IFRS 17 nader toegelicht!

Programma voor vandaag

15.00 uur – 15.15 uur	Ontvangst, opening en kennismaking
15.15 uur – 16.00 uur	Interactieve presentatie door Achmea, a.s.r. en EY – deel 1: transitie
16.00 uur – 16.10 uur	Pauze
16.10 uur – 16.55 uur	Interactieve presentatie door Achmea, a.s.r. en EY – deel 2: disclosures en movement analyses
16.55 uur – 17.10 uur	Q&A
17.10 uur – 17.30 uur	Wrap-up en Next-Steps
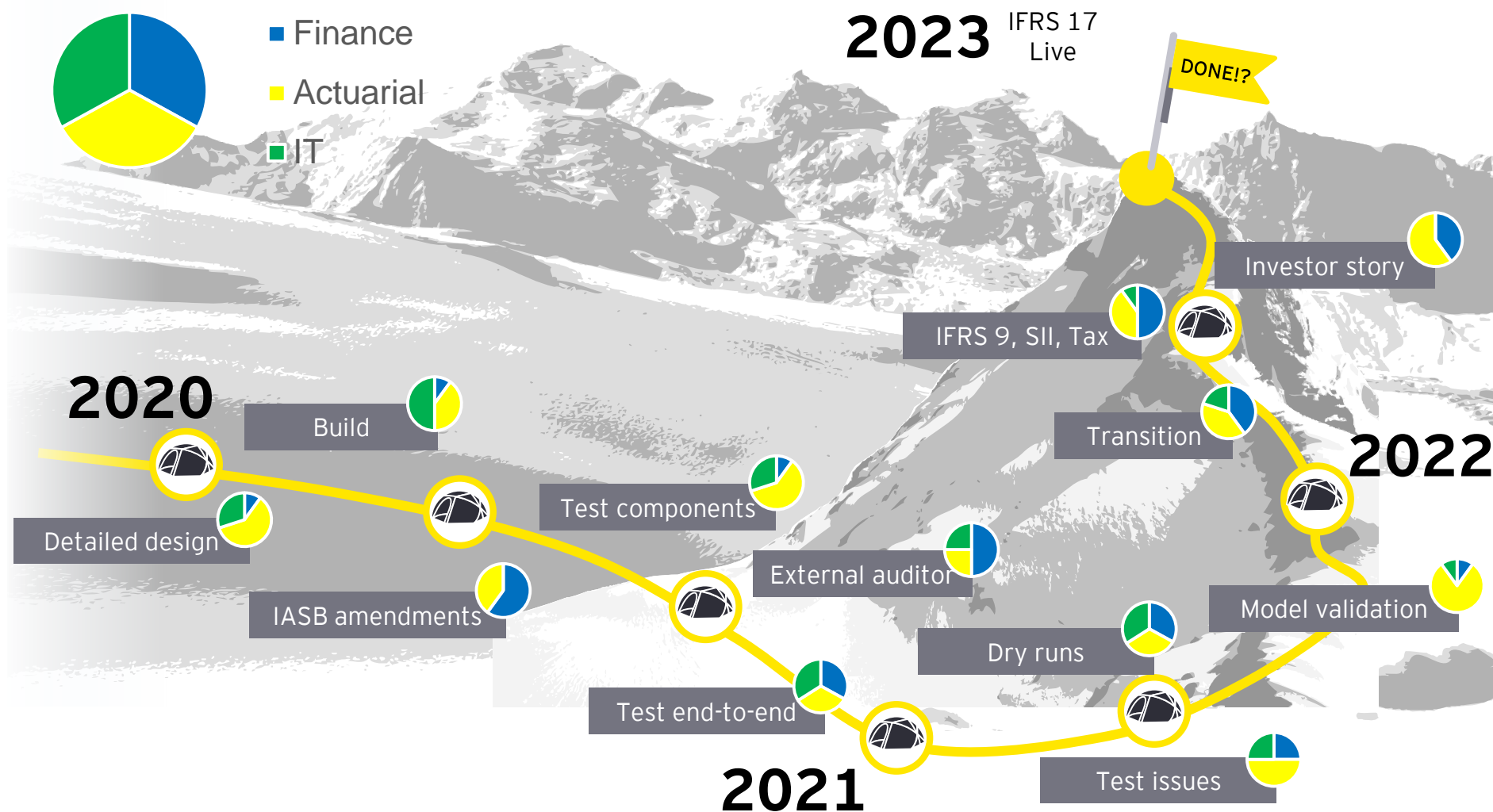
Onze sprekers van vandaag delen graag hun inzichten

Hildegard Elgersma
Associate Partner
EY CFO Consulting

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Associate Partner
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David Brunsveld
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EY Actuarial Services

Stef van Zijtveld
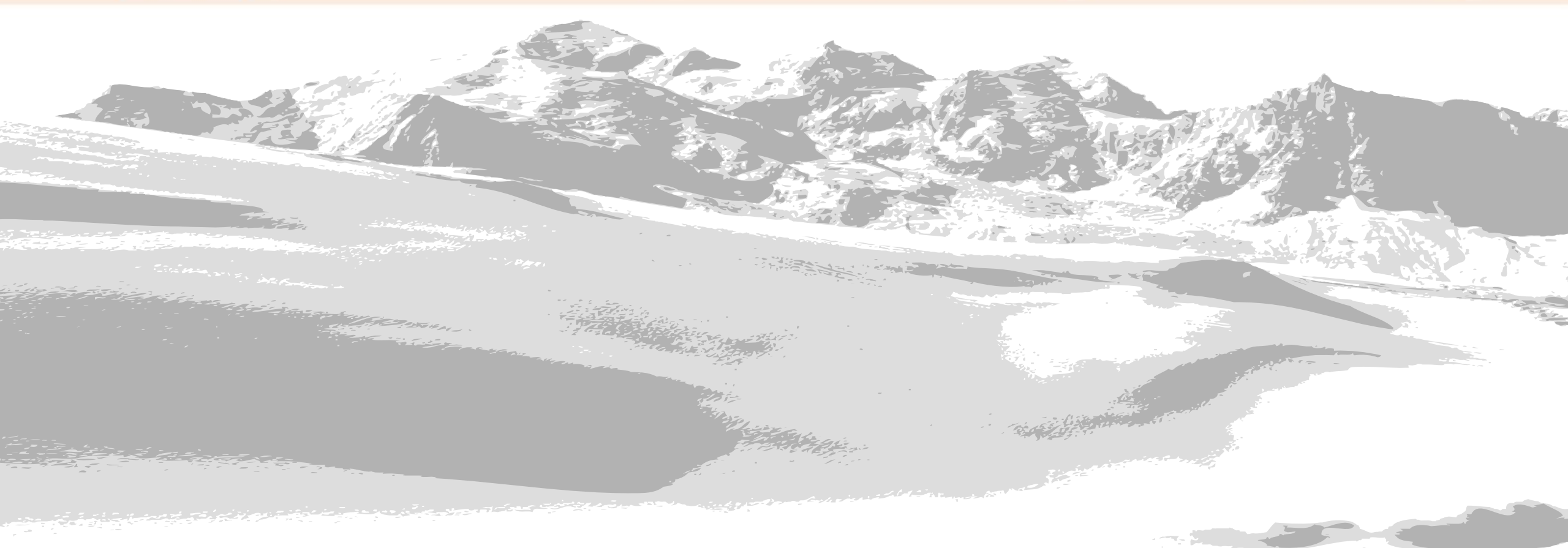Senior Manager
EY Actuarial Services

Steven Uphof
IFRS Reporting Policies
a.s.r.

