

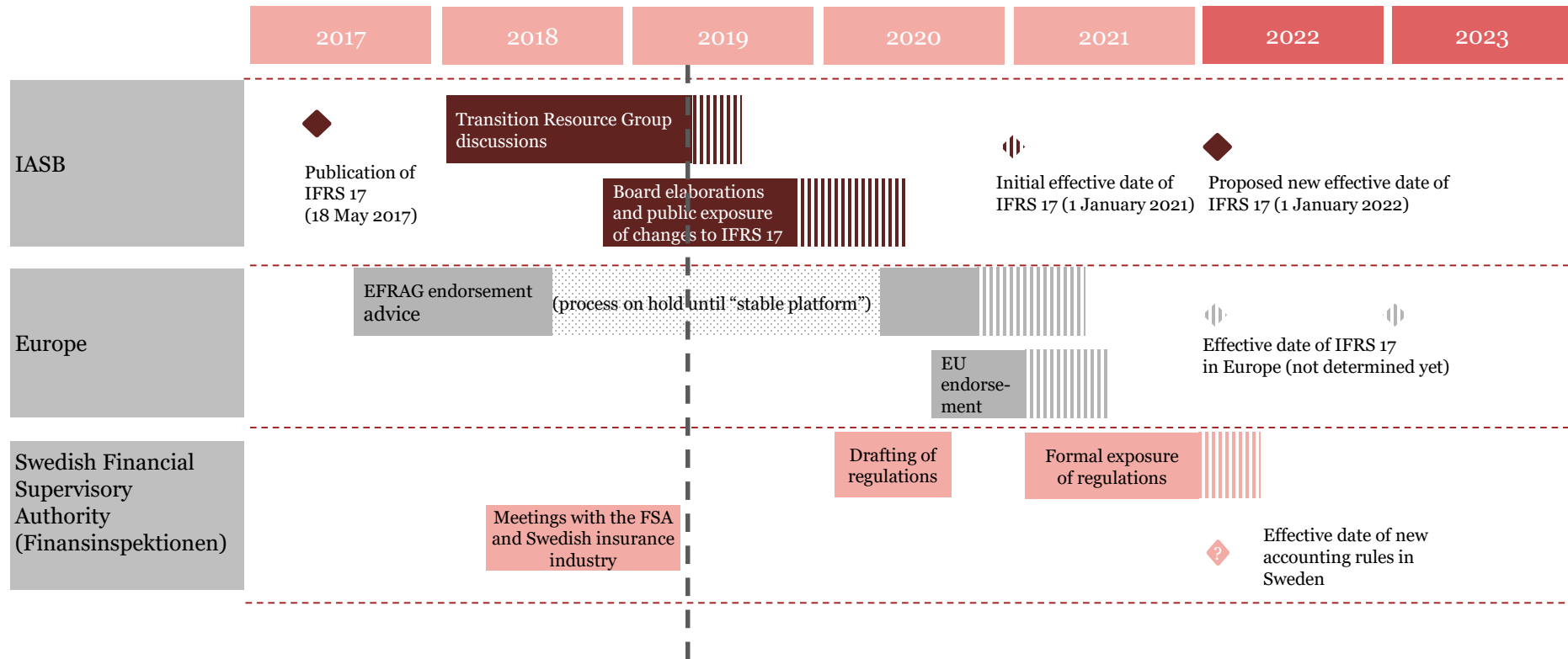
IFRS 17 Introduction

April 2019

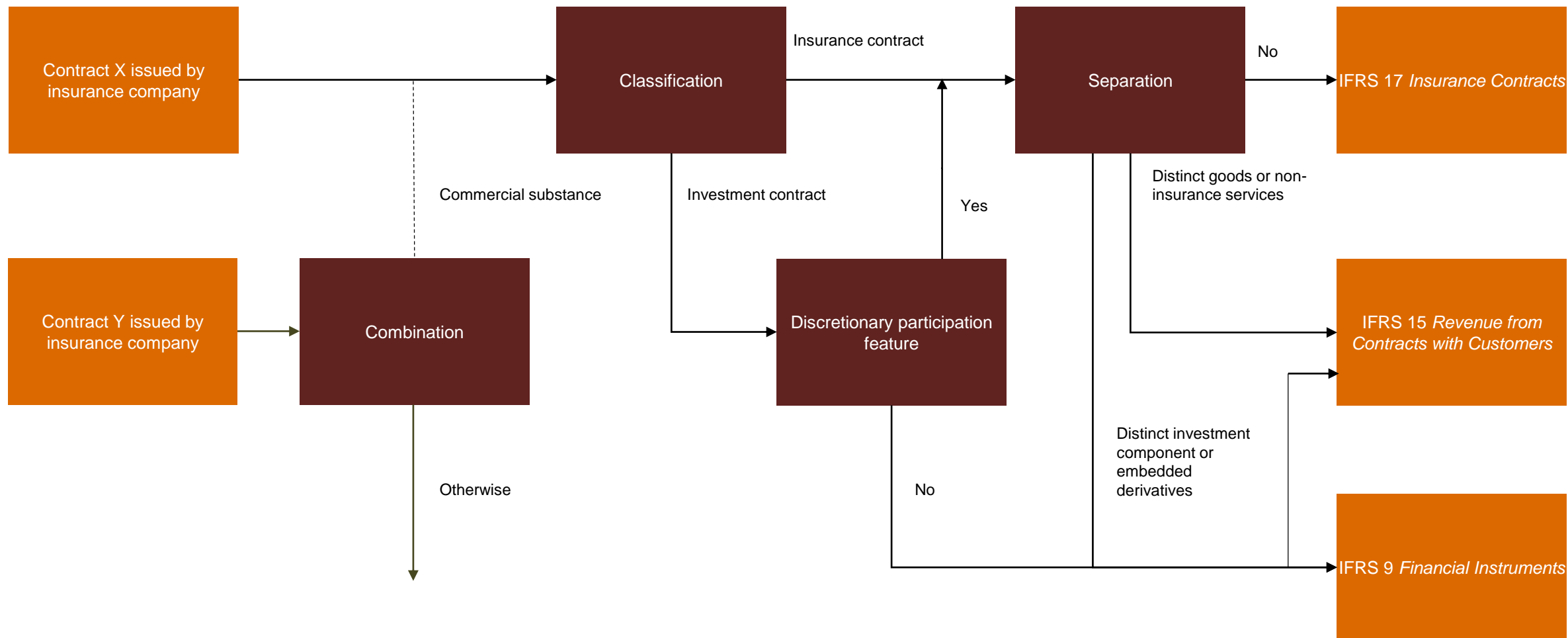
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Dieter Vanstreels



