



IFRS 15 & IFRS 17

Impacts on the insurance sector

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Actuary



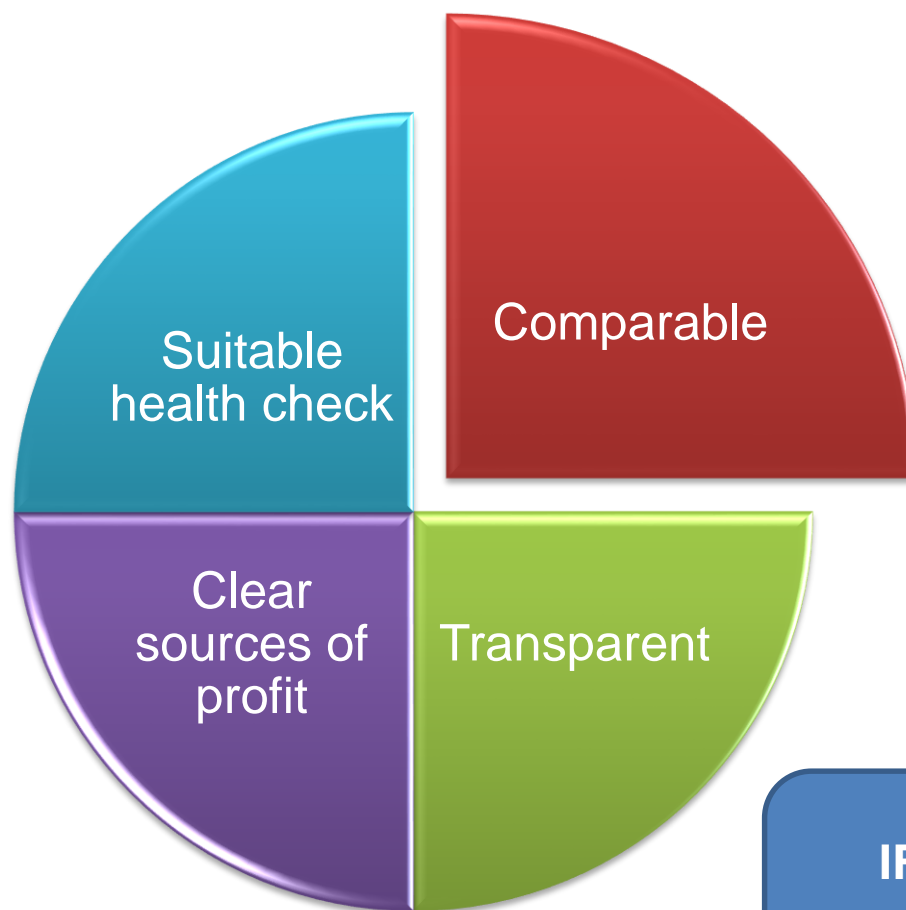
INDEPENDENT
ACTUARIES
& CONSULTANTS

- **IFRS 15 – briefly**

- **IFRS 17**
 - **Why and what?**
 - **Key concepts**
 - **Implementation & transition**
 - **Business impacts**
 - **Where to start?**

- Recognise revenue as obligations are met
- *Consistent with IFRS 17*
- Contract asset = right to revenue, conditional on aspect **other than** passage of time
- Examples:
 - Loyalty programmes
 - Performance fees
 - Manufacturer warranties

Implemented – 2018



IFRS 4: interim measure, allowing range of approaches



- Insurance **contracts**, not insurance companies
- Recognise profits over term of contract / take losses upfront
- Appropriate grouping of contracts
- Detailed disclosures
- Will require input from a range of stakeholders

