Session 143 PD, IFRS - Hot Topics

Moderator:
R. Thomas Herget, FSA, CERA, MAAA

Presenters:
R. Thomas Herget, FSA, CERA, MAAA
William C. Hines, FSA, MAAA
Michael J. Lockerman, FSA, MAAA
Henry W. Siegel, FSA, MAAA
2016 SOA
Annual Meeting
& Exhibit

Session 143
October 26, 2016
Hot Topics in IFRS
Our Speakers:
William Hines
Michael Lockerman
Henry Siegel
Thomas Herget
Agenda for today
IASB overview (Michael, 25 minutes for 1,2,3 and 4)
IFRS 9 Financial instruments
Financial Concepts
Revenue Recognition
IFRS 17 Insurance Contracts (William, 25 minutes)
Group of Four findings (Henry, 15 minutes)
SOA textbook (Thomas, 5 minutes)
Questions & Answers (5 minutes)
2016 SOA
Annual Meeting
& Exhibit

Session 143
October 26, 2016
Hot Topics in IFRS
Disclaimer

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Agenda
IASB overview
Conceptual Framework
Revenue Recognition
Financial Instruments

Michael Lockerman
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IASB overview
IFRS and IASB

- IFRS—International Financial Reporting Standards
- Standard setter—International Accounting Standards Board (IASB) founded in 2001 and based in London
- Independent group of 12 experts responsible for:
  - Development & publication of IFRS
  - Approving interpretations of IFRS
- Works in collaboration with FASB but publishes separate exposure drafts
- International Accounting Standards Committee (IASC) Foundation
  - Appoint IASB members
  - Exercise oversight
  - Raise funds
  - Similar to Financial Accounting Foundation (FAF)
- Predecessor organization was International Accounting Standards Committee (IASC) founded in 1973
### IFRS Adoption by Country

<table>
<thead>
<tr>
<th>Afghanistan</th>
<th>Bulgaria</th>
<th>Ghana</th>
<th>Liechtenstein</th>
<th>Palestine</th>
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<td>Niger</td>
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<td>Finland</td>
<td>Korea (South)</td>
<td>Nigeria</td>
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<td>St Vincent and the Grenadines</td>
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Conceptual Framework
Conceptual Framework

• Established by the IASC in 1989
• Describes objectives of and concepts for general purpose financial reporting
• Problems with existing framework
  • Some important areas not covered
  • Lack of clarity
  • Outdated concept
• Priority project – published exposure draft in 2015
Conceptual Framework - Changes

• New chapter on measurement
• Confirmation on profit or loss being the primary source of information about company’s performance
• Re-defining definitions of basic building blocks of financial statements
• Highlights importance of providing information to assess management’s stewardship
• Reintroducing explicit reference to prudence
Conceptual Framework - Effects

- Conceptual Framework does not override the Standards
  - No immediate effect on financial statements
  - Long term effect will arise when new Standard is formed using the revised conceptual framework

- Link to detailed outline of proposed changes:
Revenue Recognition
Overview of the new standard

- A single **5 step model** from 4 criteria model
- **Principle based**, no more industry specific guidance
  - Transfer of service to customer
  - Measured at transaction price
- **Expanded qualitative and quantitative disclosures** (annual and interim)
- January 2018 retrospective adoption
Scope of the new revenue standard

**Included**

- Investment management, property management, development fees
- Performance and incentive fees
- Carried interest
- Up front distribution fees
- Up front costs incurred by asset manager (launch costs, trailer fees)
- Trading fees, underwriting fees, custody fees, monthly service charges, etc.
- Commissions

**Excluded**

- Lease contracts
- **Insurance contracts**
- Financial instruments
- Guarantees (other than product warranties)
- Certain nonmonetary exchanges
- Contracts with other than customers (e.g., collaborations)
The five-step model

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation
Goods and Services within Insurance Contracts

• Unbundling is **required** if:
  • the goods or service could be sold separately, or
  • The policyholder can benefit from it without benefiting from the insurance contract

• Unbundling is **not allowed** if:
  • The goods or service cannot be separated from the insurance contract, or
  • The goods or service has been significantly modified

• *Health insurance example with claims processing service*
  • No health benefit, only claims processing
  • Low $ Stop loss benefit with claims processing
  • High deductible coverage with claims processing
Financial Instruments
# Status of Financial Instruments/IFRS 9