Current status of IFRS 17 implementation timeline

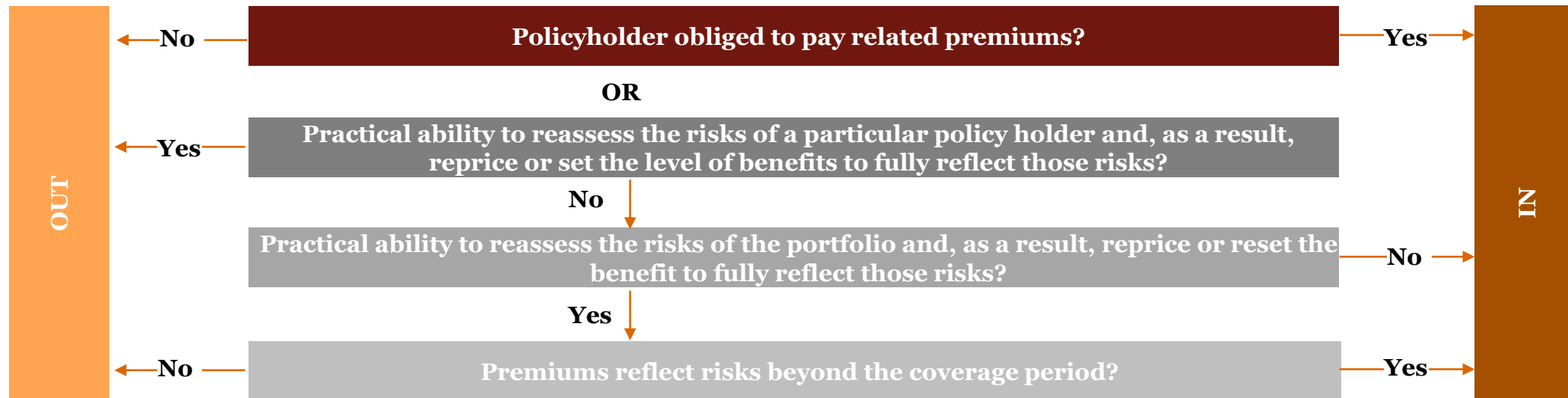


Classification, separation and combination



Contract boundaries

Is the cash flow in the boundary of an insurance contract?



Level of aggregation



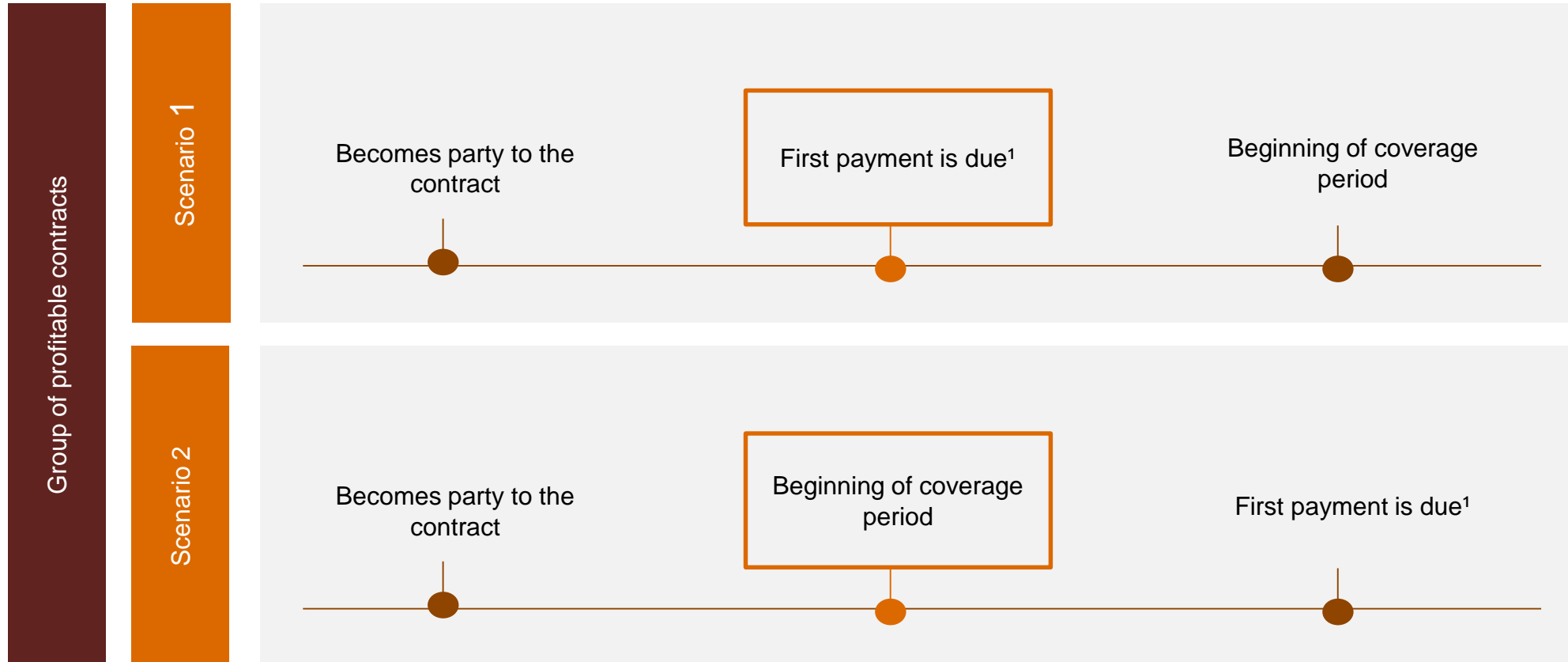
- 1 Portfolio: contracts subject to similar risks and managed together
- 2 Contracts sold within maximum one year; shorter intervals possible

The purpose of the level of aggregation is to ensure that the effect of onerous contracts is shown in profit and loss, and that no CSM remains at the end of the coverage period.

Where regulation constrains the insurer's practical ability to set a different price or level of benefits for policyholders with different characteristics, then ignore that characteristic for grouping.

