



IFRS 17 LIFE COMPANY SURVEY

December 1st, 2020
1:00 pm EST



Life Company Survey 2020



- **Purpose**

- Get a sense of how companies have been progressing with IFRS-17 implementation
- Identify areas that require greater focus and support from the CAA

- **Structure**

- Survey done in two parts
- Part 1 sent out last week
- Part 2 to be sent out after the Conference

- **Participation in Survey Part 1**

- 9 companies approached
- Countries/Territories: Jamaica, Bahamas, Trinidad and Tobago, Barbados, Surinam
- To date, 4 companies have completed the survey
- Survey still open for the remaining 5 to complete
- Full results to be shared after all companies complete the survey



Life Company Survey 2020



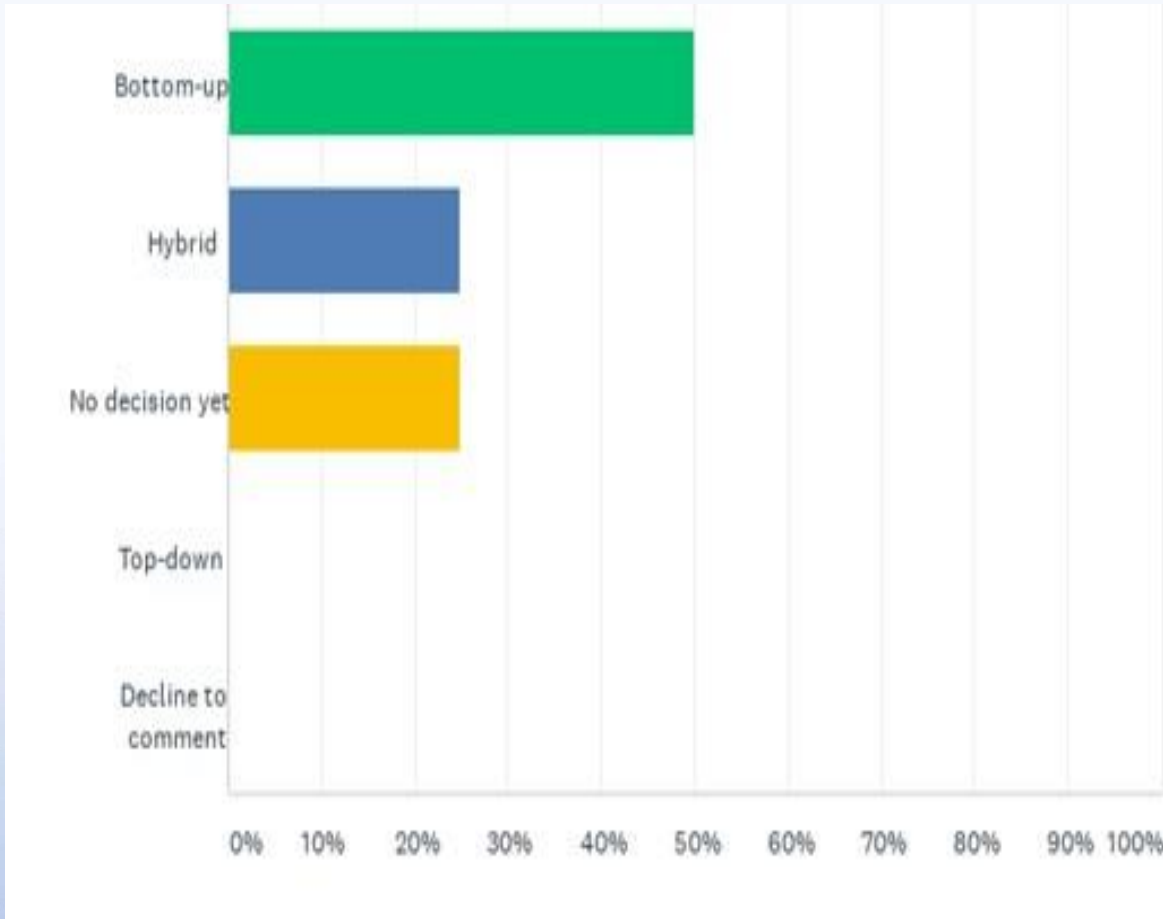
Part 1 of Survey

- 19 questions
 - Most of the questions required selecting a single response
 - A few questions allow for selecting more than one response that was applicable
- Topics:
 - Discount Rate
 - Implementation Readiness/Timeliness
 - Role of the CAA
- Other Topics to be covered in Part 2 of the Survey
- Part 2 questions to be reviewed, refined and sent out after the Conference

