



CARIBBEAN ACTUARIAL ASSOCIATION

Full Member of



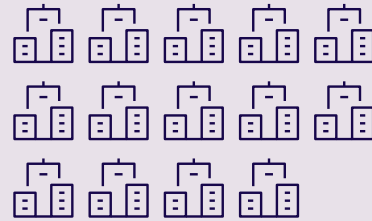
International Actuarial Association
Association Actuarielle Internationale

IFRS 17 Life Company Survey

Part 2

Q4 2021

Background



14 Insurance Companies participated in this survey,
~15 questions (with follow up questions)

Transition (Q3)

For which issue year does your company plan to start applying the FRA or Modified RA (MRA) approach?

	2022	2021	2020	2019	2018	2017 & earlier	FV only
All long term products	4	3	1	0	2	3	3
Perm Life	1	0	0	0	2	2	1
Universal Life	1	0	0	0	2	2	1
Term Life	1	1	0	0	2	2	1
PAR	0	0	0	0	2	2	2
Deferred annuities	1	1	0	0	1	2	1
Payout annuities	1	1	1	0	1	2	1

Seems split between FV and FRA, however as implementation progresses that may trend more to FV

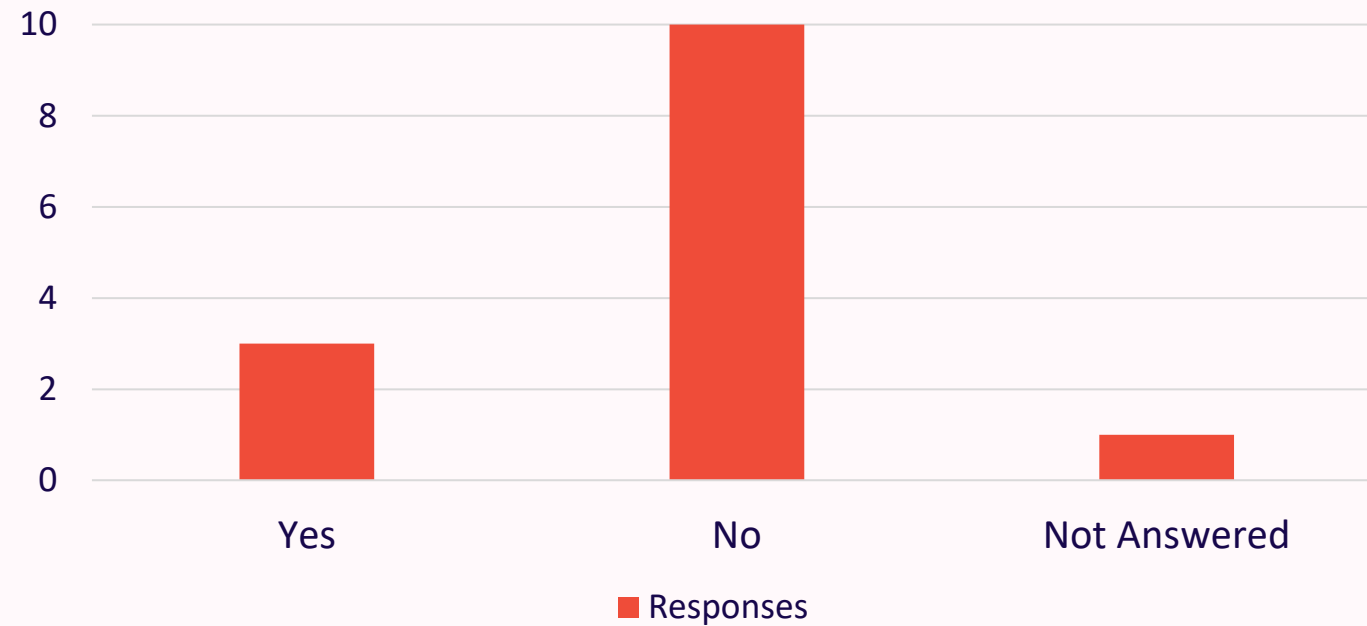
Transition (Q4)

What are the key arguments being used for using only FV or MRA only for the last 1 to 3 years?



Contract Classification (Q5-6)

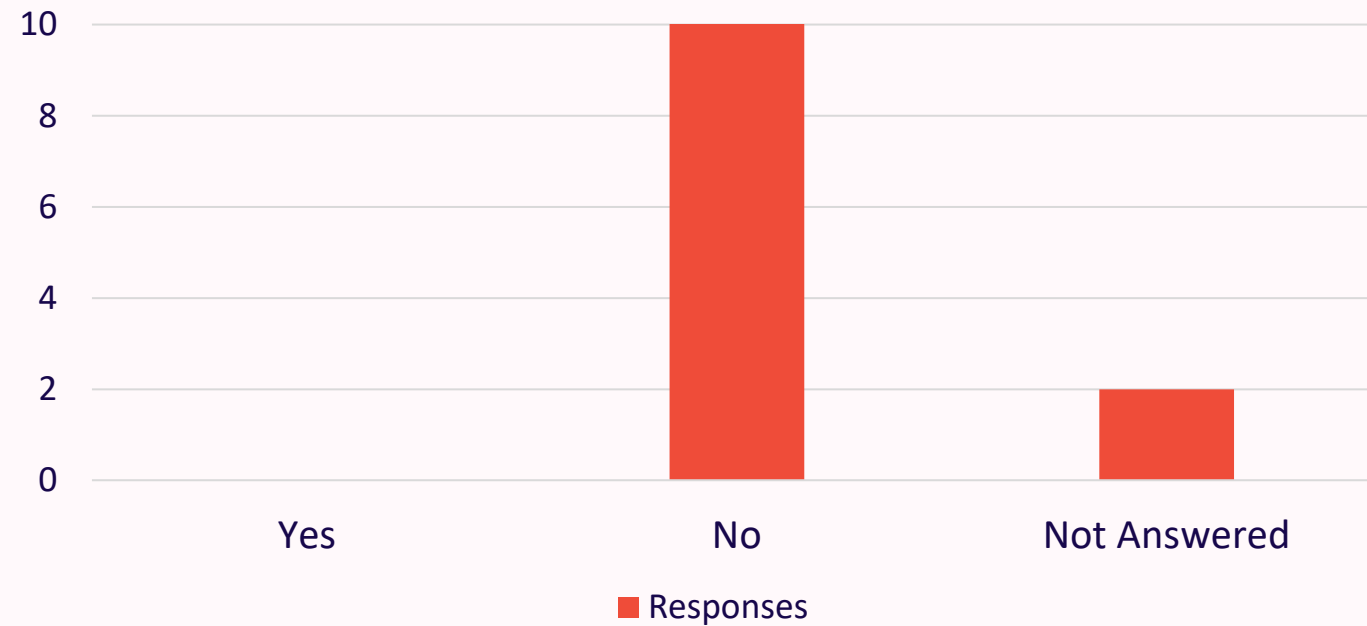
Are there any product contracts in which your company has changed classification from insurance contract to investment contract or vice versa under IFRS17?



