



Society of Actuaries in Ireland

Life Insurance Newsletter

August 2022

Life Committee

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Dear All,

We are pleased to bring you this second edition of the Life Committee newsletter for 2022.

It has been a busy few months for the Life Committee and its various sub-committees and working groups, since our last newsletter in February. We have continued our engagement with the CBI (summary of discussion is included below) and responded to various consultations including an IVASS (Italian Regulator) consultation on new provisions for unit-linked contracts (this response was led by the Cross Border Life Committee).

We established a Working Group on the Right to be Forgotten for Cancer patients, and were delighted that a number of our colleagues from the Irish Medical Underwriting and Claims Community agreed to join the working group to support our work. The group is making good progress with their work – further detail is included below.

As the 1 January 2023 IFRS17 implementation date fast approaches we have included links to some recent papers from different organisations on various aspects of IFRS17 that we hope you find useful.

PRE continues to be an active topic of discussion and was considered at the most recent Life HoAF forum held on the 25th May.

We hope you enjoyed the annual Life Forum which was held on the 17th May. If you were not able to attend all sessions on the day, then they are available to watch back [here](#). The Life Reinsurance & Innovation also held a series of webinars in April, some of which are available to watch on Actuvue.

We hope you find this information useful but if you have any feedback you would like to share or if you have an issue that you would like raised at the Life Committee, please contact any Committee member or info@actuaries.ie.

We would like to thank all committee, sub-committees and working group members who have contributed to our work over recent months. It is greatly appreciated.

Later in the summer, both the Life Committee and the Life Reinsurance & Innovation Committee are planning to put out a call for some new members, so we would encourage you to watch out for that or speak to a committee member if you would be interested in getting involved.

Finally, we would like to acknowledge and pass thanks to John Coggins who steps down as Chair of the Life Committee after many years of dedicated service, and wish Eoghan Burns well as he takes up the role.

The Life Committee

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Engagement with CBI

The most recent meeting with the CBI took place on 14 June.

The Society representatives provided a brief update on activity in life and general insurance; in particular, the ongoing discussion in the Life Committee and the HoAF Forum about possible guidance for HoAFs on PRE, and the recent submissions to IVASS (the Italian Regulator). It was noted that the next HoAF Forum (late September/October) would be joint Life and Non-Life and we invited the CBI to make a presentation. The CBI confirmed that they would be delighted to do that, and suggested that a survey be issued to HoAFs in advance to ask what topics they would like the CBI to cover.

The CBI representatives then provided the following updates:

IFRS17: A separate reporting template will be issued to companies reporting under IFRS17 while other companies will remain on the current template. While the CBI are focused on SII reporting the accounting numbers provide information to understand companies' decision making and how they are adopting new KPIs. The CBI are interested in the operational impact of establishing IFRS 17 and whether the investment and time will create operational issues elsewhere in the company.

Consultations will be issued on the following topics, which may lead to guidance consequently:

- Intergroup agreements incorporating:
 - Intergroup reinsurance
 - Assets
 - Cash pooling

(Note: This consultation was published on 4th July and is available here:

[CP150 - Guidance for \(Re\)insurance Undertakings on Intragroup Transactions and Exposures](#).)

- Climate risks – to be issued shortly

(Note: This consultation was published on 3rd August and is available here:

[CP151 Guidance for \(Re\)insurance Undertakings on Climate Change Risk](#))

- Domestic Actuarial Regime (DAR) review which will take place over the second half of the year, with consultation to follow.

Digitalisation: They will issue a wider survey to a sample of companies to get an understanding of their intentions for the adoption of digitalisation including innovation and data ethics, for example. Current plans are to issue the survey on a trial basis, then formally in early Q4.

In relation to IFRS17, we noted that there was a Society CPD event, focussing on the transition balance sheet, in late July and that the AAE was conducting a survey, to which we were contributing, on the synergies between SII and IFRS17. We confirmed that our IFRS17 working groups would be happy to engage with the CBI in relation to the impacts of IFRS17.

The CBI offered to provide a session for the Society on the work the policy team do within the CBI and its engagement with EIOPA. We agreed that this would be of interest and suggested we look to fix a date in September/October.