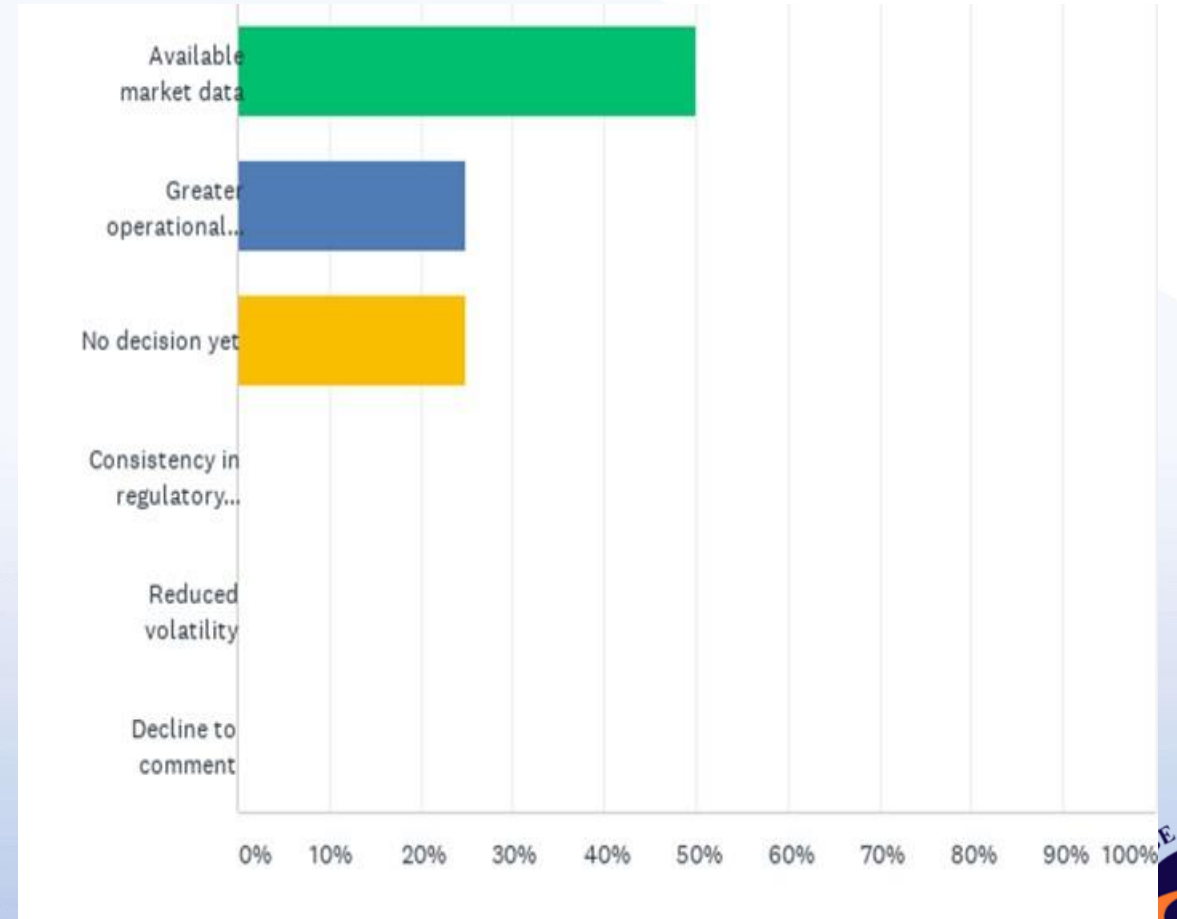
Life Company Survey 2020 - Part 1



Which discount rate methodology is being used by your company?



What are the main reasons/objectives that have driven the choice of methodology?



Life Company Survey 2020 - Part 1



Risk-free curve: which method are you using to determine or extrapolate the risk-free curve?

ANSWER CHOICES	RESPONSES	
Flat rate extrapolation	25.00%	1
Smith-Wilson	25.00%	1
Nelson-Siegel	25.00%	1
To be determined	25.00%	1
Simple extrapolation	0.00%	0
Linear first order extrapolation	0.00%	0
Other first order extrapolation	0.00%	0
Cubic splines	0.00%	0
Svennson	0.00%	0
Cairns extrapolation	0.00%	0
Simple	0.00%	0
Decline to comment	0.00%	0
Other (please specify)	0.00%	0
TOTAL		4

Risk-free curve: which interpolation method are you using?

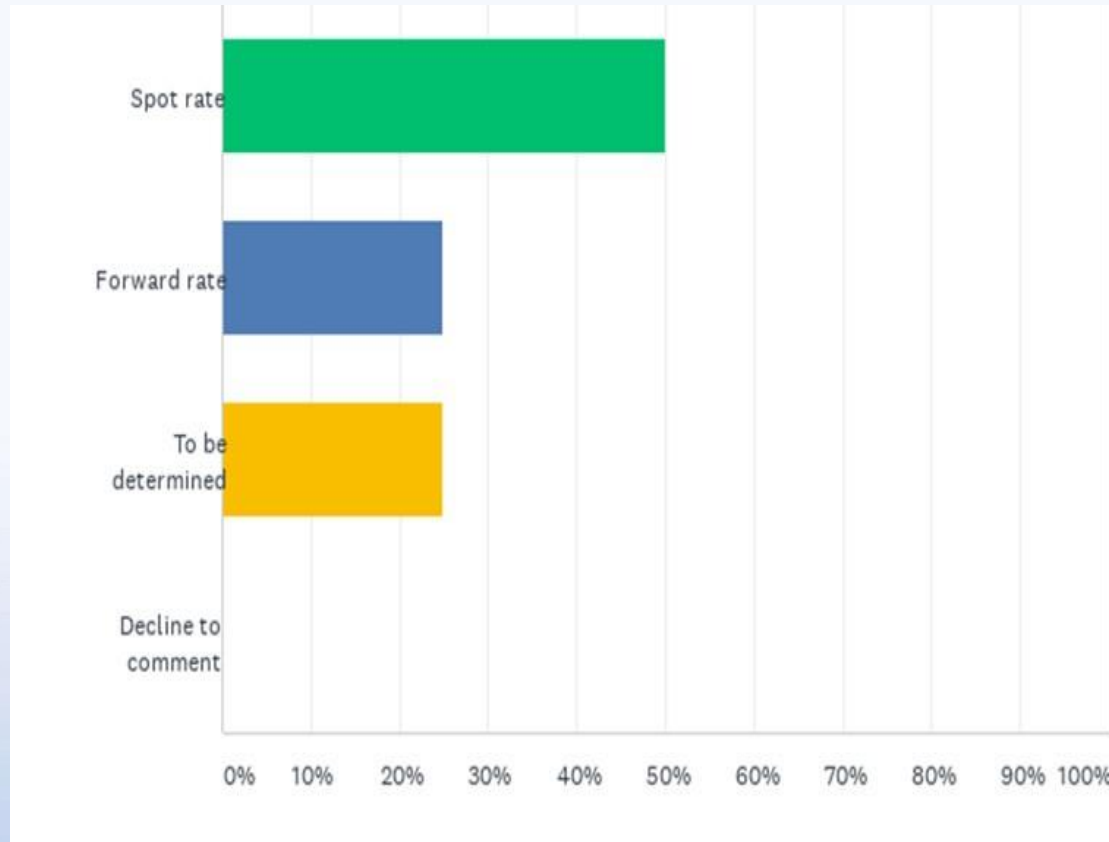
ANSWER CHOICES	RESPONSES	
To be determined	50.00%	2
Simple interpolation	25.00%	1
Cubic splines	25.00%	1
Bootstrapping	0.00%	0
Quartic splines	0.00%	0
Decline to comment	0.00%	0
Other (please specify)	0.00%	0
TOTAL		4