Respondents	Rationale (optional):
“Yes”	Insurance contract to investment contract for deferred annuities Certain deferred annuity contracts do not have insurance risk exposure

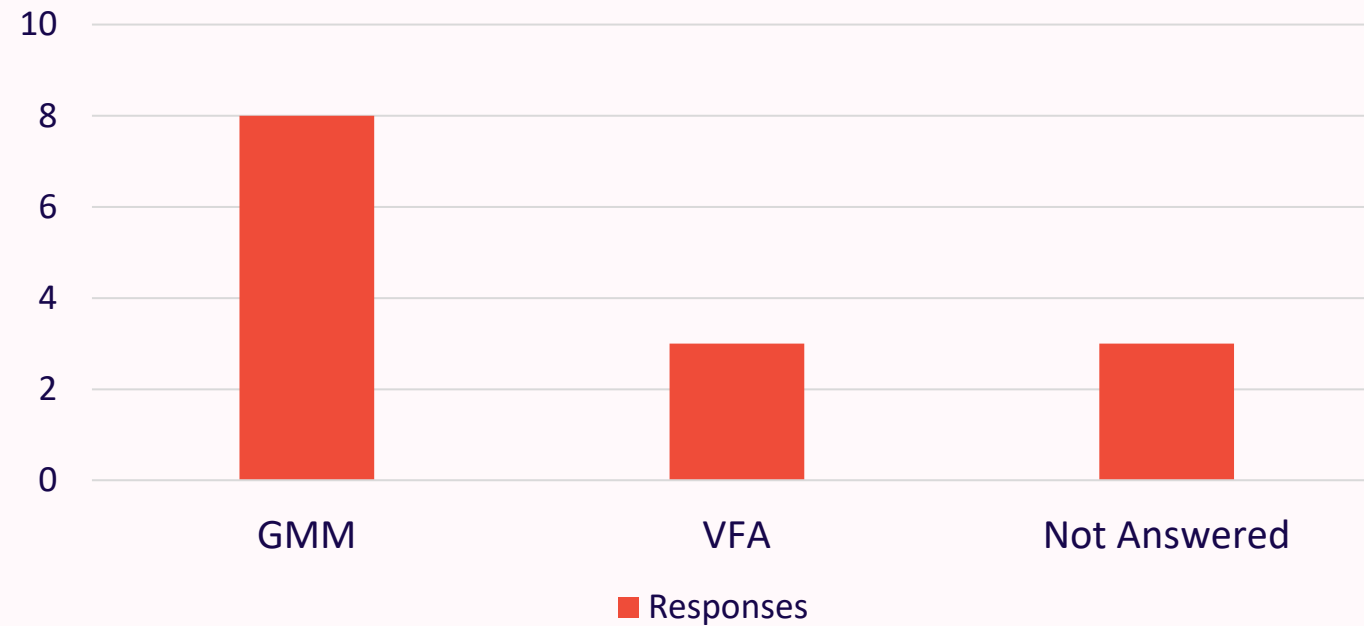
Contract Classification (Q7-8)

Do you have fronting contracts with no liabilities held under IFRS 4, that are in scope of IFRS 17?



Measurement Model (Q9)

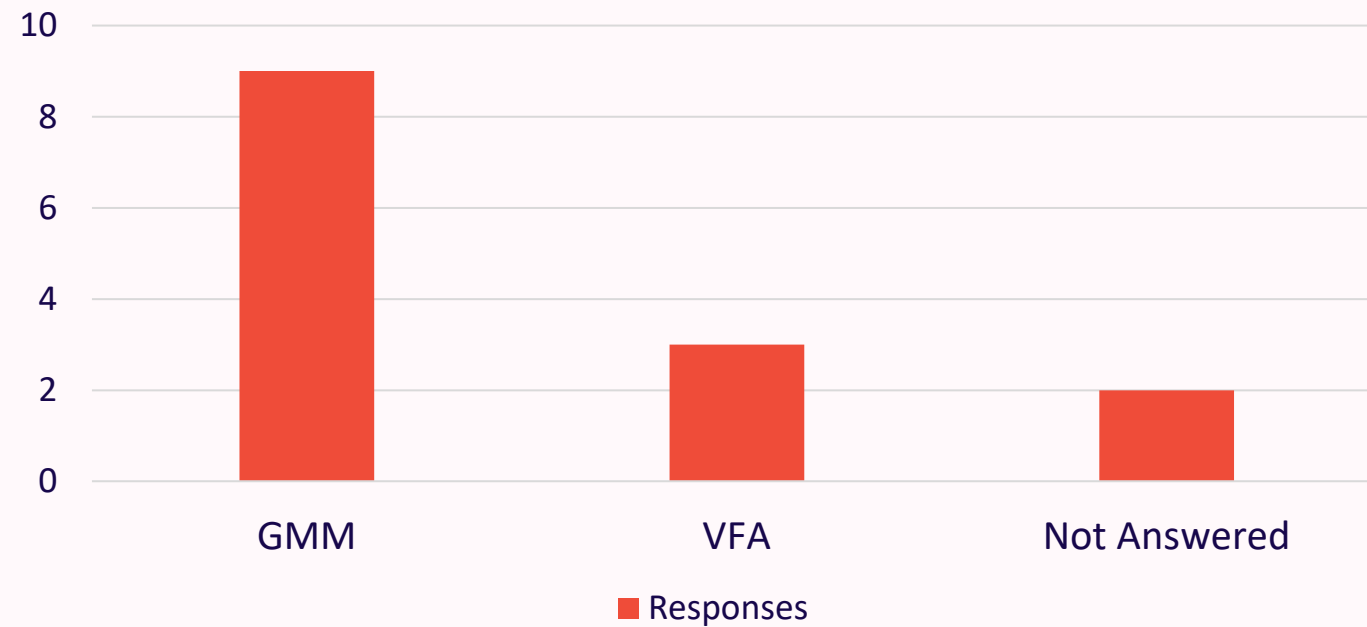
Is your company applying the GMM or VFA to PAR products?



Respondents	Rationale (optional):
1	Materiality , criteria not met at issue
2	No PAR Products in company
3	Policies acquired inorganically from insolvent companies and treated as non-par
4	No dedicated asset pool
5	Operates like non-par products
6	not fulfill direct participating feature criterions

Measurement Model (Q10)