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>IFRS 9</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Issued on</td>
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<tr>
<td>Classification &amp; Measurement</td>
<td>Jul 24, 2014</td>
</tr>
<tr>
<td>Impairment</td>
<td>Jul 24, 2014</td>
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<tr>
<td>General Hedge</td>
<td>TBD</td>
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<tr>
<td>Macro Hedge</td>
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# Key Differences from IAS 39

<table>
<thead>
<tr>
<th>Topics</th>
<th>IAS 39</th>
<th>IFRS 9</th>
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</thead>
<tbody>
<tr>
<td>Classification &amp; Measurement</td>
<td>Classification Based on the defined categories, assets are classified into Loans and Receivables (L&amp;R), Fair Value through Profit or Loss (FVPL), Held to Maturity (HTM) or Available for Sale (AFS)</td>
<td>Based on the cash flow characteristics and business models, assets are classified into FVPL, Fair Value through Other Comprehensive Income (FVOCI), or Amortized Cost</td>
</tr>
<tr>
<td></td>
<td>Recycling of unrealized gain or loss in OCI for equity instrument Recycled. (AFS)</td>
<td>Not recycled. (FVOCI)</td>
</tr>
<tr>
<td>Impairment</td>
<td>Investment in equity Impairment needed Impairment NOT needed</td>
<td>Impairment NOT needed</td>
</tr>
<tr>
<td></td>
<td>Impairment of receivable Incurred loss model</td>
<td>2 Step expected credit loss model (ECL model)</td>
</tr>
<tr>
<td>Hedge Accounting</td>
<td>General rule Rule based</td>
<td>More align to risk mgt. objective and simplified process</td>
</tr>
</tbody>
</table>
Financial liabilities: Guidance remains mostly unchanged (only change related to own credit risks)

* Only for equity instruments elected to be measured at FVOCI
Expected Credit Loss (ECL) Model

Impacts
• Consolidates and replaces multiple impairment models
• Changes determination of losses from incurred loss approach to expected loss approach
• Incorporates forward looking expectations
• Dual measurement results in 1-year or lifetime losses upon triggering significant increase in credit risk

Current “incurred loss model” – criticized for delaying timely loss recognition

Model based on an expected loss approach
Recognize losses on a more timely basis
Expected Credit Loss (ECL) Model

General Model

Change in credit quality since initial recognition

Stage 1

*Performing*
(Initial recognition*)

Stage 2

*Underperforming*
(Assets with significant increase in credit risk since initial recognition*)

Stage 3

*Non-performing*
(Credit impaired assets)

Recognition of expected credit losses

12 month ECL

Lifetime ECL

Lifetime ECL

Interest revenue

Effective interest on gross carrying amount

Effective interest on gross carrying amount

Effective interest on amortised cost carrying amount (i.e., net of credit allowance)

*Except for purchased or originated credit impaired assets*
# Expected Credit Loss (ECL) Model

## General Model

- **Definitions**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>12-month expected credit losses</td>
<td>Are a <em>portion</em> of the lifetime <em>expected credit losses</em> and represent the amount of <em>expected credit losses</em> that result from default events that are possible within 12 months after the reporting date.</td>
</tr>
<tr>
<td>Lifetime expected credit losses</td>
<td>The <em>expected credit losses</em> that result from all possible default events over the life of the financial instrument.</td>
</tr>
<tr>
<td>Credit loss</td>
<td>The difference between all principal and interest cash flows that are due to an entity in accordance with the contract and all the cash flows the entity expects to receive discounted at the original effective interest rate.</td>
</tr>
<tr>
<td>Expected credit losses</td>
<td>The weighted average of credit losses.</td>
</tr>
</tbody>
</table>
Expected Credit Loss (ECL) Model

General Model

- Expected credit losses
  - An entity’s estimate of expected credit losses shall reflect:
    - the best available information.
    - an unbiased and **probability-weighted estimate** of cash flows associated with a range of possible outcomes reflecting **forecasts of future economic conditions** (including at least the possibility that a credit loss occurs and the possibility that no credit loss occurs).
    - the **time value of money**.
  - Various approaches can be used.
  - An entity should apply a default definition that is consistent with internal credit risk management purposes and take into account qualitative indicators of default when appropriate. **However...**
IFRS 4 amendments for IFRS 9