Contractual
Service
Margin

- CSM = unearned profit

Onerous

- Contracts expected to make losses

Fulfilment
cash flows

- Current value of net cash flows
adjusted for risk

Contract
boundary

- (Start &) end of contract term
- Point at which premium rate can be
changed

Onerous –
recognize loss
upfront

Present value of
cash **IN**-flows

Contractual
Service Margin

Risk adjustment

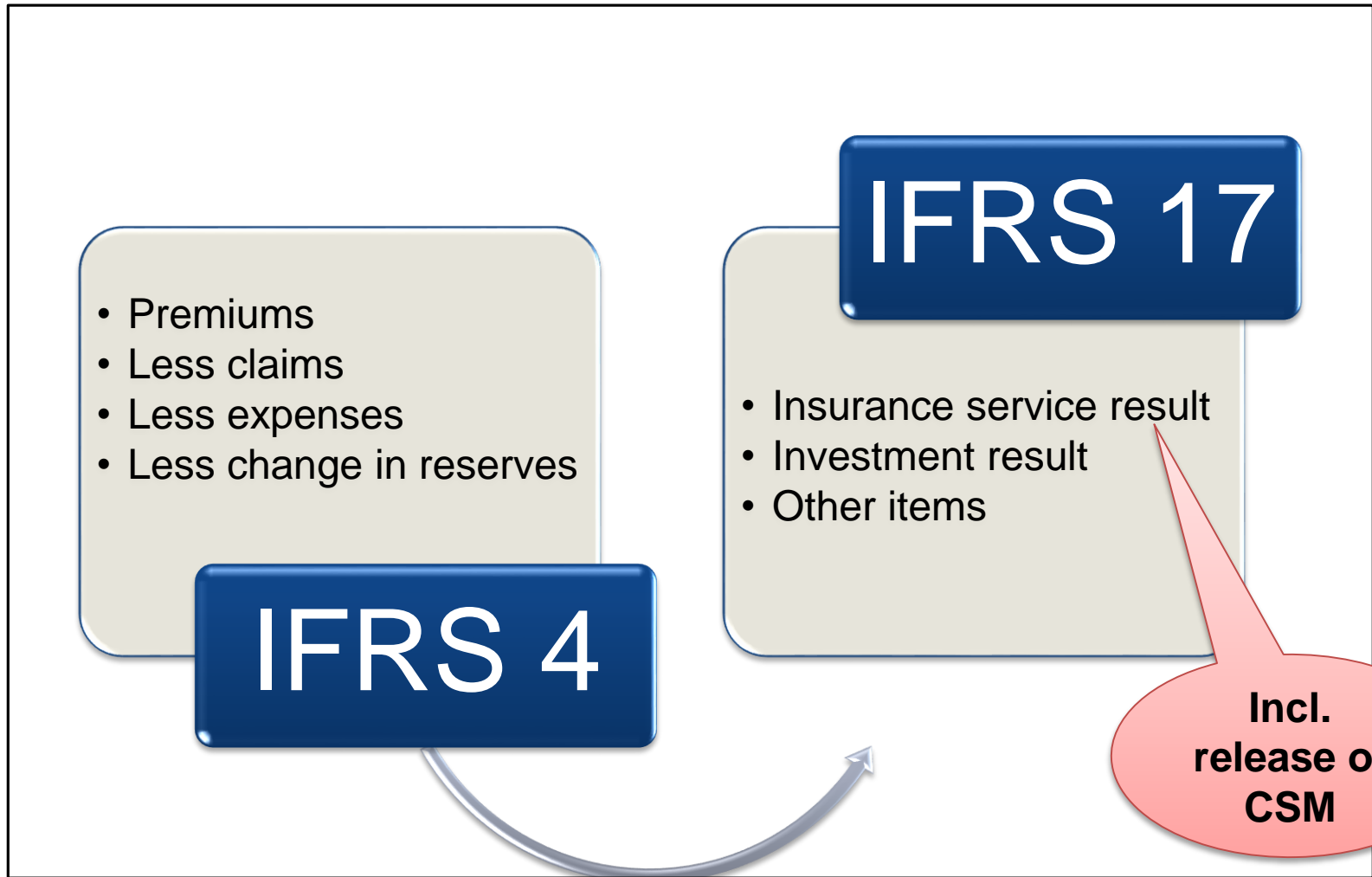
Present value of
cash **OUT**-flows

Present value of
loss

Present value of
cash **IN**-flows

Risk adjustment

Present value of
cash **OUT**-flows



- Contract grouping requirements {next}

A solid blue arrow pointing to the right, containing the text "Less of an issue for short-term".

