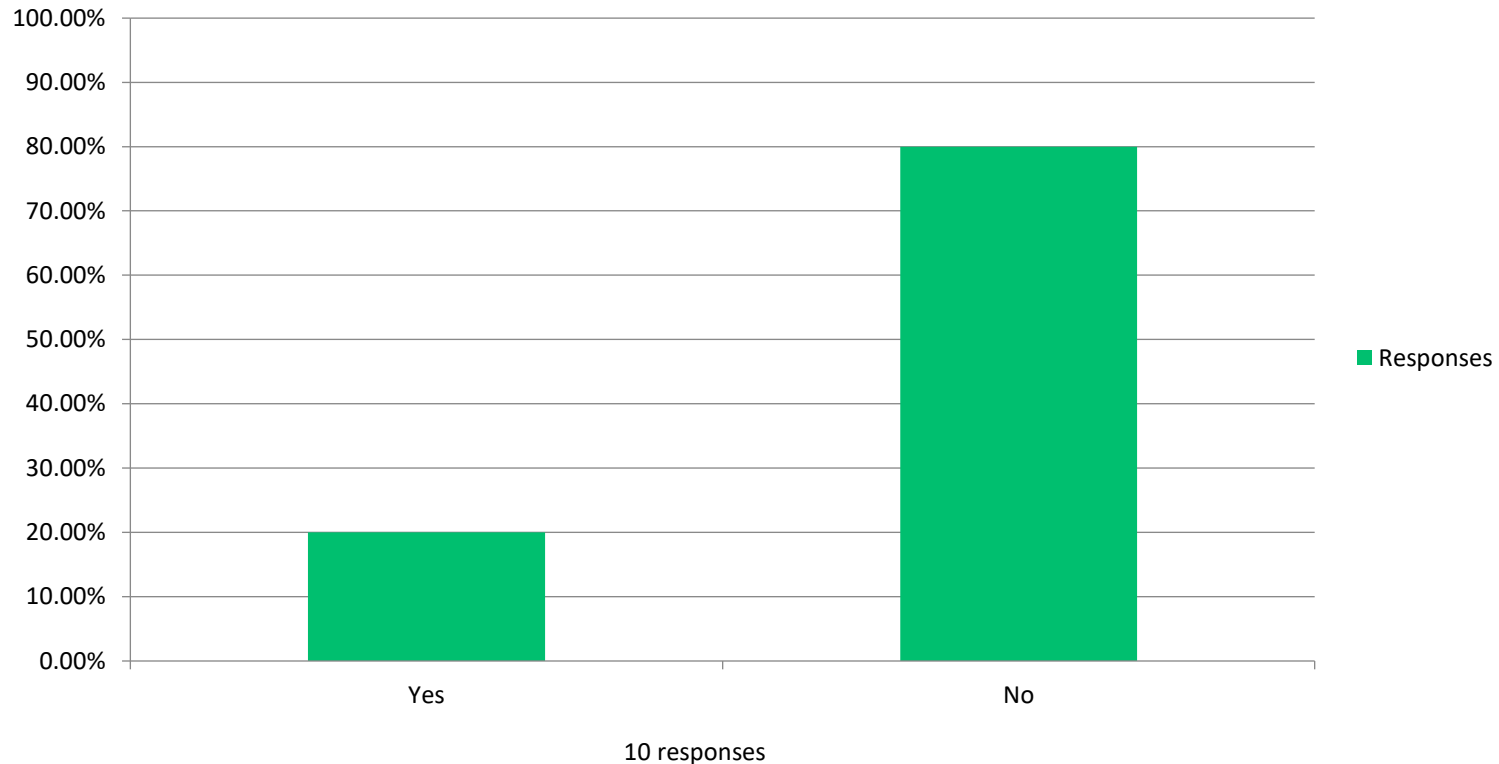
If using FVA on transition, what are the main differences to the IFRS 17 FCF (BEL + RA)?