Recognition

Profitable insurance contracts



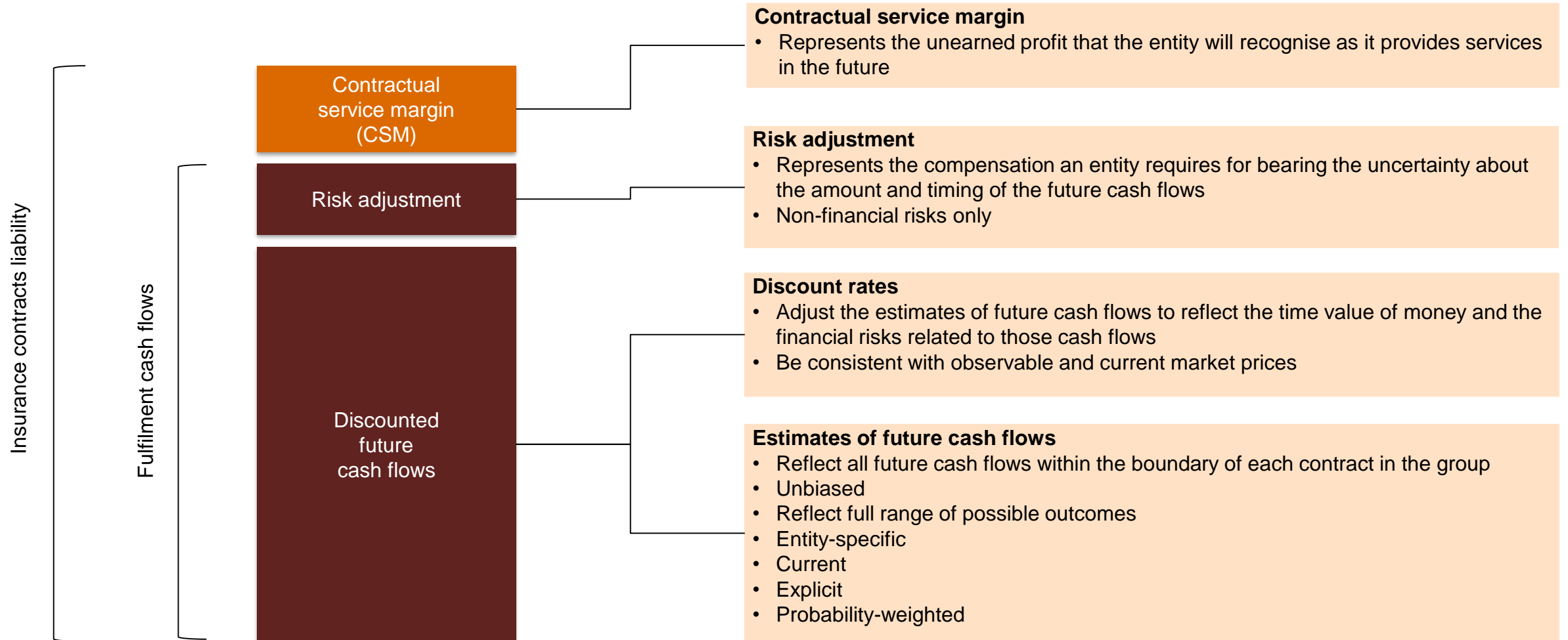
¹If no contractual due date exist, the first payment from the policyholder is deemed to be due when it is received.

Measurement models

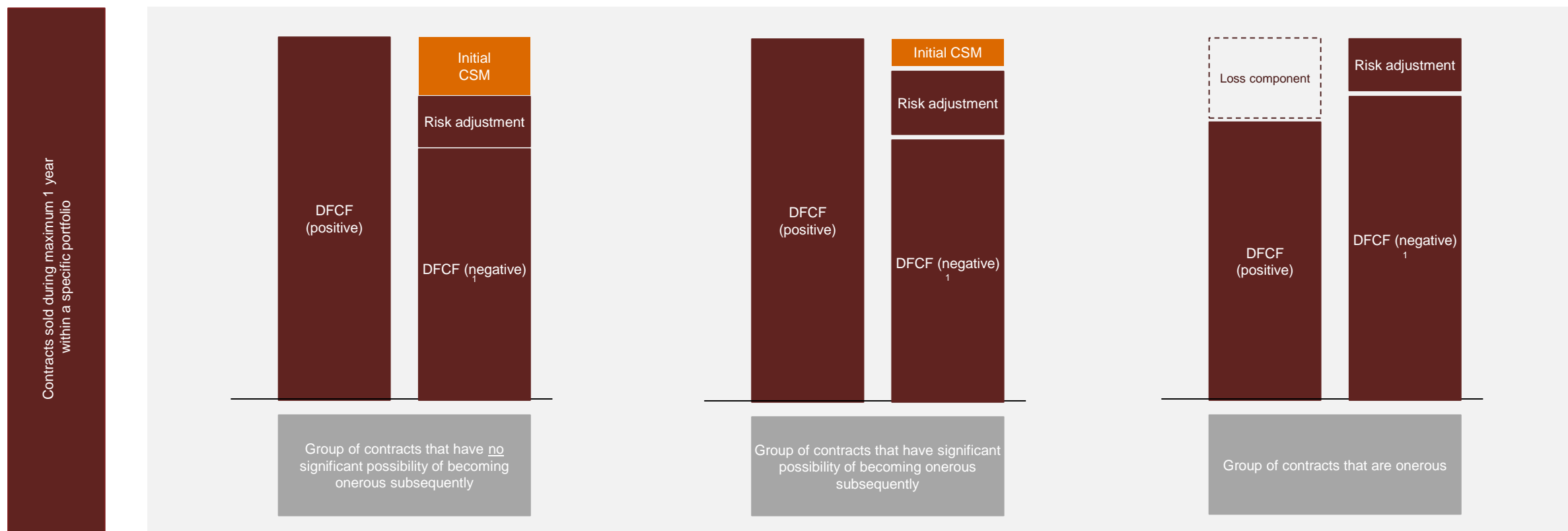
	General model (GM)	Variable fee approach (VFA)	Premium allocation approach (PAA)
Why is it needed?	Default model for all insurance contracts	To deal with participating business where payments to policyholders are linked to underlying items like financial assets	To simplify for short term contracts with little variability
Mandatory	Mandatory	Mandatory	Optional
Determined for	Default model	A contract , at inception of the contract	A group of contracts, at inception of the group
Criteria	Default model	<ul style="list-style-type: none"> Contractual terms specify that the policyholder participates in a clearly defined pool of underlying items Entity expects to pay an amount equal to a substantial share of the fair value return on the underlying items Entity expects a substantial portion of any change in the amounts paid to vary with the change in the FV of the underlying items 	<ul style="list-style-type: none"> Simplification produces a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced applying the GM or VFA The coverage period of each contract in the group is one year or less