Timeline

**IAS 39 + IFRS 4**
Use of IAS 39 and IFRS 4 results in little volatility in profit or loss

**IFRS 9 + IFRS 4**
Interaction of IFRS 9 and IFRS 4 may result in increased volatility

**IFRS 9 + new insurance contracts standard (ICS)**
Adoption of ICS results in reduced volatility in profit or loss

1 January 2018
Effective date of IFRS 9

1 January 2021?
Effective date of new insurance standard
Introduction
Complexities of IFRS 9 adoption for insurers

Multiple changes: understanding results

IFRS 9 adoption

Temporary P&L volatility

Cost & effort
Introduction
IFRS 9 adoption options

• IFRS 9 adoption:
  • IFRS 9 effective as at 1 January 2018 but insurers have 3 options for IFRS 9: adopt IFRS 9 in full, use OA or TE.
  • If IFRS 9 is adopted in full, OA and TE are prohibited.
  • OA and TE are allowed for first-time adopters.
  • Amendments to IFRS 4 recently released.
Temporary exemption from applying IFRS 9

Introduction

Defer the effective date of IFRS 9

- at the reporting entity level
- at the latest until 1 January 2021
- on voluntary basis
- if eligibility criteria are met
Temporary exemption from applying IFRS 9 Qualification criteria

IFRS 9 or overlay approach

- Yes
- No

- Previously applied IFRS 9?
- Significant IFRS 4 liabilities?
- Predominance ratio*
- ≤ 80%
- > 90%
- >80% & ≤90%
- Significant activity unrelated to insurance?
- Yes
- No

Temporary exemption

* Predominance ratio = \( \frac{\text{Liabilities related to insurance activities} \quad \text{**} + \text{Other connected liabilities} \quad \text{***}}{\text{Total liabilities}} \)

** Liabilities related to insurance activities = IFRS 4 + investment contracts @FVPL.

*** Other connected liabilities = other liabilities that arise even if entity undertakes only ins. activities.
Overlay approach

Introduction

• Permit insurers to remove from P&L and recognise in OCI additional volatility from IFRS 9
• Cannot be applied after adoption of IFRS 9
• No fixed expiry date, stop applying when new insurance standard is applied for the first time

Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net underwriting income</td>
<td>1000</td>
</tr>
<tr>
<td>Investment income</td>
<td>100</td>
</tr>
<tr>
<td>Investment expense</td>
<td>(20)</td>
</tr>
<tr>
<td><em>IFRS 9 increased volatility adjustment</em></td>
<td>(30)</td>
</tr>
<tr>
<td>Profit or loss</td>
<td>1050</td>
</tr>
<tr>
<td><em>IFRS 9 increased volatility adjustment</em></td>
<td>30</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>40</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>1120</td>
</tr>
</tbody>
</table>

Designation of eligible assets

1. FVPL under IFRS 9 while AC or FVOCI under IAS 39
2. Assets relate to insurance activity

Not all assets relating to insurance activities have to be designated

Present separate lines in profit or loss and other comprehensive income on face of statement of comprehensive income for overlay adjustment
Thank you!

Michael Lockerman
michael.lockerman@pwc.com
Three Key Areas of Actuarial Focus

- Balance Sheet
- Income Statement
- Disclosures
Balance Sheet

- Short Duration Contracts
- Non-participating Long Duration Contracts
- Participating Contracts
Income Statement

- Margin based presentation
- New definition of Revenue
- Other Comprehensive Income
Disclosures

- Explanation of recognized amounts
- Significant judgements
- Nature and extent of risks
Product Classification Required

- Unbundling
  - Measure using insurance contracts standard
  - Measure using insurance contracts standard, but exclude from volume information
  - Measure using financial instruments standards
  - Measure using revenue recognition standard

- Disaggregation of premiums in revenue presentation
  - Distinct goods and services
  - Embedded derivatives that are not closely related
  - Distinct investment components
  - Non-distinct investment component
Insurance Contract Measurement

Pre-Claims Liabilities
- Short Duration Contracts
- Long Duration Contracts

Claims Liabilities
- Explicit discounting and risk margin

UPR
- CSM
  - Risk Adj
- Best Estimate CF Liability
  - Minimum Liability
  - Includes value of options and guarantees
- Best Estimate CF Liability
  - Risk Adj
Best Estimate Liability

- PH Options
- Management Actions
- Policy Guarantees

Cash Flows
Discount rate must reflect characteristics of the liability.
The compensation that an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise as the entity fulfills the insurance contract.

