MOODY'S ANALYTICS

Life Regulatory Update

Eve Pastor, Director – Risk and Accounting Solutions

June 2019

Agenda

1. *Intro*
2. *Brief Overview - US Statutory including Life PBR and RBC*
3. *US GAAP LDTI and CECL reinsurance receivables*
4. *IFRS 17 and 9*
5. *Q&A*

1

Intro

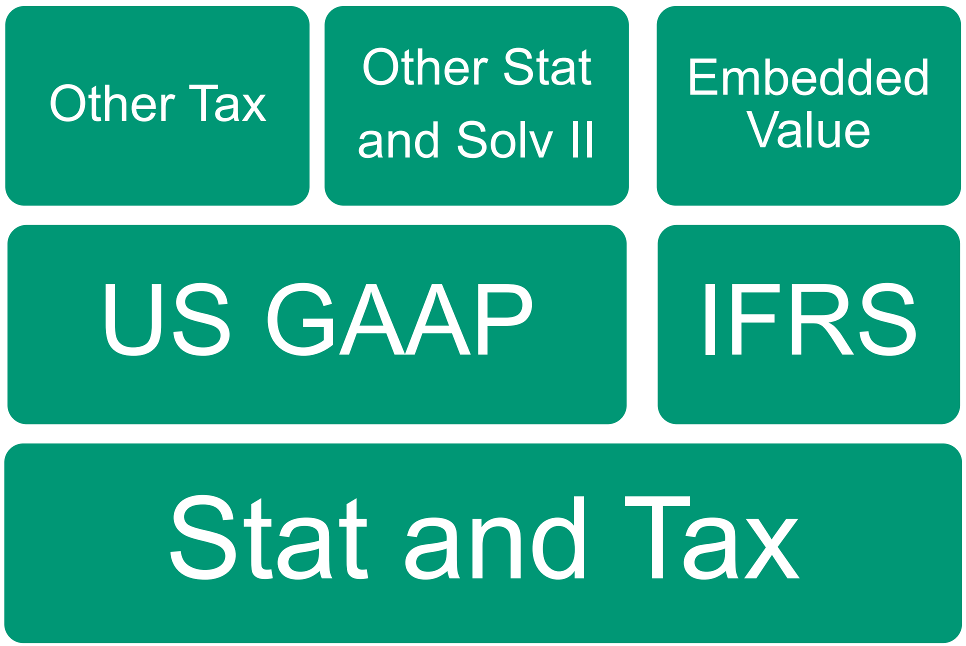
About the Speaker: Eve Pastor

Insurance Accounting Subject Matter Expert

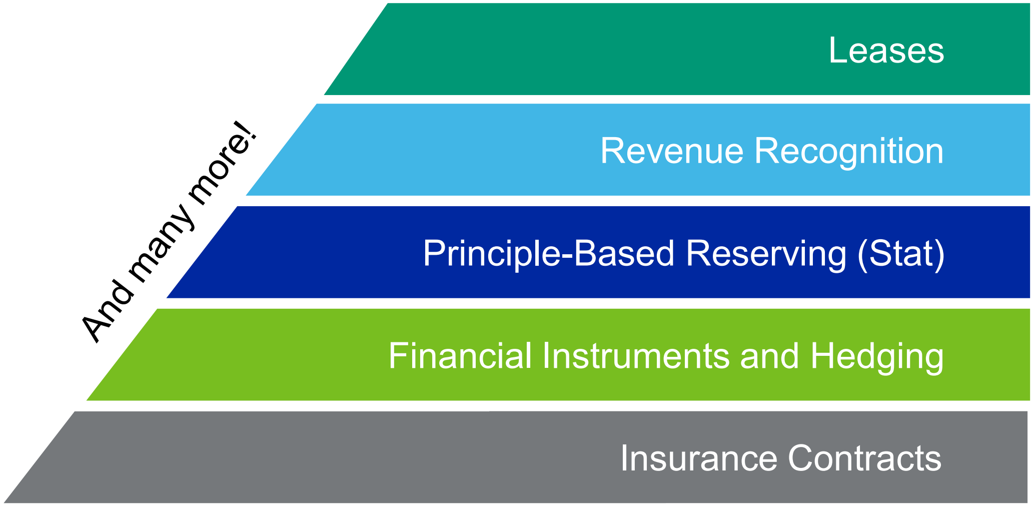
- Joined Moody's Analytics in July 2018
- Member of the Risk and Accounting Solutions team
- Prior experience includes MetLife, Swiss Re, Transamerica, and North Carolina Department of Insurance
- Licensed CPA in NC and DE
- Contributed to comment letters, field testing, and industry advocacy and outreach to IASB and FASB regarding exposure drafts that were issued as IFRS 17 and US GAAP Targeted Improvements to the Accounting for Long-Duration Contracts and US GAAP Update on Hedging as well as the IASB's macro hedging project
- **Interested in the intersection of accounting, actuarial science, and technology in service of insurers' and policyholders' success**

