



Caribbean Actuarial Association IFRS 17 Session

1st December 2020; 12:00EST

By Zoom



Panel Discussion (Cathy)



- IFRS-17 topics of major importance or concern
- Brief comparisons between IFRS-17 and current valuation and reporting methods (PPM, CALM, US GAAP)
- Major implementation issues
- Surprises – pleasant and unpleasant surprises with IFRS-17
- Lessons/Takeaways (so far) for the Caribbean

Jamaica



- IFRS-17 topics of major importance or concern
 - Existing contract wording and product features such as guaranteed annuitization options and conversion options that require projection of cash flows as if it were one contract from day one even though the product has actually changed to something else.
 - Possible upward pressure on new business prices because of the lengthened emergence of profits – companies may want higher returns earlier.
 - Should product development and pricing practices change to avoid complexities in implementing IFRS17 requirements? Should we stall until we have the knowledge and experience of which product features may add undue complexity to IFRS17 valuation.
 - Determining/combining discount rates for products with investment (variable) and non-investment (non-variable) cash flows, treated under VFA – may imply some sort of stochastic approach.



Jamaica



- Brief comparisons between IFRS-17 and current valuation and reporting methods (PPM, CALM, US GAAP)
 - Valuing conversion or other guaranteed options from day one of a contract for IFRS17 versus valuing the option chosen as a new contract under PPM
 - Spreading profits under IFRS17 versus up-fronting profits under PPM
 - Discount rate determination linked to markets for IFRS 17 versus asset yields for PPM.

Jamaica



- Major implementation issues
 - Huge capital expenditure for systems and upgrades
 - Large expenditure for consulting expertise
 - Intense human resource time spent on training and doing
 - Need to ensure there are no gaps in knowledge transfer
 - How to “carve up” one reinsurance treaty to line up with the many direct insurance contracts it covers.





Jamaica

- Surprises – pleasant and unpleasant surprises with IFRS-17
 - New-found respect for the role of Project Management
 - Greater understanding of the need for seamlessness between the actuarial processes, the finance processes, the IT processes and the final output – the financials.
 - The demand for data and data warehousing
 - The devil is in the details – not knowing what we don't know.

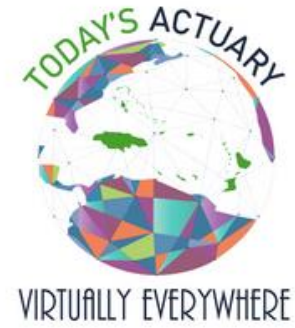




Jamaica

- Lessons/Takeaways (so far) for the Caribbean
 - Agreement on bottom-up or top-down
 - Take guidance from those countries far advanced eg Canada
 - Agreement on the source for risk-free rates
 - Agreement on the range of practice for illiquidity premiums by product within a territory or country.



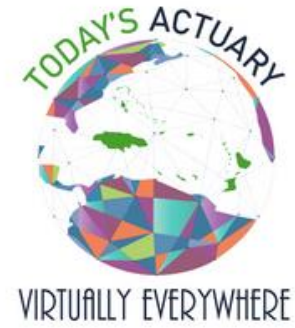


Lessons from the Journey so far..... 2 years in (Brandon)



- Project Management
- New dependence on other depts
- Unknown target
- Lack of consensus on some issues



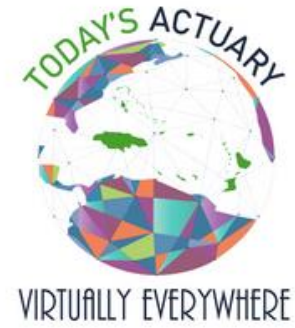


Project Management

This is not an Actuarial issue. It's a Business issue.

- **This is very different to business as usual.**
- A master project plan is needed, and communicating the actuarial constraints effectively is critical.
- Actuarial may play a deep role in software deployment.
- Actuarial sits in the middle of Data>Actuarial>Finance
- It is a very long project. Updates to standard, mergers and acquisitions, human resource challenges may all come up.