HOAF Forum

The latest Life HoAF Forum was held on Wednesday 25th May with good virtual attendance. The forum covered the following areas:

- Feedback from the usual HoAF survey that was conducted prior to the Forum, with questions focussed on the opinions that the HoAF is expected to provide in relation to underwriting, reinsurance and the ORSA;
- A discussion on PRE, with specific attention being given to whether or not HoAFs feel

that they would benefit from formal guidance issued by the Society, or any other form of guidance; and

- A summary of recent changes made to the EIOPA guidelines on contract boundaries and the calculation of technical provisions, including a discussion on any areas of ambiguity in the new guidelines.

The final part of the meeting comprised a break-out session, which allowed attendees to form into smaller groups to further discuss matters which had been raised earlier in the forum as well as to discuss any other topics of interest.

IFRS 17 Activity

We have included below links to some recent papers from different organisations on various aspects of IFRS 17.

IFRS Interpretations Committee

On 15 June 2022, the IFRS Interpretations Committee (the IFRS IC) agreed to finalise the agenda decision related to the submission on transfer of insurance coverage under a group of annuity contracts, considering the feedback from the comment letters received.

The IFRS IC also considered a second submission related to the application of IFRS 17, 'Insurance Contracts', to multi-currency groups of insurance contracts.

1. Transfer of insurance coverage under a group of annuity contracts

The submission set out two approaches for determining the services provided under a group of annuity contracts in each period, and asked whether those approaches meet the principle in IFRS 17 for reflecting insurance contract services provided under a group of insurance contracts. The IFRS IC agreed with the staff's analysis of the comment letters received and, after deliberation, the Committee agreed to finalise the agenda decision, with some amendments to the

wording. The IFRS IC concluded that the approach which considers the constant annual benefit is consistent with the principle in paragraph B119 of IFRS 17, while the approach which considers the present value of the current and future benefits is not.

<https://www.ifrs.org/projects/work-plan/profit-recognition-for-annuity-contracts-ifs-17/>

2. Multi-currency groups of insurance contracts

The submission asks the following questions: (a) how and when an entity determines the currency in which an individual insurance contract with cash flows in multiple currencies is denominated; (b) whether an entity is required to consider currency risk when assessing 'similar risks' for the purpose of identifying portfolios of insurance contracts; and (c) how an entity determines the currency in which the contractual service margin of a group of insurance contracts is denominated. After a comprehensive discussion, the Committee decided to issue a tentative agenda decision which addresses these questions. The tentative agenda will be subject to a public consultation, which is expected to be 60 days.

<https://www.ifrs.org/projects/work-plan/multi-currency-groups-of-insurance-contracts-ifs-17-and-ias-21/>

EFRAG response to IFRS IC tentative agenda decision

On 23 May EFRAG published its Final Letter on the IFRS Interpretations Committee's (IFRS IC's) Tentative Agenda Decision in the final phase of implementing IFRS 17 Insurance Contracts.

In its Final Letter, EFRAG is appreciative and supports the IFRS IC's work and efforts to bring consistency in applying IFRS Standards. Nonetheless, EFRAG reports concerns heard from its constituents that the Tentative Agenda Decision, and other interpretation issues that may arise less than one year before

the date of first application of IFRS 17, would unduly disrupt the implementation of the Standard. Given the significant efforts to implement IFRS 17 by insurance entities, EFRAG kindly reminds the IFRS IC that an Agenda Decision may have a potential impact on implementation at this stage. EFRAG also emphasises the importance of the IFRS IC undertaking outreach before any Tentative Agenda Decisions, in particular considering that common practices are still emerging with the implementation at this stage.

<https://www.efrag.org/News/Project-588/EFRAAGs-Final-Letter-on-the-IFRS-Interpretations-Committees-Tentative-Agenda-Decisions-in-the-final-phase-of-implementing-IFRS-17-Insurance-Contracts>

ESMA disclosure guidance

In May ESMA issued the guidance on disclosures around IFRS 17, including in respect of 2022 interims and 2022 financial statements.

https://www.esma.europa.eu/sites/default/files/library/esma32-339-208_esma_public_statement_on_implementation_of_ifrs_17.pdf

EFRAG - EU endorsement process for IFRS 17

On 2 May the Accounting Regulatory Committee ('ARC') voted by written procedure in favour of the amendments to IFRS 17 Initial Application of IFRS 17 and IFRS 9 - Comparative Information.