General model

Building blocks



Initial contractual service margin Calculation

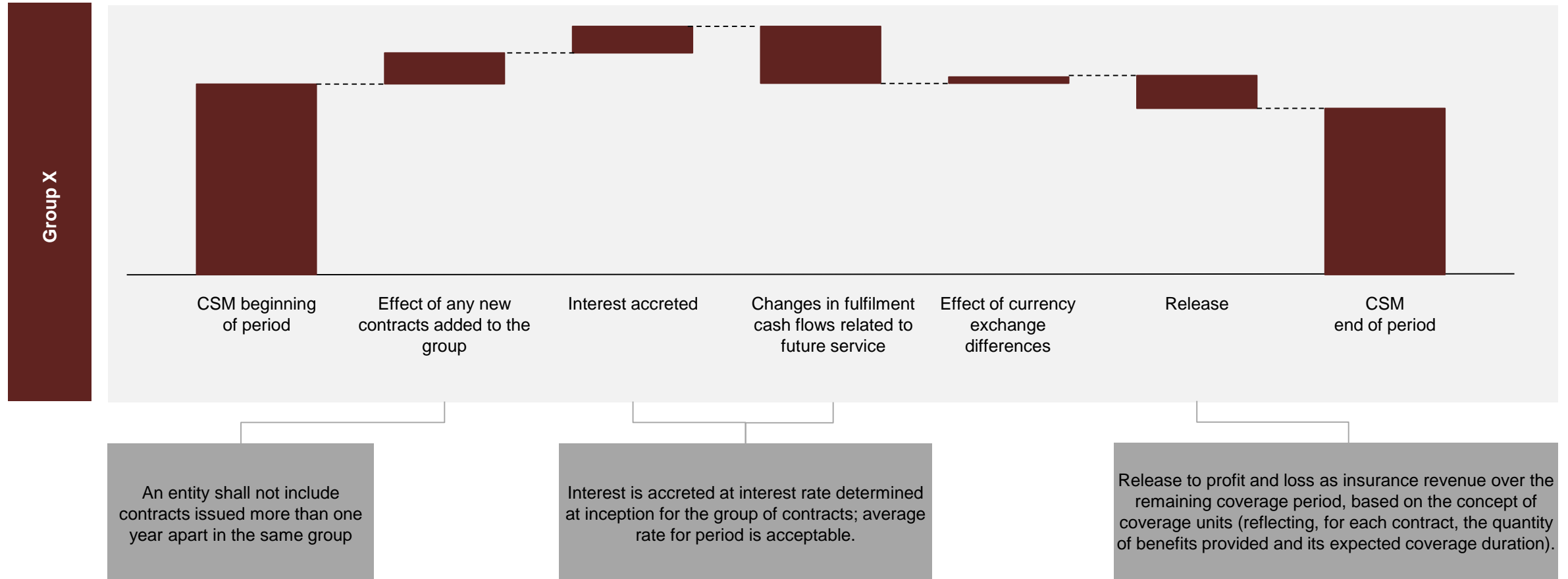


1 Includes derecognition of any asset or liability recognised for insurance acquisition cash flows, and any cash flows at the date of initial recognition

DFCF = Discounted future cash flows
CSM = Contractual service margin

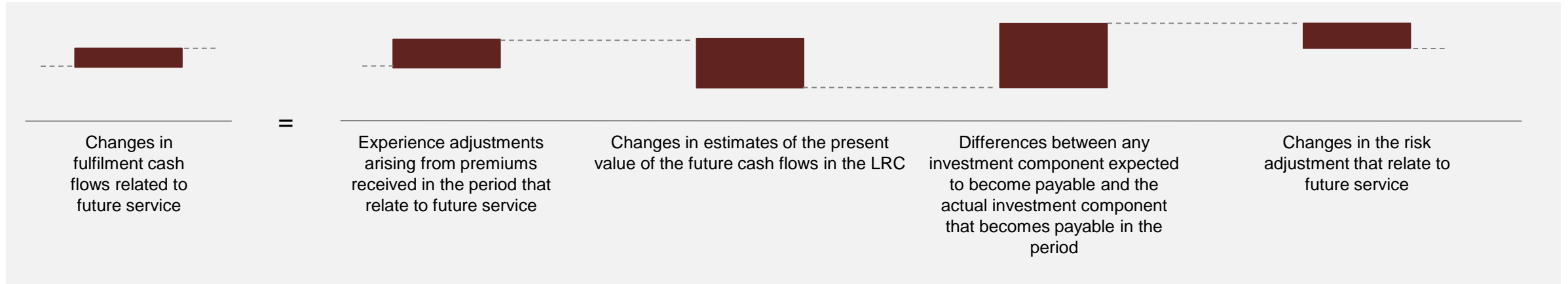
Contractual service margin

Roll-forward of CSM (general model)



Subsequent contractual service margin

Changes in fulfilment cash flows related to future service (general model)

