

IFRS 17 – Senior Leaders’ Reflections

Moderator – Janice Deganis, EY

Panelists – Linda Kerrigan, Great-West Lifeco;
Rebecca Rycroft, Munich Re;
Jonathan Turner, Swiss Re

PLATFORM
ReVolution



CANADIAN
INSURANCE
CONFERENCE

Agenda

- Business
- Systems
- Products
- Understanding Results – Financial Reporting System implications
- Governance
- Project Management considerations

Business Implications

Key Components of IFRS 17 Implementation



Business Implications

Key Components of IFRS 17 Implementation

Actuarial valuation change:

If your business has a portfolio of life products, they will **no longer be measured under the Canadian Asset Liability Method**

The General Model uses building blocks which will **change the cash flows, discount rate and risk adjustments** required to value actuarial liabilities

Accounting impact:

The change in the valuation of actuarial liabilities will affect the **income statement timing and magnitude** for earnings

The **nature of the income statement** and required disclosures have undergone significant change

Decisions will be made regarding the implementation of IFRS 9 based on the determinations made under IFRS 17

Capital:

Changes to the valuation of products, impacting the **capital formula under LICAT**

Operational Considerations:

Given the profit model revisions, **pricing strategies and product development** may need to be reconsidered

People and resources should be assessed to determine if there is capacity to facilitate and adapt to changes required

Key performance metrics and compensation will require evaluation

IFRS 17



Tax perspectives:

Policy choices under IFRS 17 could impact deferred taxes

A changing income statement profile could impact tax planning strategies currently in place

Systems implications:

Transformation of existing systems to reflect new policy data required in the actuarial calculations under the new methodology

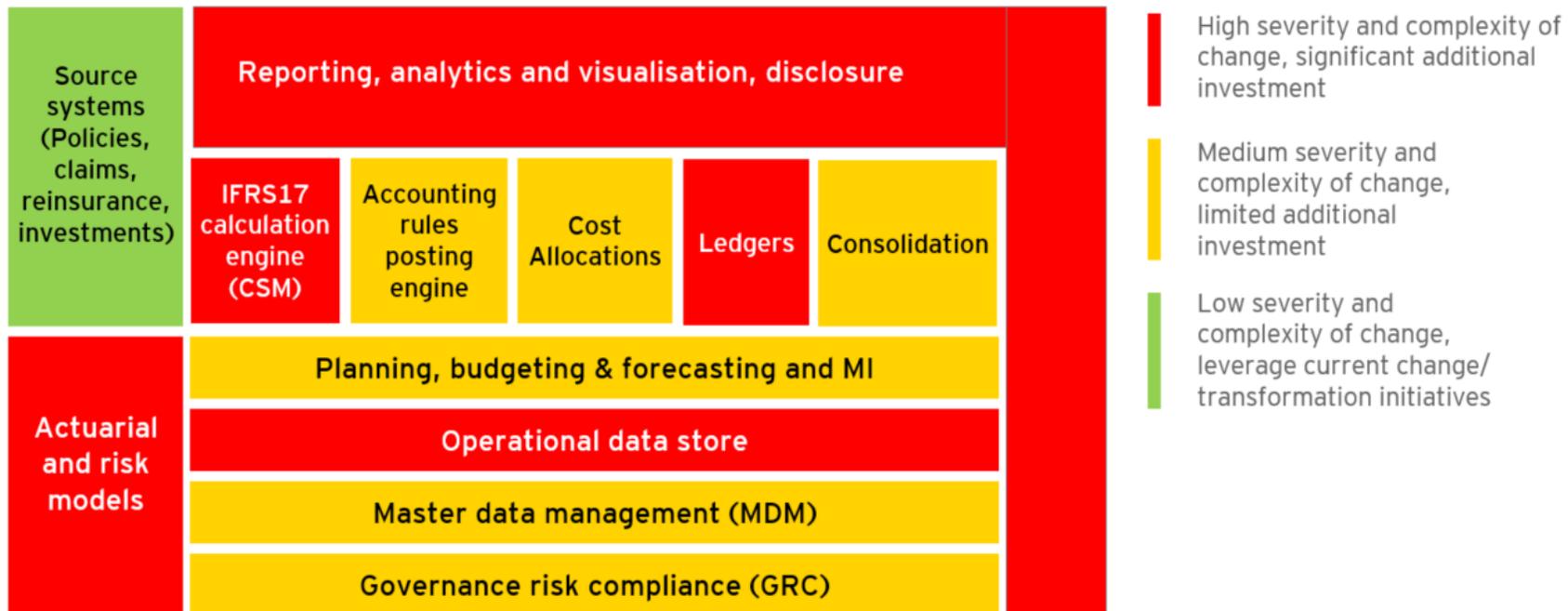
Updates to the existing valuation system GGY AXIS, as well as **need for new CSM tool**

Integration of systems changes to ensure **data flow** from policy to general ledger

System Implications

Consideration of impact across system architecture

High to medium complexity across data, systems and processes



Product Implications

Better line of sight

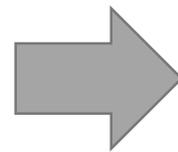
- Onerous designation (initial recognition)
 - Separation of contracts that are expected to lose money when written
 - Costing cashflows, discount rate, risk adjustment
 - Products with thin margins
 - Clear separation of underlying products from reinsurance thereon
- Onerous groups (subsequent measurement)
- Income statement model – Actual vs expected performance by Group
 - Expect analysts and investors to look for trends

Financial Reporting System Implications

A new normal?