Iris Steverink
Manager Reporting
Achmea

Anton Eijsermans
Senior Manager Reporting
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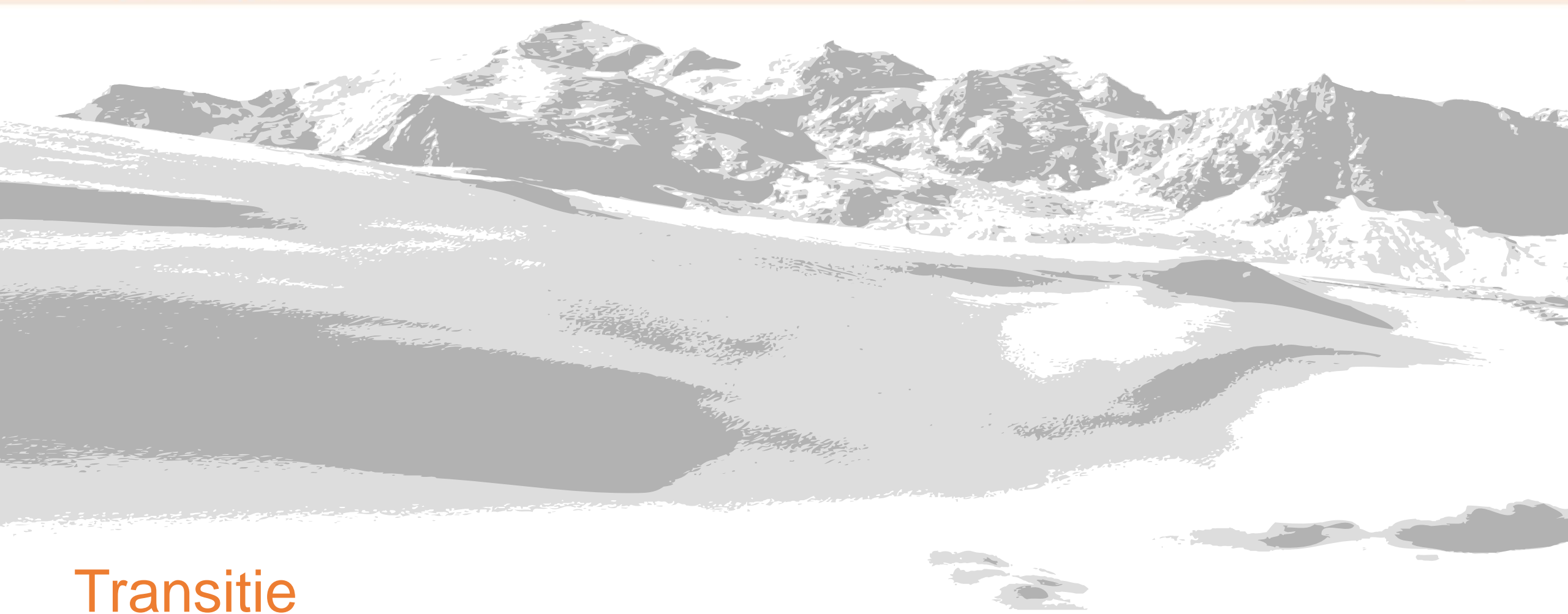**Deelnemers van vandaag**

Wat is uw betrokkenheid bij IFRS 17?

a) Ik werk als business controller mee in de projecten voor implementatie van IFRS 17
b) Ik werk als actuaris mee in de projecten voor implementatie van IFRS 17
c) Ik werk als financial controller in de reporting/verslaglegging en heb te maken met IFRS 17
d) Ik werk als leidinggevende of beleidsfunctionaris bij een verzekeraar en heb direct of indirect te maken met IFRS 17
e) Geen van vorige opties maar ik heb in een andere functie te maken met of belangstelling voor IFRS 17

Verwacht u vanaf begin 2022 betrouwbare tussentijdse interne cijfers volgens IFRS 17 te kunnen rapporteren naast die volgens IFRS 4?

a) Ja, inclusief betrouwbare, sluitende verklaring van verschillen IFRS 17 vs IFRS 4

b) Ja, maar nog zonder betrouwbare, sluitende verklaring van verschillen

c) Nee, pas vanaf juni 2022, mede ten behoeve van halfjaarbericht juni 2022

d) Nee, we verwachten tot eind 2022 stug door te moeten werken naar betrouwbare, sluitende cijfers inclusief verklaring

Wat ziet u als de meest kritische succesfactor voor een geslaagde oplevering van IFRS 17 ?

Transitie

Transition date: 1-1-2022
Beginning of the annual reporting period immediately preceding the date of initial application

