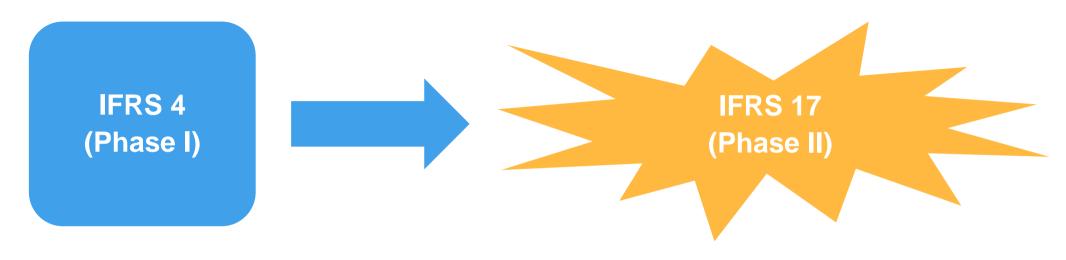


IFRS 17 (IFRS 4 Phase II) Insurance Contracts

Andrew Kay 20 October 2016

IFRS 17

Aim: consistent standard for all insurance contracts to improve comparability of insurance company accounts



Timeline for IFRS 17

2016/2017

Preparation!

2020/2021

Final standard issued

Systems, processes, reporting, impact assessment, comparatives...

Go live!

Building block approach for insurance liabilities

Contractual Service Margin

Risk Adjustment

Time Value of Money

Best Estimate Cashflows Eliminates any gain at inception of the contract. Amortised over the life of the policy. CSM cannot be negative. Discount rate "locked in".

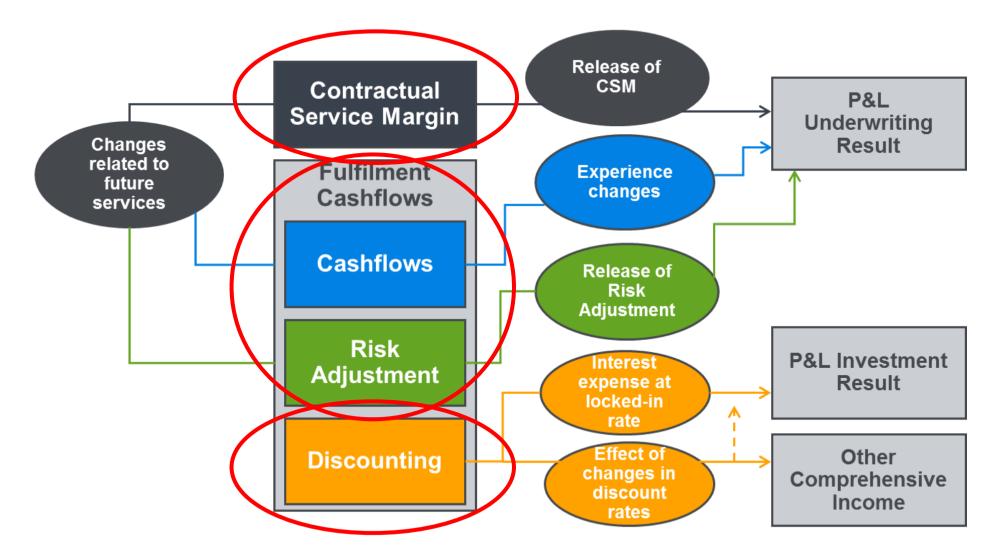
Explicit estimate of the effects of uncertainty

Discount rate based on liability characteristics. Can use top-down or bottom up approach.

Explicit, unbiased and probability-weighted estimate of future cash outflows less future cash inflows that will arise as the insurer **fulfills** the contract.

Premium
Allocation
Approach for
short term
contracts

Subsequent Measurement & impact on P&L



Challenges

Data

- Policy level calculations but can group policies with similar profitability.
- Track data and results by cohort

Systems

- Impact on actuarial models
- New systems for CSM calculation
- Impact on accounting systems

Key Challenges

Results and Presentation

- Fundamentally different Income Statement
- Significant changes to Balance Sheet

First Time Application

 Full / simplified retrospective calculation, or fair value approach

Next steps

- Understand the implications of IFRS 17 on your business
- Conduct a gap analysis e.g. data and systems requirements
- Perform sample calculations to see the impact
- Create an implementation plan





Thank you

Andrew Kay 20 October 2016



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