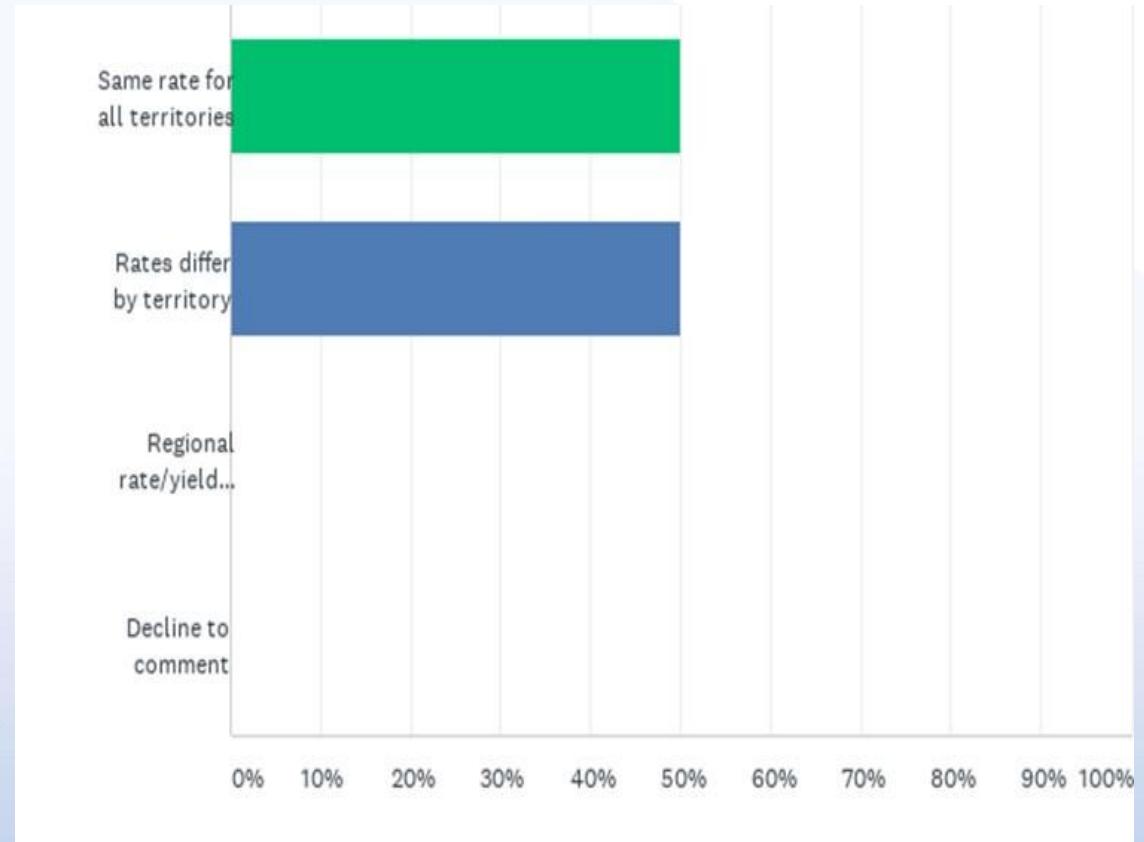
Life Company Survey 2020 - Part 1



Ultimate risk-free rate: what type of ultimate risk-free rate is being used?



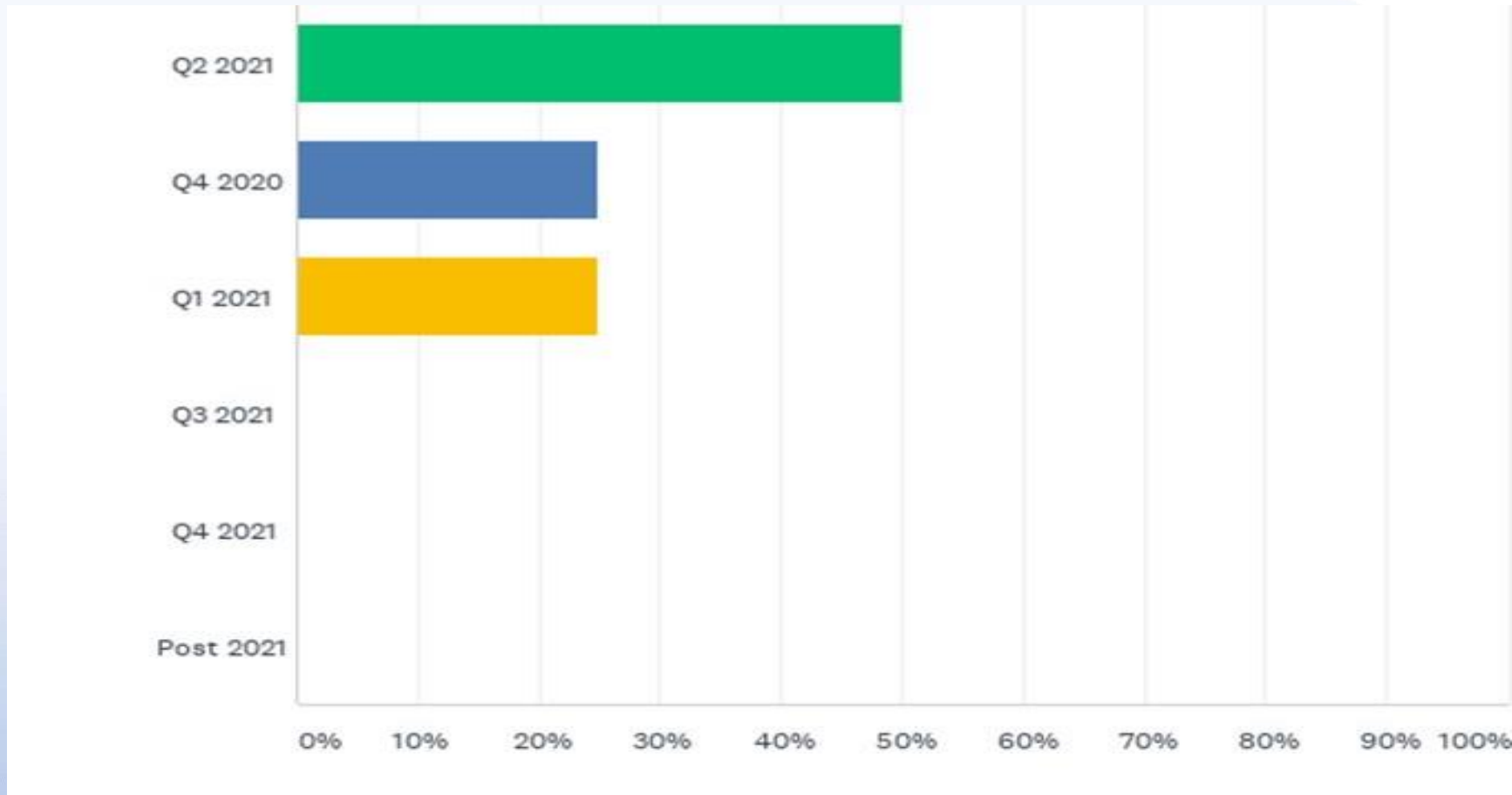
Are you using the same ultimate rate for all islands/territories or different ultimate rates for each?