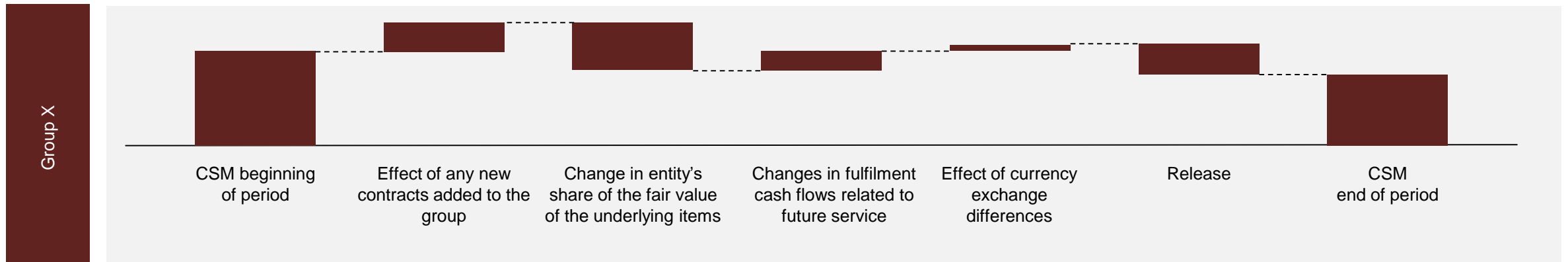


LRC = Liability for remaining coverage

CSM = Contractual service margin

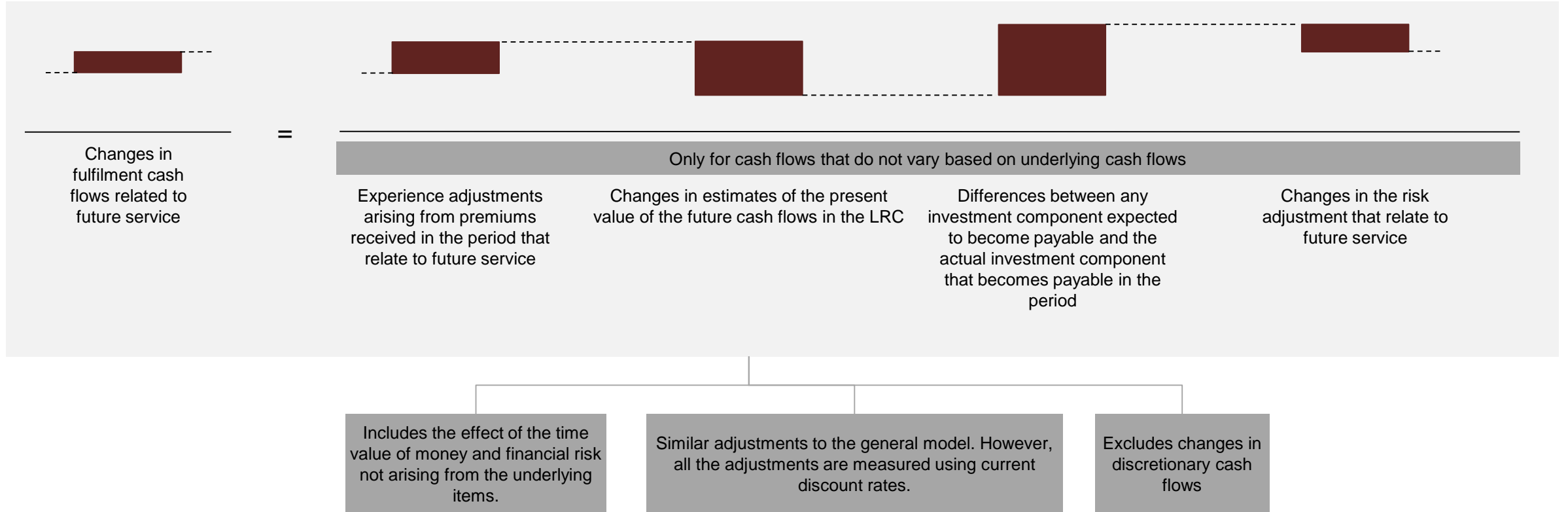
Subsequent contractual service margin

Roll-forward of CSM (direct participating contracts)



Subsequent contractual service margin

Changes in fulfilment cash flows related to future service (direct participation contracts)



LRC = Liability for remaining coverage

CSM = Contractual service margin

Aktuarieföreningens seminarier serie IFRS 17

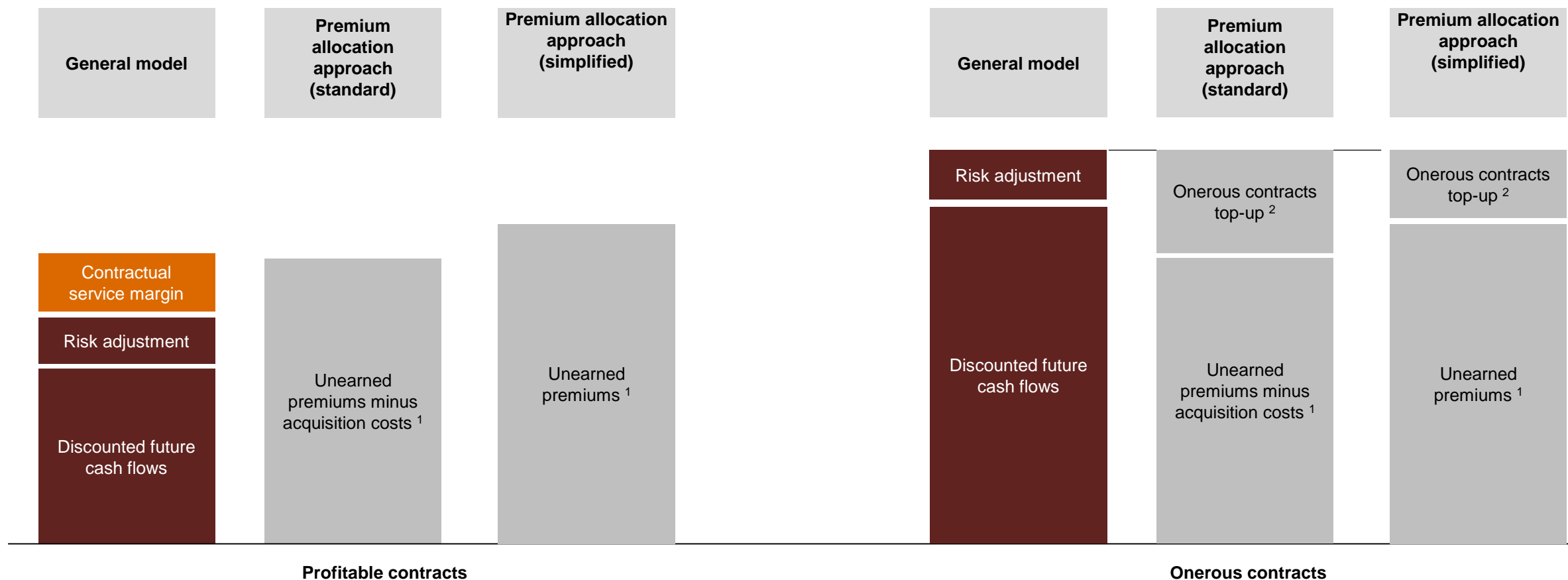
PwC

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Liability for remaining coverage

Measurement under premium allocation approach (PAA)

