

IFRS 17

Insurance Contracts

Darrel Scott

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National Bank of Ukraine



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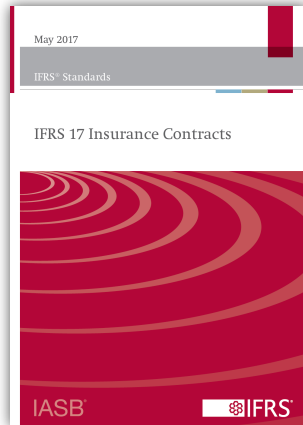
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Introduction

IFRS 17 Insurance Contracts



» IFRS 17

- » replaces an interim Standard—IFRS 4
- » requires consistent accounting for all insurance contracts based on a current measurement model
- » will provide useful information about profitability of insurance contracts

» Effective 2023


- » one year restated comparative information
- » early application permitted

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Programme

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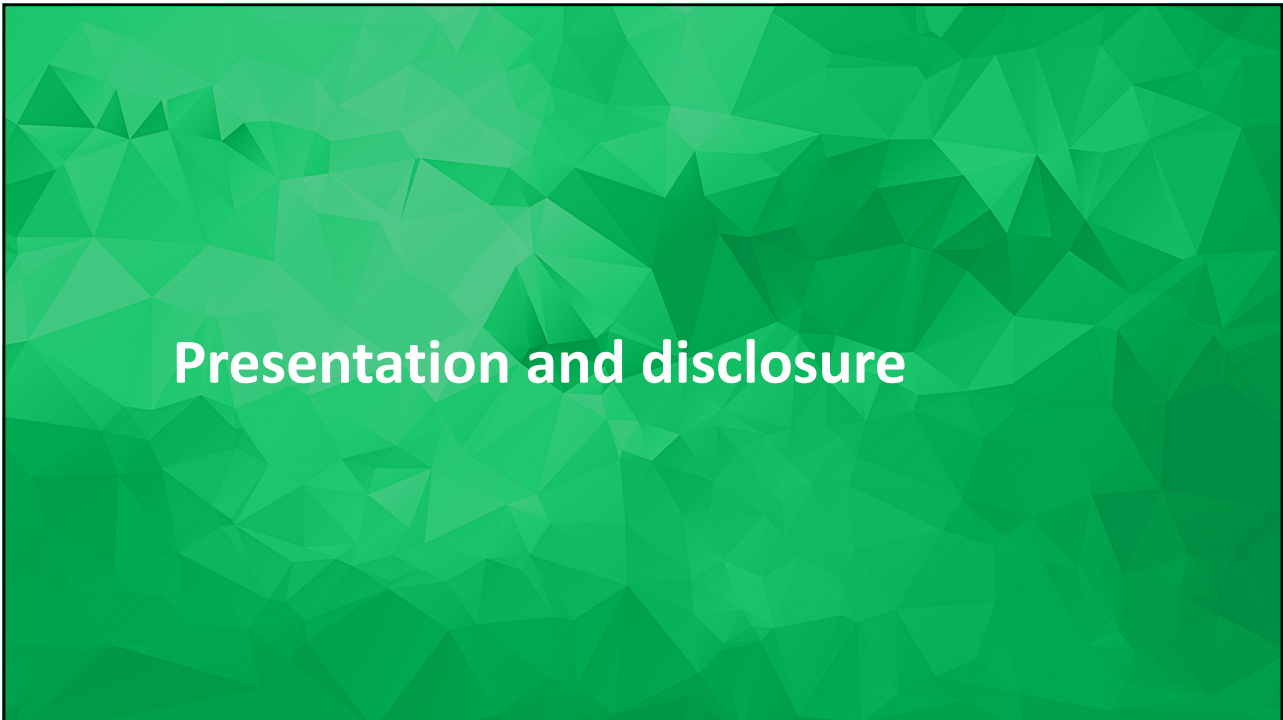


IFRS 17 Programme

Session 1	Recap: Core model and premium allocation approach (PAA)
Session 2	PAA with comparison to unearned premium
Session 3	Challenges in applying PAA
Session 4	Disclosure and presentation requirement
Session 5	Transition, transition presentations and disclosures
Session 6	Audit reports and compliance with IFRS
Session 7	

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Presentation and disclosure

Recap: Why IFRS 17 was developed

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IFRS 4

Economics of business poorly depicted

Lacking relevant and transparent information

Applying IFRS 4	Undermines understanding
<p>Lack of useful information</p> <ul style="list-style-type: none"> • Old or outdated assumptions • Options and guarantees not fully reflected in measurement • Use of 'expected return on assets held' as discount rate 	<p>Fundamental economics are not necessarily reflected in the reported IFRS numbers</p>
<p>Non-transparent profitability</p> <ul style="list-style-type: none"> • Inconsistent profits recognition • Use of non-GAAP measures 	<p>Comparison by source of profitability is needlessly difficult</p>