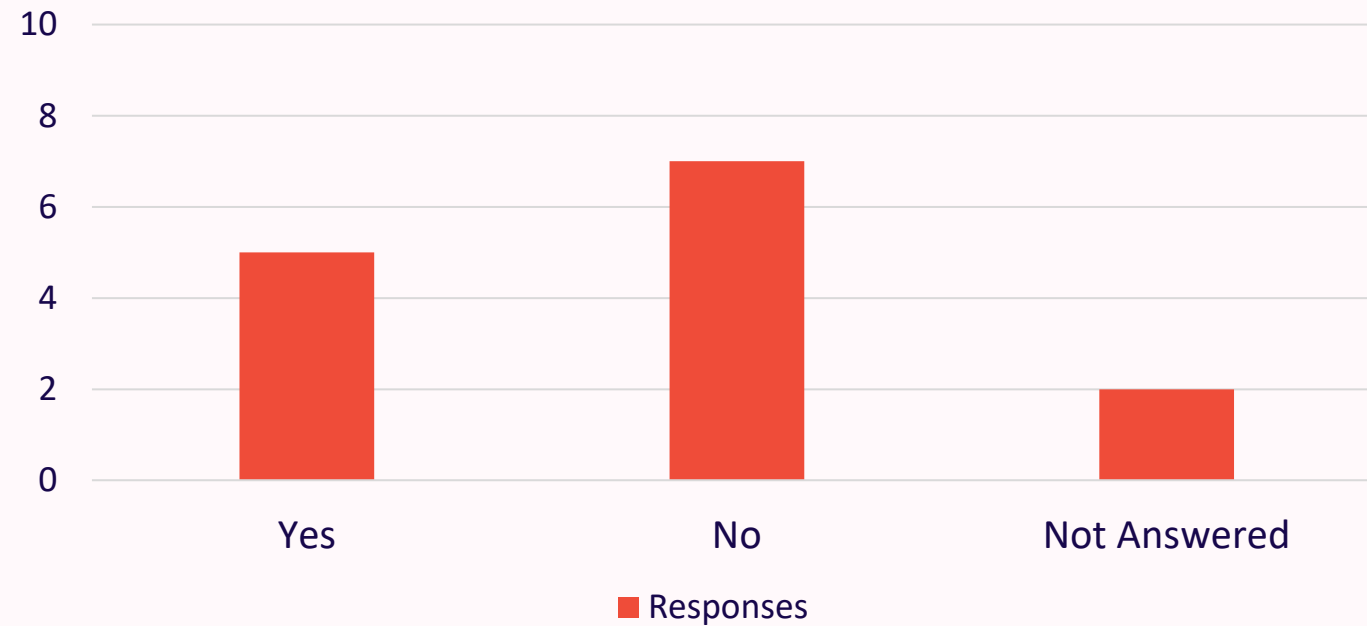
Is your company applying the GMM or VFA to Universal Life products?



Respondents	Rationale (optional):
1	Criteria not met
2	Modified GMM being used. No specified underlying fund used so not using VFA
3	No dedicated asset pool
4	It is probable that VFA will also be applicable to some UL products
5	Not fulfill direct participating features criterions

Measurement Model (Q11)

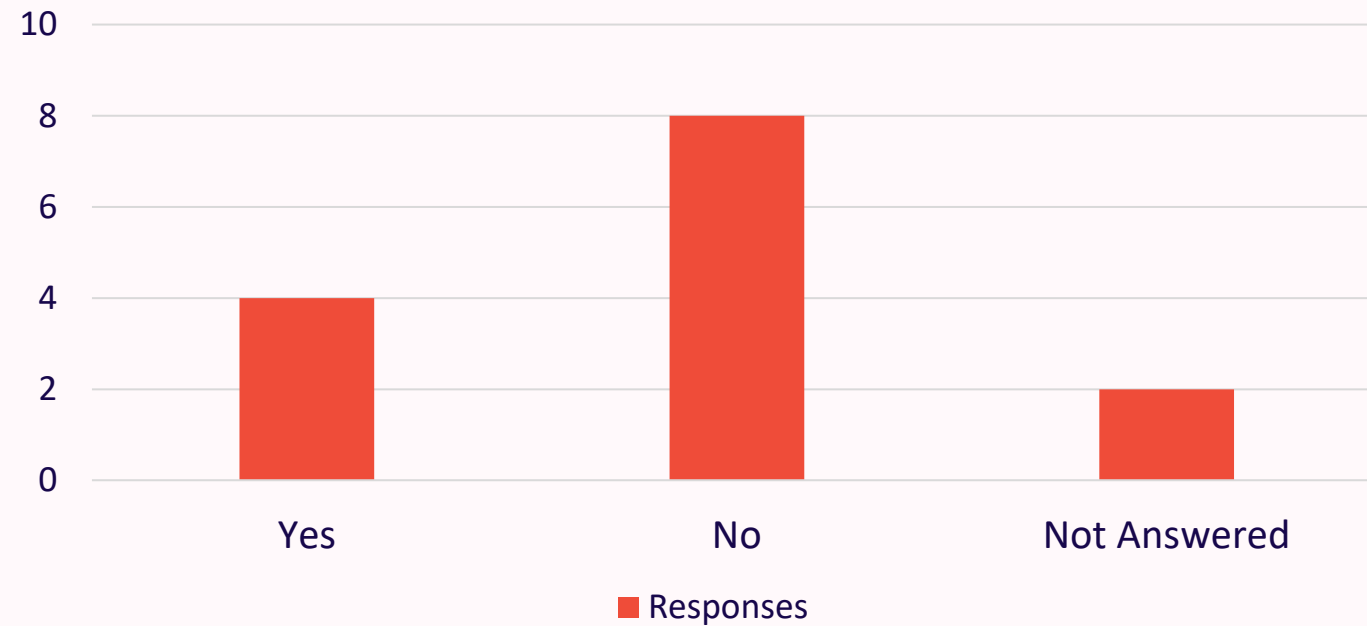
Is your company applying the PAA to products with contract boundaries over 1 year?



Respondents	Rationale (optional):
1	Creditor business-immaterial
2	Group Products-annually renewable
3	Some P&C contracts-linear pattern
4	Bond and mortgage indemnity- immaterial
5	Medical Products- PAA and GMM will produce substantially the same result

Measurement Model (Q12)

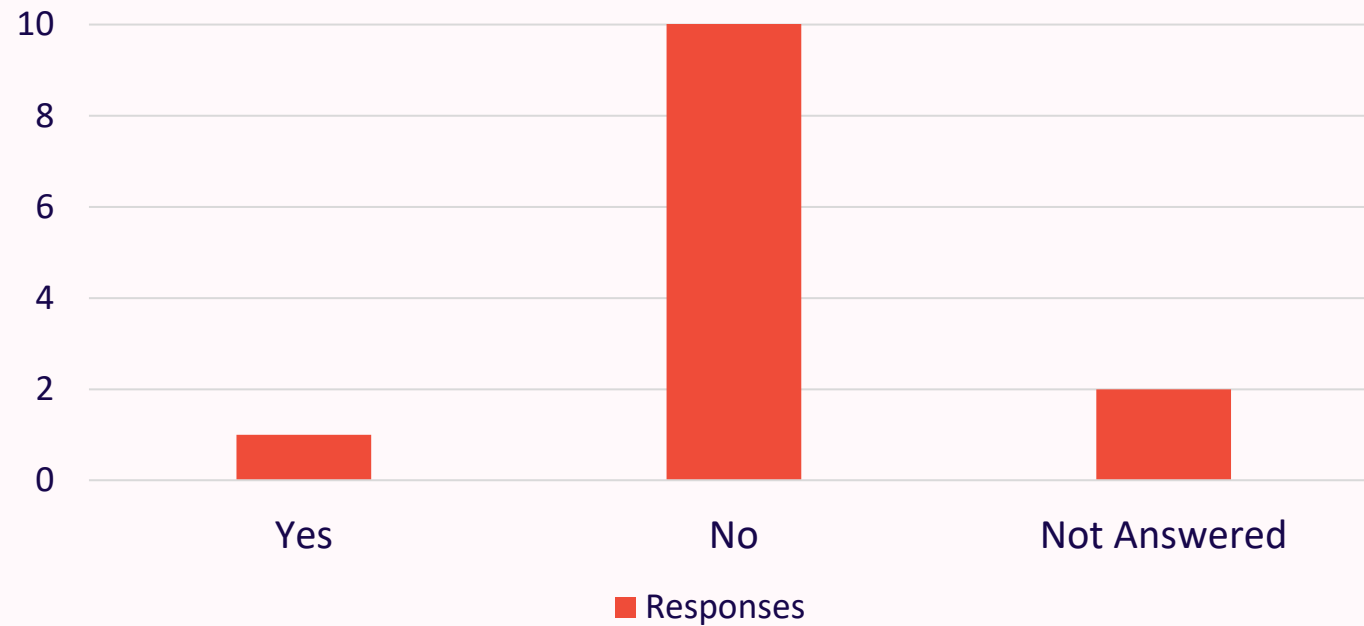
Is your company performing quantitative PAA eligibility testing?