<https://www.efrag.org/News/Public-351/EFRAAG-Endorsement-Status-Report---Update>

UK endorsement of IFRS 17

The UK Endorsement Board (UKEB) announced in May that it has approved the adoption of the IASB's IFRS 17 for use by UK companies. It is the first major standard adopted by the UKEB since the UKEB received delegated powers from the Business Secretary on 22 May 2021.

<https://www.endorsement-board.uk/endorsement-projects/ifrs-17>

SAI IFRS 17 webpage

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

Cross Border Life Committee (CBLC)

Since the last update the world has changed significantly with Russia's invasion of Ukraine, and this was a significant topic for the committee. Members noted liquidity issues related to unit-funds with exposure to Russian assets and the potential for impact on policyholders, concerns relating to policyholders and beneficiaries who are either Russian or living in Russia and payments to sanctioned banks and lastly the potential heightened risk from cyber-attacks was highlighted as a particular risk for insurers.

The CBLC working party on the IVASS (Italian Regulator) consultation on new provisions for unit-linked contracts has drafted a response, which the Society has submitted to IVASS and shared with ISOA, the Italian Actuarial body.

In terms of regulatory and market developments it was noted that:

- The UK regulator is reviewing the UK Solvency requirements in light of Brexit and we may start to see the UK diverging from Europe. A particular area of focus is the risk margin and the impact it has on the pricing of annuity business and the risk that this business is lost to the UK as a result.
- Sweden has introduced a free right to transfer private pension funds pre-retirement between providers and at no cost which is creating significant challenges for the incumbents and sparking new Fintechs targeting the opportunity created.
- In Germany the guaranteed rate offered to policyholders for certain contracts was

finally reduced in January this year which was something insurers had been eagerly anticipating.

Finally in respect of EU regulations it was noted that the revised PRIIPs requirements that were due to take effect at the end of June are now deferred to the beginning of 2023 which was widely anticipated. EIOPA have also issued a ‘supervisory statement’ regarding the quality of the narrative disclosures on current KIDs and they have also published their advice on the review of the PRIIPs regulations. On the PEPPs fronts this has, at least in theory, now gone live with PEPPs providers able to apply for approval since the 22nd March. However, no companies have applied thus far with the blame being placed on the lack of tax harmonisation and the viability of offering products with advice within the 1% p.a. charge cap.

Life Reinsurance and Innovation Committee

The Life Reinsurance and Innovation Committee held their annual series of Innovation themed webinars in April. This year there were three events:

- i. Session 1: 26th April: Climate Change & Life Insurance – Sorting the Wheat from the Chaff - presented by Irene Merk from SCOR. This event is available on actuvew [here](#) .
- ii. Session 2: 27th April: Wearables: A New Hope – Exploring the value that wearable tech can bring to insurers and customers – presented by Lisa Balboa and Tim Smith from Hannover Re and Etienne Van Wyk from Life Q. This event is available on actuvew [here](#).
- iii. Session 3: 28th April: Introduction to Design Thinking education session with Dr Karl Thomas from Creatovation and Adam Bower from SCOR.

A big thank you to all our speakers and committee members who helped organise these events. The Committee are now

exploring ideas for other CPD events later in the year.

The Life Re & Innovation Committee has set up a Working Party on the Right to be Forgotten which is discussed further below.

At the end of 2021, the committee produced a reading list of useful papers and articles for actuaries working in Life Pricing and product development roles. The reading list is available on the SAI website [here](#). If there are papers or articles you think it would be good to add please do not hesitate to send them to info@actuaries.ie

Later in the summer the committee are planning to put out a call for some new members to join our committee so would encourage you to watch out for that or speak to a committee member if you would be interested in getting involved.

Right to be Forgotten (RTBF) Working Group

At the 2018 European Cancer Summit, the European Cancer Organisation (in conjunction with its member societies and its Patient Advisory Committee) set out a [resolution](#):

“By 2025, in respect to accessing financial services, the right of cancer survivors not to declare their cancer 10 years after the end of the active treatment and 5 years if they had cancer under 18, should be codified across European countries.”