Full prior year IFRS 17 disclosures required for 2022

Date of initial application: 1-1-2023
Beginning of the annual reporting period in which an entity first applies IFRS 17
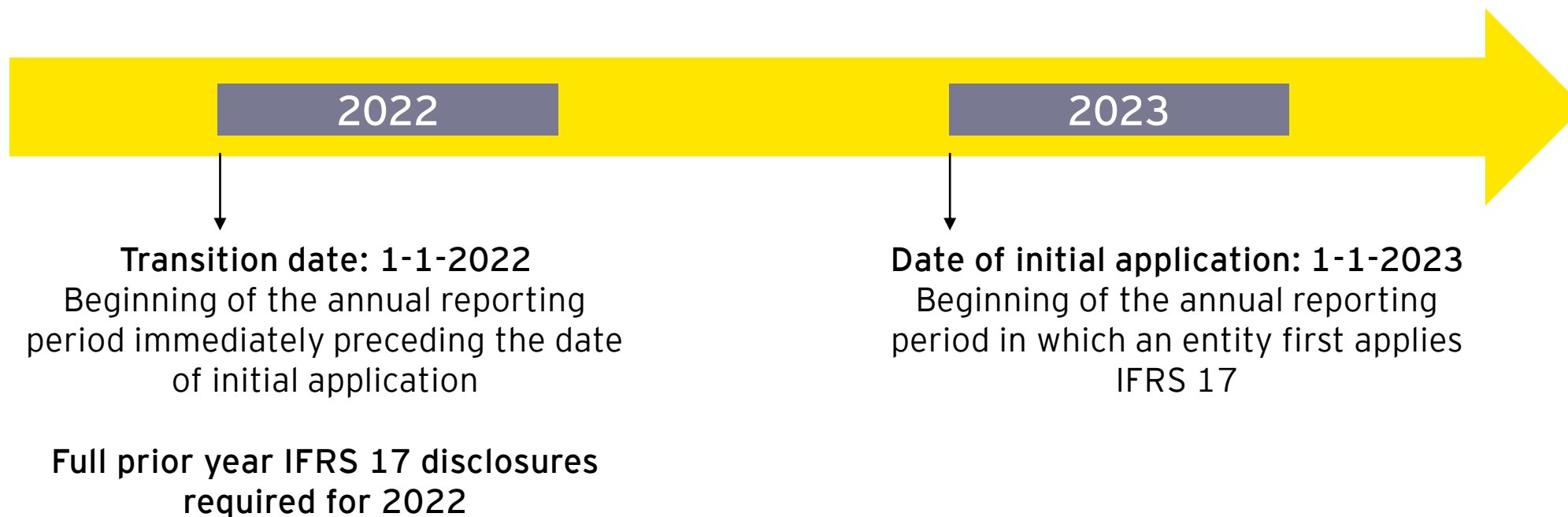
Balance sheet impact at the transition date (1 January 2022)

1. Recognise IFRS 17 balances
Assets
Portfolios of reinsurance contracts held which are assets
Portfolios of Insurance and reinsurance contracts issued which are assets
Liabilities
Portfolios of Insurance and reinsurance contracts issued which are liabilities
Portfolios of reinsurance contracts held which are liabilities

2. Derecognise IFRS 4 balances
Assets
~~Reinsurer's share of liabilities~~
~~Deferred acquisition costs~~
~~Value of business acquired~~
~~Premiums receivable~~
~~Policy loans~~
Liabilities
~~Insurance contract liabilities~~
~~Unearned premiums~~
~~Claims payable~~

3. Difference in Equity
+/- net difference

	PV of future cash flows	Risk adjustment	CSM / loss component
Existing contracts*	Usual IFRS 17 measurement	Usual IFRS 17 measurement	Transitional measures are available**
New business (post transition)	Usual IFRS 17 measurement	Usual IFRS 17 measurement	Usual IFRS 17 measurement

* Issued or purchased before transition date, no relief for contracts derecogised before transition

** Also apply to insurance finance income or expenses included in OCI if accounting policy choice is taken

Transition - Overview

DECIDE TRANSITION METHOD BY GROUP OF CONTRACTS

Full retrospective approach (apply IAS 8) although option to apply fair value approach to VFA contracts when risk mitigation applied from transition date

If impracticable to apply fully retrospectively

Modified retrospective approach

- Modifications available if necessary given reasonable and supportable information
- Maximise the use of the information needed for full retrospective approach

Insufficient reasonable and supportable information available

Fair value approach

Balans

- Eigen vermogen versus CSM+RA
- Rente curves
- Optimalisering transitie methode.
  - Beschikbaarheid van data
  - Gebruikte modellen
  - Conversie
  - Acquisities

Estimating CSM on Transition – Key requirements

Modified retrospective approach

- ► When full retrospective approach is impracticable
- ► Not all historical information is available
- ► Several modifications are included (e.g. level of aggregation, cash flows, discount rates)
- ► Modifications to be applied to the extent 'reasonable and supportable information' is available

Full retrospective approach

- ► Required when sufficient historical data exists and hindsight is not required

Fair value-based approach

- ► When full retrospective approach is impracticable
- ► No historical information about cash flows is available to calculate the CSM
- ► Insurance liability "calibrated" to fair value
- ► CSM is positive difference (if any) between fair value and fulfilment value

Tot welk jaar verwacht u maximaal terug te gaan met de Full Retrospective Approach voor een Leven portefeuille?

a) Voor 2016

b) Tot 2016, sinds de start van Solvency II

c) Tot 2018, sinds de uitvaardiging van IFRS 17

d) Na 2018

e) Vanaf 2022, onderdelen dan pas klaar

Transition - Full retrospective approach

- Default measurement on transition – for all three measurement models.

    - Comparative information is required for comparative period.

    - No requirement to represent comparatives for any period earlier than 2022 even if more than two balance sheets/income statements presented.

- Use of the full retrospective approach does not preclude the use of estimates – per IAS 8 estimates should reflect the circumstances which existed at the time.

- Risk mitigation under the VFA cannot be applied before transition date.

    - IFRS 17 permits an entity to elect the fair value approach to groups of VFA contracts (even if these could use a retrospective approach) when risk mitigation applied prospectively from transition date.

- If an entity elects not to change estimates made in previous reporting periods the CSM must be estimated for all individual interim periods previously presented.

    - There is relief from this under the modified retrospective approach.

- Goodwill is not restated for any business combination prior to date of initial application (e.g. 1.1.23).

    - However, IFRS 17 contracts acquired must be remeasured under IFRS 17 and any intangible created under IFRS 4 for the difference between previous GAAP value and fair value ('VOBA') eliminated.

Transition - Modified retrospective approach

Allows a series of modifications to the full retrospective approach <u>if, and to the extent</u>, there is no reasonable and supportable information to apply the full retrospective approach. Full retrospective approach should be applied apart from any modifications applied by the entity.

Item	Modification
Aggregation of contracts	Contracts in a portfolio issued more than one year apart can be aggregated (NB: this may result in several years being aggregated)
Claims acquired in their settlement period	Can be classified as a liability for incurred claims rather than a liability for remaining coverage
Interim reporting of CSM	Determine the CSM as if interim financial statements not prepared before transition date
Fulfilment cash flows prior to transition date	Simplification if unable to determine
Discount rates at initial recognition prior to transition date	Simplification to determine observable yield curve

Transition - Modified retrospective approach (continued)

Item	Modification
Insurance acquisition cash flows paid	Use same systematic and rational method expected to be used after transition to allocate to groups. Must have reasonable and supportable information.
Positive CSM (i.e. a gain)	If modifications to cash flows etc cause a CSM (i.e. profit on initial recognition) modified calculations to amortise or accrete interest on CSM.
Onerous contracts and related reinsurance held	Use systematic basis of allocation or simplification.
Insurance finance income and expenses	Various simplifications on discount rates and disaggregation. In addition, it may be permitted to set the cumulative OCI balance on transition at nil.
VFA contracts – CSM /Loss Component	Various specific simplifications to calculate the transition CSM; any LC will be set to nil.
VFA contracts - Insurance finance income and expenses	It is permitted to set the OCI balance on transition equal to the cumulative OCI amount of the underlying items.