Q40. Transition

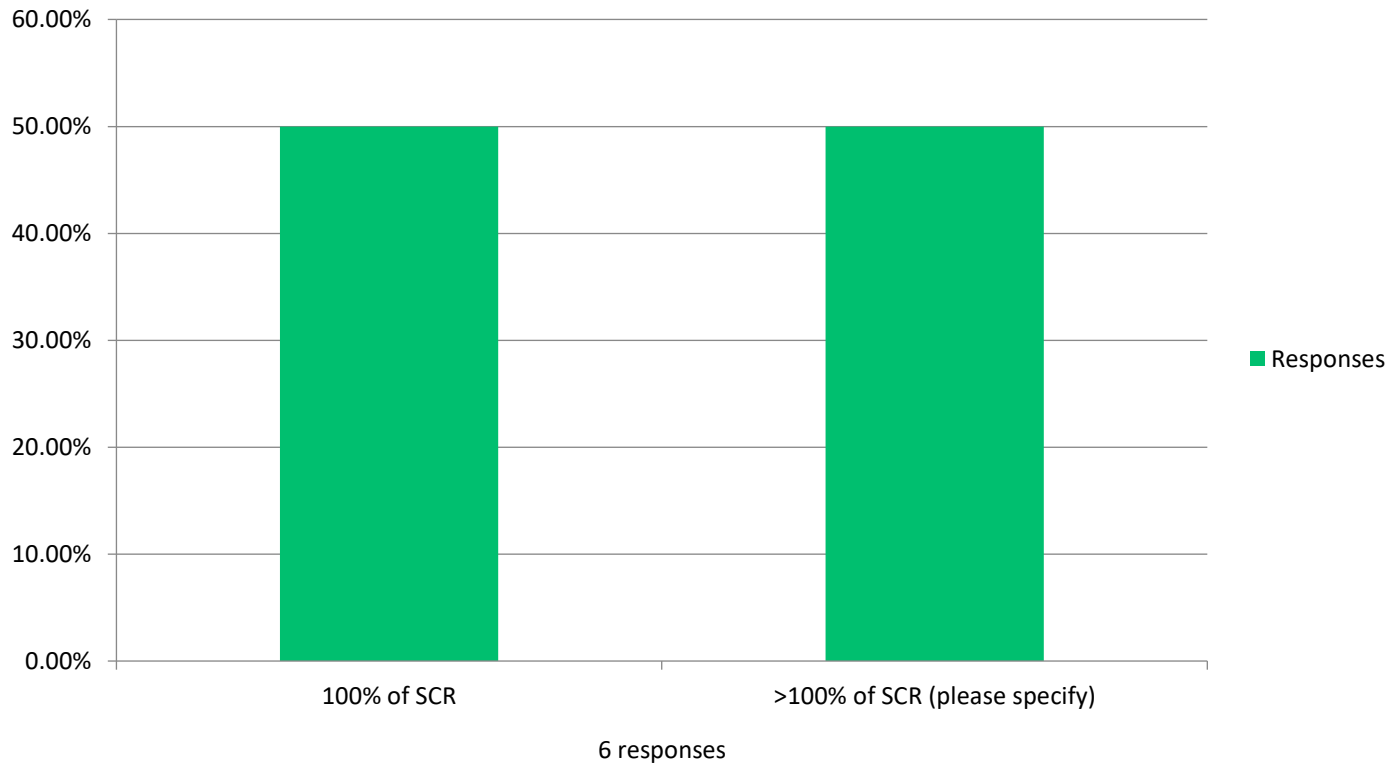
Where a Solvency II SCR style cost-of-capital approach is being used in the Fair Value calculation, are you including market risk SCRs in the determination of the risk margin?