Respondents	Rationale (optional):
1	Plan is to bring it in during the implementation but not performing currently
2	Only Group products are PAA
3	Immaterial
4	To be able to demonstrate the ability to use PAA on certain products
5	To fully comply with the standard
6	Not at this point

Measurement Model (Q13 and Q14)

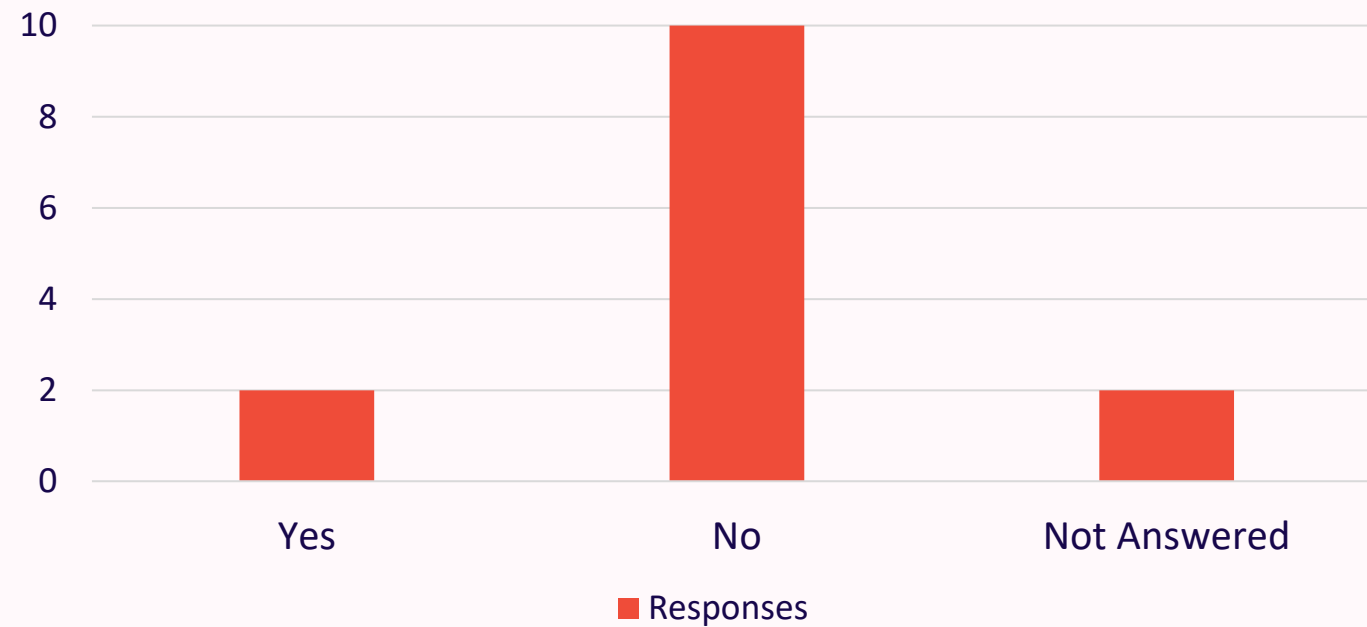
Does your company have any products applying PAA with a non-linear revenue pattern?



Respondents	Rationale (optional):
1	Yes, for health insurance and general insurance (P&C) contracts.
2	No, but we don't know for sure at this point

Measurement Model (Q15)

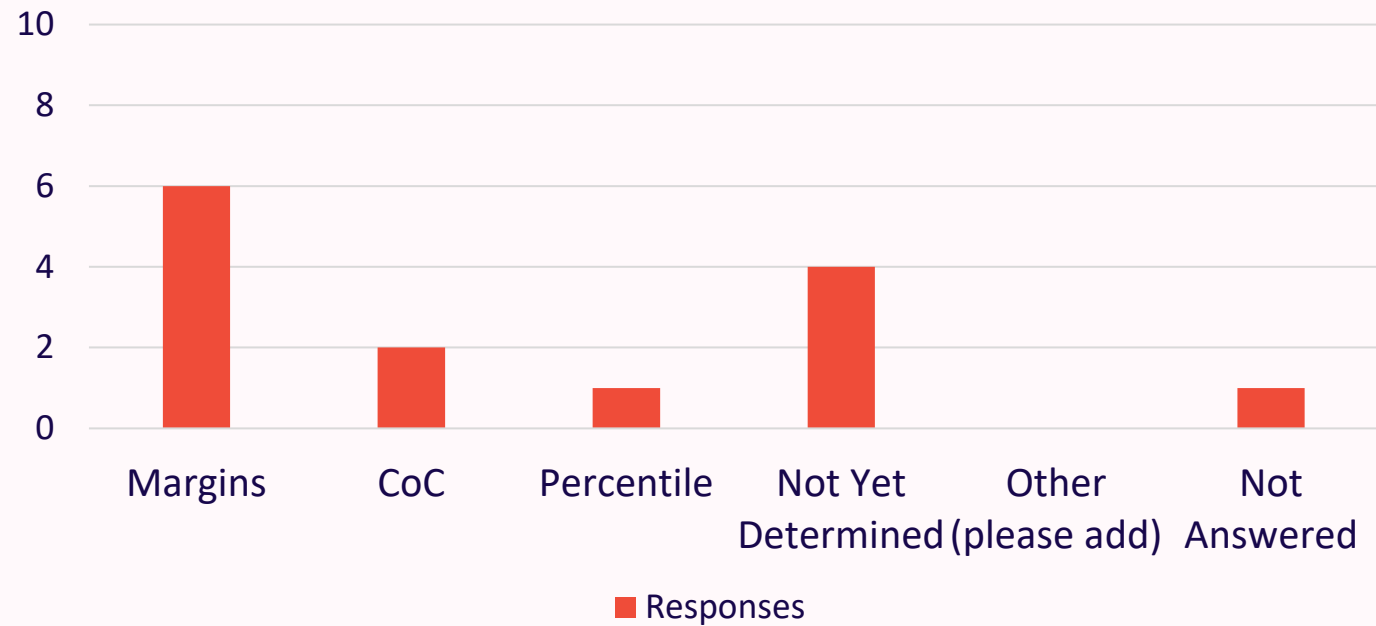
Will stochastic cashflows be used for any asymmetric guarantees?



Respondents	Rationale (optional):
1	Potentially
2	Interest Crediting guarantees
3	Not applicable
4	At this time we will not be using that approach. This may be revised as our ability to model the RA becomes more sophisticated
5	Asymmetric guarantees are not material – at this point the answer is “No”

Risk Adjustment (Q16-18)

Which application method will be used to model the risk adjustment?