Dilemma: Hoe zien jullie de MRA (Modified Retrospective Approach) interpretatie?

a) IFRS 17 is heel duidelijk welke simplificaties onder de MRA kunnen worden gebruikt en kent daarmee een limitatieve lijst

b) IFRS 17 is in de kern principle based en er zouden onder de MRA ook andere versimpelingen plaats mogen/kunnen vinden. (To achieve the closest outcome to full retrospective approach, using reasonable and supportable information available without undue cost or effort)

c) Een 'andere versimpeling' omdat het niet onder de MRA limitatieve lijst valt alsnog verwerken onder de FRA (Full Retrospective Approach). Als bijkomstigheid hierdoor voorkom je de additionele (continue) toelichting inzake transitie (totdat het laatste contract is afgewikkeld)

d) MRA of FRA kunnen beide niet worden gebruikt voor de versimpeling en daarom is er alleen nog de keuze om de FVA (Fair Value Approach) te gebruiken

Transition - Fair value approach

The application of fair value approach is:
- Permitted as an alternative to the MRA when full retrospective application impracticable
- Required when full retrospective application impracticable and entity cannot obtain reasonable and supportable information for the MRA approach
- Permitted for VFA contracts when risk mitigation used prospectively from transition date

The CSM (or loss component) under the fair value approach is calculated for a group of contrast on transition date as the difference between:
- The fair value of the group (measured under IFRS 13, without considering the demand deposit floor); and
- The fulfilment cash flows measured at that date

CSM at transition	
Fair value	120
IFRS 17 FFCF	100
CSM at transition	20

Loss Component at transition	
Fair value	120
IFRS 17 FFCF	130
LC at transition	(10)

Transition - Fair value approach modifications

Subject	Modification
Aggregation of contracts	Contracts in a portfolio issued more than one year apart can be aggregated (NB: this may result in several years being aggregated)
Claims acquired in their settlement period	Can be classified as a liability for incurred claims rather than a liability for remaining coverage
Identifying groups, VFA contracts, discretionary cash flows and investment contracts with DPF	Use of reasonable and supportable information at date of inception, initial recognition or at transition date
Disaggregation of insurance finance income and expenses	Simplifications including the ability to set cumulative OCI at Nil on transition (VFA contracts - equal to the cumulative OCI amount of the underlying items).
Insurance acquisition cash flows	Determine at amount entity would incur at transition date for same right.

Entities that have not previously applied IFRS 9

- Apply the IFRS 9 including transitional rules.
- IFRS 9's starting point is that differences resulting from application are reported in net equity at date of initial application (e.g. 1 January 2023 for an entity adopting IFRS 17 and IFRS 9 in a calendar year ending 31 December 2023).
  - Comparatives may be restated but only if it is possible without the benefit of hindsight.
  - **NOTE**: This is different to IFRS 17, for which comparative periods are always restated.
- IFRS 9 cannot be applied to items already derecognised at date of initial application (1 January 2023 for most entities).
  - This means that IAS 39 accounting, for example available-for-sale accounting for equities, will remain in the comparative income statement for financial assets derecognised in that comparative period.
- No option to set OCI for financial assets at FVOCI at nil on date of transition, which is permitted for insurance liabilities under the modified retrospective or fair value approaches.

As a result, care may be needed tot explain the presentation of financial instruments in the comparative period!
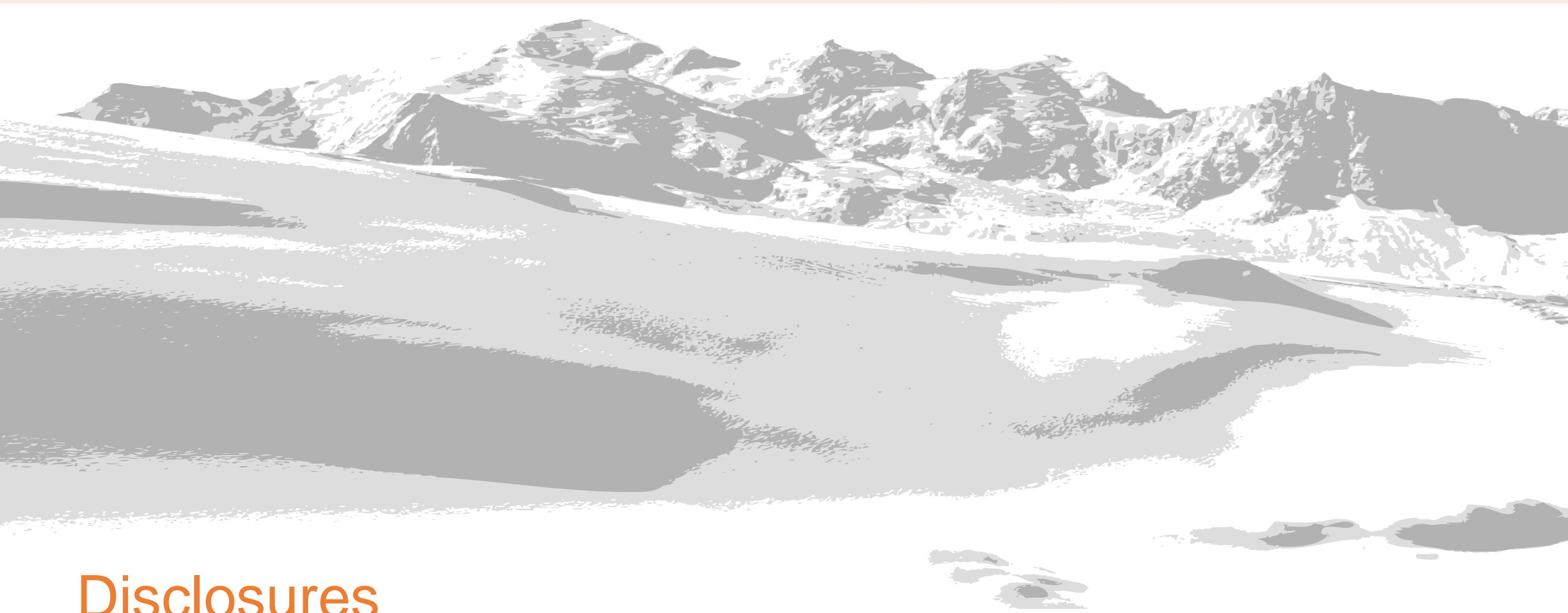
Operationele uitdaging

- Complexiteit van regelgeving
- Invulling van impracticability
- IFRS 9 vergelijkende cijfers

Communicatie

- Intern management (incl. RvC)
- Externe auditor
- Analisten en aandeelhouders
- KPI's :
  - Operating result
  - Combined ratio (incl. kosten ratio)
  - Insurance contract revenue
  - CSM

Disclosures

Wat denkt u bij de <u>jaarcijfers 2021</u> te gaan rapporteren over de impact van IFRS 17 op de cijfers?

a) Status/voortgang van het project implementatie IFRS 17
b) Status/voortgang van het project implementatie IFRS 17 met indicatie financiële impact openingsbalans 2022
c) We vermelden niets, behalve dat IFRS 17 vanaf 2023 van kracht en er gewerkt wordt aan de implementatie

IFRS 17 Disclosures – which ones, for what purpose, and what changes?