Q41. Transition

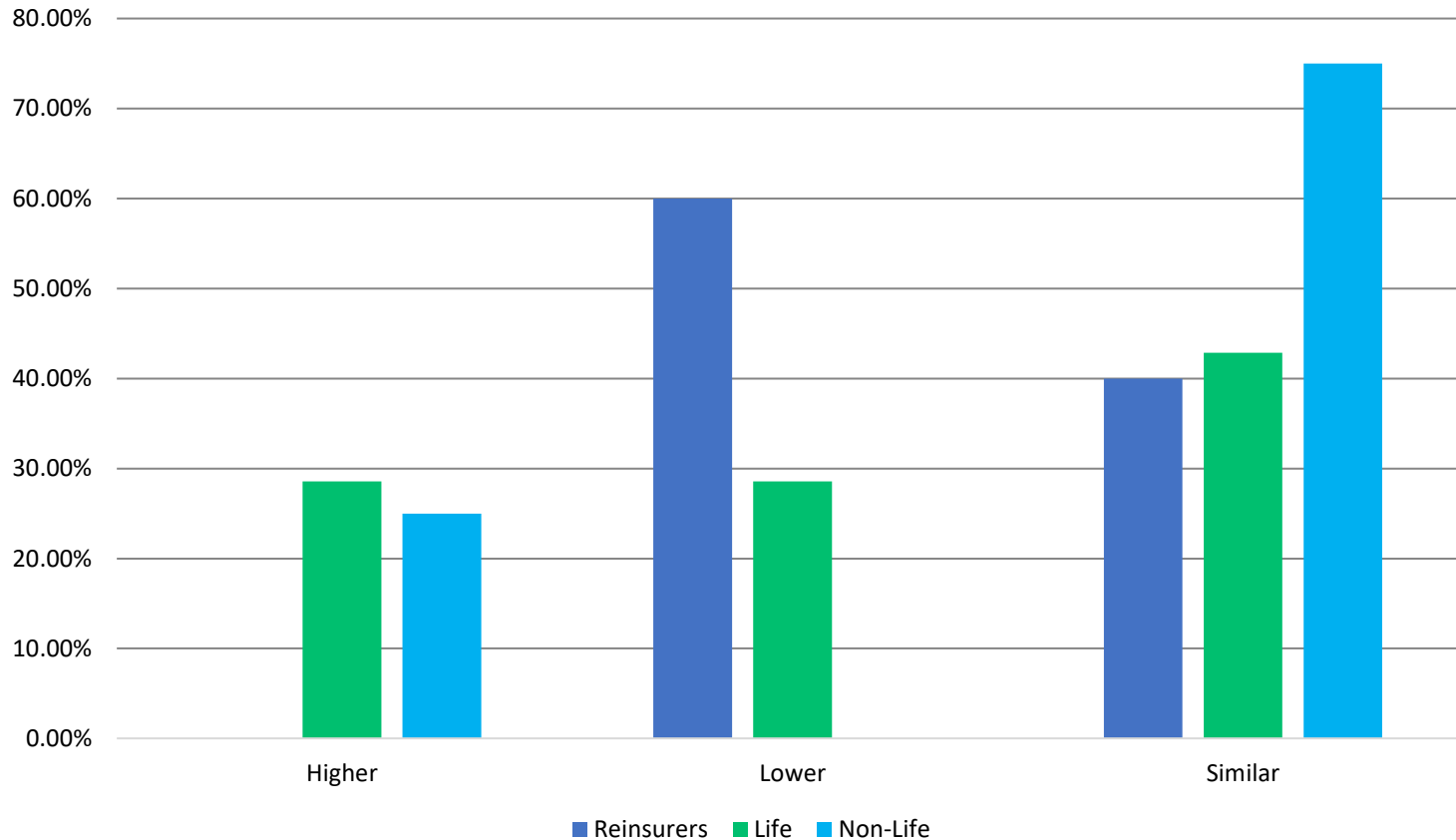
Where a Solvency II style cost-of-capital approach is being used in the Fair Value calculation, please specify the percentage of Solvency II SCR you are assuming?





Q39. Transition

Are you expecting IFRS 17 equity to be higher / lower / similar to IFRS 4 (or other existing GAAP)?