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IFRS 4
Lack of comparability

Applying IFRS 4	Undermines understanding
Lack of comparability • IFRS reporters use <u>different practices</u> for insurance	• Inconsistency makes comparison between entities and over time difficult if not impossible
Inconsistent within groups • Subsidiaries consolidated using different practices	
Inconsistency with other IFRSs • Revenue include deposits • Revenue on a cash basis	• Inconsistency makes industry comparisons difficult and conglomerates awkward

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IFRS 4
Typical existing income statement

Profit or loss	20x1	
Gross premiums	16 321	→ Cash based, includes deposits. Inconsistent with other industries
Premiums ceded	-816	
Investment income	9 902	
Total Income	25 407	→ Source of earnings hard to identify
Claims benefits & expenses	-13 827	→ Includes deposit repayment
Ceded claims & expenses	368	
Acquisition costs	-1 259	
Change in insurance liability	-9 308	→ Includes multiple factors
Total Expenses	-24 026	

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IFRS 4

Typical existing balance sheet

Balance sheet extract	20x1
Deferred acquisition costs	8 083
Premiums receivable	2 798
Reinsurance contract assets	20 572
Investment assets	226 297
Total Assets	XX
Insurance contract liabilities	211 010
Unearned premiums	5 595
Unallocated liabilities	18 295
Total Liabilities	XX

- Multiple line items,
- Inconsistent terminology
- Inconsistent measurement
- Difficult to understand changes

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Phase 2 Objectives

Transparency and quality

More

useful and transparent information


Better

information about profitability

- » Require consistent accounting for all insurance contracts
- » Base on a current measurement model
- » Provide insight into the profitability/sustainability of insurance model
- » Present comparable information across companies
- » Assist investors to to understand performance

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IFRS 17 Improvements
Transparency and useful information

Applying IFRS 4	Applying IFRS 17
<ul style="list-style-type: none"> • <u>Old or outdated assumptions</u> • <u>Options and guarantees</u> not fully reflected in measurement • <u>Time value of money</u> not considered for incurred claims • Use of <u>assets rate for discounting</u> 	<ul style="list-style-type: none"> • <u>Current</u> assumptions • <u>Options/guarantees fully reflected</u> • Estimated claims measured on a <u>discounted</u> basis. • Discount rate reflects insurance <u>liability characteristics</u>
<ul style="list-style-type: none"> • <u>Revenue</u> recognised on cash basis • <u>Use of non-GAAP</u> measures 	<ul style="list-style-type: none"> • <u>Unearned profit</u> recognised as insurance coverage is provided • <u>Additional metrics</u> available

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Presentation and disclosure
Core elements

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Overall presentation

Balance sheet	Includes: <i>(Sometimes presented separately under IFRS 4)</i>
Insurance contract liability/asset	Acquisition costs Value of new business written/acquired Premiums receivable Policy loans Unearned premiums Claims payable
Reinsurance contract asset/liability	As above

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Overall presentation

Income statement	Includes:
Insurance revenue	Accruals based (performance obligation) Excludes 'deposit' component'
Incurred claims and other expenses	Excludes 'deposit' component
Reinsurance outcomes	Presented separately from primary insurance
Investment income	Determined under other standards
Insurance finance expenses/income	Unwinding of discount on insurance liabilities/assets Effect of change in discount rate (unless in OCI)

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Overall presentation

Notes disclosures	Includes:
Explanations of recognised amounts	Roll forward of insurance liability Projection of CSM release Analysis of revenue, insurance finance income/expense and new business
Significant judgements	Methods used to estimate inputs Measurements methodology Changes in methods Confidence level equivalent
Nature and extent of risk	Similar to IFRS 7 disclosures Effect of regulatory framework

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Overall presentation

Balance sheet	IFRS ref.	Comment
<u>Assets</u>		<ul style="list-style-type: none"> All expected cash flows within contract boundary Portfolios of contracts (portfolio: contracts subject to similar risks and managed together)
Insurance contract assets	IFRS 17.78(a)	
Reinsurance contract assets	IFRS 17.78(c)	
<u>Liabilities</u>		
Insurance contract liabilities	IFRS 17.78(b)	
Reinsurance contract liabilities	IFRS 17.78(d)	
<u>Equity</u>		IAS 1 <i>allows equity to be split</i> into reserves
Insurance reserves	IAS 1.78(e)	