Multiple financial reporting requirements

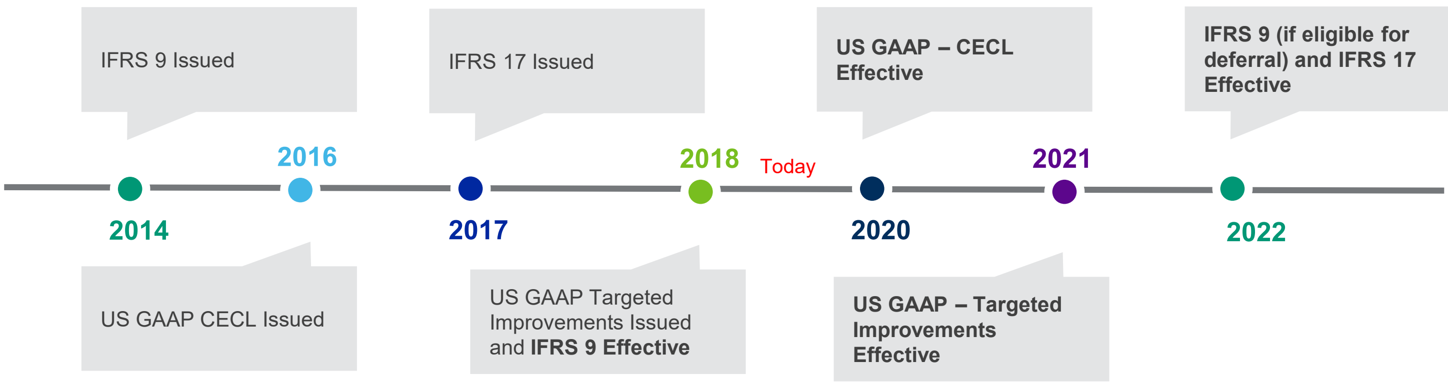
Requirements vary by jurisdiction and company type
Each basis has its own purpose and not all results can be optimized



Lately for financial reporting the only constant is change



Timeline for US GAAP and IFRS



There is ongoing discussion regarding further delays to the effective date of IFRS 17 (and IFRS 9 if eligible for deferral) and US GAAP Targeted Improvements and removing reinsurance receivables from the scope of US GAAP CECL but nothing is certain.

What are the problems standard setters have tried to fix?

What was “wrong” with insurance accounting?

- Too complex
- Too specialized
- Not comparable to other industries
- Lacking in transparency for material actuarial calculations
- “Diversity in practice” resulting in lack of comparability within the insurance industry
- Liabilities reported at locked in rates that don’t reflect the market or the likely profitability of the contracts

Changes to Accounting Standards

US GAAP - CECL	US GAAP – Targeted Improvements	IFRS 9	IFRS 17
Standard issued June 2016. Effective starting 2020 with early adoption permitted.	Standard issued August 2018. Effective starting 2021 with early adoption permitted.	Standard issued July 2014. Effective starting 2018 or 2022 (if eligible for deferral approach) with early adoption permitted.	Standard issued May 2017. Effective starting 2022 with early adoption permitted if IFRS 9 and IFRS 15 are also adopted.
"measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts." **Source: FASB**	» "A more current measure of the insurance liability » A more uniform and current market-based measure of market-based options or guarantees » Simplified amortization of deferred acquisition costs » Enhanced disclosures" **Source: FASB**	» recognition and measurement » impairment » derecognition » general hedge accounting	» recognition, measurement, presentation and disclosure of insurance contracts

2

Brief overview - US Statutory including Life PBR and RBC

US Statutory – Valuation Manual Primer

1. VM-20 - Life Insurance Reserves
   - Early Adopt - New issues 1/1/2017 and later, mandatory 1/1/2020
2. VM-21 – Variable Annuity Reserves
   - Early Adopt – valuation on 12/31/2019, mandatory 1/1/2020
3. VM-22 – Maximum Interest Rates for Income Annuities
   - New issues 1/1/2018 and later
   - May include Payout reserves methodologies in future
4. VM-23 – Fixed Deferred Annuity Reserves
   - Drafting by 2020 with implementation in 2022
5. VM-25 – Long Term Care Reserves
   - 2018 and later – require stand alone Asset Adequacy Testing
6. VM-31 – PBR Actuarial Report (Life, Annuity and RBC)
7. VM-50/51 – Experience Reporting