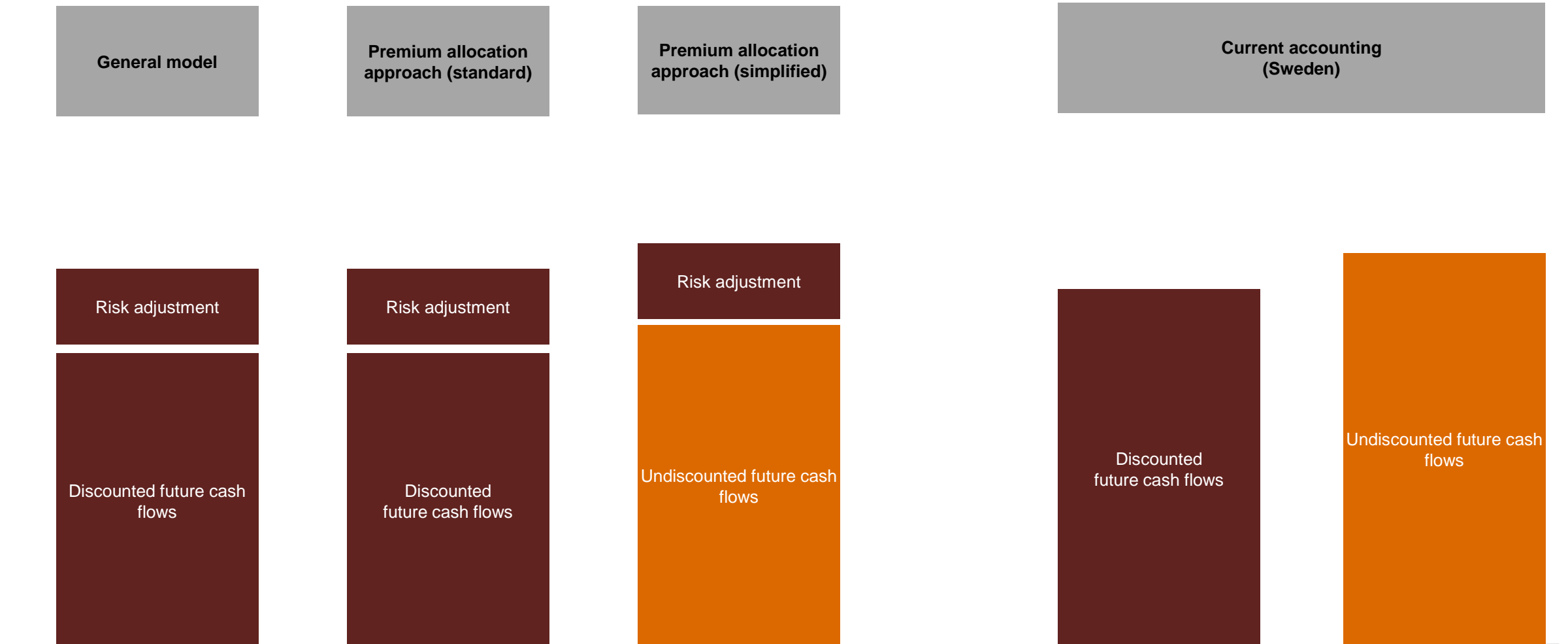


1 Discounting applies if a significant financing component exists (see later).

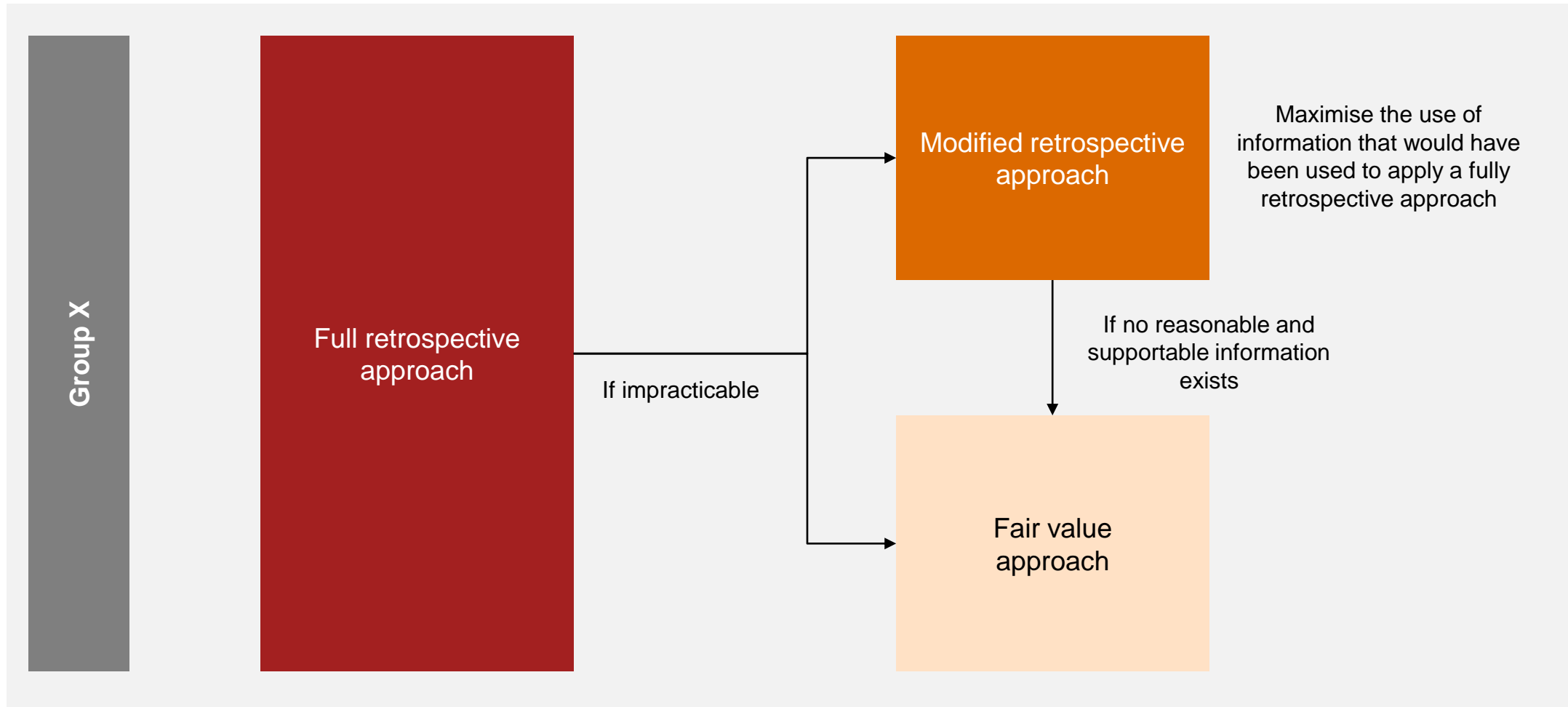
2 Undiscounted cash flows if liability for incurred claims is calculated on undiscounted basis (see later).