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Overall presentation

Profit and loss statement	IFRS ref.	Comment
Insurance revenue	IFRS 17.83	IFRS 17.85 excludes the effect of deposits
Insurance service expenses	IFRS 17.84	
Net expense reinsurance held	IFRS 17.82	¶186 allows further split
Insurance service result	IFRS 17.80(a)	
Investment income		
Insurance finance income	IFRS 17.87	¶187 doesn't require split, however ¶182 may apply
Insurance finance expense	IFRS 17.87	
Insurance investment income		Not explicitly required

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Overall presentation

Statement of comprehensive income	IFRS Ref	Comment
Changes in fair value of financial assets	IFRS 7.20	IFRS 9 determines which assets are characterised this way
Amount reclassified to P&L	IFRS 7.20	
Insurance finance expense/income	IFRS 17.88 and .89	
Amount reclassified to P&L	IFRS 17.91	
Total comprehensive income		

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Overall presentation

Statement of changes in equity income	Ref	Comment
SOCE should include the opening opening balance impact of initial application of IFRS 17 and potentially of IFRS 9.	IAS 8.28	

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Regulatory regimes Comparison

	IFRS 17	Solvency II
Cash flows	Similar	Similar
Discount rates	<u>Liability-specific rate, market consistent</u>	<u>Swap rate (yr 20) and ultimate forward rate</u>
Risk	Company's <u>own view of risk</u> (possible use of Solvency II risk margin)	<u>Prescribed approach</u> (risk margin—cost of capital set at 6%)
Unearned profit	Recognised in <u>P&L over time</u>	Included in <u>capital at inception</u> —day 1 gain

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Regulatory regimes Performance

IFRS 17		Solvency II		Unearned profit <ul style="list-style-type: none"> recognised in P&L when coverage is provided provides a measure of future profitability Changes in unearned profit provide information about: <ul style="list-style-type: none"> profitability of new business changes in profitability of existing contracts
Assets	PV of cash flows	Assets	PV of cash flows	
	Risk margin		Risk margin	
	Unearned profit		Capital (excess of assets over liabilities)	
	Equity			

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Statement of changes in equity Additional reserve

	Share capital	Retained income	Insurance reserve	Total
Opening balance		800	1 000	1800
New share issued				
Profit for the period		500		500
Less: Transfer to reserve		-250	250	-
Add: transfers from reserve				
Closing balance		1 050	1 250	2 300

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IFRS 17
Income statement

Profit or loss	20x1	Source of earnings obvious
Insurance revenue	10 304	→ Consistent revenue principles
Insurance service expenses	-9 069	→ Consistent expense principles
- Claims & contract expenses	-7 362	
- Amortised acquisition costs	-1 707	
Gain/loss from reinsurance	-448	→ Presented separately
Insurance service result	787	→ First source of earnings
Investment income	9 902	
Insurance finance expenses	-9 308	→ Separate finance expenses
Financial result	594	→ Second source of earnings

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Other comprehensive income

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Example

Insurer issues a group of contracts as follows:

- » Single premium of 10 000 received on first day,
- » Contract duration is 3 years,
- » Interest rate
 - » at inception 5%,
 - » at end year 1 10%, thereafter stays the same
- » Expected claim end of year 3 is 11 000
- » Insurer invests in assets that exactly replicate the liability flows and rates

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

FCF	Inception
Opening balance	-
New contracts	-498

Premium received of 10 000,
less PV of claim of 11 000 payable in 3 years, discounted at 5% (9 502) = 498

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

FCF	Inception
Opening balance	-
New contracts	9 502

Initial recognition asset	-498
plus premium cash received	10 000
New contract liability	9 502

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

FCF	Inception	Year 1
Opening balance	-	9 502
New contracts	9 502	-
Interest expense	-	475
Interest adjustment	-	
Claims	-	
Closing balance	9 502	

9 502 x 5%

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

FCF	Inception	Year 1
Opening balance	-	9 502
New contracts	9 502	-
Interest expense	-	475
Interest adjustment	-	-886
Claims	-	-
Closing balance	9 502	

PV of claim of 11 000 payable in 2 years, discounted at 10% = 9 091, Actual balance before adjustment 9 977, difference 886

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

FCF	Inception	Year 1	Year 2
Opening balance	-	9 502	9 091
New contracts	9 502	-	-
Interest expense	-	475	-
Interest adjustment	-	-886	-
Claims	-	-	-
Closing balance	9 502	9 091	

PV of claim of 11 000 payable in 2 years, discounted at 10% = 9 091

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

FCF	Inception	Year 1	Year 2
Opening balance	-	9 502	9 091
New contracts	9 502	-	-
Interest expense	-	475	909
Interest adjustment	-	-886	
Claims	-	-	
Closing balance	9 502	9 091	