US Statutory – VA C3 Risk Based Capital

1. Published RBC Tax guidance due to 2018 US Tax Reform
   - Not all factors adjusted for reduced tax rate (e.g. 35% down to 21%)
2. 2019 Risk Based Capital Amount (follow VM-21) =

.25 * ((CTE 98 $^{(adj)}$ + Additional Standard Projection Amount – Statutory Reserve) * (1 – FIT) – (Stat Reserve – Tax Reserve) * FIT)

OR

.25 * (CTE 98 $^{(after\text{-}tax)}$ + ASPA * (1 – FIT) – Stat Reserve)

- *If Alternative Method used in VM-21, then follow factor based RBC method adjusted for an after-tax basis.*
- *CTE98 (adj) is same as VM-21 (pre-tax basis)*

2019 - Summary of Upcoming Changes

1. ESG – NAIC preparing RFP (YE 2019) to replace AAA ESG
2. VM-G - Governance
   - Requires summary report to senior management – Attribution/ Waterfall Analysis (demographic, non-economic, economic, other) recommended
3. VM-21 and RBC Changes – early adopt 12/2019
   - AG-43 updated to reference VM-21 for inforce prior to 1/1/2017
4. VM-31 – PBR Actuarial Report
   - New XLS templates: Executive Product Summary, assumptions and margins, experience details, rider/supplemental benefit
   - Required reporting for Variable Annuities and RBC
   - New Annual Statement Exhibits (for Life and Variable Annuities)
5. VM-51 Annual Life Mortality Experience
   - Requires submission by 85% of US Life Insurance market
   - Report 2018 data by Sept 2020

SOA Research Survey

Email received on 5/30/2019:

“Would you like to know how your assumptions and methodology compare with other companies in the development of risk-based capital (RBC) for variable annuity secondary guarantees?

To find out, have your company participate in the survey (link at bottom of email) of the Society of Actuaries' Risk Management Task Force regarding Policyholder Behavior in the Tail (PBITT). If you are not the person to complete the survey, please forward this email to the correct contact.

This survey simply requests some of the assumptions that you have already developed for use in your RBC calculations, so responses should not be overly time-consuming. Responses will be gathered by SOA staff and will be kept confidential, with results reported anonymously.

Previous years' survey results for variable annuities and universal life can be found on the SOA Website:
2018 VA Survey Results
2018 UL Survey Results

Please submit your responses by **June 28, 2019**.

If you have any questions or have additional information you would like to submit, please email Barbara Scott at bscott@soa.org.

A printable version of the survey can be found here: 2019 VA Survey-FINAL.pdf .

Follow this link to the Survey:
Take the Survey

Or copy and paste the URL below into your internet browser:
http://soa.qualtrics.com/jfe/form/SV_0CZm2eXi9Ef332B?RID=MLRP_a8FV5JbK0nIz4AR&Q_CHL=email”

Potential changes to SAP: Update from NAIC

- At the Spring NAIC Meeting (April 6 – 9) SAPWG deferred further action. Per the minutes of the April 7 Accounting Practices and Procedures (E) Task Force:

"The Financial Accounting Standards Board (FASB) has undertaken additional projects to clarify the guidance in ASU 2016-13, Credit Losses and improve the transition of the credit loss standard. Further action by the Working Group has been deferred until after the FASB updates."

- If at a future point SAP adopts CECL requirements it would be a big change for the insurance industry and become a higher priority for them than the US GAAP CECL requirements alone as the effect in SAP would have an impact on required capital
- The Summer NAIC Meeting is August 3 - 6

3

US GAAP LDTI and CECL reinsurance receivables

Scope and Effective Date of ASU 2018-12 (LDTI)

- Although characterized as ‘targeted improvements’, ASU 2018-12 …
  - introduces significant changes to methodology, assumptions and reporting
  - impacts most long-duration insurance contracts types including life insurance (par and non-par), annuities, disability insurance and long term care insurance
- ASU 2018-12 is effective:
  - for public entities starting in 2021
  - for other entities in 2022
- Early application is permitted

Key LDTI Changes

1 **Current assumptions for liability measurement.** Assumptions reviewed annually. Net premium recalculated by cohort. Effect of changes recorded in net income.

2 **Approach to setting discount rate.** Discount rate for liability measurement is a standardized, market-observable discount rate. Effect of rate changes recorded in other comprehensive income.