<table>
<thead>
<tr>
<th>Level</th>
<th>Method</th>
<th>Disclosure</th>
</tr>
</thead>
</table>
| • Entity specific determination  
  • Based on risk aversion of entity | • Up to Company  
  • Can vary by product                   | • Amount of risk adjustment  
  • Confidence level equivalent          |
Risk Adjustment

Reflects
- Diversification
- Favorable & unfavorable outcomes
- Entity’s risk preference

Excludes
- Investment Risk
- Asset-liability mismatch risk
- General business risk
Customer Service Margin

- Prevents gain at Issue
- Proxy for remaining profit in contract
- Amortized over coverage period in proportion to service provided (insurance or benefits)
Customer Service Margin (continued)

CSM is unlocked when expectations of future change using discount rate at inception result cannot be less than zero.
Participating Contracts

- PH shares in defined share of underlying pool
- Entity expects to pay substantial portion of experience to PH
- Substantial portion of CFs to be paid to PH are expected to vary with pool experience
- Participating contract
Participating Contracts (continued)
Key Issue - Unit of Account for CSM

Portfolio defined as:
“insurance contracts that provide coverage for similar risks and are managed together as a single pool.”

Portfolio can be used, but:
• Objective is to measure the contract
• Cannot combine loss making and profit making contracts
• Test for loss making (onerous) contracts should group contracts that at inception:
  • Have CFs that are expected to respond in similar ways to key risk drivers
  • Have similar expected profitability (e.g., as a percentage of premium)
• Need to lock in discount rate at inception
Three Key Areas of Actuarial Focus

- Balance Sheet
- Income Statement
- Disclosures
## Income Statement

**Statement of Comprehensive Income**

<table>
<thead>
<tr>
<th>Description</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance contracts revenue</td>
<td>(x)</td>
</tr>
<tr>
<td>Incurred claims and expenses</td>
<td>((x))</td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td>(x)</td>
</tr>
<tr>
<td>Investment income</td>
<td>(x)</td>
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<td>Interest expense on insurance liability</td>
<td>((x))</td>
</tr>
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<td><strong>Investment result</strong></td>
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<td><strong>Profit or loss</strong></td>
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<tr>
<td>Effect of discount rate changes</td>
<td>((x))</td>
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<td><strong>Total comprehensive income</strong></td>
<td>(xx)</td>
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**Actual claims & expenses**

**Net Investment Income**

**From Ledger**
# Income Statement

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*From actuarial valuation*

- Release of CSM, risk margin
- Release of service margin
- Earned premium
- Expected claims
- Expected expenses
## Income Statement

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From actuarial valuation

- Release of CSM, risk margin
- Release of service margin
- Earned premium
- Expected claims
- Expected expenses

- Interest Accrued on Reserve
## Income Statement

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<td>Investment result</td>
<td>x</td>
</tr>
<tr>
<td>Profit or loss</td>
<td>x</td>
</tr>
<tr>
<td>Effect of discount rate changes</td>
<td>(x)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td><strong>xx</strong></td>
</tr>
</tbody>
</table>

- **Release of CSM, risk margin**
- **Release of service margin**
- **Earned premium**
- **Expected claims**
- **Expected expenses**

- **Interest Accrued on Reserve**

- **Change in discount rates**

- From actuarial valuation
## Income Statement

### Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>Category</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance contracts revenue</td>
<td>x</td>
</tr>
<tr>
<td>Incurred claims and expenses</td>
<td>(X)</td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td>x</td>
</tr>
<tr>
<td>Investment income</td>
<td>x</td>
</tr>
<tr>
<td>Interest expense on insurance liability</td>
<td>(X)</td>
</tr>
<tr>
<td><strong>Investment result</strong></td>
<td>x</td>
</tr>
<tr>
<td>Profit or loss</td>
<td>x</td>
</tr>
<tr>
<td>Effect of discount rate changes</td>
<td>(X)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>xx</td>
</tr>
</tbody>
</table>

- **Release of CSM, risk margin**
- **Release of service margin**
- **Earned premium**
- **Expected claims**
- **Expected expenses**

- **Actual claims & expenses**
- **Net Investment Income**
- **Interest Accrued on Reserve**
- **Change in discount rates**
- **From actuarial valuation**
- **From Ledger**
Valuation Runs Required Each Period