9 091 x 10%

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

FCF	Inception	Year 1	Year 2	Year 3
Opening balance	-	9 502	9 091	10 000
New contracts	9 502	-	-	-
Interest expense	-	475	909	1 000
Interest adjustment	-	-886	-	-
Claims	-	-	-	-11 000
Closing balance	9 502	9 091	10 000	-

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

CSM	Inception
Opening balance	-
New contracts	498
Interest expense	
CSM release	
Closing balance	

Initial recognition FCF of asset 498, offset by CSM liability

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

CSM	Inception	Year 1
Opening balance	-	498
New contracts	498	-
Interest expense	-	25
CSM release	-	
Closing balance	498	

498 x 5%
No adjustment for change in interest rate

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

CSM	Inception	Year 1
Opening balance	-	498
New contracts	498	-
Interest expense	-	25
CSM release	-	-183
Closing balance	498	

Using discounted coverage units

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

CSM	Inception	Year 1	Year 2	Year 3
Opening balance	-	498	340	174
New contracts	498	-	-	-
Interest expense	-	25	17	90
CSM release	-	-183	-183	-183
Closing balance	498	340	174	-

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

Income statement	Year 1
Revenue....	Not detailed here
Underwriting profit	183
Interest Income*	-433
Interest expense	
Profit or loss	

Assumes premium invested in matching assets

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

Income statement	Year 1
Revenue....	Not detailed here
Underwriting profit	183
Interest Income*	-433
Interest expense	
Profit or loss	

Interest income (10k x 5%)	500
Interest adj for rate change	-933
Total	-433

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

Income statement	Year 1
Revenue....	Not detailed here
Underwriting profit	183
Interest Income*	-433
Interest expense	386
Profit or loss	

Interest income (10k x 5%)	-500
Interest adj for rate change	866
Total	386

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

Income statement	Year 1	Year 2
Revenue....	Not detailed here	
Underwriting profit	183	183
Interest Income*	-433	957
Interest expense	386	
Profit or loss	136	

Interest income on revalued balance(@ 10%)	957
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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

Income statement	Year 1	Year 2
Revenue....	Not detailed here	
Underwriting profit	183	183
Interest Income*	-433	957
Interest expense	386	-926
Profit or loss	136	

Interest expense on revalued liability @10%

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Interest rates Example

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

Income statement	Year 1	Year 2	Year 3
Revenue....	Not detailed here		
Underwriting profit	183	183	183
Interest Income*	-433	957	1 052
Interest expense	386	-926	-1009
Profit or loss	136	213	226

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Interest rates
Example (applying OCI)

Single premium 10 000, duration 3 years, interest at inception 5%, at end year 1 10%, claim end year 3 is 11 000

Income statement	Year 1	Year 2	Year 3
Revenue....	Not detailed here		
Underwriting profit	183	183	183
Interest Income*	500	525	551
Interest expense	-500	-516	-533
Profit or loss	183	192	202
OCI Interest Income	-933	432	501
OCI Interest expense	886	-410	-476

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IFRS 17
Balance sheet

Balance sheet extract	20x1
Reinsurance contract assets	20 572
Investment assets	226 297
Total Assets	XX
Insurance contract liabilities	205 724
Total Liabilities	XX

Measured applying IFRS 9
 All flows from contract together:
 » Acquisition cost cash flows,
 » premiums receivable and
 » unearned premiums etc

- » Limited line items with contract cash flows grouped together
- » Consistent terminology
- » Consistent measurement

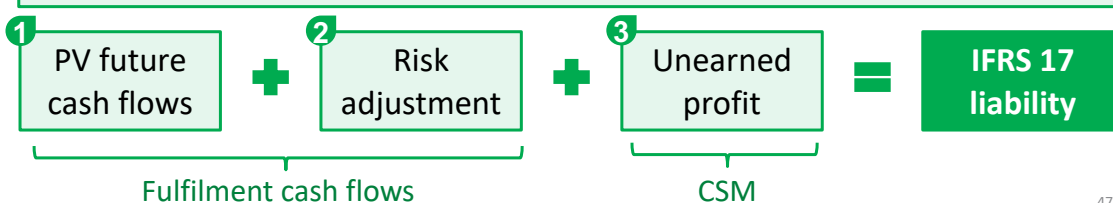
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Recap: measurement

All insurance contracts measured as the sum of:

- » Fulfilment cash flows (FCF)
 1. Present value of probability-weighted expected cash flows
 2. Plus an explicit risk adjustment for non-financial risk (eg insurance risk)
- » Contractual service margin (CSM)
 3. The unearned profit from the contracts



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Primary financial statements

- » IFRS financial statements include 4 primary statements:
 - » Statement of financial position (**balance sheet**)
 - » Statement(s) of financial performance (**income statement**)
 - » Statement of **cash flows**
 - » Statement of changes in **equity**
- » IFRS 17 (my view) introduces a fifth statement '**Statement of changes in insurance liability**'
- » This disclosure brings together all of the topics we have discussed