A number of European Countries have since codified this in law or introduced RTBF regimes.

Following a call for membership in March the working group has kicked off their work. We were delighted that a number of colleagues from medical Underwriting and Claims assessment backgrounds have joined the working group to support our efforts.

The working group are considering what the impacts of introducing such a regime would be in Ireland. The work is focused on four key areas:

1. The Customer: Understanding the benefits and potential disadvantages for different groups of customers.
2. Other countries: Better understanding what has been introduced in other countries so far.
3. Data: Exploring if we can collect some data to better inform our understanding of current market practices and potential implications of RTBF
4. Practical and Operational Considerations for actuaries working in Irish (re)insurers.

The Working Group is making good progress and is intending to publish a discussion paper later in the year.

The Working Group has also been engaging with the Actuarial Association of Europe (AAE) and other stakeholders who are also considering this topic.

Other Relevant Society Activity

Sustainability and climate change

The Society's Sustainability and Climate Change Steering Group (SCCSG) provides a focal point within the Society for expertise on sustainability and climate change, complementing the Society's Committees as they each consider actions they should undertake and support they require. The SCCSG has recently re-engaged with the main practice committees, including the Life and Life Re Committees, to discuss sustainability issues of relevance to the committees. The SCCSG has also been supporting the Society on considering its own green goals and potentially committing to a net zero target, and there is work under way to develop a potential public statement from the Society on climate change.

Members of the group are active participants of relevant forums or working groups of the

IAA and AAE and there has also been engagement with other external bodies, like the CBI and Sustainable Finance Ireland. The Society's president, Declan Lavelle, has been accepted as a member of a new Climate Risk and Sustainable Finance Forum set up by the CBI.

Members of the group have also contributed to several consultations in June, on behalf of the Society, that are of relevance to Life members:

- Sent feedback on draft IAA responses to [two ISSB consultations](#) on sustainability and climate-risk disclosures
- Submitted feedback on IAA paper 'Climate-Related Disclosures and Risk Management – Standards and Leading Practices'
- Submitted a response to an IAA 'Resource and Environment Virtual Forum' survey on sustainability matters

The SCCSG has a [blog series](#) that may be of interest to Life members and the ERM Committee has also recently released an interesting blog on [climate change in the ORSA](#).

Demography Committee:

The excess mortality working group of the COVID ACTION Group has tracked Irish experience over the past couple of years and issued a [regular blog](#) on this. The group has also presented on COVID experience and the potential future impact of COVID at a number of events including a [SAI Webinar](#) in 2020, the IFoA's Actuarial Innovation in the COVID-19 Era event in 2021 and the [SAI Convention](#) in 2021.

Following the wind-up of the COVID Action Group, the excess mortality working group moved under the remit of the Society's Demography Committee. The Demography Committee has been considering the potential impacts of COVID as part of its broader work although papers published to date have been based on analysis of pre-COVID data. The Committee expects to incorporate the impacts of COVID in future analysis and publications. In

the meantime, it is working to promote the research undertaken by the SAI excess mortality working group, the [IFoA COVID-19 Actuaries Response Group](#) and the CMI. In particular CMI working papers [139](#) (mortality and morbidity assumptions), [147](#) (COVID considerations for CMI_2020), [156](#) (Income Protection), [160](#) (calibration of CMI_2021) and the regular [mortality monitor](#). We note that both CMI_2020 and CMI_2021 places zero weight on 2020/2021 but allowed users to change this if they had different expectations.

This is an evolving area as the long-term impacts of COVID become apparent in industry experience. However, based on the work performed to date, the Demography Committee supports the CMI's view that 2020 and 2021 experience impacts base assumptions but is likely to be an outlier in the longer term.

The Demography Committee will be hosting a Demography Forum in November 2022 with

speakers from academia, the CMI and the COVID excess mortality working group. Watch out for further details on the Society's website and events mailings.

CPD

On the 17th May the Life Committee held our annual Life Forum. For those who were unable to attend all events on the day then they can be watched back here:

<https://web.actuaries.ie/events/2022/03/sai-life-forum-2022>

The life committee is planning a number of other events over the coming months, which will be available to book on the SAI events page:

<https://web.actuaries.ie/events/upcoming>