Life Company Survey 2020 - Part 1

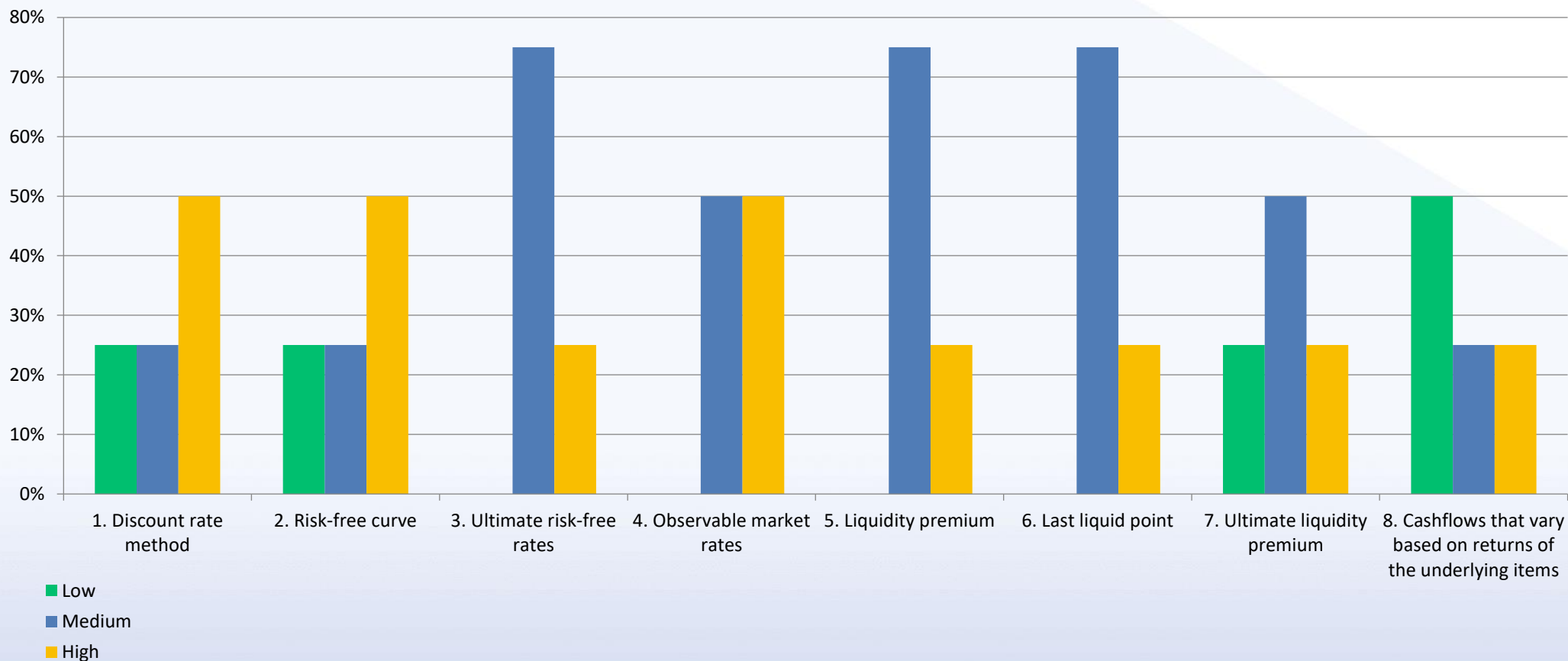


Please give a timeline for when you expect to finalise your policy decisions relating to setting discount rates