3 **Market risk benefits.** Greater consistency in measurement of market risk benefits with Fair Value measurement model for all products.

4 **Amortization of deferred acquisition costs.** New constant rate amortization method over life of the contract. More disclosures.

5 **Expanded Disclosures.** Roll-forwards of liability balances and reasons for the change including impact of assumption changes.

Key LDTI Requirements

1 Current period reporting balances and financial projections.

- Cohort groupings and calculations needed for all contract types.
- Unlocking of liabilities requires actual experience, importing of transactions/movements data, storage of data by cohort
- Includes new measurement models for liabilities, DAC, SIA, and URL.

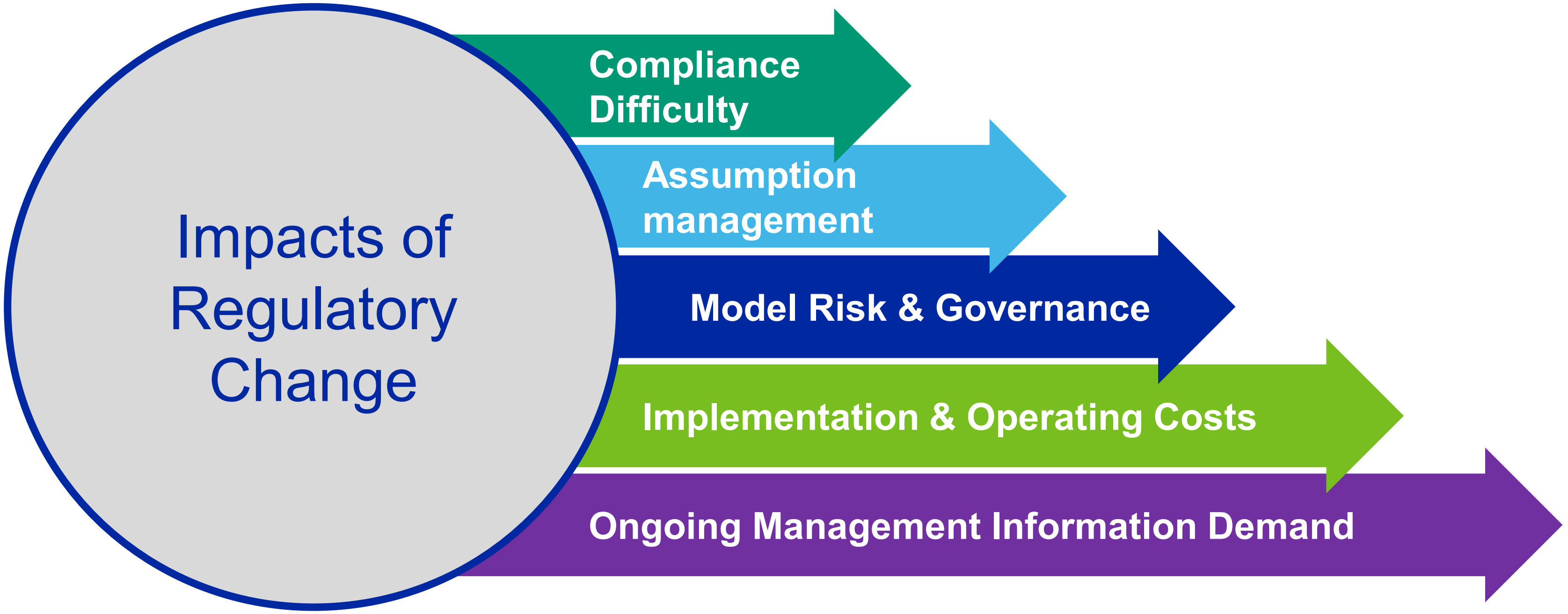
2 Current period reporting income.

- Allowing for prior and current period inforce and assumptions for experience adjustments and DAC amortization.
- Revaluing period start reserve using current assumptions for liability re-measurement gain/loss.
- Evaluating two values of liability for determining other comprehensive income (OCI) component.

3 Producing expanded disclosures.

- Processing multiple separate calculations of liability under different combinations of data models, assumptions, and discount rates for policy benefit liability roll-forward.
- Providing management of processes required to produce disclosure components.