Liability for incurred claims

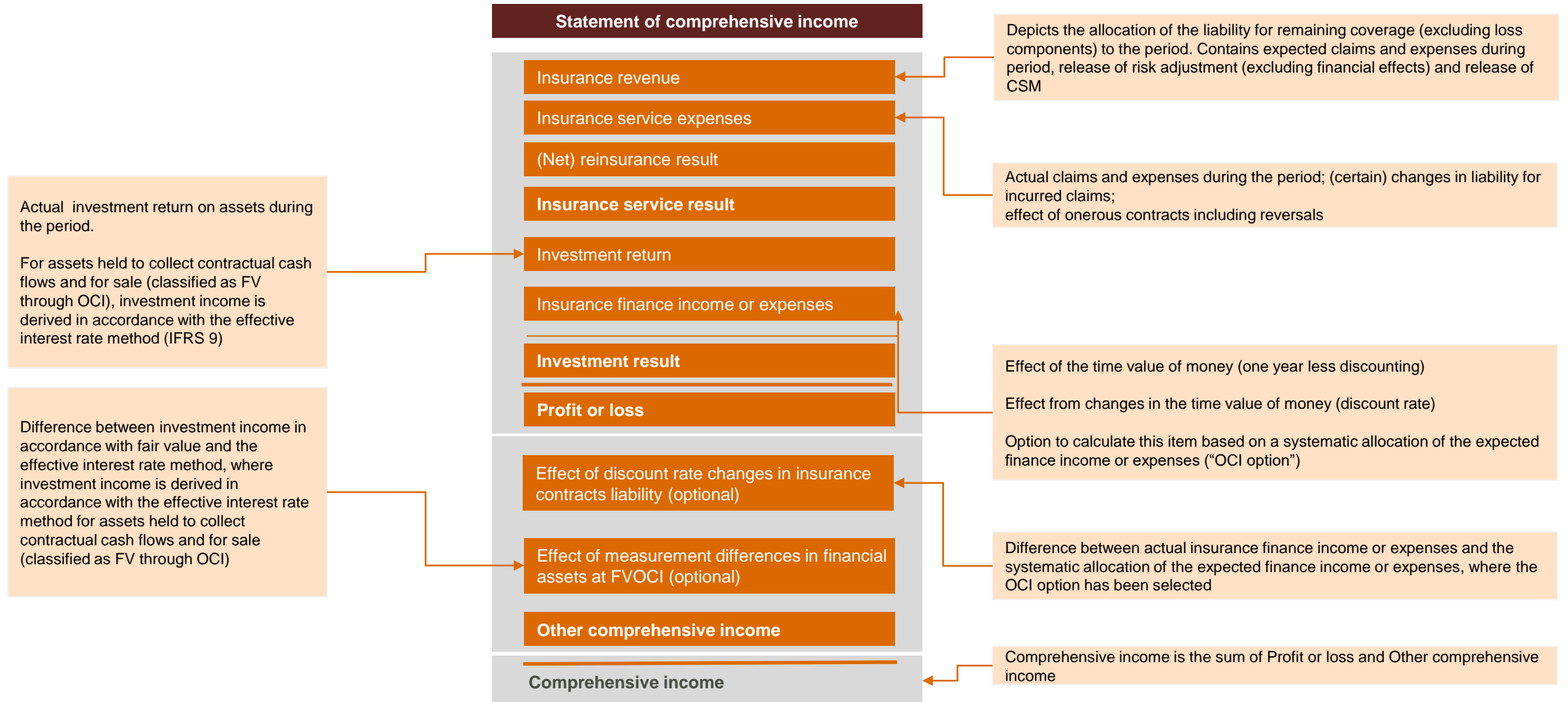
Measurement under premium allocation approach