Life Company Survey 2020 - Part 1

Rate the level of importance of each item below

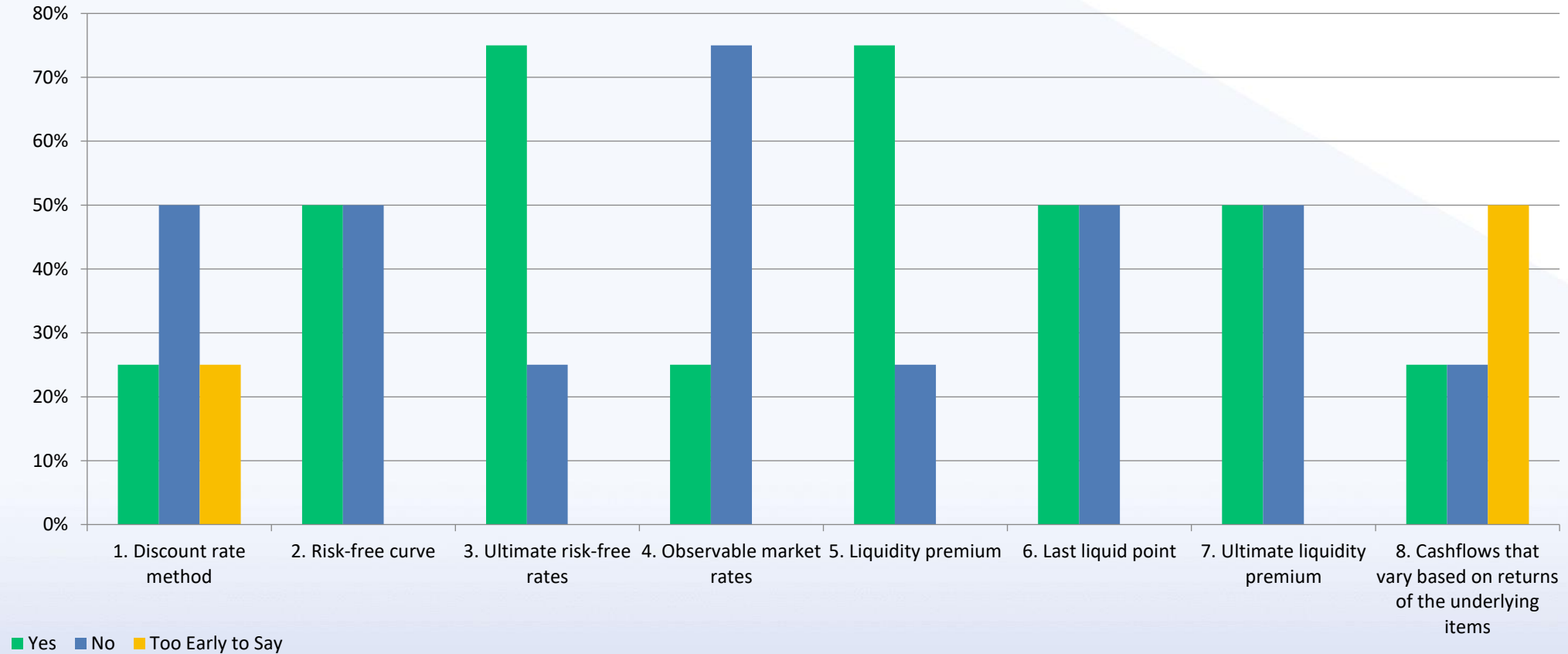


- High importance: Discount Rate Method, Risk-Free Rate, Observable Market Rate
- Medium Importance: Ult Risk Free Rate, Liquidity Premium, Last Liquid Point, Ult Liquidity Premium
- Low Importance: Cashflows that vary with returns of the underlying



Life Company Survey 2020 - Part 1

Do you think more guidance is needed in the following areas?



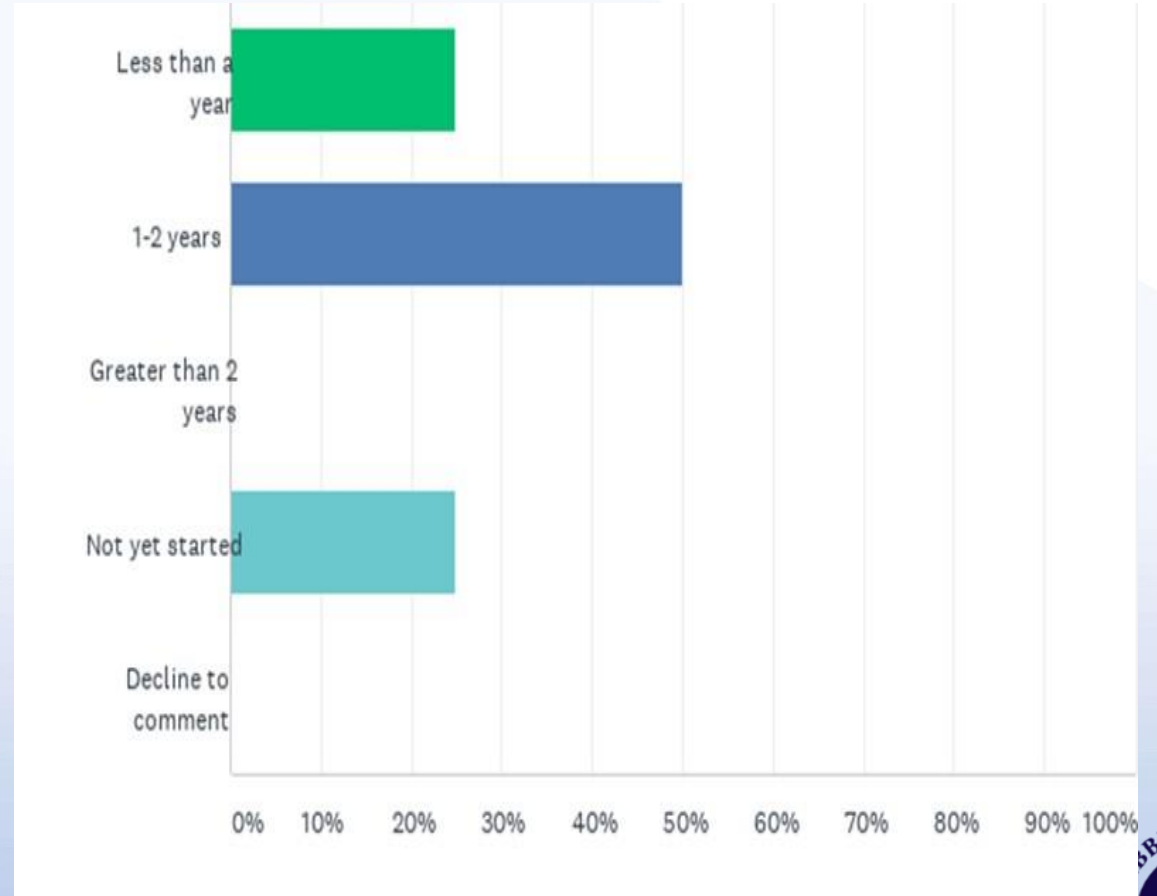
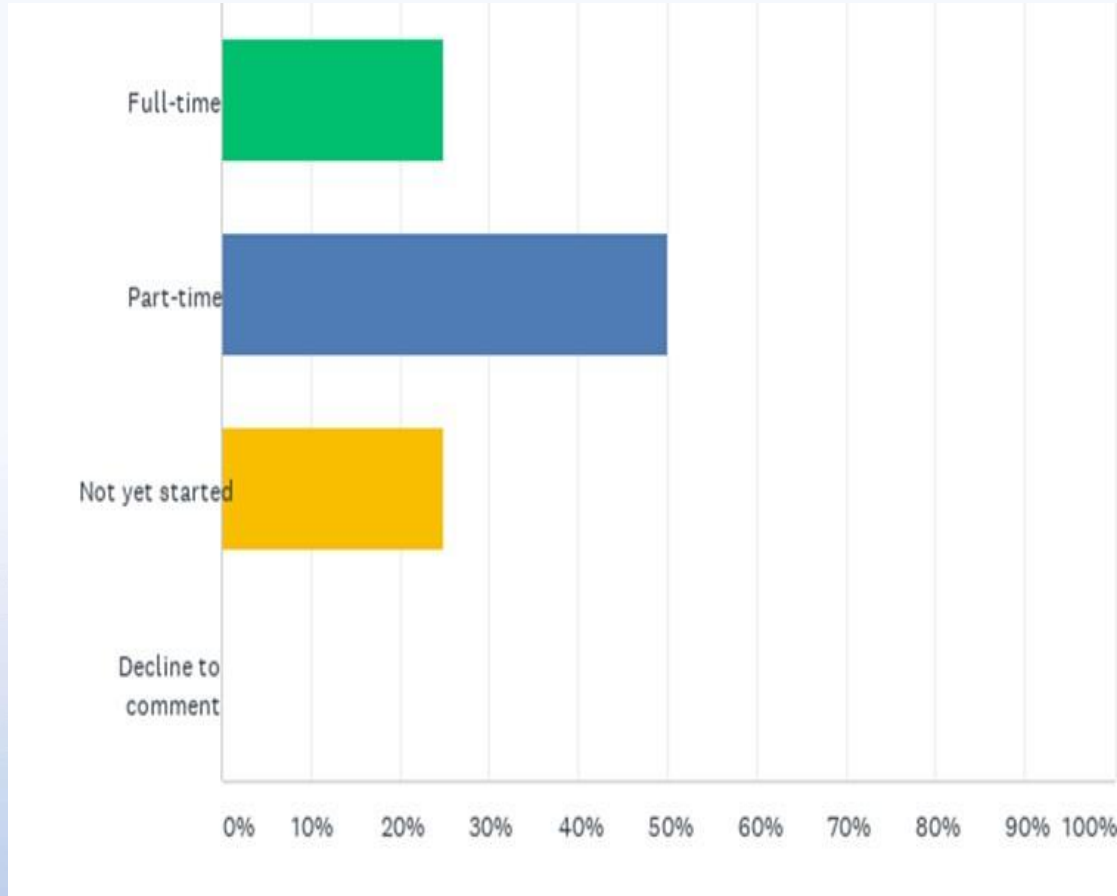
- Yes: Risk-Free Rate, Ultimate Risk-Free Rate, Liquidity Premium
- No: Discount Rate Method, Observable Market Rates
- Yes/No: Risk-Free Rate, Last Liquid Point, Ultimate Liquidity Premium