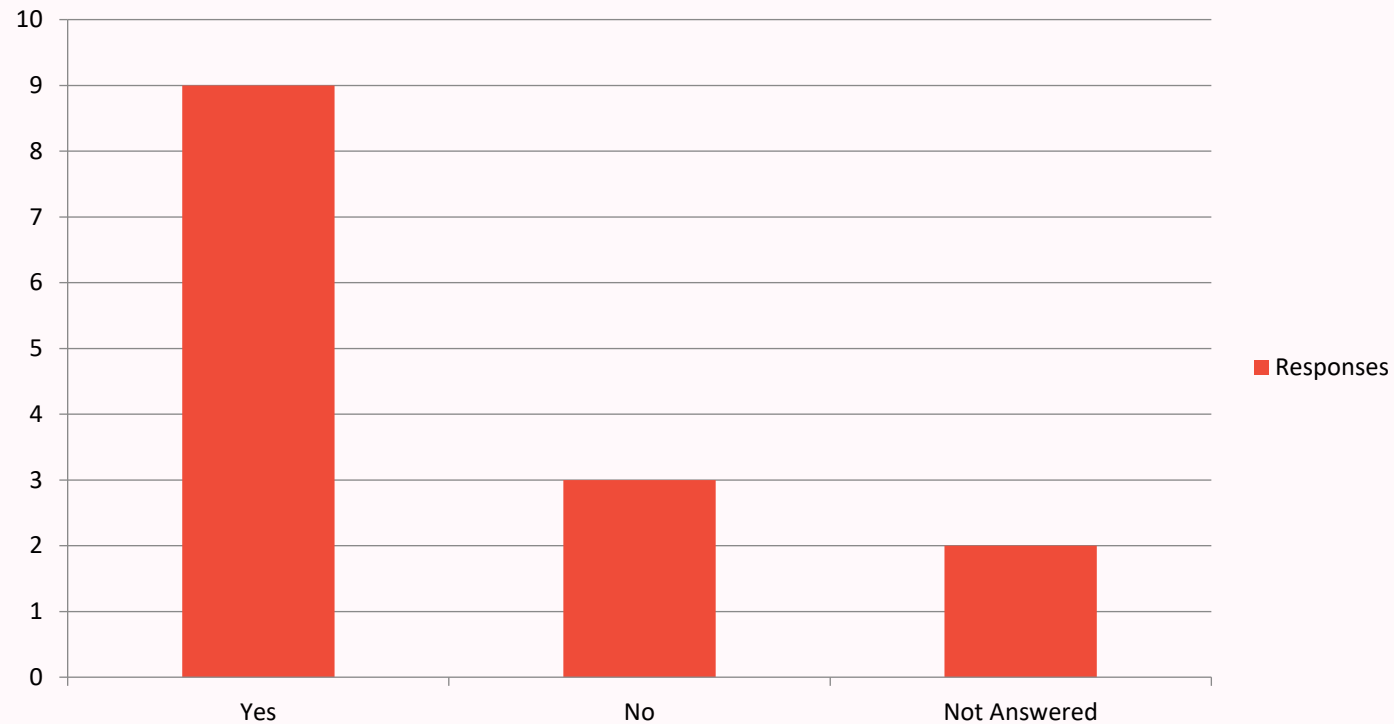
Additional detail

9 Respondents- calibrating RA to achieve desired confidence
2 Respondents calibrating to achieve required return

5 respondents have determined the resulting confidence level
7 respondents had not yet determined the resulting confidence level

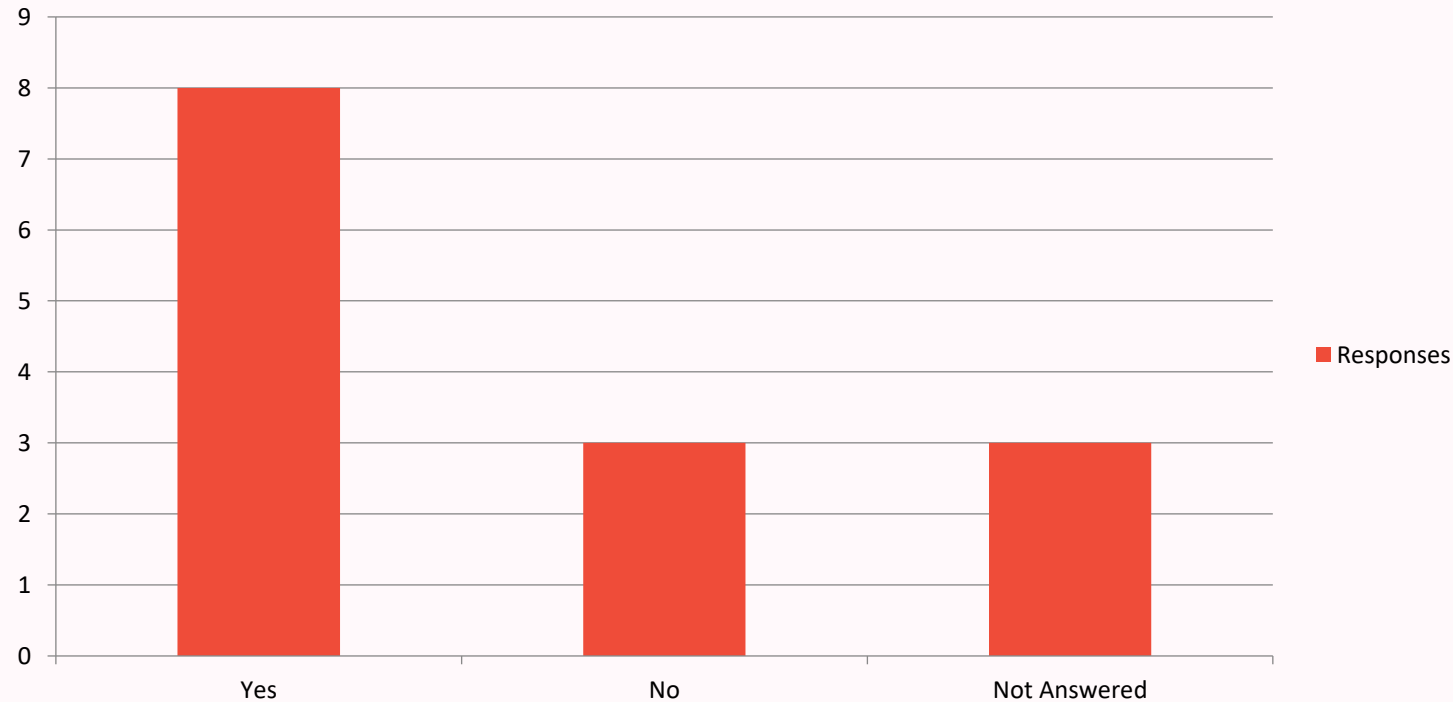
Reinsurance Portfolios (Q19)

Do your company's reinsurance portfolios line up with its direct portfolios?