Challenges of Implementing LDTI



Current Period PBL Reporting

1. Begin with prior period PBL
2. Calculate liability remeasurement gain/loss
   - Requires prior period inforce, current period experience, updated cash flow assumptions
3. Produce rollforward disclosure
   - Start with prior period liability
   - Present effects of retrospective and prospective unlocking separately
   - Include effect of new business and policy movement during period
   - Accumulate current period cash flows with locked-in rate
4. Calculate current period PBL
   - Requires current period inforce file, current period experience, updated cash flow assumptions

Current Period DAC Reporting

1. Begin with prior period DAC
2. Calculate current period capitalized costs
   - Requires cohort level expense and commission data
3. Calculate amortization
   - Requires prior period inforce, current period new business and prior period assumptions
4. Calculate experience adjustment
   - Requires a comparison of current period “actual” and “expected” policy movement, where the expected movement is based on prior period assumptions

Current Period MRB Reporting

1. Begin with prior period MRB
2. Report impacts of new business and interest accrual
3. Reflect actual fees collected and benefits paid
4. Capture MRB liability movement due to changes in:
   - Interest rates
   - Equity markets
   - Policyholder behavior
   - Credit risk
5. Calculate current period MRB

Disclosure Requirements - Summary

- “disaggregated rollforwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs.“

- “disclose information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgments, and assumptions, and the effect of those changes on measurement.”

Benefits of disclosure requirements

- BC90. Financial statement users provided feedback that existing disclosures provide limited decision-useful information. Users stated that they rely on information obtained from various sources other than GAAP financial statements— for example, supplemental schedules provided by insurance entities and U.S. statutory filings—and that additional disclosures would improve the decision usefulness of the financial statements.

- BC7.e. Enhanced disclosures. Specifically, a rollforward of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs will inform financial statement users about the components of changes in those asset and liability balances during the reporting period that they would not be able to otherwise discern by observing the total change in the asset or liability balances. The Board noted that users of financial statements indicated that these reconciliations would be one of the most useful disclosures because of the numerous factors that cause the changes in those balances, thus providing decision-useful information in assessing the performance and expected performance of an insurance entity. In addition, users will benefit from other information that is useful in their analyses, including measurement assumptions, changes in those assumptions, actual experience compared with expected experience, and crediting rate guarantees.

2016 Proposed Update and Redeliberations: Disclosures

- BC93. In response to user and preparer feedback, and after analyzing the voluntary disclosures that public insurers make available to investors and other users outside of the financial statements, the Board decided to require that an insurance entity provide a rollforward of beginning to end balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account assets and liabilities, and deferred acquisition costs. The Board made this decision because those reconciliations inform users of financial statements about changes in those asset and liability balances during the reporting period that they would not be able to otherwise discern by simply observing the change in the asset or liability balances. The Board noted that users of financial statements indicated that these reconciliations would be one of the most useful disclosures because of the numerous factors that cause the changes in those balances, thus providing decision-useful information in assessing the performance and expected performance of an insurance entity.
- BC94. In addition, to provide context to the information presented in the rollforwards, the Board decided to require the disclosure of assumptions and changes in assumptions. The Board also decided to include other information that users indicated would be useful in their analyses of an insurance entity's financial performance, including crediting rates and actual deviations from expected experience.

2016 Proposed Update and Redeliberations: Disclosures

- BC95. The Board decided that an insurance entity should aggregate or disaggregate disclosures so that useful information is not obscured either by the inclusion of a large amount of insignificant detail or by the aggregation of items that have significantly different characteristics. Disaggregation allows users to understand the amount, timing, and uncertainty of cash flows arising from contracts issued by insurance entities.
- BC96. The Board decided that useful disaggregation of disclosures depends on the characteristics of the contracts that an insurance entity writes and on various entity-specific factors; therefore, the guidance should not prescribe any specific factor to be used as the basis for disaggregating the disclosures. Instead, the Board decided to specify a principle for providing disaggregated information. The Board noted that specifying a principle should result in useful information for financial statement users because it enables an insurance entity to disaggregate the disclosures into categories that are meaningful for its business. In addition, specifying a principle should result in disaggregation that is neither too aggregated nor too detailed. The Board also noted that an insurance entity should not aggregate amounts from different reportable segments because this would reduce the usefulness of the disclosure.
- BC97. The Board also considered the guidance in FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements. In selecting the disclosure objectives, the Board concluded that 184 disclosures about long-duration contracts should enable users of financial statements to evaluate the amount, timing, and uncertainty of cash flows arising from those contracts.