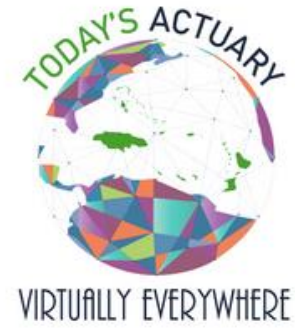




New Dependencies

- Data
 - Iterative specifications
 - Reconciliations for completeness
- Finance
 - Chart of Accounts and Disclosures
 - P&L and Balance Sheet Impacts

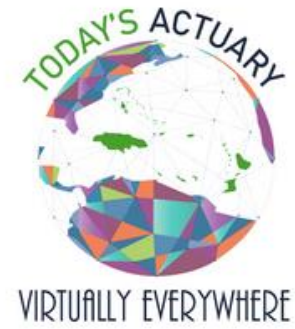




Unknown Target

- Unlike other exercises, you don't start with the answer in mind.
- “Structured vs Unstructured Problems” (novel and infrequent in nature)
- Agile vs Waterfall decisions to make
- Even engaging multiple international teams of consultants..... “we don't know for sure yet” still comes up often

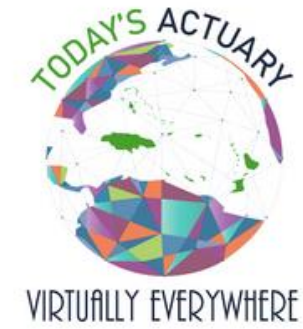




Lack of Consensus

- Example
 - Risk Adjustment
 - Discount Rate Methodology
- Two issues come up
 - How to make a starting decision (if working iteratively)
 - How to communicate possible risks to C-Suite.

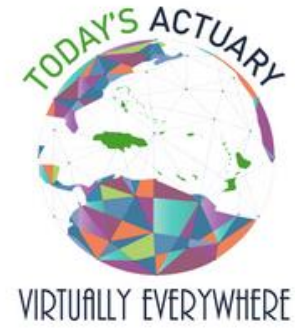




Opportunities for Young Actuaries

- Opportunity to see a new standard implemented at this scale
- The new interactions with Data and Finance provide new learnings that can be leveraged later in your career.





Challenges Implementing IFRS 17 in the Caribbean (Nazir)



Working Together:

- Actuary
- Accountant
- Information Technology (IT)



Challenges Implementing IFRS 17 in the Caribbean



Data

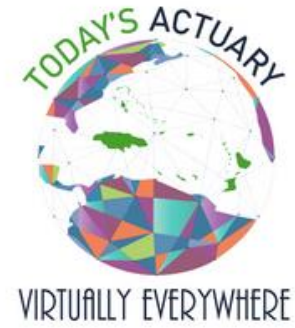
- Legacy Systems/ Data Hub
- Format
 - P&C contracts grouped by Claims Incurred Dates, not Contract Issue Dates
- Granularity
- Opportunity to Modernize

Challenges Implementing IFRS 17 in the Caribbean



Calculations:

- Onerosity (CSM, Loss Component)
- Risk Adjustment
 - Credit for Diversification
 - Confidence Interval
- Discounting

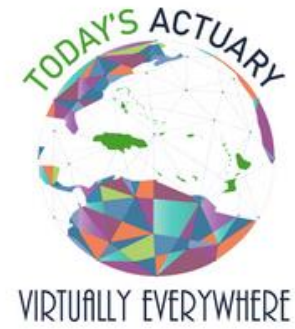


Challenges Implementing IFRS 17 in the Caribbean



Making Sense of Results



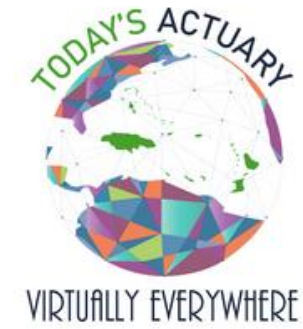


Small Caribbean Insurance Companies



Lack of Resources



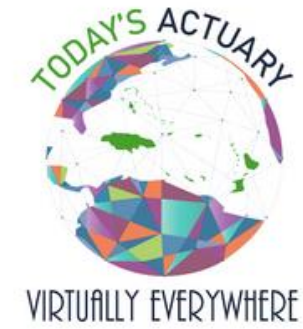


Small Caribbean Insurance Companies



Lack of Expertise





Small Caribbean Insurance Companies



Affordability:

- Consider “Managed Services”