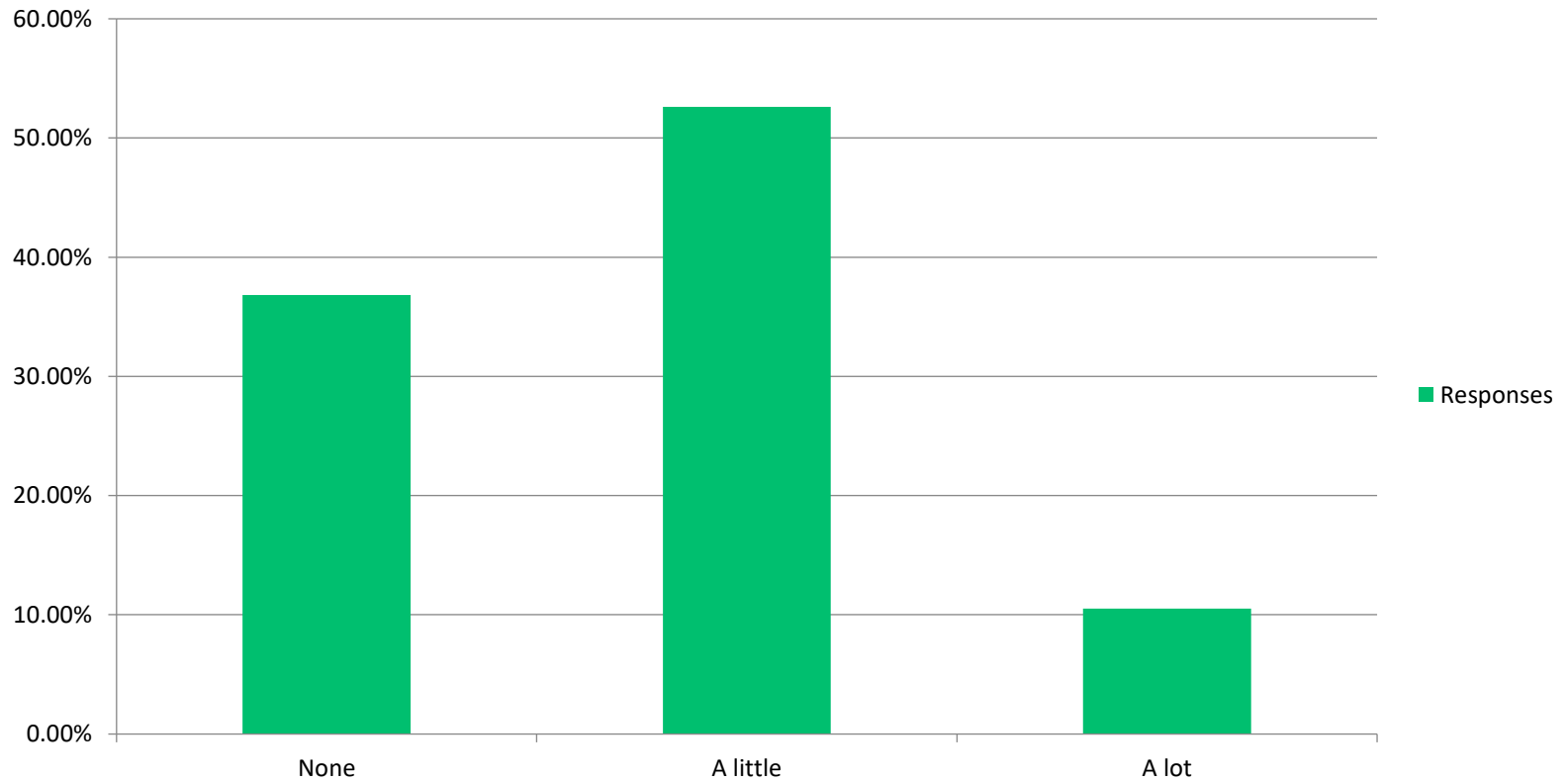


5 reinsurers, 7 life, 4 non-life responses



Q42. Reporting

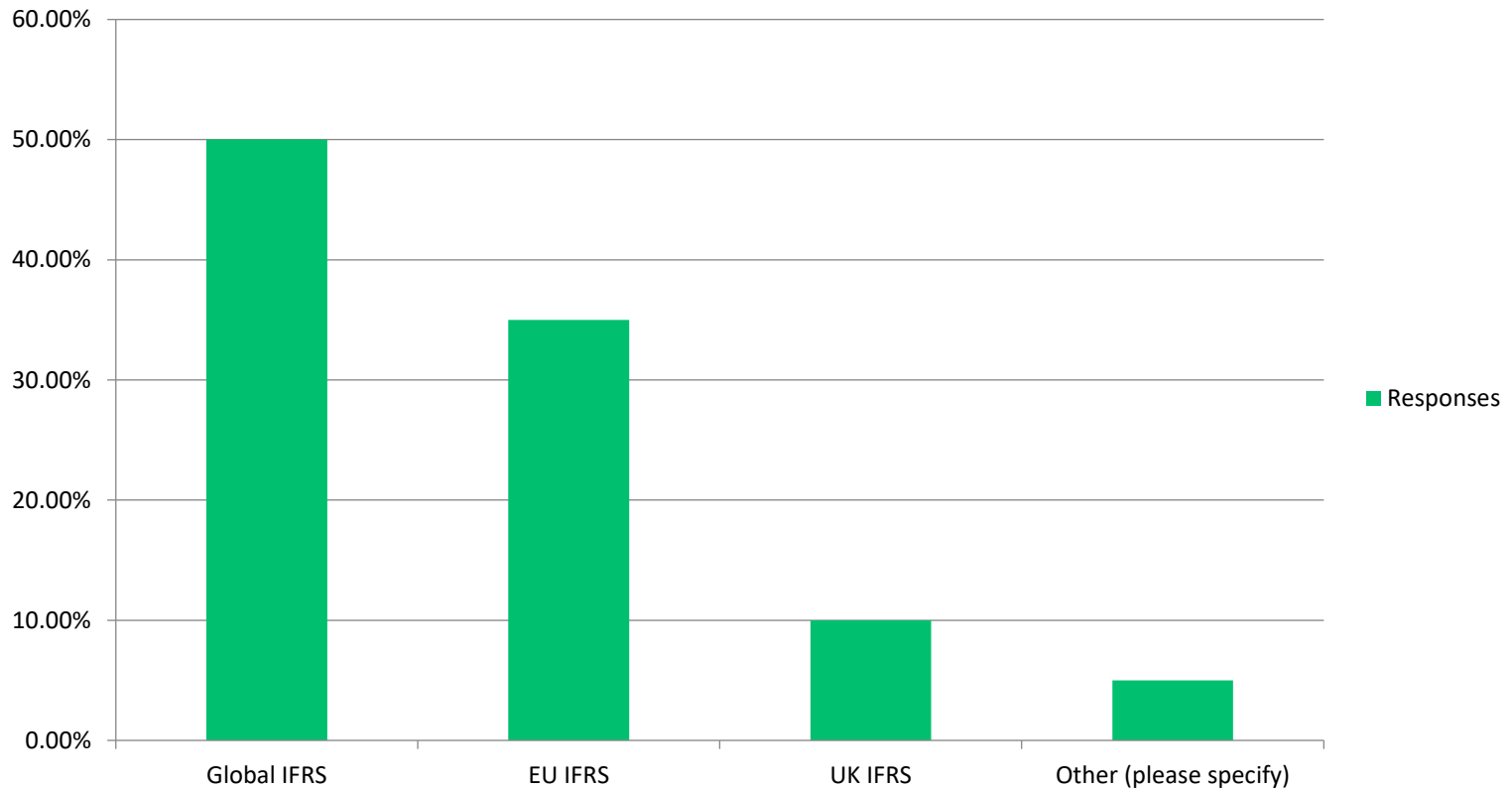
To what extent have you engaged with auditors at local level on IFRS 17?





Q43. Reporting

What accounting basis do you expect to apply for reporting for group financial statements?

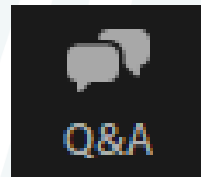


Q&A

Please click on the '**Raise Hand**' icon
to ask a question aloud
and
wait to be unmuted

or

Use the **Q&A function** to ask a question





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Thank you

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