Reinsurance Measurement (Q20)

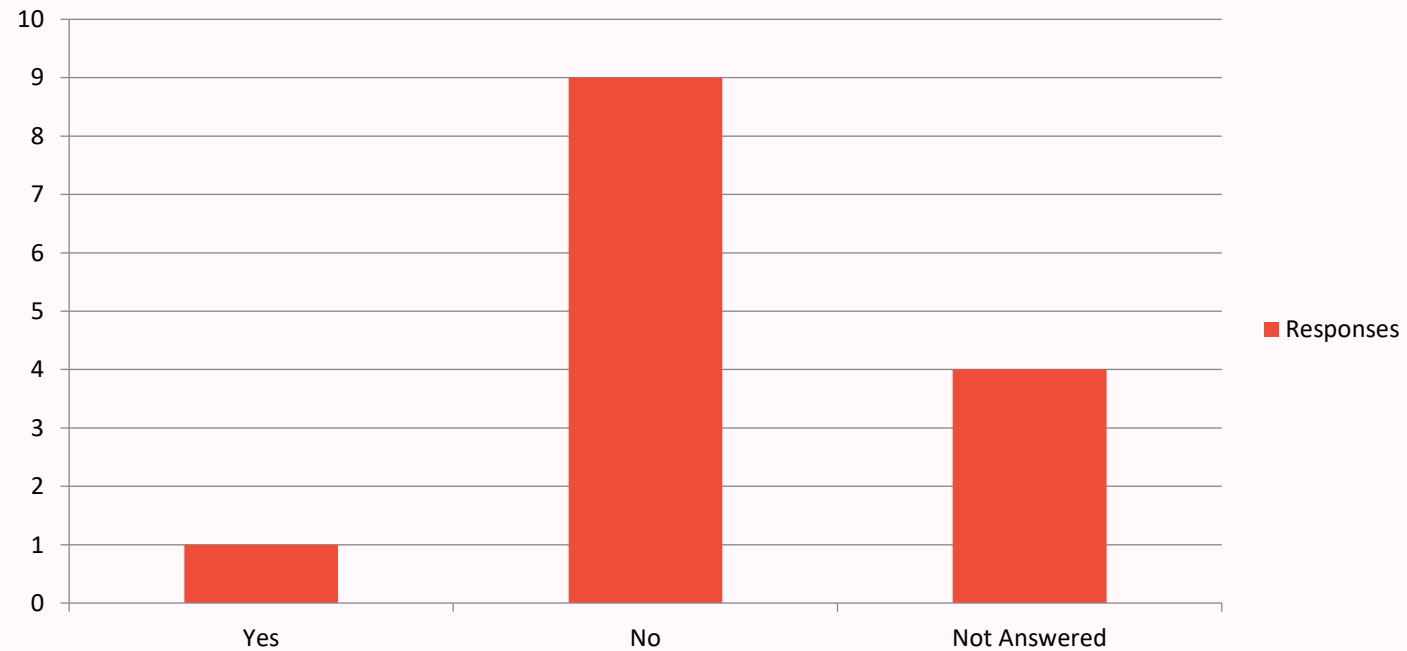
For short-term contracts applying PAA: Is your company also applying PAA to the related reinsurance held if it is risk-attaching?



Respondents	Rationale (optional):
1	Not finalized
2	Those reinsurance contracts only contain short term products and have similar contract boundaries
3	We have answered "Yes" but this is still under review
4	need to check whether GMM should be applied to rein. held

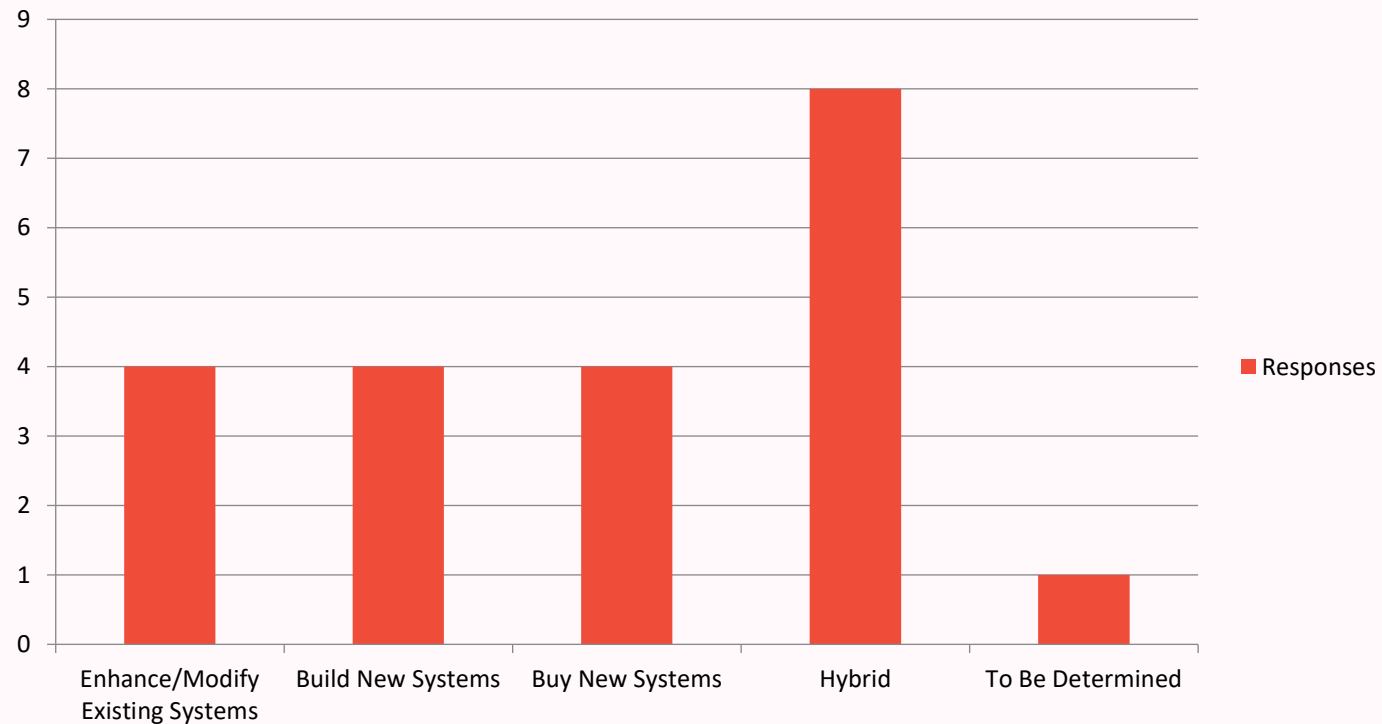
Eligibility Testing (Q21)

Are you performing quantitative eligibility testing?