Life Company Survey 2020 - Part 1



Is the implementation process is a full-time or part-time effort?

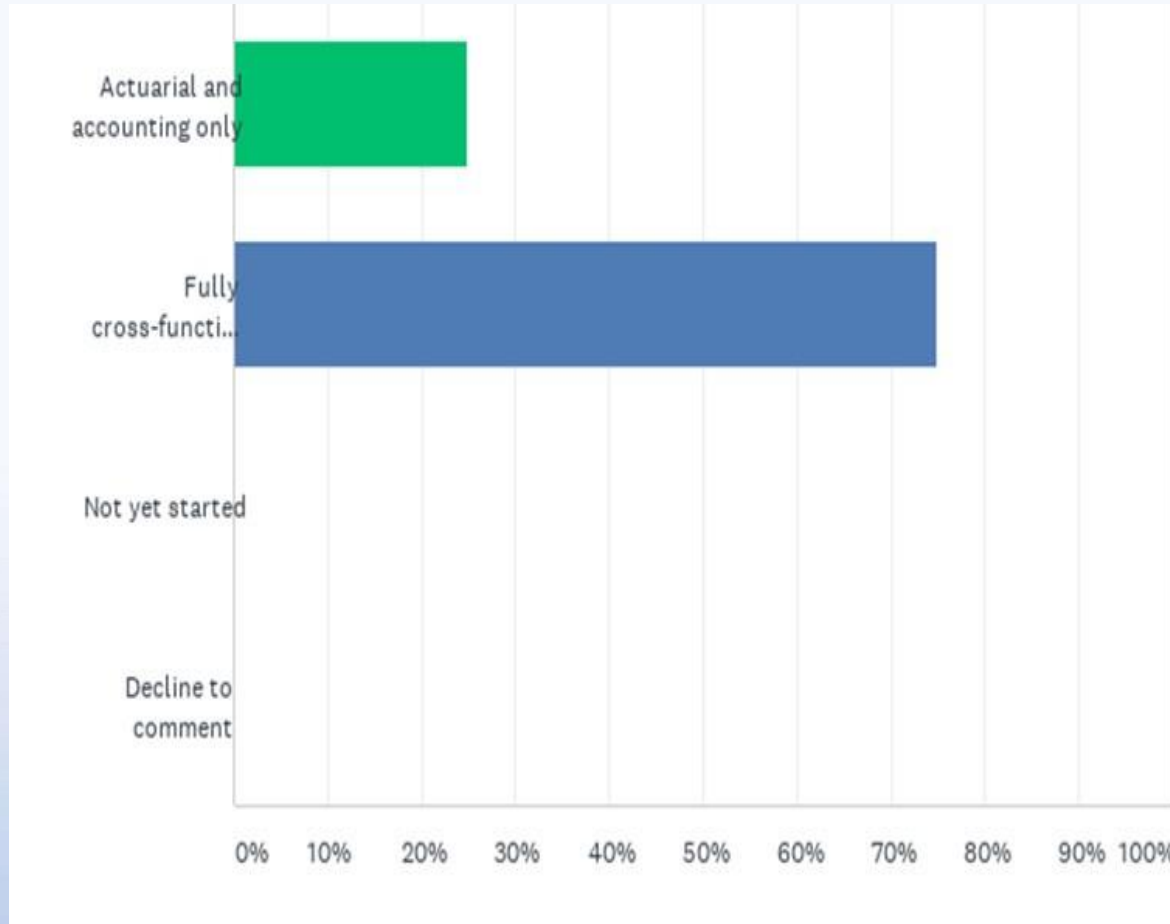
How long has the implementation process been in place?