Less of an issue for short-term

- Roll forward and re-measure each year

- Level of detail for disclosures

- Transition approach – full retrospective application

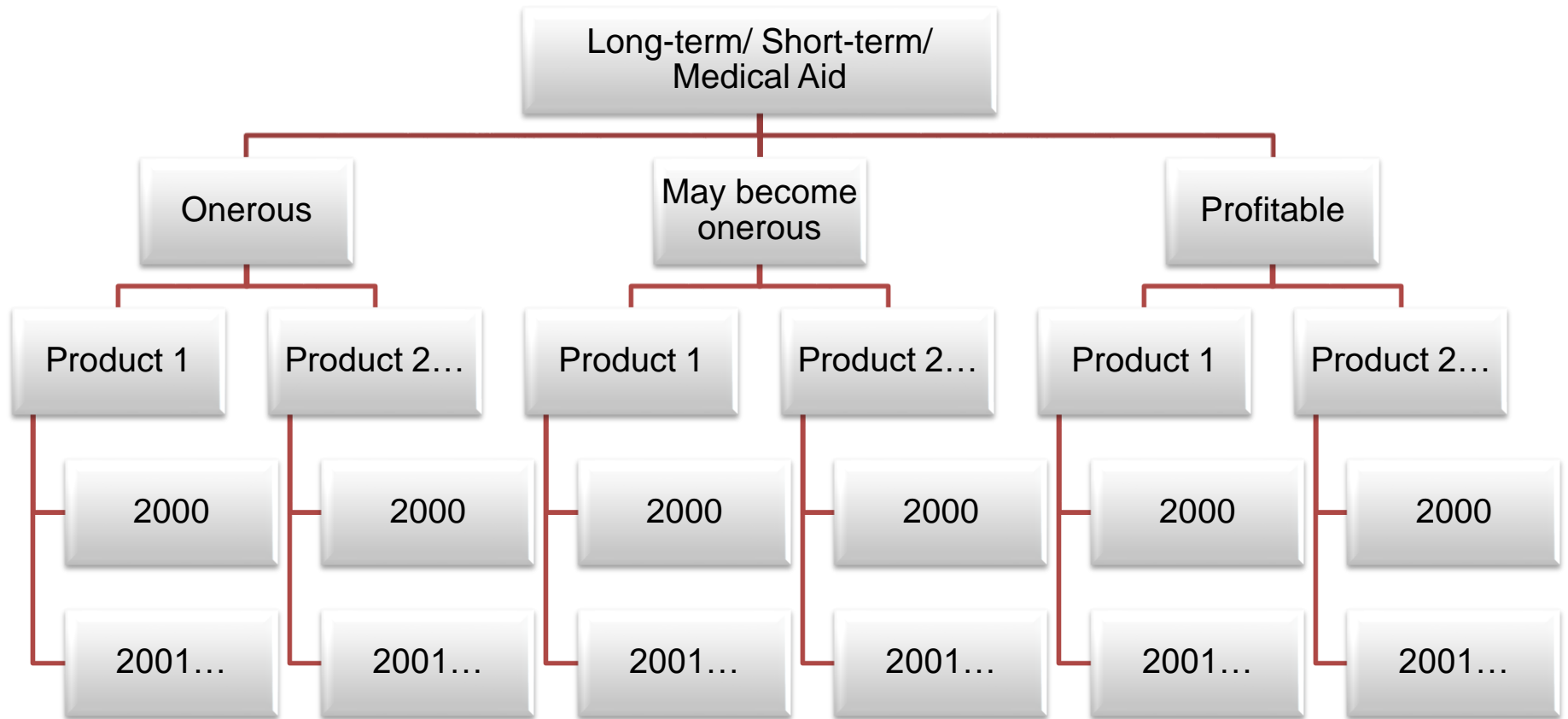
A blue-outlined arrow pointing to the right, containing the text "Simplifications allowed".

Simplifications allowed

- ***Business impacts*** {more later}



Grouping of products



General model

- Typically, long-term contracts
- Building block approach

**Variable
fee model**

Premium Allocation approach

- Conditions must be met
- One year or less
- Simpler, but still different from IFRS 4



Reporting impacts

Short-term	Life
Transition	
Contract grouping	
Premium allocation	General model
No Deferred Acquisition Cost	
Liability for incurred claims	
Disclosures	
quantitative & qualitative	

Amounts
Judgements
Nature & extent of risk



- Premium vs. revenue
- Split insurance and non-insurance (service) components
- Detailed record-keeping & documentation
 - Administration platform and legacy business
 - Previous calculations & results
 - Assumptions & parameters – historic
- Budgets/ business planning
- Reinsurance
- Valuation bases – IFRS, Statutory, tax, internal...

KPIs



| On the positive side

- Better understanding of the business
 - Promise to policyholder >> future claim
 - Costs and cost impacts
 - Premium and profits generated

Early exits

A blue rectangular box with a white border and a white upward-pointing arrow on its top edge. The text 'Early exits' is centered in white within the box.



- Need at least one year of **full** comparatives
- Retrospective – to set opening equity position
- Full retrospective – if all detailed data available

else

- a) Modified retrospective
- b) Market-based/ fair value of liability

**Consider
implications**

18 months

Comparatives

Compliance

31 Dec
2020

Balance
sheet

31 Dec
2021

Income
statement
Balance
sheet

31 Dec
2022

Income
statement
Balance
sheet





Implementation plan – high-level

Stakeholders	2019	2020	2021	2022
Board & management	Planning & resourcing	Management info	Investor education	Integrate decisions
Finance	Gap analysis	Reporting requirements	Disclosures	Full reporting
Systems support	Systems review	Legacy business	Parallel run	Full implementation
Actuarial	Impact analysis	Core modelling	Transition arrangements	Full implementation
Audit	Guidance	Detailed requirements	Prepare for restatement	Full audit

Data warehouse



Questions?