IFRS 17.98-100

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Reconciliation 'Statement of changes in insurance liability'

- » Disclose reconciliations that show how **the net carrying amounts of contracts changed** during the period because of cash flows and income and expenses recognised
- » **Separate reconciliations** shall be disclosed for insurance contracts issued and reinsurance contracts held.
- » Must provide **enough information** to enable users of financial statements to identify changes from cash flows and amounts that are recognised in income and expenses
- » **Must disclose separate reconciliations** for remaining coverage, loss component and liability for incurred claims

IFRS 17.98-100

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IFRS 17 Statement of changes in insurance liability

Notes	Present value	Risk margin	CSM	Liability
Opening balance	163 962	5 998	8 858	178 818
Insurance service result				
Changes from:				
- Future services	-784	1 117	-116	217
- New profitable contracts	-2 344	969	1 375	-
- Estimates changes profitable	1 452	39	-1 491	-
- New onerous contracts	15	108		123
- Estimate changes onerous	93	1		94

IFRS 17.98-99, 101, 104 and 105

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IFRS 17

Statement of changes in insurance liability

Notes	Present value	Risk margin	CSM	Liability
Opening balance	163 962	5 998	8 858	178 818
Insurance service result	-702	506	-1 039	-1 235
Changes from:				
- Future services	-784	1 117	-116	217
- Service provided	35	-604	-923	-1 492
- CSM earned	-	-	-923	-923
- Release from risk	-	-604	-	-604
- Experience loss	35	-	-	35
- Past claims	47	-7	-	40

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IFRS 17

Statement of changes in insurance liability

Notes	Present value	Risk margin	CSM	Liability
Opening balance	163 962	5 998	8 858	178 818
Insurance service result	-702	506	-1 039	-1 235
Insurance finance expense	9 087	-	221	9 308
- Future services	7 170	-	221	7 391
- Service provided	1 917	-	-	1 917

IFRS 17.98-99, 101, 104 and 105

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IFRS 17

Statement of changes in insurance liability

Notes	Present value	Risk margin	CSM	Liability
Opening balance	163 962	5 998	8 858	178 818
Insurance service result	-702	506	-1 039	-1 235
Insurance finance expense	9 087	-	221	9 308
Cash flows	18 833	-	-	18 833
- Premium Received	-33 570	-	-	33 570
- Claims, benefits & expenses	-14 336	-	-	-14 336
- Acquisition cash flows	-401	-	-	-401

IFRS 17.98-99, 101, 104 and 105

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IFRS 17

Statement of changes in insurance liability

Notes	Present value	Risk margin	CSM	Liability
Opening balance	163 962	5 998	8 858	178 818
Insurance service result	-702	506	-1 039	-1 235
Insurance finance expense	9 087	-	221	9 308
Cash flows	18 833	-	-	18 833
Closing balance	191 190	6 504	8 040	205 724

IFRS 17.98-99, 101, 104 and 105

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IFRS 17

Statement of changes in insurance liability

Notes	LfRC		LfIC	Liability
	Profitable	Onerous		
Opening balance	161 938	15 859	1 021	178 818
Insurance service result	-15 062	-623	14 450	-1 235

IFRS 17.100

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IFRS 17

Presentation of the service results

- » Insurance service reflects changes in insurance liability (CSM release, risk release, experience adjustments etc.)
- » BUT presented in P&L as:
 - Insurance revenue less Insurance service expenses
- » Total insurance revenue is the amount of premiums paid:
 - » adjusted for a financing effect; and
 - » excluding any investment components
- » Insurance revenue recognised to depict the transfer of promised services that reflects the consideration to which the entity expects to be entitled to

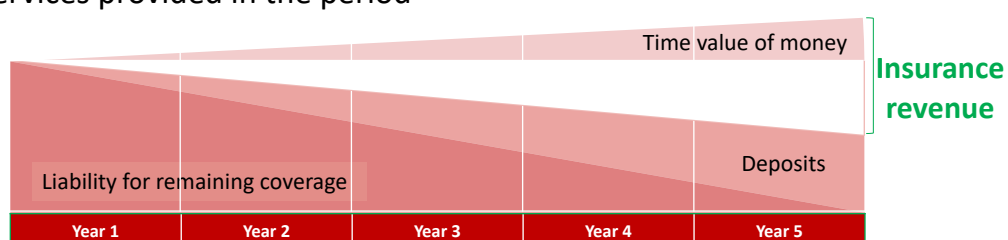
IFRS 17.B120-B127

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Insurance revenue

- » Revenue recognised reduces liability for remaining coverage
- » Payments to policyholders unrelated to insured event (return of 'deposits') are not revenue
- » Equals premiums received (adjusted for time value of money) attributable to services provided in the period