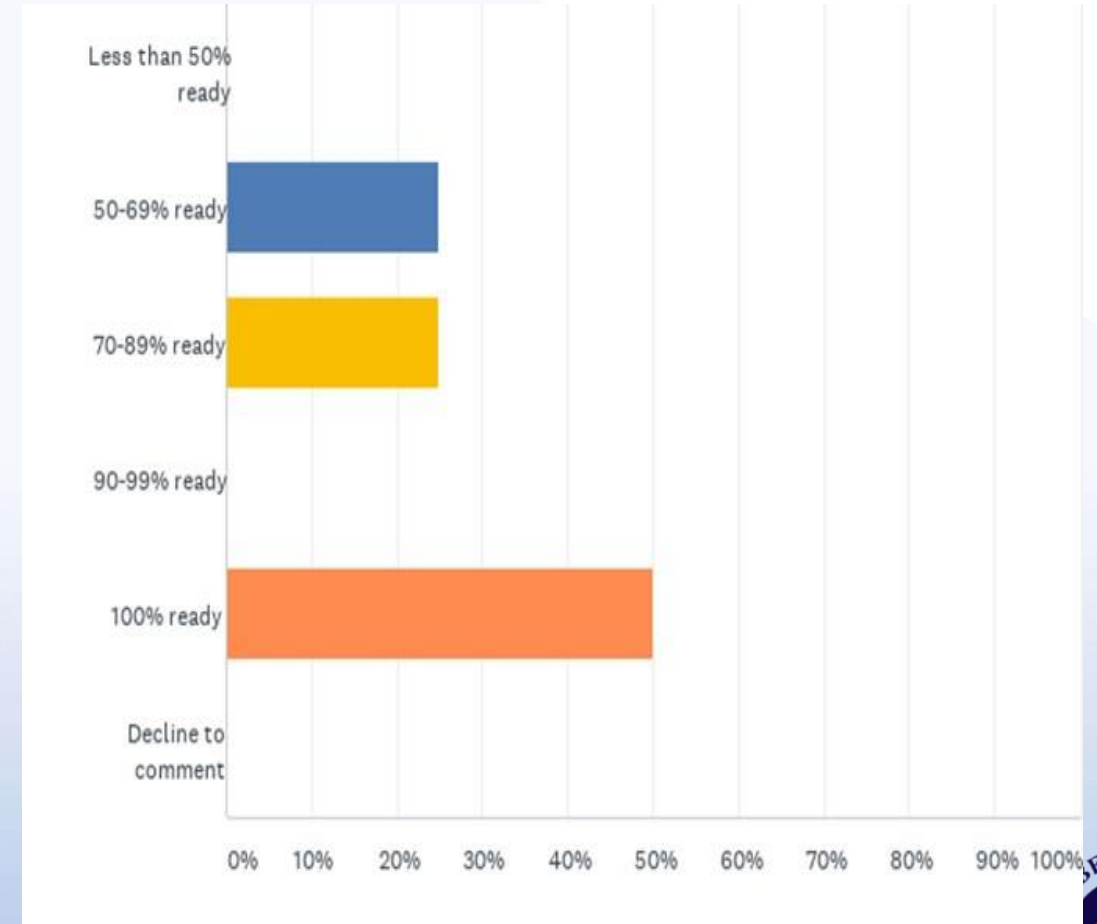
Life Company Survey 2020 - Part 1



Do you have a fully cross-functional team or is it primarily with actuarial and accounting only?



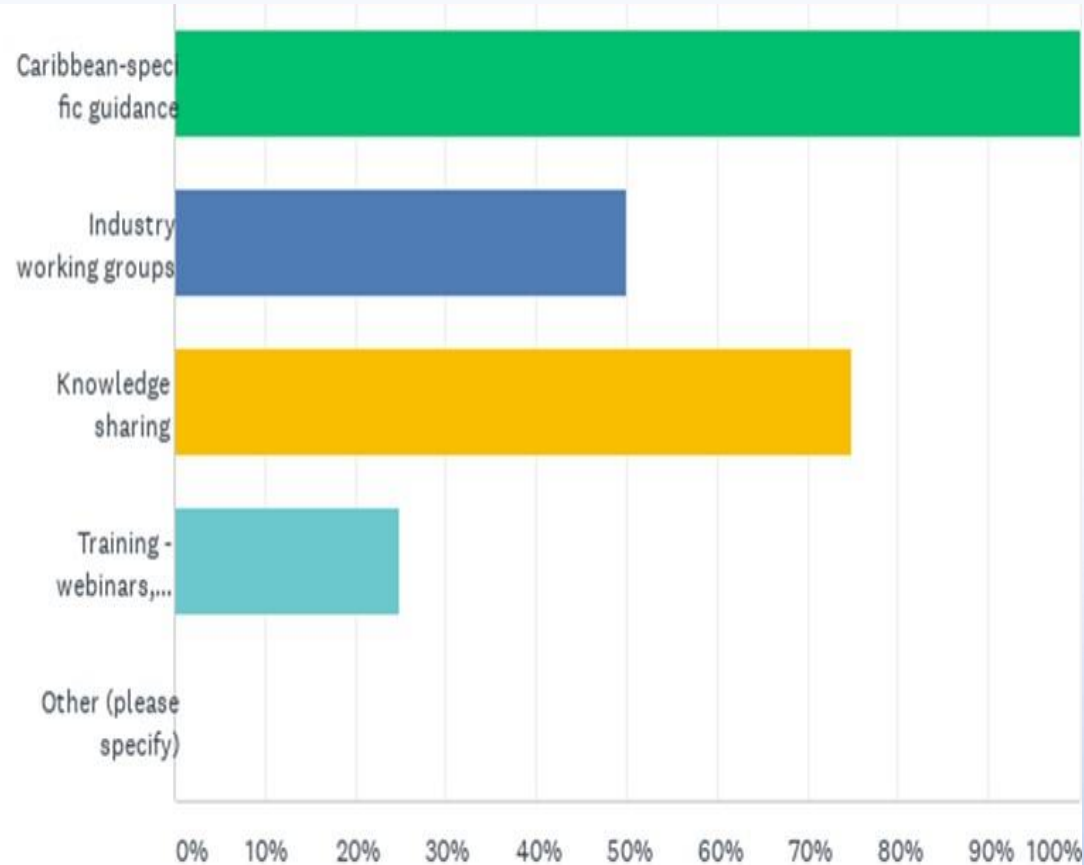
To what extent do you expect to be ready by the current IFRS 17 implementation deadline?