IT Approach (Q22)

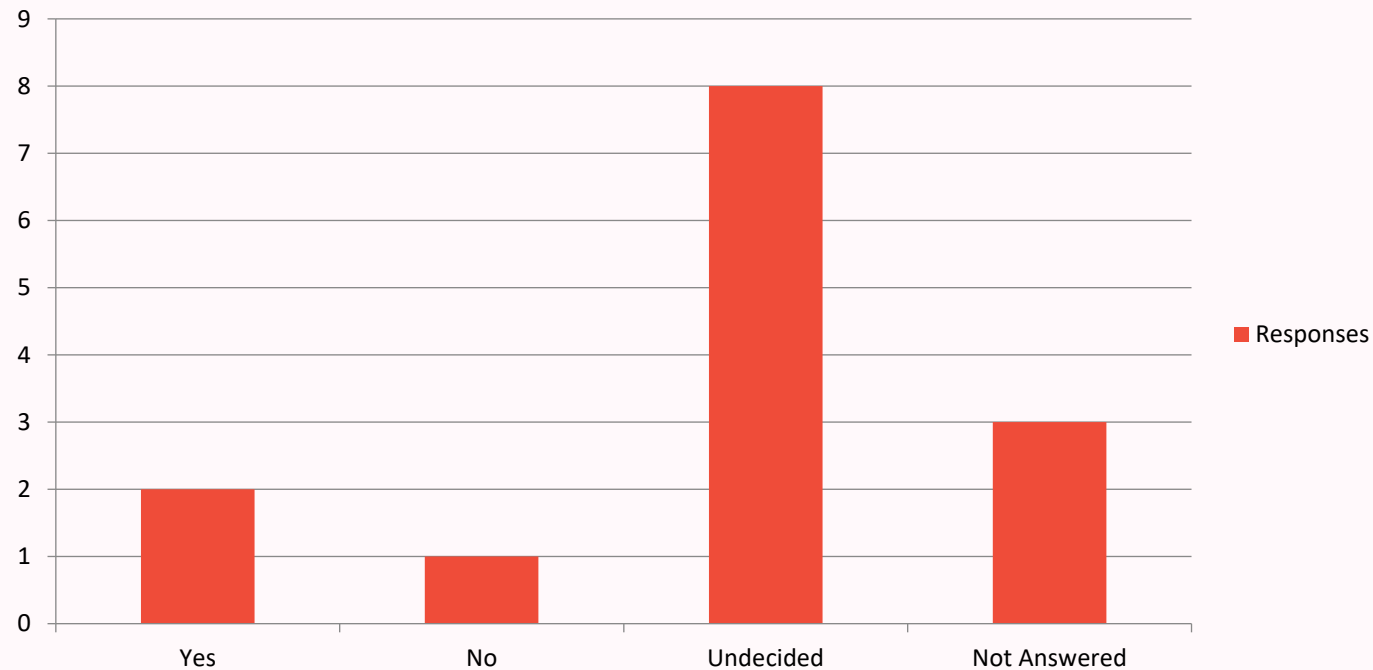
What is your main IT approach to meeting the requirements of IFRS-17?



** Respondents selected multiple options*

OCI Option (Q23-24)

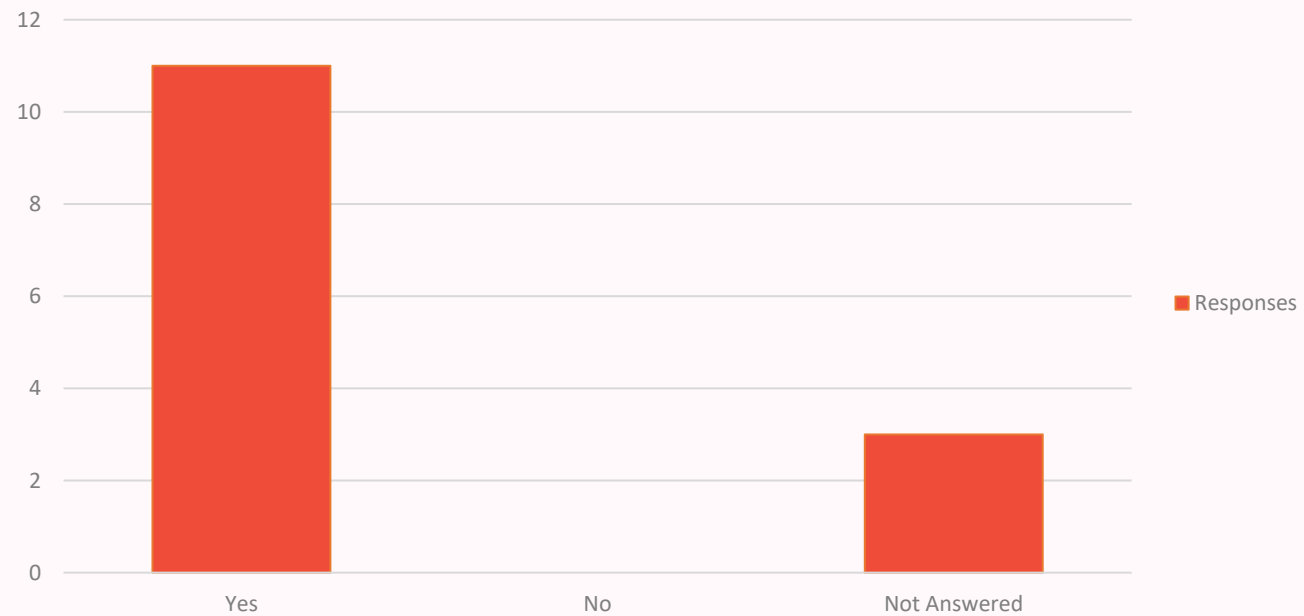
Will your company elect to pass the impact of financial variables through the OCI?



Respondents	Relevant portfolio and/or rationale:
1	ALM
2	Life
3	To limit P&L volatility. Not fully decided , but for VFA portfolios through P&L, for other through OCI

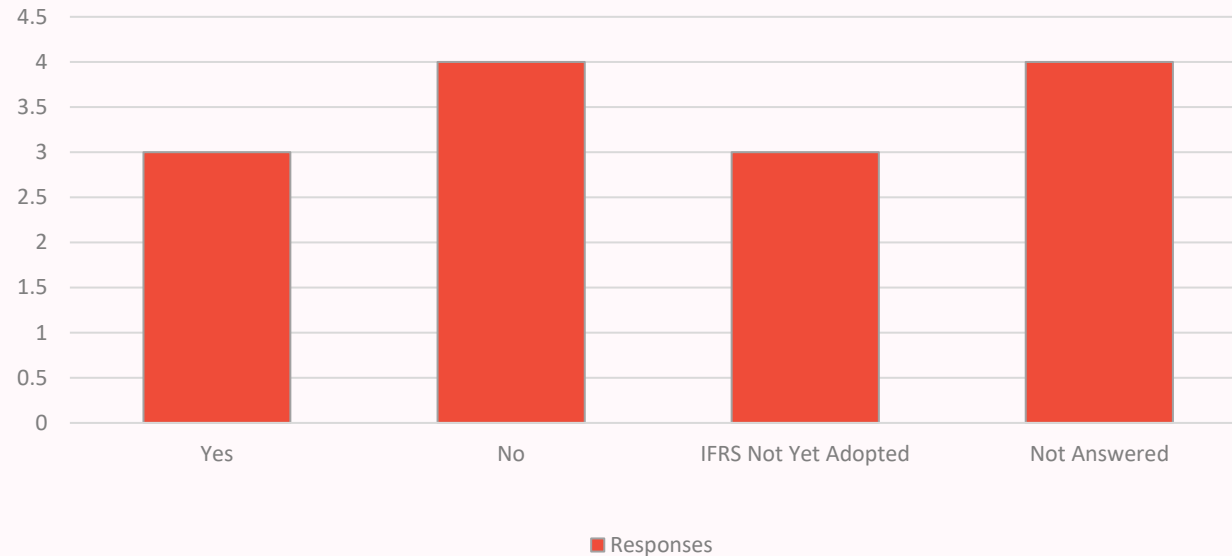
IFRS 9 Classifications (Q25)

Does your company have working assumptions for your IFRS 9 classifications?