Incurred Loss to Current Expected Credit Loss

Current Standard: Losses are to be Accrued When a "Triggering Event" Occurs

ASC 450-20
Loss Contingencies
(aka "FAS 5")

- If it is "probable" that a loss will incur <u>and</u> the amount can be reasonably estimated, it should be accrued in the financial statements
- If it is "reasonably possible" that a loss will incur, it should be disclosed in the notes without recognition in the financial statements
- If the possibility of loss is "remote", disclosure is not required

ASC 310-10
Receivables
(aka "FAS 114")

- Fair value of the collateral (collateral dependent loans); or
- PV of expected future cash flows from a loan; or
- Observable market price of the loan

» Scope:
  – Amortized cost assets (Loans and securities broadly)

» AFS OTTI model is changed to Allowance model

» Lifetime Loss estimate at origination

» Reasonable and supportable

» PCD model streamlined

» New disclosure requirements: amortized cost by credit quality indicators and vintage

» Current processes can be leveraged, but there are a number of considerations
  – Internal credit risk systems
  – Incurred loss ALLL processes
  – DFAST processes

2017
Project Plan/
Governance
Structure

Mid 2017
Gap Analysis
Preliminary
Decisions

Mid 2018
Models and
Methodology

2018
End-To-End
Solution
Implementation

2019
Parallel Run

2019
Early
Adoption?

2020
SEC
Filers

2021-22*
Non SEC /
Non PBE
Filers

CECL Formula =

Historical loss experience + **Adjust for Current Economic Conditions** + **Adjust for Reasonable & Supportable Forecast** + **Qualitative Adjustments**

** Adjustment for Current Conditions and Reasonable and Supportable Forecast can be quantitative or qualitative*

Reinsurance Receivables and Impairments

» Reinsurance Receivables

– *All amounts recoverable from reinsurers for paid and unpaid claim settlement expenses, including estimated amounts receivables for unsettles claims, claims incurred but not reported, or policy benefits*

– Only expected losses related to the credit risk of the reinsurer are subject to CECL

» Top-Down Approach

– Apply impairment rate for similarly rated companies based on duration of the receivables.

– The challenge is the availability of historical loss data

» Bottom-Up Approach

– Calculate expected losses on a collective or individual basis based on PD of the reinsurers and LGD/EAD of the receivables

– Useful for differentiating risk

CECL Modelling for Reinsurance Receivables

1. Potential loss on reported but unpaid claim, not settled yet
   - Term is usually less than 6 months
2. Potential loss from the IBNR claim
   - Term is around 6 month; typically less than one year
3. Potential loss from future claim
   - Longer time horizon; term could be 10~20 years

» PD, EAD and LGD are measured with bottom up approach

» The three components above will have same PD term structure, but different "maturity", EAD and LGD

Modeling EAD and LGD

- EAD and LGD for the three components should be estimated separately
  - Otherwise, EAD and LGD need to be expected value averaged across the these components
  - The degree of uncertainty and difficulty in estimation increases from component 1 to 3
- EAD
  - Exposure amount that may not be collectable
  - Can be potentially constructed from the actuarial system
  - Hardest for component 3
- LGD
  - (1- recoverable portion) of the EAD
  - Influenced by contract type, collateral, etc.

Measuring PDs

- PDs should reflect
  - The likelihoods that the contract will not be fulfilled, due to:
    - financial difficulties
  - The risk of the duration of the component, i.e., term structure of PDs
    - PD for component 1 typically has a shorter maturity than that for component 3
  - Forward looking and Point-in-Time (PIT) assessment of future risk

- Source of PDs:
  - Forward-looking assessments from the markets, e.g.,
    - Equity market implied
    - CDS implied
  - Internal and external ratings; PDs based on ratings are often Through-the-Cycle (TTC) in nature, they need to be made to be PIT

- Additional Considerations: parents vs subsidiary, authorized vs unauthorized

4

IFRS 17 and 9

International GAAP: IFRS 17 Insurance Contracts and regulatory requirements

» IFRS is GAAP in many jurisdictions

» Some filers who prepare both US GAAP and/or IFRS are considering what is optimal given IFRS 17 and US GAAP LDTI and other changes
  – Can they change their external financial reporting basis?
  – Can they harmonize the implementations to be as efficient as possible?
  – What are the tradeoffs?

» Many questions remain such as: How will IFRS 17 be interpreted/adopted by regulators? What will be the capital impacts? How will it interact with global solvency requirements?

» IFRS 17 policy choices such as taking the changes in the discount rate through P&L vs OCI can ultimately have real cash consequences through taxation regimes

IFRS Standards are required for domestic public companies

- (selected) IFRS Standards are required for domestic public companies
- IFRS Standards are permitted but not required for domestic public companies
- IFRS Standards are required or permitted for listings by foreign companies
- The IFRS for SMEs Standard is required or permitted
- The IFRS for SMEs Standard is under consideration

Source: https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#profiles

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IFRS Standards are required or permitted for use by foreign securities issuers.