Amount

Reconciliation for insurance service

Opening balance → Closing balance	Net liabilities for remaining coverage	Any loss component	Liabilities for incurred claims

Reconciliation for liabilities valued by General model

Opening balance → Closing balance	Expected present value of future cash flows	RA for non-financial risk	CSM

More to be disclosed, including but not limited to:

Analysis of insurance contract revenue recognized in the period, comprising:
- CSM release to profit or loss,
- Expected insurance service expense
- RA release
- Recovery of insurance acquisition CFs

CSM and related quantities for in-force business at transition

Amount of insurance finance income or expenses (IFIE)

Judgement

Significant judgements & changes to those include:

- Methods to measure contracts
- Process for estimating the inputs for those methods

- Any changes to the methods and process, reason for each change
- Types of contracts affected

Explanation of methods used to calculate IFIE recognized in P&L

Confidence level used to determine RA for non-financial risk

Yield curve(s) to discount cash flows that do or do not vary based on returns of underlying items

The approach to determine:
- how to distinguish changes in estimates of future cash flows from the exercise of discretion from other changes, for contracts without participation features
- composition and fair value of underlying items for contracts with direct participation features
- RA for non-financial risk, discount rates and investment components

Risk

Disclosure for each type of risk

Risk appetite

Risk exposure

Risk management

Regulatory law

Type and extent of risks

Insurance risks	Financial risks
Risk concentrations	Risk concentrations
Sensitivity analysis concerning insurance risks	Sensitivity analysis concerning market risks
Claims development	Credit and liquidity risks

Disclosure impact (indicative): ● Broadly the same as for IFRS 4   ○ More complex/detailed than IFRS 4   ● New compared to IFRS 4

In welke IFRS 17 disclosures denkt u dat externe stakeholders vooral geïnteresseerd zullen zijn?

a. Recognized amounts, ontwikkeling sinds transitie, vergelijkingen met peers, vooruitblik verwachte resultaatontwikkeling

b. Significant judgements, begrip methodologische keuzes en vergelijkingen met peers

c. Nature and extent of risks, begrip van gevoeligheden

d. Allen, begrijpen van de cijfers en vergelijkbaarheid met peers

e. Anders

Explanation of recognized amounts

Reconciliation for insurance service

| Opening balance → Closing balance | Net liabilities for remaining coverage | Any loss component | Liabilities for incurred claims |

Reconciliation for liabilities valued by General model

| Opening balance → Closing balance | Expected present value of future cash flows | RA for non-financial risk | CSM |

Reconciliation for liabilities valued by General model

Analysis of insurance contract revenue recognized in the period, comprising:
‣ CSM release to profit or loss,
‣ Expected insurance service expense
‣ RA release
‣ Recovery of insurance acquisition CFs

CSM and related quantities for in-force business at transition

Amount of insurance finance income or expenses (IFIE)

Significant judgements & changes to those include:

▸ Methods to measure contracts

▸ Process for estimating the inputs for those methods

▸ Any changes to the methods and process, reason for each change

▸ Types of contracts affected

Explanation of methods used to calculate IFIE recognized in P&L

Confidence level used to determine RA for non-financial risk

Yield curve(s) to discount cash flows that do or do not vary based on returns of underlying items

The approach to determine:

▸ how to distinguish changes in estimates of future cash flows from the exercise of discretion from other changes, for contracts without participation features

▸ composition and fair value of underlying items for contracts with direct participation features

▸ RA for non-financial risk, discount rates and investment components

Under IFRS 17, an entity shall disclose information about the nature, amount, timing, and uncertainty of future cash flows.

The Standard mentions financial risk explicitly and asks for the disclosure of quantitative information. The entity should also disclose how financial risks are managed. Items to be disclosed:

the exposure to risks and how they arise
the entity's objectives, policies and processes for managing the risks and the methods use to measure the risks; and
any changes from the previous periods

Financial risks include, but are not limited to, market risk, credit risk, and liquidity risk

Nature and extent of risks

Disclosure for each type of risk

- Risk appetite
- Risk exposure
- Risk management
- Regulatory law

Type and extent of risks

Insurance risks	Financial risks
Risk concentrations	Risk concentrations
Sensitivity analysis concerning insurance risks	Sensitivity analysis concerning market risks
Claims development	Credit and liquidity risks

Disclosures explanations of recognised amounts – Example for expectations when to recognize CSM

The disclosure of when the CSM is expected to be in income in future years is presented below:

2021

In €000	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total	
Insurance contracts issued								IFRS 17.109
Life insurance unit	34	39	50	103	95	424	745	
Life reinsurance unit	34	36	49	58	62	92	331	
	68	75	99	161	157	516	1,076	
Reinsurance contracts held								
Life insurance unit	23	17	–	44	32	45	161	
	23	17	–	44	32	45	161	

2020

In €000	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total	
Insurance contracts issued								IFRS 17.109
Life insurance unit	28	22	34	31	64	245	424	
Life reinsurance unit	19	16	22	22	26	51	156	
	47	38	56	53	90	296	580	
Reinsurance contracts held								
Life insurance unit	3	3	3	–	6	9	24	
	3	3	3	–	6	9	24	

Disclosures explanations of recognised amounts – Example for reconciliation from opening to closing balances (PAA) (1/2)