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Insurance service result

Notes	LfRC		LfIC	Profit or loss
	Profitable	Onerous		
Revenue	-9 856	-	-	-9 856
Insurance service expenses			7 985	7 985
- Claims				
- Onerous contracts and reversals		-623		-623
- Acquisition costs	1 259			1 259
Investment components	-6 465		6 465	-
Insurance service result	-15 062	-623	14 450	-1 235

IFRS 17.103

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IFRS 17

Statement of changes in insurance liability

Notes	LfRC		LfIC	Liability
	Profitable	Onerous		
Opening balance	161 938	15 859	1 021	178 818
Insurance service result	-15 062	-623	14 450	-1 235
Insurance finance expense	8 393	860	55	9 308
Cash flows	33 169	-	-14 336	18 833
Closing balance	191 190	6 504	8 040	205 724

IFRS 17.100

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Revenue reconciliation

Notes	Revenue
Insurance services expenses	7 985
Change is risk adjustment	604
Contractual service margin	923
Other (onerous and experience)	-840
Allocation of acquisition costs	1259
Experience and past claims	-75
Revenue	9 856

IFRS 17.106

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Expected recognition of CSM

Notes	20x3	20x4	20x5
Opening balance of CSM	5 797	2 993	1 030
Discount to be accrued	290	150	52
CSM to be recognised	-3 094	-2 113	-1 082

IFRS 17.109

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Insurance acquisition assets

Notes	20x2
Opening balance	
New contracts written	
Less: amounts amortised	
Less: Impairments	
Closing balance	

IFRS 17.105A-105B

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Expected recognition of acquisition asset

Notes	20x3	20x4	20x5
Opening balance of IAA			
Discount to be accrued			
IAA to be recognised			

IFRS 17.109A 63

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Premium allocation approach disclosures

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Premium allocation approach

Roll forward disclosures

- » No disclosures required for:
 - » CSM, risk margin and fulfilment cash flows
 - » Values of new business
- » Disclosures are required for:
 - » Income statement effect
 - » Cash flows
 - » LfRC vs LfIC
 - » Onerous contracts

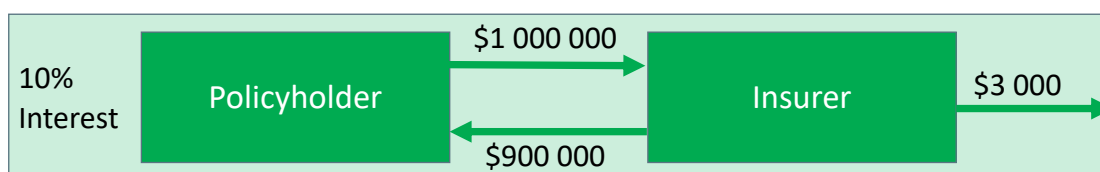
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Example

One year vehicle contract

- » Insurer writes 100 car contracts and expects that:
 - » Interest rate is 10%
 - » It pays \$3 000 in car inspection costs on 1 January for all contracts
 - » Policyholders pay an annual premium of \$10 000 each on 2 January
 - » Insurer expects claims of \$75 000 per month (\$900 000 in total)
 - » Claims are submitted by month end, paid 1st day of next month



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Example
Simplified disclosures

Month 1 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-	-	-	
Cash flows				
Premium cash flows	-1000 000		-1000 000	
Claims and other expense cash flows		-	-	
Acquisition costs paid	3 000		3 000	

Separate disclosure of the cash flows (IFRS 17.105)

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    graph LR
      Policyholder[Policyholder] -- "$1 000 000" --> Insurer[Insurer]
      Insurer -- "$3 000" --> Policyholder
  
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Example
Simplified disclosures

Month 1 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-	-	-	
Premium cash flows	-1000 000		-1000 000	
Claims and other expense cash flows				
Acquisition costs paid	3 000		3 000	
Insurance revenue				
Insurance revenue	87 916		87 916	-87 916

Separate disclosure of revenue allocation (IFRS 17.103)

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Example Simplified disclosures

Month 1 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-	-	-	
Premium cash flows	-1000 000		-1000 000	
Claims and other expense cash flows				
Acquisition costs paid	3 000		3 000	
Insurance revenue	87 916		87 916	-87 916
Insurance service expenses				
Incurred claims and other expenses		-75 000	-75 000	75 000
Changes that relate to past		-	-	-
Acquisition costs amortised	-264		-264	264

Separate disclosure of insurance service expenses (IFRS 17.103)

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Example Simplified disclosures