Source: https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#profiles

IFRS 17 Insurance Contracts - Challenges

» With IFRS 17, insurers are faced with many new significant changes including:
  – Review of insurance contract valuation
  – Complete rethinking of profit recognition
  – Major revisions to financial statements and disclosures
  – Wider business implications, like pricing, reinsurance, hedging
  – Organizational changes required to bring together actuaries and accountants

» These changes requires insurers to transform their current financial reporting process along these 6 dimensions:

International GAAP: IFRS 17 Insurance Contracts and regulatory requirements

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  - IFRS 17 policy choices such as taking the changes in the discount rate through P&L vs OCI can ultimately have real cash consequences through taxation regimes

IFRS change to materiality definition

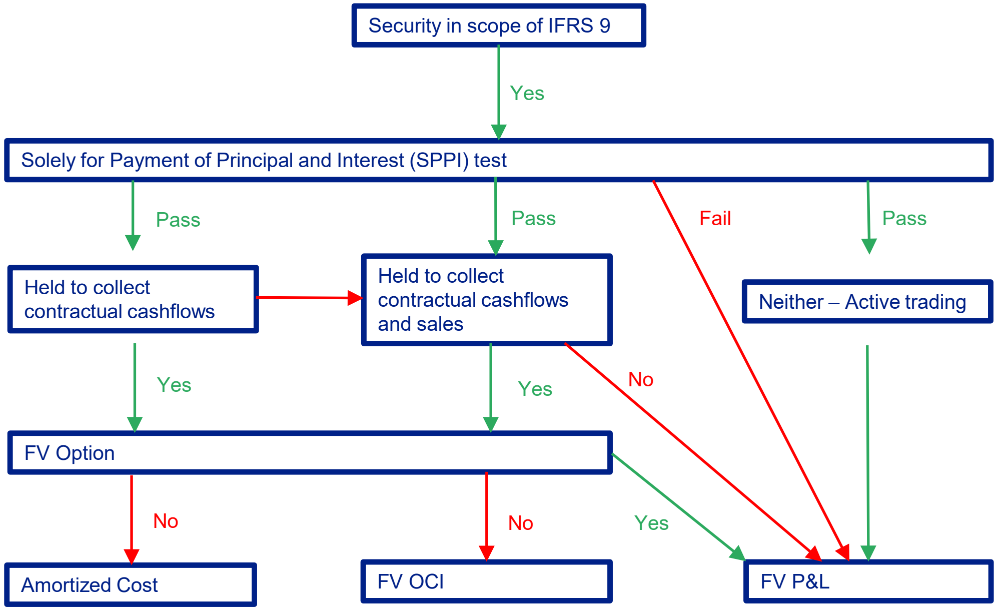
- Trick or treat! On October 31, 2018 the IASB "issued amendments to its definition of material to make it easier for companies to make materiality judgements.
- The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. The changes are effective from 1 January 2020, but companies can decide to apply them earlier.
  - **Old definition:** Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (IAS 1 *Presentation of Financial Statements*).
  - **New definition:** Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Source: https://www.ifrs.org/news-and-events/2018/10/iasb-clarifies-its-definition-of-material/

IFRS 9 Financial Instruments

- Consequences of sequential implementation of IFRS 9 and IFRS 17 versus a holistic simultaneous implementation
  - An example of the unintended consequences could be an increase in accounting mismatches rather than the opposite
- ALM, Valuation, and Financial Reporting considerations
- Often actuaries haven’t yet been included in the IFRS 9 implementation project so be sure to reach out to that team to align decisions between the IFRS 17 and IFRS 9 implementations to avoid any unintended consequences

IFRS 9 Classification Decision Tree



IFRS 9 – IFRS Interpretation Committee

March 2019 meeting

- "The IFRS Interpretations Committee (IFRS IC) received a request:
  - how an entity presents unrecognised interest when a credit-impaired financial asset (commonly referred to as a 'Stage 3' financial asset) is subsequently paid in full or is no longer credit-impaired.
  - whether an entity can present the reversal related to previously unrecognised interest within interest revenue.
  - At its March 2019 meeting, the Interpretations Committee published a final agenda decision concluding that an entity is required to present the difference described in the request as a reversal of impairment losses."
  - Source: ey-ifrs-developments-issue-147-curing-of-a-credit-impaired-financial-asset.pdf