In €000	Liabilities for remaining coverage — Excluding loss component	Loss component	Liabilities for incurred claims — Estimates of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows	Total	
			2023				
Insurance contract liabilities as at 01/01	2,071	17	2,099	49	(406)	3,830	IFRS 17.99(b)
Insurance contract assets as at 01/01	–	–	–	–	–	–	IFRS 17.99(b)
Net insurance contract (assets)/liabilities as at 01/01	2,071	17	2,099	49	(406)	3,830	
Insurance revenue	(3,012)	–	–	–	–	(3,012)	IFRS 17.103(a)
Insurance service expenses	285	(17)	2,216	21	19	2,524	
Incurred claims and other expenses	–	(14)	2,166	55	–	2,207	IFRS 17.103(b)(i)
Amortisation of insurance acquisition cash flows (a)	285	–	–	–	–	285	IFRS 17.103(b)(ii)
Losses on onerous contracts and reversals of those losses	–	(3)	–	–	–	(3)	IFRS 17.103(b)(iv)
Changes to liabilities for incurred claims	–	–	50	(34)	–	16	IFRS 17.103(b)(iii)
Impairment of assets for insurance acquisition cash flows	–	–	–	–	19	19	IFRS 17.105A, B
Reversal of impairment of assets for insurance acquisition cash flows	–	–	–	–	–	–	IFRS 17.105A, B
Investment components	–	–	–	–	–	–	IFRS 17.103(c)
Insurance service result	(2,727)	(17)	2,216	21	19	(488)	
Insurance finance expenses (b)	16	–	62	–	–	78	IFRS 17.105(c)
Effect of movements in exchange rates	4	–	2	–	–	6	IFRS 17.105(d)
Total changes in the statement of comprehensive income	(2,707)	(17)	2,280	21	19	(404)	

Disclosures explanations of recognised amounts – Example for reconciliation from opening to closing balances (PAA) (2/2)

Cash flows							*IFRS 17.105(a)*
Premiums received	c	2,410	–	–	–	–	2,410 *IFRS 17.105(a)(i)*
Claims and other expenses paid		–	–	(1,599)	–	–	(1,599) *IFRS 17.105(a)(iii)*
Insurance acquisition cash flows		(85)	–	–	–	(147)	(232) *IFRS 17.105(a)(ii)* *IFRS 17.105A*
Total cash flows		2,325	–	(1,599)	–	(147)	579
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts		(131)	–	–	–	131	– *IFRS 17.105A*
Other movements		–	–	–	–	–	– *IFRS 17.105(d)*
Net insurance contract (assets)/liabilities as at 31/12		1,558	–	2,780	70	(405)	4,005
Insurance contract liabilities as at 31/12		1,558	–	2,780	70	(403)	4,005 *IFRS 17.99(b)*
Insurance contract assets as at 31/12		–	–	–	–	–	– *IFRS 17.99(b)*
Net insurance contract (assets)/liabilities as at 31/12		1,558	–	2,780	70	(403)	4,005

Disclosures significant judgement – example for the confidence level used to determine the risk adjustment for non-financial risk

5.1.3. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The Company has estimated the risk adjustment using a cost of capital technique. The cost of capital technique requires the Company to estimate the probability distribution of the fulfilment cash flows, and the additional capital that it requires at each future date in the cash flow projection to comply with the Company's internal economic capital requirements.

IFRS 17.117(c)(ii), IFRS 17.119

A cost of capital rate is applied to the additional capital requirement in future reporting periods. The cost of capital represents the return required by the Company to compensate for exposure to the non-financial risk. The Company's cost of capital is set at 6% per annum. The calculated risk adjustment at future durations is discounted to the reporting date at the risk free rate, to be held as a part of the total life insurance contract liability.

The risk adjustment for life insurance and reinsurance contracts corresponds to 82.5% and 91% confidence levels, respectively (2020: 81.9% and 89.2%).

Disclosures nature and extent of risks– examples on types of risks and sensitivity analyses

In €000	Change in assumptions	2021 Impact on CSM before tax gross of reinsurance	2021 Impact on CSM before tax net of reinsurance	2020 Impact on CSM before tax gross of reinsurance	2020 Impact on CSM before tax net of reinsurance
Mortality/morbidity rate	+ 10 %	(950)	727)	(934)	(719)
Longevity	+ 10 %	689	544.7	672	525
Expenses	+ 10 %	(792)	(683)	(704)	(665)
Lapse and surrenders rate	+ 10 %	(744)	(588)	(868)	(701)
Mortality/morbidity rate	- 10 %	929	701	931	707
Longevity	- 10 %	(682)	(523)	(651)	(504)
Expenses	- 10 %	791	103	763	650
Lapse and surrenders rate	- 10 %	876	114	850	682

Movement analyses

IFRS17 movement analysis mechanics

In IFRS17 two liability movement analysis tables need to be disclosed (two different views):
- IFRS article 100 view: by **LFRC / LFIC**
- IFRS article 101 view: by **PVFCF / RA / CSM**

IFRS17 article 100 view

IFRS17 Liability movement | IFRS17 article 100 view	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component (LC)		
Insurance contract liabilities 2022	-	-	-	-
Expected claims and other expenses that relate to current service	-	-	-	-
Risk adjustment recognised for the risk expired	-	-	-	-
CSM recognised for service period	-	-	-	-
Acquisition expenses	-	-	-	-
Insurance revenue (A)	-	-	-	-
Incurred claims and other expenses that relate to current service	-	-	-	-
Changes in estimates allocation to LC that relate to future service	-	-	-	-
Changes that relate to past service	-	-	-	-
Acquisition expenses	-	-	-	-
Insurance service expenses (B)	-	-	-	-
Investment components (C)	-	-	-	-
Insurance service result (A+B+C)	-	-	-	-
Insurance finance expenses	-	-	-	-
Cash flows	-	-	-	-
Insurance contract liabilities 2023	-	-	-	-

IFRS17 article 101 view

IFRS17 Liability movement | IFRS17 article 101 view	Present value of future cash flows	Risk Adjustment	Contractual service margin	Total
Insurance contract liabilities 2022	-	-	-	-
Contracts initially recognised in the period	-	-	-	-
Changes in estimates	-	-	-	-
Changes in estimates allocation to LC	-	-	-	-
Changes that relate to future service (A)	-	-	-	-
Experience adjustments that relate to current service	-	-	-	-
Risk adjustment recognised for the risk expired	-	-	-	-
CSM recognised for service period	-	-	-	-
Changes that relate to current service (B)	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-
Changes that relate to past service (C)	-	-	-	-
Insurance service result (A+B+C)	-	-	-	-
Insurance finance expenses	-	-	-	-
Cash flows	-	-	-	-
Insurance contract liabilities 2023	-	-	-	-

IFRS17 movement analysis mechanics

- How does the current movement analysis view reconcile with the new IFRS17 movement analysis disclosures?