Month 1 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-	-	-	
Premium cash flows	-1000 000		-1000 000	
Claims and other expense cash flows				
Acquisition costs paid				
Insurance revenue				916
Incurred claims and other expenses		3 000	-75 000	75 000
Acquisition costs amortised			-264	264
Insurance finance expenses				
Finance expenses	-8 308		-8 308	8 308

Note: Usually there will be return on cash invested. If invested at the risk free rate, then this will match the expense

Separate disclosure of insurance finance expenses (IFRS 17.105)

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Example Simplified disclosures

Month 1 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-	-	-	
Premium cash flows	-1000 000		-1000 000	
Claims and other expense cash flows				
Acquisition costs paid	3 000		3 000	
Insurance revenue	87 916		87 916	-87 916
Incurred claims and other expenses		-75 000	-75 000	75 000
Acquisition costs amortised	-264		-264	264
Insurance finance expenses				
Finance expenses	-8 308		-8 308	8 308
	-917 656	-75 000	-992 656	-4 344

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Example Simplified disclosures

Month 2 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-917 656	-75 000	-992 656	

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Example
Simplified disclosures

Month 2 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-917 656	-75 000	-992 656	
Cash flows				
Premium cash flows		-	-	
Claims and other expense cash flows		75 000	75 000	
Acquisition costs paid		-	-	

Single premium, so no premiums in subsequent months

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Example
Simplified disclosures

Month 2 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-917 656	-75 000	-992 656	
Premium cash flows		-	-	
Claims and other expense cash flows		75 000	75 000	
Insurance revenue				
Insurance revenue	87 916		87 916	-87 916

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Example Simplified disclosures

Month 2 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-917 656	-75 000	-992 656	
Premium cash flows	-		-	
Claims and other expense cash flows		75 000	75 000	
Insurance revenue	87 916		87 916	-87 916
Insurance service expenses				
Incurred claims and other expenses		-75 000	-75 000	75 000
Changes that relate to past		-	-	-
Acquisition costs amortised	-264		-264	264

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Example Simplified disclosures

Month 2 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-917 656	-75 000	-992 656	
Premium cash flows	-		-	
Claims and other expense cash flows		75 000	75 000	
Insurance revenue	87 916		87 916	-87 916
Incurred claims and other expenses		-75 000	-75 000	75 000
Acquisition costs amortised	-264		-264	254
Insurance finance expenses				
Finance expenses	-7 647		-7 647	7 647

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Example
Simplified disclosures

Month 2 debit/(credit)	LfRC	LfIC	Liability	P&L
Opening balance	-917 656	-75 000	-992 656	
Premium cash flows	-		-	
Claims and other expense cash flows		75 000	75 000	
Insurance revenue	87 916		87 916	-87 916
Incurred claims and other expenses		-75 000	-75 000	75 000
Acquisition costs amortised	-264		-264	254
Finance expenses	-7 647		-7 647	7 647
Closing balance	-837 652	-75 000	-912 652	-5 005

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 Other disclosures

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IFRS 17

Other important disclosures

- » Disclosure Objective: disclose information that together with the that provided in primary financial statements, gives a basis for users to assess the effect that contracts within the scope of IFRS 17 have on the entity's financial position, financial performance and cash flow
- » If disclosures applying the standard are not enough to meet the objective, an entity shall disclose additional information necessary to meet that objective.

IFRS 17.93-94

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IFRS 17

Other important disclosures

- » Explanation of recognised amounts (IFRS 17.97-109A)
- » Disclose and explain the amounts of Insurance finance income and expenses (IFRS 17.110-113)
- » Disclose explanation of transition amounts (IFRS 17.114-116)
- » Disclose significant judgements (IFRS 17.117-120)
- » Disclose nature and extent of risk (IFRS 17.121-128)

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Significant judgements and estimates

- » Methods used to estimate inputs
- » Measurements methodology
- » Changes in methods
- » Confidence level equivalent

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Estimations

Would expect to see qualitative disclosures on:

- » Contract boundaries determinations
- » Actuarial determinations
- » Experience studies and benchmarking
- » Yield curves
- » Quantity of benefits
- » Allocation of cash flows

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Measurement methodologies

Would expect to see:

- » Aggregation
- » Approaches
 - » Assessment of eligibility for PAA
 - » Assessment of requirement for VFA
- » Incorporated cash flows
- » Onerous contracts recognition and measurement
- » Actuarial calculations
- » Discount rates
- » Risk adjustment

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Changes in models and estimations

Would expect to see information about changes in:

- » Estimations
- » Measurement methodologies
- » Prudential capital considerations

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Benchmarking

- » Confidence level equivalent
- » Experience studies
- » Actuarial

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Nature and extent of risks

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Nature and extent of risks

Risk and risk mitigation

- » Quantification of risks
- » Sensitivity to risk
- » Liquidity
- » Concentration of risks
- » Natural offsets
- » Mitigation of risks