**Beginning of period with locked in discount rate**
- Revenue (expected release of margins, expected claims and expenses)
- Interest accrual on liability

**End of period with locked in discount rate**
- Impact of actual experience vs. expected experience on reserve

**End of period with updated assumptions and locked in discount rate**
- Measure impact of changing future assumptions including unlocking of CSM

**End of period with current discount rate**
- For balance sheet
Three Key Areas of Actuarial Focus

- Balance Sheet
- Income Statement
- Disclosures
Disclosures

**Amounts**
- Expected present value of future payments & receipts
- Roll forward of balances from beginning to end of reporting period
- Changes in unearned profit during the period
- Effects of new contracts written in the period

**Judgments**
- Processes for estimating inputs and methods used
- Effect of changes on methods and inputs used
- Explanation of reason for change, identifying type of contracts affected

**Risks**
- Nature and extent of risks arising from insurance contracts
- Extent of mitigation of risks arising from reinsurance and participation features
- Quantitative information about exposure to credit, market and liquidity risk
Transition – Full Retrospective Application Required

Key issue: determine remaining CSM and outstanding balance in OCI

- All current intangibles are written off including DAC
- Can re-designate assets

If full retrospective application is impractical => use practical expedients

- Risk adjustment
- CSM unlocking
- Discount rates at inception
- OCI balance

If cannot use practical expedients => Use fair value to determine CSM

- All changes in estimates since inception absorbed by the CSM
- Use the Risk Adjustment at date of transition
Three Key Areas of Actuarial Focus

Significant Challenges Are Ahead
New Paradigm Needed

Model Requirements/Challenges

- Cash flow models instead of reserve factors or account values
- Stochastic calculations required for many products to measure time value of O&G
- Policyholder behavior and management action assumptions required
- Assumptions may be updated more frequently
- Calibration to current economic environment often required
- ESG choice and calibration now affect all earnings
- Discounting with yield curves instead of single rate
- Unit of account will be granular and may need to be flexible

Technological and Process Challenges

- Run time – requires cloud or large server grid
- Security and controls – different
- Time to complete very short vs. regulatory filing period
Thank you!

Contact Info:
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2016 SOA Annual Meeting & Exhibit

Henry Siegel
G4 Field Testing
10/26/2016
Background

• Field testing done by MetLife, Prudential Financial, New York Life and Manulife
  • Consultant combined products and calculated discounting effects
  • Assured anonymity to the companies about their actual experience

• Originally done for previous IASB/FASB Exposure Draft of 2013

• Re-done to reflect changes tentatively agreed upon since Exposure Draft

• Covers actual experience for CY 2008-2012
Products Tested – Four Segments

• Traditional
  • Term
  • Whole Life

• Retirement
  • SPIA
  • Deferred accumulation annuities
  • Long-Term Care

• Variable Annuities – Two Blocks with GMxBs

• Participating
  • Par Whole Life
  • UL with no lapse guarantee
Practical Adjustments

• Unit of Account
  • Kept the same as today
  • Practical issue - lack of data and cost to rerun

• Transition
  • Use simplified retrospective approach
  • Only one group per product for all in-force contracts

• Unlocking the CSM
  • Couldn’t separate experience gains/losses from effects on future cash flows
Results and Observations: Traditional

**Traditional Life Segment**

Pretax Comprehensive Income/(Loss)

<table>
<thead>
<tr>
<th>Year</th>
<th>Current</th>
<th>IASB 2013 ED</th>
<th>IASB 2016 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
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<td></td>
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<td>2010</td>
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<td></td>
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<tr>
<td>2011</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CU

(2,000) (4,000) (6,000) (8,000) (10,000) (12,000) (14,000) (16,000) (18,000)
Results and Observations: Traditional

- IASB agreed that for periods where there was unobservable data can use best information available.
  - In 2013 used 30 year rate forever
  - In 2016 graded to an ultimate rate of 6%
  - Resulted in smoother earnings pattern
- IASB clarification that CSM should be amortized based on passage of time had negligible effect on results.
Results and Observations: Retirement

[Graph showing Retirement Segment: Pretax Comprehensive Income/(Loss) from 2008 to 2012 with lines for Current, IASB 2013 ED, and IASB 2016 Proposed.]
Results and Observations: Retirement