Movement of liability | current view	Present value of future cash flows
Insurance contract liabilities 2022	**1.000**
Expected claim cash flows	🔵 -100
Expected expense cash flows	-
Expected premium cash flows	-
Interest accretion	-
Unwind Risk Adjustment	-
Unwind TVOG	-
Expected claim provision	-
Roll forward	**-100**
Model changes	**-**
Non Financial assumption changes	**-**
Financial assumption changes and experience	**-**
Non Financial experience	🟣 **-50**
Insurance contract liabilities 2023	**850**
Incurred claims	🟢 100
Paid claims	🔴 100

A simple scenario:

- Opening PVFCF is 1,000

- Opening CSM is 100

- Risk adjustment is neglected

- Interest rates assumed 0%

- CSM release is 10%

- Everything happens as expected, except for: Non Financial Experience: -50

- Expected CF = incurred CF = paid CF

IFRS17 movement analysis mechanics

- Besides expected claims, also **incurred and paid claims** are required in IFRS17
- Recognition of **insurance revenue** is related to service provided

IFRS17 article 100 view

IFRS17 Liability movement | IFRS17 article 100 view	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component (LC)		
Insurance contract liabilities 2022	**1.100**	**-**	**-**	**1.100**
Expected claims and other expenses that relate to current service	🔵 -100	-	-	-100
Risk adjustment recognised for the risk expired	-	-	-	-
CSM recognised for service period	-15	-	-	-15
Acquisition expenses	-	-	-	-
Insurance revenue (A)	**-115**	**-**	**-**	**-115**
Incurred claims and other expenses that relate to current service	-	-	🟢 100	100
Changes in estimates allocation to LC that relate to future service	-	-	-	-
Changes that relate to past service	-	-	-	-
Acquisition expenses	-	-	-	-
Insurance service expenses (B)	**-**	**-**	**100**	**100**
Investment components (C)	**-**	**-**	**-**	**-**
Insurance service result (A+B+C)	**-115**	**-**	**100**	**-15**
Insurance finance expenses	**-**	**-**	**-**	**-**
Cash flows	**-**	**-**	🔴 **-100**	**-100**
Insurance contract liabilities 2023	**985**	**-**	**-**	**985**

IFRS17 movement analysis mechanics

- Besides expected claims, also **incurred and paid claims** are required in IFRS17
- Recognition of **CSM** is related to service provided

IFRS17 article 101 view

IFRS17 Liability movement | IFRS17 article 101 view	Present value of future cash flows	Risk Adjustment	Contractual service margin	Total
Insurance contract liabilities 2022	**1.000**	**-**	**100**	**1.100**
Contracts initially recognised in the period	-	-	-	-
Changes in estimates	⬤ -50	-	50	-
Changes in estimates allocation to LC	-	-	-	-
Changes that relate to future service (A)	**-50**	**-**	**50**	**-**
Experience adjustments that relate to current service	⬤⬤ -	-	-	-
Risk adjustment recognised for the risk expired	-	-	-	-
CSM recognised for service period	-	-	-15	-15
Changes that relate to current service (B)	**-**	**-**	**-15**	**-15**
Adjustments to liabilities for incurred claims	-	-	-	-
Changes that relate to past service (C)	**-**	**-**	**-**	**-**
Insurance service result (A+B+C)	**-50**	**-**	**35**	**-15**
Insurance finance expenses	**-**	**-**	**-**	**-**
Cash flows	⬤ **-100**	**-**	**-**	**-100**
Insurance contract liabilities 2023	**850**	**-**	**135**	**985**

IFRS17 movement analysis mechanics

- Insurance service result of **both views reconciles**
- Article 100 view shows amounts in expected and incurred cash flows
- Article 101 view shows CSM movement and changes in estimates

IFRS17 article 100 view

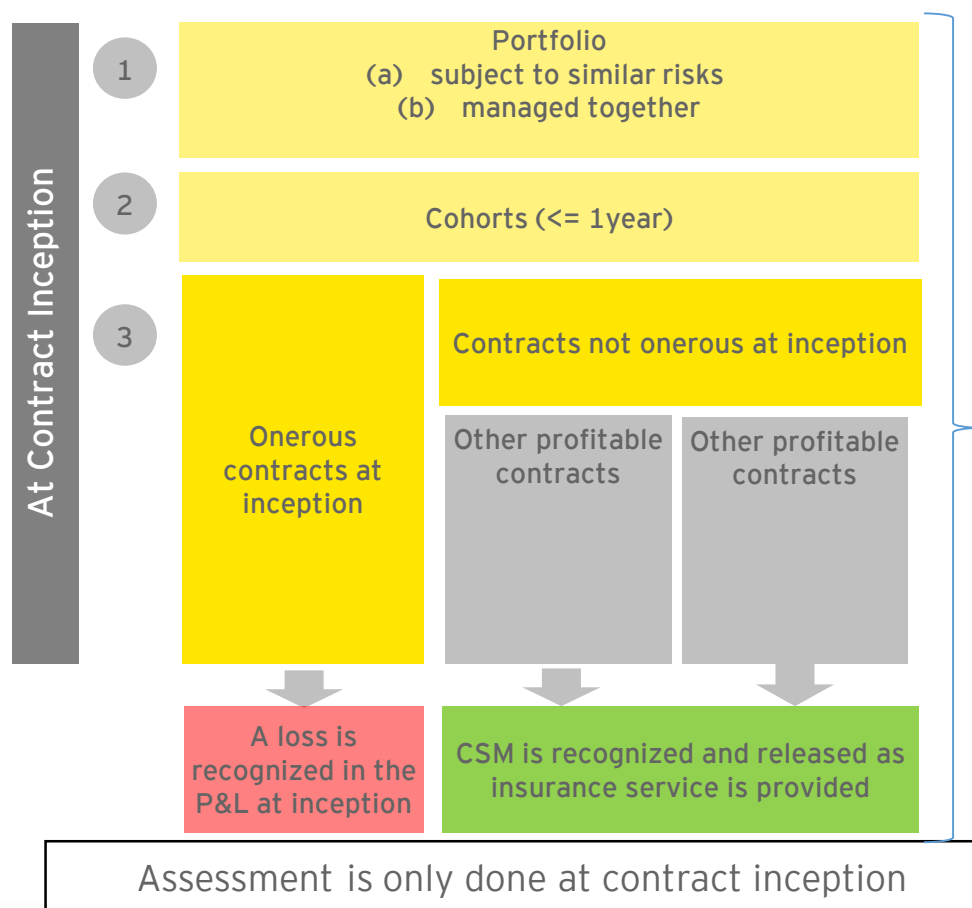| IFRS17 Liability movement | IFRS17 article 100 view	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component (LC)		
Insurance contract liabilities 2022	**1.100**	**-**	**-**	**1.100**
Expected claims and other expenses that relate to current service	🔵 -100	-	-	-100
Risk adjustment recognised for the risk expired	-	-	-	-
CSM recognised for service period	-15	-	-	-15
Acquisition expenses	-	-	-	-
Insurance revenue (A)	**-115**	**-**	**-**	**-115**
Incurred claims and other expenses that relate to current service	-	-	🟢 100	100
Changes in estimates allocation to LC that relate to future service	-	-	-	-
Changes that relate to past service	-	-	-	-
Acquisition expenses	-	-	-	-
Insurance service expenses (B)	**-**	**-**	**100**	**100**
Investment components (C)	**-**	**-**	**-**	**-**
Insurance service result (A+B+C)	**-115**	**-**	**100**	**-15**
Insurance finance expenses	**-**	**-**	**-**	**-**
Cash flows	**-**	**-**	🔴 **-100**	**-100**
Insurance contract liabilities 2023	**985**	**-**	**-**	**985**