Some IFRS 17 and IFRS 9 interactions

- Decisions such as whether the changes in the **discount rate** go through P&L or OCI with the opportunities to reduce accounting mismatches—or exacerbate them. The liability discount rate is now meant to reflect the characteristics of the liabilities and not the assets that back the liabilities, creating a disconnect that might need to be addressed when the financial statement results are explained
- IFRS 17 decisions around defining **portfolios** and how that then relates to IFRS 9 regarding which assets back which liabilities. Grouping of insurance contracts and the equivalent grouping of assets to back those liabilities This is also an example of where valuation and ALM intersect
- Comparison of **transition** approaches under IFRS 17 and 9 to see how aligned those should or can be
- IFRS 9 decisions around the possibility of electing **fair value** through profit or loss for assets. Mismatches that can be caused by fair valuing assets when the related liabilities are not fair valued
- **Economic assumptions** used across the enterprise for both IFRS 17 and 9. For example, are the actuaries and the asset managers taking the same view of the long end of the curve and of the macro-economic environment?
- Possibilities that assets will be impaired through the expected credit losses process of IFRS 9 and need to be reconsidered for their ALM effectiveness. Changes to the investment allocation and/or hedging program
- For more thoughts on this topic please read my article in The Actuary: https://www.theactuary.com/features/2019/06/where-standards-intersect/?utm_source=Adestra&utm_medium=email&utm_term

The challenge of implementing sequentially rather than simultaneously

US GAAP deadlines are before IFRS deadlines

- LDTI deadline is before IFRS 17
- CECL deadline is before IFRS 9 (if eligible for deferral)
- Implementation is therefore sequential but can still be done with a view across the standards
- In many jurisdictions for IFRS 4 insurers have been using US GAAP for IFRS 4. With the staggered deadlines an insurer could have to update US GAAP for LDTI for 2021 and then still implement IFRS 17 for 2022.

IFRS 17 – some Life and Annuity considerations

- Discount rates
- Guarantees
- Transition including the use of acquisition transactions and EV data for FV calc
- CSM including frequency of reporting (monthly, quarterly, and annually)
- Policy for stand alone reporting vs consolidated group level reporting
- Product development, pricing, how products might respond

IFRS 17 accounting policy and actuarial methodology choices: level of aggregation

- Consider the granularity required for reserving, pricing, financial reporting, and management reporting and analytics and if there is a desire to align these approaches
- Within financial reporting how granular and disaggregated do you ultimately want your disclosures to be? Your general ledger postings?
- Onerosity and decision useful information

IFRS 17 accounting policy and actuarial methodology choices: PAA vs GMM

- Is there really a significant implementation, operational, and training efficiency from using only GMM?
- Do you have both short term and long term insurance / reinsurance contract?*
- Would it be possible to convert long term contract into short term contract to be eligible for PAA approach?*
- Would it be easy to maintain PAA and GMA approach going forward operationally?*

*Source: KPMG IFRS 17 Briefing ARECA seminar 2017 August

IFRS 17 - Recent IASB Meetings

April 9, 2019 IASB Meeting – Amendments to IFRS 17

- The Board unanimously agreed with all staff recommendations
- The Board commented they weren't aware of any insurers early adopting IFRS 17
- Proposed amendments to IFRS 17 include
  - Deferral of the date of initial application of IFRS 17 by one year and deferral of the expiry date for the temporary exemption from applying IFRS 9 for one year
  - Changes to measurement (insurance acquisition cash flows relating to expected contract renewals, CSM allocation relating to investment components, reinsurance contracts held when underlying contracts are onerous)
  - Simplification of presentation
  - Scope exclusions
  - Increased disclosure requirements
  - Transition relief for business combinations and for the date of application of the risk mitigation option

May 15, 2019 IASB Meeting – Additional amendments for sweep issues and agreed on 90 day comment period for the Exposure Draft of the Amendments to IFRS 17 that is to be published by the end of June 2019

Follow industry developments and interpretations

- CIA draft educational note “Comparison of IFRS 17 to Current CIA Standards of Practice”
  - Note Appendix D: Situations where PAA is unlikely to be a reasonable approximation to GMA
- “Overview of ASB/CIA Activities Relating to the Implementation of IFRS 17”
- IBC papers including “Assessing Premium Allocation Approach Eligibility” and “IFRS 17 Implications on P&C Actuarial Analysis by Segment and Accident Period for Liability for Incurred Claims”
- EFRAG Background briefing papers on IFRS 17 topics

5

Q&A

MOODY'S
ANALYTICS

Eve Pastor
eve.pastor@moodys.com

moodysanalytics.com