IFRS 4

Net earned premiums
Interest, dividend and other investment income
Incurred claims and benefits Expenses and commissions
Change in provisions
Profit or loss



IFRS 17

Insurance revenue
Insurance services expense
Insurance service result
Investment income
Insurance finance expense
Financial result
Profit or loss

Release in contractual service margin
Change in risk adjustment
Expected claims (in fulfilment cash flows)
Expected expenses (in fulfilment cash flows)
Allocating premium relating to the recovery of directly attributable acquisition costs
Excluding investment components

Expected

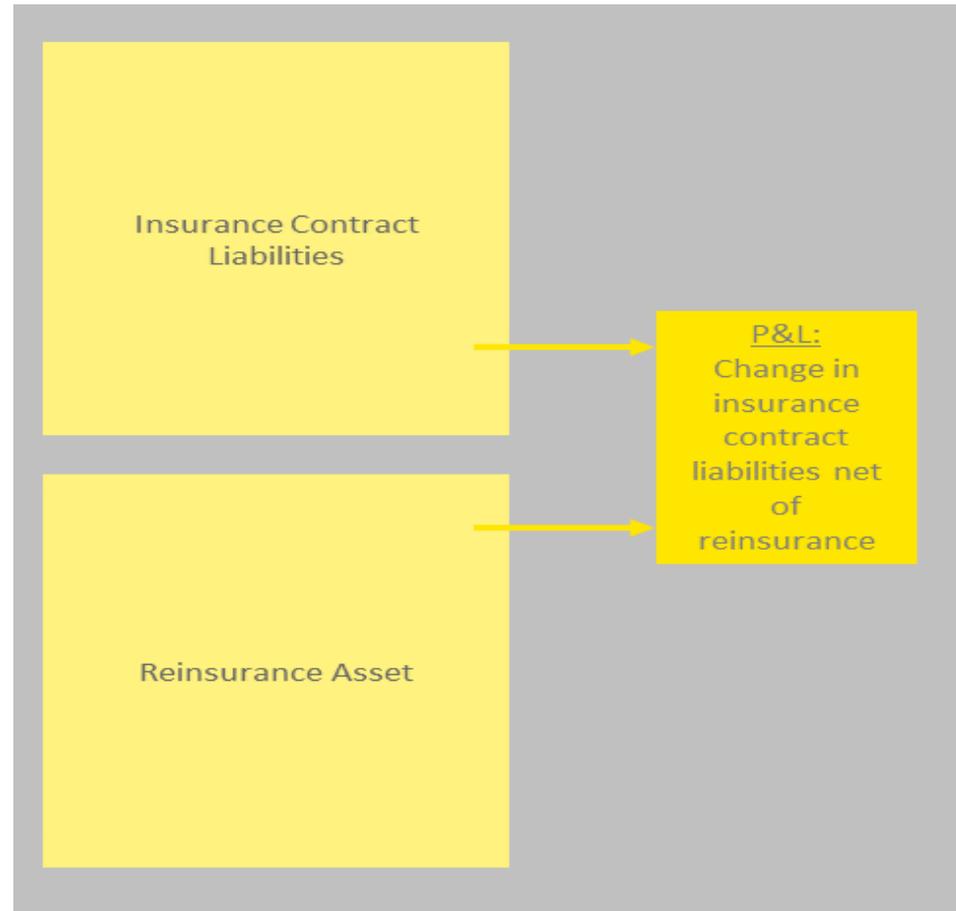
Written premiums are no longer included in the Income Statement under IFRS 17 – premiums received are disclosed in the notes to the financial statements

Notes:

1. Presentation provides a simplified presentation. For example: Presentation assumes that assets are measured at fair value through P&L; and impact of changes in discount rate on liabilities are presented through P&L. Complexities arising from the measurement of reinsurance are not reflected.
2. The presentation reflects the General Measurement Model (as opposed to the Variable Fee Approach or the Premium Allocation Approach).
3. The changes to the Balance Sheet presentation under IFRS 17 are less significant.