IFRS17 article 101 view

IFRS17 Liability movement | IFRS17 article 101 view	Present value of future cash flows	Risk Adjustment	Contractual service margin	Total
Insurance contract liabilities 2022	**1.000**	**-**	**100**	**1.100**
Contracts initially recognised in the period	-	-	-	-
Changes in estimates	🟣 -50	-	50	-
Changes in estimates allocation to LC	-	-	-	-
Changes that relate to future service (A)	**-50**	**-**	**50**	**-**
Experience adjustments that relate to current service	🔵🟢 -	-	-	-
Risk adjustment recognised for the risk expired	-	-	-	-
CSM recognised for service period	-	-	-15	-15
Changes that relate to current service (B)	**-**	**-**	**-15**	**-15**
Adjustments to liabilities for incurred claims	-	-	-	-
Changes that relate to past service (C)	**-**	**-**	**-**	**-**
Insurance service result (A+B+C)	**-50**	**-**	**35**	**-15**
Insurance finance expenses	**-**	**-**	**-**	**-**
Cash flows	🔴 **-100**	**-**	**-**	**-100**
Insurance contract liabilities 2023	**850**	**-**	**135**	**985**

Movement analyse: welke kansen kiezen we ?

Statement of comprehensive income	
Insurance revenue	X
Insurance service expenses	(X)
Insurance service result	X
Investment income	X
Insurance finance expenses	(X)
Finance result	X
Other profit and loss items	X
Corporate tax	(X)
Profit after tax	X
Other comprehensive income	(X)
Total comprehensive income	X

Release in contractual service margin	Expected
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 non-distinct investment components	

Actual claims incurred	Actual
Actual expenses incurred	
Allocating premium relating to the recovery of directly attributable acquisition costs	
Onerous contracts	
Excluding non-distinct investment components	

Calculated using locked-in rates (if the OCI option is selected)

Effect of discount rate changes on BEL (if the OCI option is selected)

Op welk niveau houden we welke details vast?

Assessment is only done at contract inception

# Movement analyse: welke keuzes maken we?

- Beschikbare data: schat aan verwachte en werkelijke kasstromen

  - welke kenmerken neem je mee in de data?

- Op welk niveau ga je de data ontsluiten / aggregeren?

  - verplicht te rapporteren versus intern wenselijk

- Actuariële analyse gebruikt ook verwachtingen en realisaties

  - resultaat op kortleven, langleven, verval, kosten, schade etc

  - maar ook backtest op de best estimate

  - integreren of apart?

- Verschillen en overeenkomsten met Solvency II

  - aparte processen? hergebruik?

Op welk moment gaat u beschikbare data aggregeren?

a) Zo snel mogelijk. Hoe minder data, des te sneller de berekeningen gaan

b) Zo laat mogelijk. We willen gedetailleerde analyses kunnen maken

c) Dat laten we afhangen van de mogelijkheden van onze systemen

d) Daar hebben we nog niet over nagedacht

Q&A
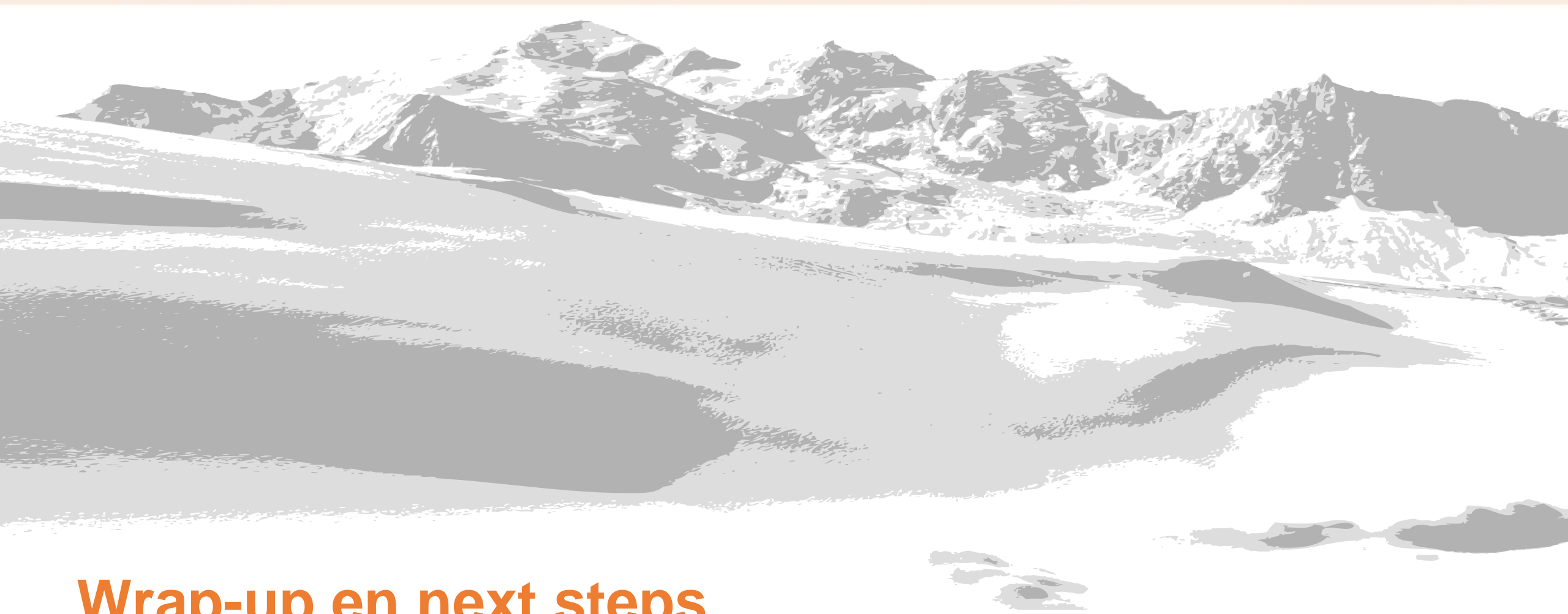
Wrap-up en next steps

Next steps:

- Gezamenlijk optrekken naar de stip aan de horizon januari 2023, IFRS- 17 proof
- In najaar 2021 wordt een derde bijeenkomst georganiseerd door NBA, AG en EY waarin wederom interactief jullie onderwerpen aan bod komen
- Welke onderwerpen zou je dan behandeld willen zien?

Welk onderwerpen zou u op de agenda willen bij de bijeenkomst in het najaar 2021 ?

Bedankt

Voor meer informatie kunt u contact opnemen met:

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