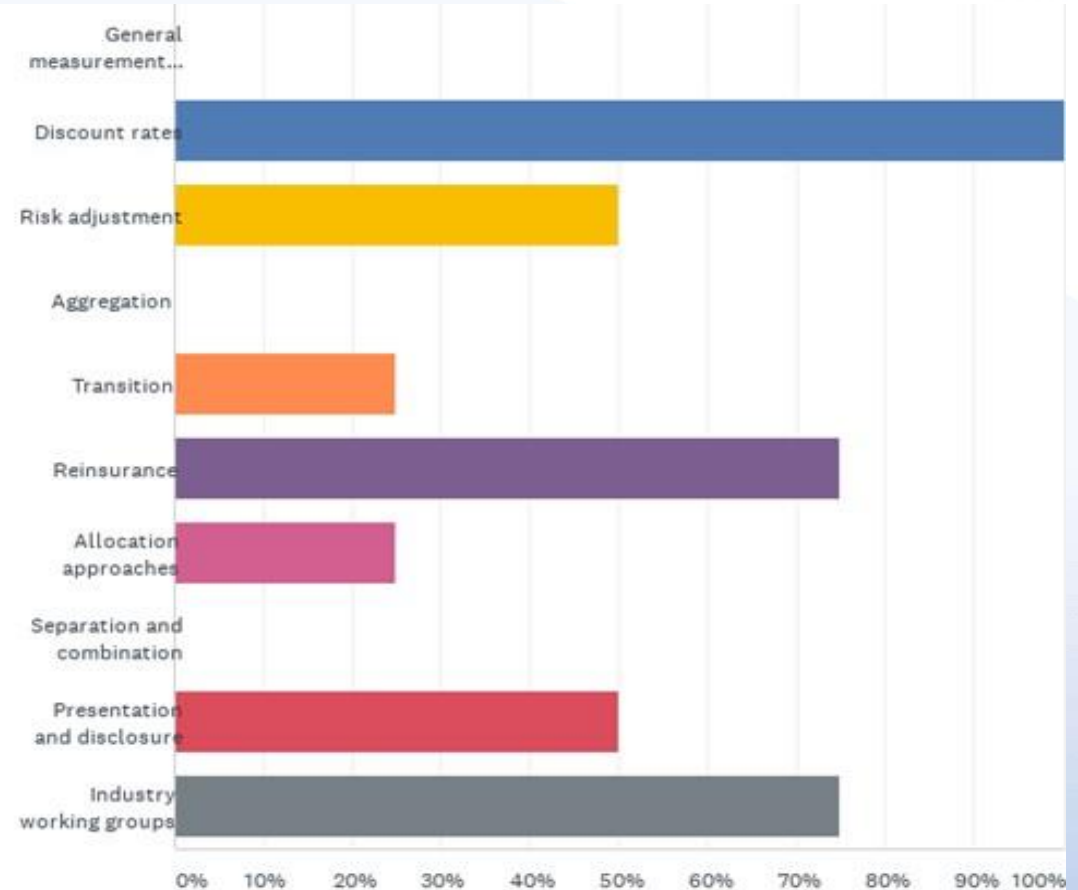
Life Company Survey 2020 - Part 1



What support would you like from the CAA?
Please select up to three (3) of the following:



What support would you like from the CAA?
Please select up to three (3) of the following:



IFRS-17 Where Are We Now?

Key Takeaways

- Companies are in various stages of implementation, but:
 - Will be lengthy
 - A venture into the unknown
 - Many issues to resolve, questions to be answered
- Data
 - Critical to the process, whether policy/accounting/asset/investment/market data
 - Paucity in the Caribbean
 - Data Management/Mining/Analytics to the fore
- Smaller Companies and/or Territories
 - Lack of resources or expertise
 - Not knowing where to start
 - We must provide support
- Teamwork
 - Actuarial/Auditing/Finance/Regulation
 - Add IT to the mix
 - PROJECT MANAGEMENT



IFRS-17 Where Are We Now?

Key Takeaways

- Key Priorities for CAA
 - Caribbean Specific Guidance
 - Knowledge Sharing
 - Industry Groups/Forum
- Key Topics
 - Discount Rate Methodology (including Risk-Free Rate, Observable Mkt rate, Liquidity Premium)
 - Risk Adjustment
 - Reinsurance
 - Presentation and Disclosure
- Pricing/Product Development
 - Implications for product design/features, discount rate assumptions
 - Use of stochastic or other non-traditional methods
- Decisions on IFRS-17 to be guided by certain core principles:
 - Convergence to common methodologies is ideal, but narrowing the range of practice is better and more pragmatic
 - Must be unique and specific to the needs and circumstances of the region
 - Must add (value) to the existing Standard without contradicting it
 - Must be sufficiently flexible to be adopted and amended without regulatory or legislative changes