IFRS 9 Classifications revisited (Q26-27)

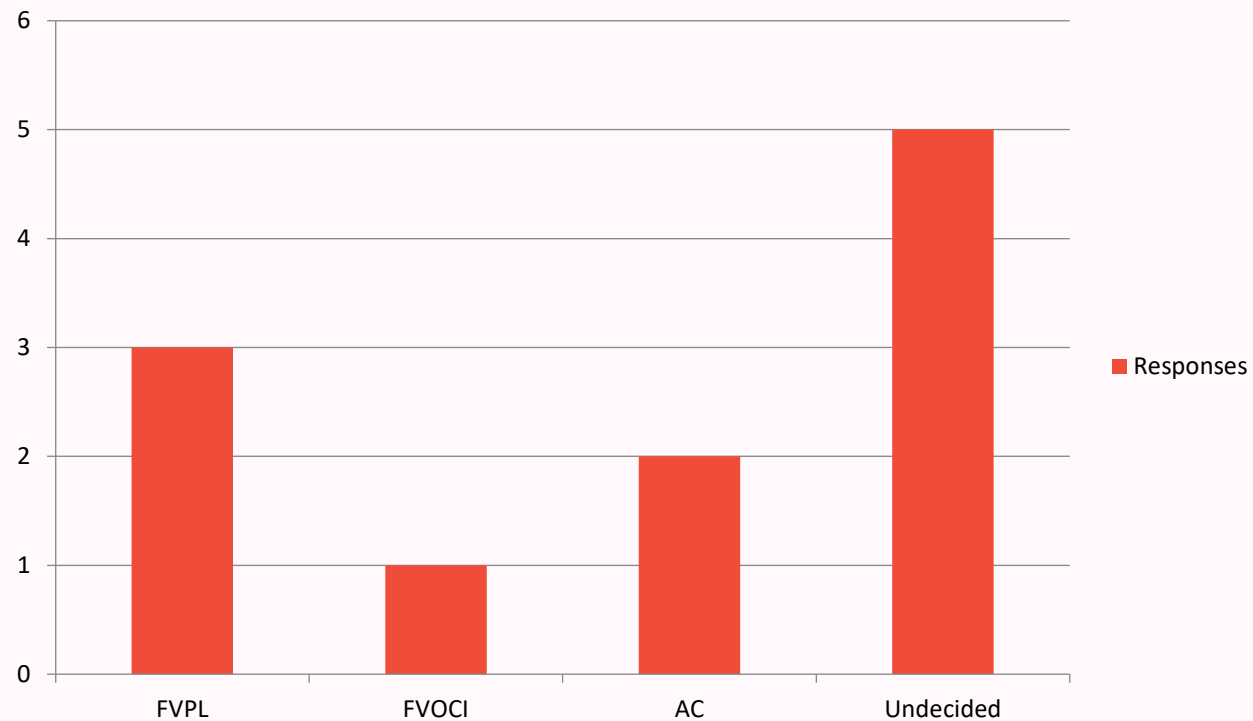
If your company already adopted IFRS 9, will you be changing the classification on the transition to IFRS 17 due to ALM or other considerations? If yes, please provide the rationale.



Respondents	Relevant portfolio and/or rationale:
1	To reduce accounting mismatch
2	Uncertain. To be determined
3	IFRS9 Overlay allows restatement 1/1/22 - likely the company will change from AC to FV

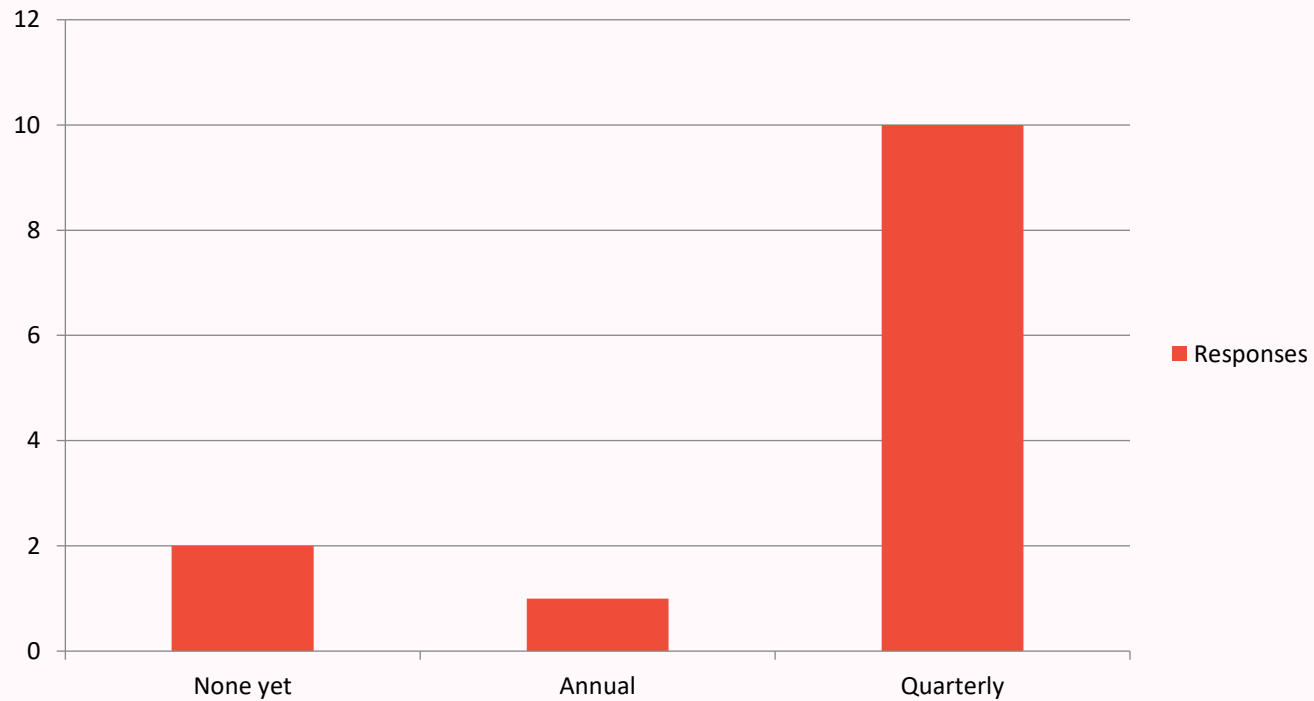
IFRS 9 Govt debt classification (Q28)

What is your company's proposed classification for long-term GOVT debt?



Communication/Board Education (Q29)

Is there ongoing communication on the IFRS17 implementation process to the Board?



Board Concerns (Q30)

What were/are your Board's main concerns on IFRS-17?



Regulatory Input (Q31)

What information is needed or would be desirable from the regulator?

- Direction on various reports and treatment of CSM in Capital Adequacy reporting
- Clarity on the impact of IFRS 17 on the statutory basis
- Assistance with market-dependent assumptions such as Discount Rate, Fair Value assumptions at transition
- Guidance on solvency capital framework changes, statutory financial disclosure expectations, taxation.
- Guidance on risk-free rates and confidence intervals
- Discussion on reporting timelines given increased workload due to increased run times.
- Policy views on risk adjustments
- Capital & Solvency standard; accept CAA guidance on range of practice
- Assessment of whether it makes sense to implement IFRS 17 for less developed countries with small populations