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Nature and extent of risks

Types of risks (qualitative and quantitative)

- » Insurance risk
- » Financial risk
 - » Liquidity
 - » Market
- » Operational risk
- » Credit risk

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Capital management

- » Objectives and management
- » Capital requirements and restrictions
- » Regulatory constraints on business activities
- » Asset liability management

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Presentation and disclosure

Reinsurance

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Reinsurance contracts held

- » Separate accounting for reinsurance contracts held and the underlying insurance contracts to which they relate
- » No mirror accounting for reinsurance contracts and underlying insurance contracts
- » Apply general model approach to measurement of fulfilment cash flows
 - » use consistent estimates about cash flows, but
 - » differences in estimates may arise because of access to different information, and different adjustments for diversification effects

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Reinsurance contracts held *(continued)*

- » Apparent gains or losses on initial recognition of reinsurance contract recognised over coverage period of the reinsurance contract as services received
- » After inception:
 - » recognise in CSM changes in estimates of fulfilment cash flows relating to future service (consistent with general model), except
 - » recognise in profit or loss those changes which arise as a result of changes in estimates of fulfilment cash flows of underlying direct insurance contract, and which are recognised immediately in profit or loss.

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IFRS 17
Income statement

Profit or loss	20x1
Insurance revenue	10 304
Insurance service expenses	-9 069
Gain/loss from reinsurance	-448
Insurance service result	787

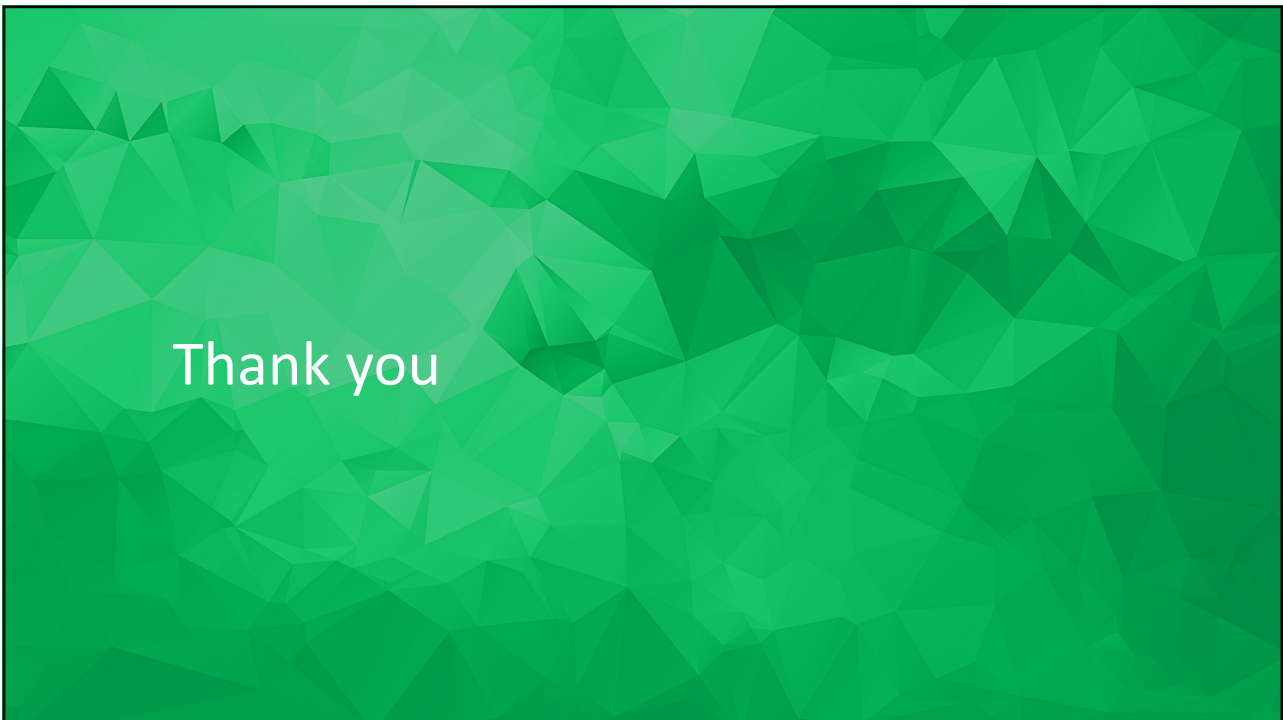
- Similar accounting in reverse
- Can chose to break out premiums and claims

Balance sheet extract	20x1
Reinsurance contract assets	20 572
Investment assets	226 297
Total Assets	XX

Separate roll forward required in notes

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