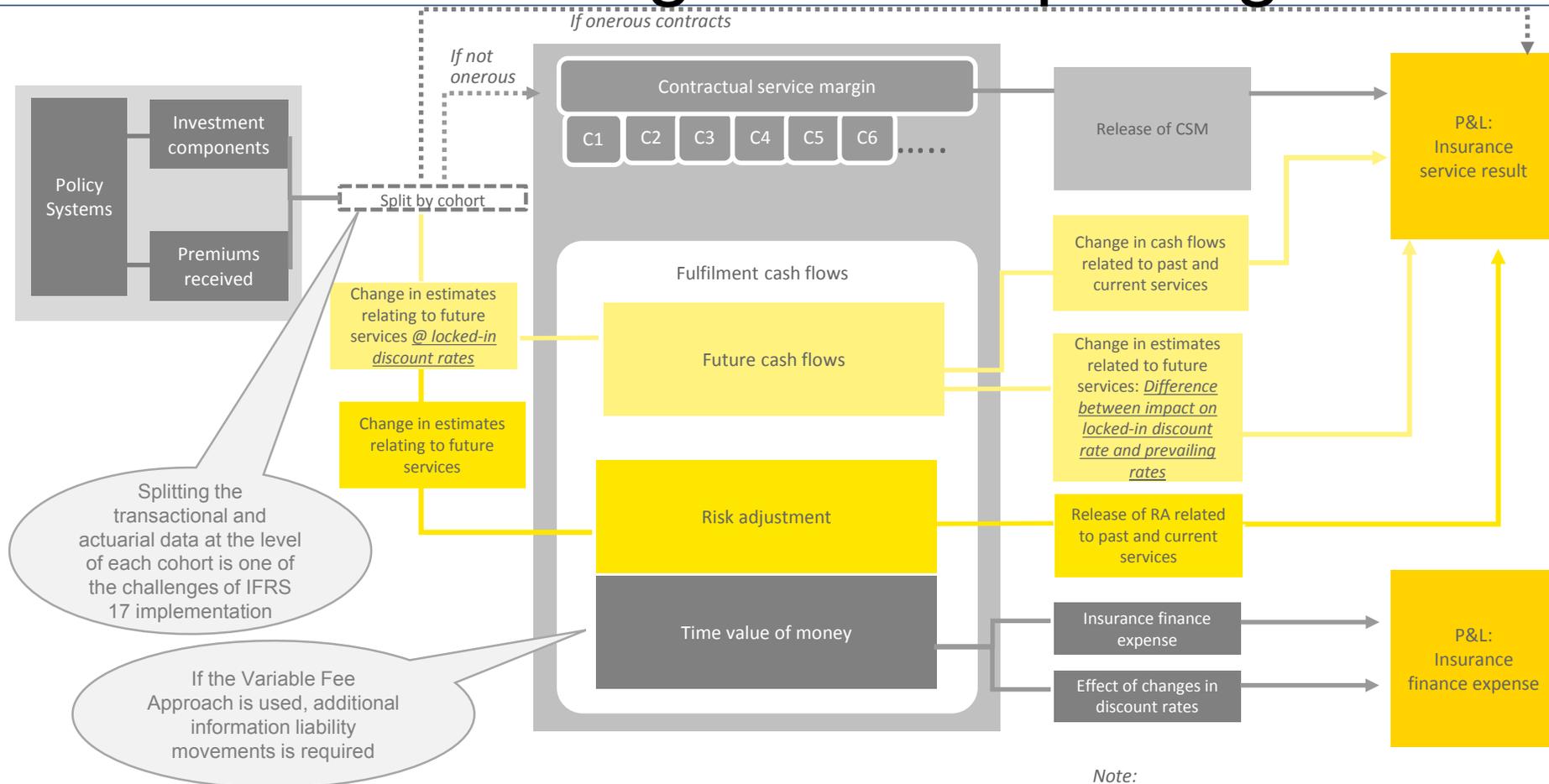
Financial Reporting System Implications

Currently, change in liabs in the I/S is highly summarized



Financial Reporting System Implications

IFRS 17 – Much more granular reporting



Financial Reporting System Implications

Development of new or existing technologies

New dimensions in the calculation of liabilities

Heightened manipulation of data

Additional data storage requirements

Greater granularity in reporting of liabilities

Governance Implications

Who to involve..... and when?

- Close involvement
 - Finance, Actuarial, IT, Tax
- Further away, but “keenly interested”
 - Business leads (especially Products/Pricing), Exec Teams, Board
- External stakeholders
 - OSFI, CRA/Department of Finance, Provincial authorities
 - Investors, analysts and rating agencies
- Other considerations
 - Company structure - Is parent an IFRS filer?

Project Management Implications

Slow, slow, quick, quick, slow

- Structure
- Resources - Need for strong Actuarial, IT and Finance talent – underlying knowledge of book, products, etc.
- Prioritization - “Crunch” with other projects (US GAAP, Finance Transformation, LE restructuring, other)

Appendix

Business Implications

Key Components of IFRS 17 Implementation