Transition

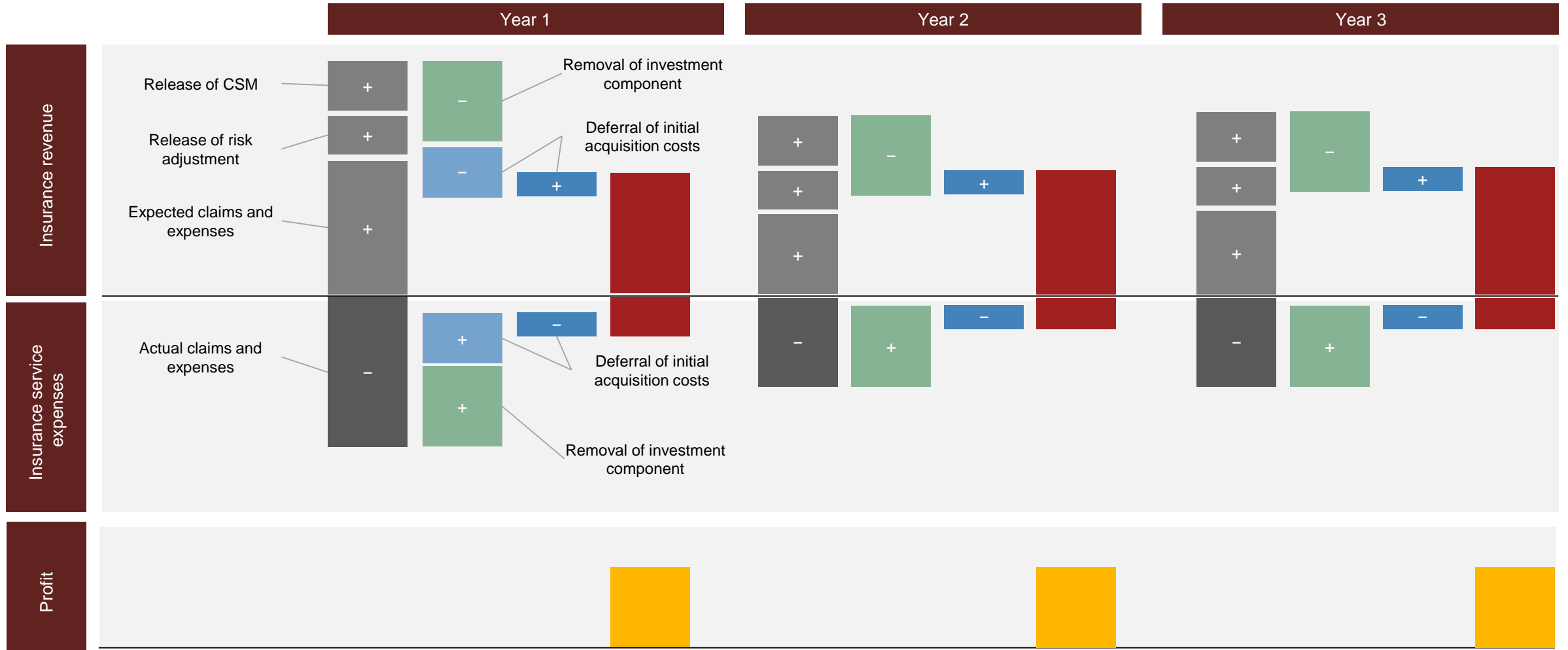


Statement of comprehensive income



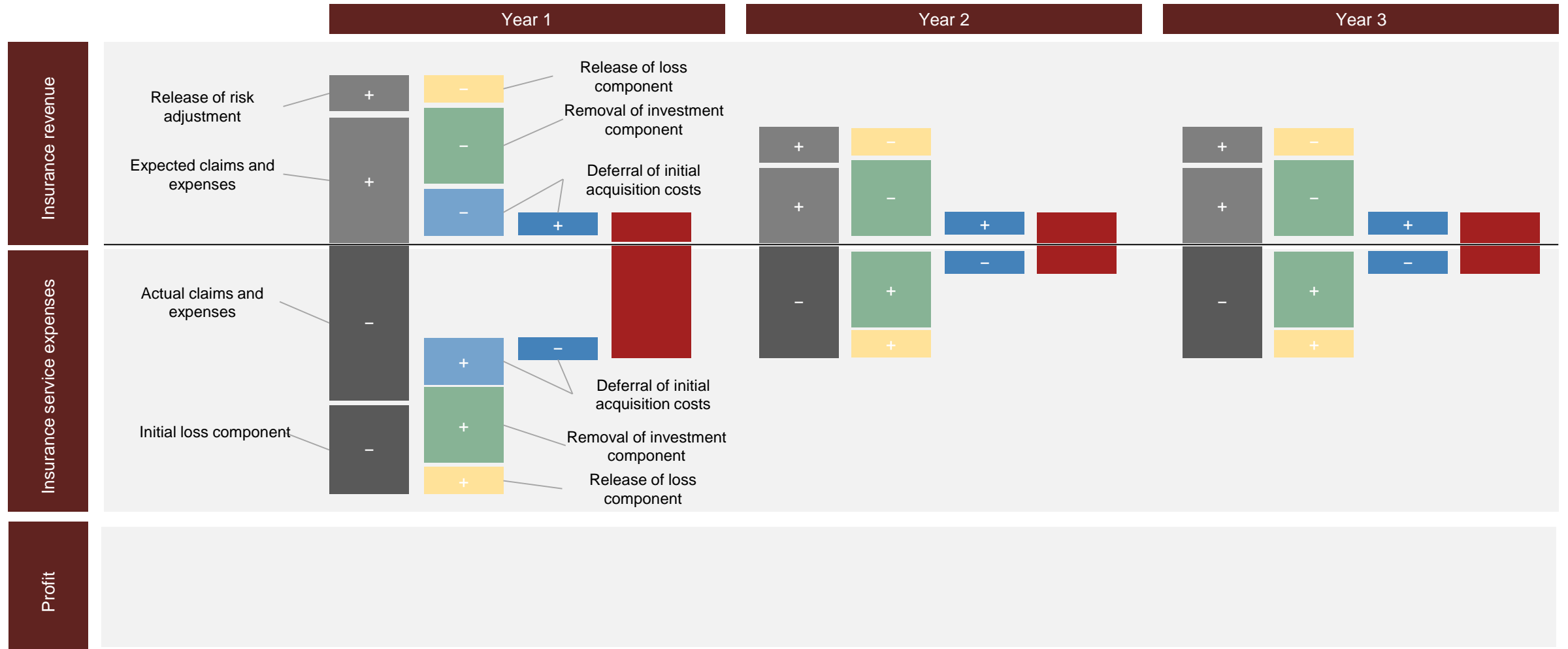
Insurance service result

Profitable group (not becoming onerous subsequently)



Insurance service result

Onerous group (not becoming profitable subsequently)



Disclosures

Movement in insurance contracts liability analysed between liability for remaining coverage and liabilities for incurred claims.

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding onerous contracts component	Onerous contracts component		
Insurance contract liabilities 20X0¹⁴	161,938	15,859	1,021	178,818
Insurance revenue¹⁵	(9,856)			(9,856)
Insurance service expenses	1,259	(623)	7,985	8,621
Incurred claims and other expenses		(840)	7,945	7,105
Acquisition expenses	1,259			1,259
Changes that relate to future service: losses on onerous contracts and reversals of those losses		217		217
Changes that relate to past service: changes to liabilities for incurred claims			40	40
Investment components	(6,465)		6,465	-
Insurance service result	(15,062)	(623)	14,450	(1,235)
Insurance finance expenses	8,393	860	55	9,308
Total changes in the statement of comprehensive income	(6,669)	237	14,505	8,073
Cash flows				
Premiums received	33,570			33,570
Claims and other expenses paid			(14,336)	(14,336)
Acquisition cash flows paid	(401)			(401)
Total cash flows	33,169	-	(14,336)	18,833
Insurance contract liabilities 20X1	188,438	16,096	1,190	205,724

Disclosures

Movement in insurance contract liabilities analysed by components

	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities 20X0¹¹⁷	163,962	5,998	8,858	178,818
Changes that relate to current service	35	(604)	(923)	(1,492)
Contractual service margin recognised for service provided			(923)	(923)
Risk adjustment recognised for the risk expired		(604)		(604)
Experience adjustments	35			35
Changes that relate to future service	(784)	1,117	(116)	217
Contracts initially recognised in the period ¹¹⁸	(2,329)	1,077	1,375	123
Changes in estimates reflected in the contractual service margin ¹¹⁹	1,452	39	(1,491)	-
Changes in estimates that result in onerous contract losses	93	1		94
Changes that relate to past service	47	(7)		40
Adjustments to liabilities for incurred claims	47	(7)		40
Insurance service result	(702)	506	(1,039)	(1,235)
Insurance finance expenses¹²⁰	9,087	-	221	9,308
Total changes in the statement of comprehensive income	8,385	506	(818)	8,073
Cash flows¹²¹	18,833			18,833
Insurance contract liabilities 20x1	191,180	6,504	8,040	205,724

Disclosures

Analysis of contracts initially recognised in the period

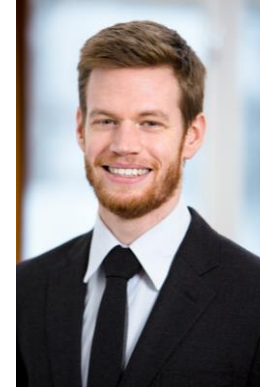
Contracts initially recognised in 20X1		Of which contracts acquired	Of which onerous contracts
Estimates of the present value of future cash inflows	(33,570)	(19,155)	(1,716)
Estimates of the present value of future cash outflows			
Insurance acquisition cash flows	401	122	27
Claims payable and other expenses	30,840	17,501	1,704
Risk adjustment	1,077	658	108
Contractual service margin	1,375	896	-
Total	123	22	123

Tack!



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