- Similar to Traditional Results
- Change to CSM release pattern increased earnings because release from risk had slower recognition pattern due to long duration of policies
Results and Observations: Variable Annuities

![Variable Annuity Segment Pretax Income/(Loss)]
Results and Observations: Variable Annuities

• Decision to allow recovery of losses prior to setting up new CSM led to higher earnings in some years

• Significant volatility remains
  • CSM was insufficient to offset market movements
  • Guarantees were not fully hedged
  • Hedging would have produced more level results
Results and Observations: Participating

Participating Segment
Pretax Comprehensive Income/(Loss)

- 2008
- 2009
- 2010
- 2011
- 2012

Current
IASB 2013 ED
IASB 2016 Proposed
Results and Observations: Participating

• Products might not qualify for Variable Fee Approach
  • Therefore used general model

• Decision to allow recovery of losses produced higher profits in some years than in 2013 testing

• Problem with discount rates remains an issue
  • Need to have consistency between asset and liability measurement
  • Used effective yield approach which seemed to work better
Conclusions/Recommendations

• Many prior concerns have been addressed
  • Discount rates in unobservable period
  • Making use of OCI for insurance investment optional
  • Ability to recover losses before establishing CSM

• Recognition pattern change for CSM is not a significant issue

• Unit of Account could be a major problem
  • Could need thousands of cohorts

• Unlocking the CSM differently for acceleration and deceleration of future cash flows was not practical

• Requirement to disclose confidence level of risk adjustment not practical and probably not material
Conclusions/Recommendations (Cont.)

- Insurance Revenue determination will require major systems changes
- Scope of Variable Fee Approach needs clarification
  - Should apply to closed blocks of par contracts
  - Should/could also apply to par contracts in general
- Transition
  - Implementation will be a major effort
  - Need comparables for 2-3 years prior to effective date
  - Can make transition date earlier than effective date
  - Shouldn’t require demonstration of impracticability before allowing simplified retro or fair value approach
For entire report see: https://www.soa.org/fr/
2016 SOA
Annual Meeting & Exhibit

Session 143
October 26, 2016
Hot Topics in IFRS
SOA textbook  IFRS for Insurers

• Background (1 of 2)
  • Started 2010
  • Needed to replace GAAP textbook as well as give members instruction
  • US went own way so we focused on IFRS
  • Why do we need a textbook?
    • Written in British English
    • Not proliferate with American products
    • A totally new accounting basis used world-wide
    • Will affect SOA members in US (foreign subsidiaries), Canada and China
    • There will be no other single place for comprehensive coverage of IFRS for insurance, so there may be a wider audience than SOA members, such as accountants and professionals in other countries
SOA textbook  IFRS for Insurers

• Background (2 of 2)
  • 2 editors and 22 authors
  • Needed to go deep and wide
  • Most are FSA’s, but also
    • 3 FCAS’s
    • 3 CPA’s
    • Also links to IAA and AAA endeavors
• Had to split off GAAP
SOA textbook  IFRS for Insurers

• Contents (1 of 2)
  • Chapters
    • Introduction
    • Overview & Roadmap
    • Contract Classification
    • Building Blocks
      • Cash flows
      • Discount rates
      • Risk Adjustment
      • Contractual Service Margin
      • Claim Reserves
    • Measurement – Par Products
    • Measurement – Premium Allocation Approach
    • Reinsurance

• Other – Strange But True
• Fair Value Concepts
• Financial Assets and Liabilities
• Derivatives and Hedge Accounting
• Service Contracts
• Income Taxes
• Other Assets
• Other Liabilities
• Capital
• Business Combinations
• Transition
• Presentation
• Disclosures
SOA textbook  IFRS for Insurers

• Contents (2 of 2)
  • Illustrative spreadsheets
    • Term
    • Universal Life
    • Whole Life
      • Direct
      • Reinsurance
    • Par Whole Life
    • Variable
    • Long Term Care
    • Auto
    • Workers’ Compensation
SOA textbook  IFRS for Insurers

• Timeline ahead
  • Final Standard issued
  • Authors write and review
  • Convene August 2017
  • Four day review of assembled chapters and spreadsheets
  • Six months for editing (content and style)
  • Two months for design and layout
  • One month to print then available for you
  • Paper and possibly electronic
  • Spreadsheets available
Questions & (maybe) Answers