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Get ready for IFRS 17



11 July 2017



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Welcome

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and International Actuarial Association representative



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Overview of IFRS 17

Gail Tucker, PwC



10 July 2017

Overview of the IFRS 17 measurement models

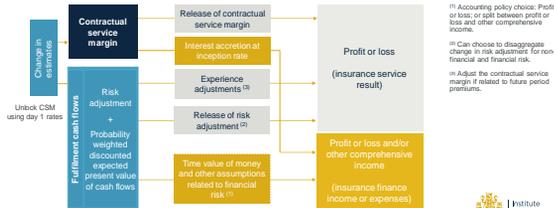
	General model	Premium allocation approach (PAA)	Variable fee approach (VFA)
Why is it needed?	Default model for all insurance contracts	To simplify for short term contracts with little variability	To deal with participating business where payments to policyholders are linked to underlying items like assets
Expected types of contracts	<ul style="list-style-type: none"> Long-term and whole life insurance, protection business Certain annuities US style universal life Reinsurance written Certain general insurance contracts 	<ul style="list-style-type: none"> General insurance Short-term life and certain group contracts 	<ul style="list-style-type: none"> Unit-linked contracts, US variable annuities and equity index-linked contracts Continental European 90/10 contract UK with profits contracts
Mandatory	Mandatory	Optional	Mandatory



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Overview of general model

Liabilities and flows to profit



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Overview of the general model

Level of aggregation and coverage units

1. Objective

Profitable vs onerous contracts No CSM at the end of coverage period

2. Aggregation requirements

Top-down approach: Start at portfolio level (similar risks, managed together)

3 groups at inception:

- Onerous
- Profitable with no significant risk of becoming onerous, and
- Other profitable contracts

Risk of contracts becoming onerous:

- Internal reporting
- Sensitivity of fulfilment cash flows

Requires that a group shall not include contracts issued more than one year apart

A number of exceptions for the level of aggregation on transition are available.

3. CSM allocation

Based on coverage units that consider quantity of the benefits and expected coverage duration (Systematic way reflecting transfer of service for investment with discretionary participating features)



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Key areas of the standard



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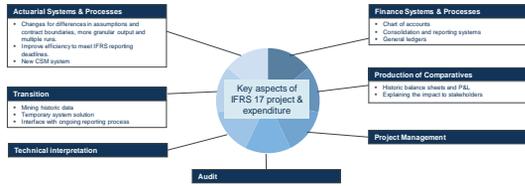
Implications of IFRS 17 for life business

Richard Olswang, Prudential

10 July 2017

Operational implications

IFRS 17 overlaps with Solvency II but significant changes to systems/processes required



Conclusion

- IFRS 17 is a complex model resulting in significant changes to financial reporting for life assurance business.
- IFRS 17 will be costly to implement.
- Testing to date has focused on clarity of interpretation and operationality.
- Robust and comprehensive assessment will be needed as part of the EU endorsement process to determine whether the new standard results in meaningful performance reporting.





IFRS 17 development

- Long time in development
- Significant amount of consultation
 - 3 Public Consultation documents
 - 600 comment letters,
 - 900 meetings, round tables and discussion forums
- Balances requirements of various stakeholders
 - Considered and understood views of all stakeholders
 - Develop a model that best satisfies those views
- IFRSs principle based, so often require significant judgement
 - Judgements develop over time



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IFRS 17: some early thoughts

- Reminder: IFRS 4 is an interim Standard
- IFRS 17 introduces consistent current measurement accounting
- Benefits of leveraging existing data and systems will differ from entity to entity (early start essential)
- Economics of insurance
- Costs of implementation versus benefits
- PAA is a simplification, but...
- Economic versus accounting mismatches
- Complexity



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Supporting implementation

- Endorsement
 - Will support the ongoing endorsement process
 - Will remain engaged with industry and with EFRAG
- Accompanying materials to IFRS 17
 - Basis for Conclusions
 - Illustrative Examples
- Educational material
 - Webcasts introducing new Standard, focusing on specific areas
 - Other education materials for investors, regulators and national-standard setters
- Active webpage



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TRG

- To provide a public forum to discuss implementation related questions:
 - Many will be judgement issues
 - Benefit from just having a public discussion (socialisation)
 - No intent to makes changes to standard
- Participation will be
 - geographically and product diverse
 - small group to facilitate proper debate
 - Accountant focussed
- Will deal with questions raised by any constituent
- Start date late this year
 - Allow time for judgement to develop



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Thank you



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Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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Closing Remarks

Kamran Foroughi, Chair of the IFoA's Financial Reporting Group



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Thank you



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