

# **IFRS 17 LIFE COMPANY SURVEY PART 1**



# Life Company Survey 2020-21

## Purpose

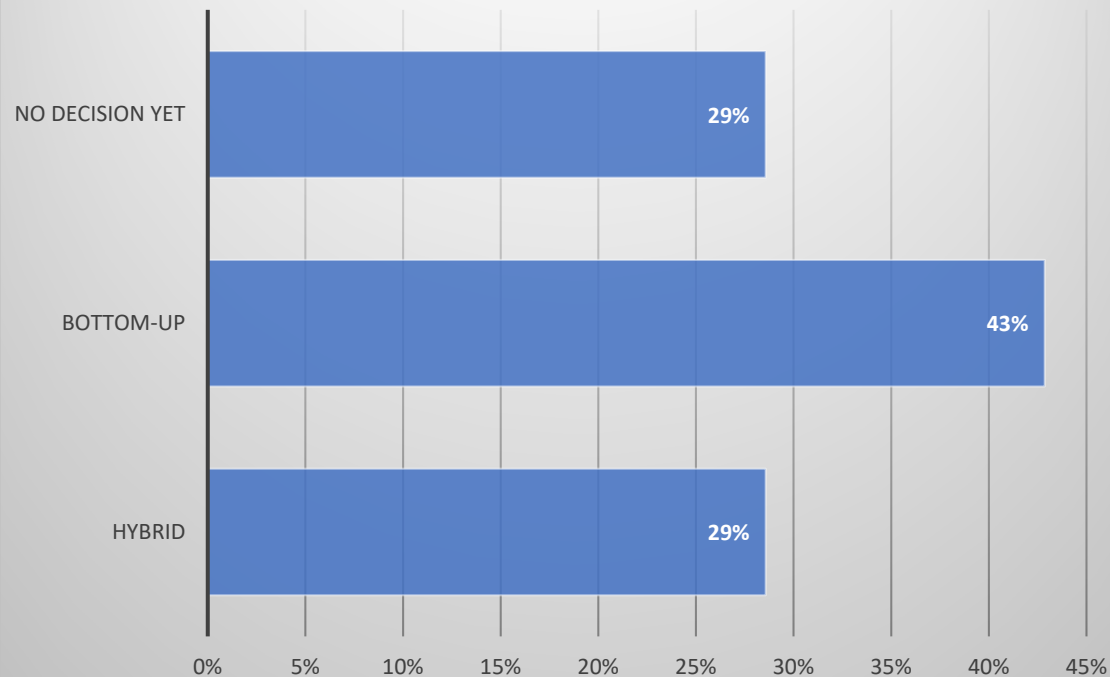
- Get a sense of how companies have been progressing with IFRS-17 implementation
- Identify areas that require greater focus and support from the CAA

## Structure/Participation

- Survey done in two parts
- Part 1 sent out prior to the CAA Conference; Part 2 to be sent out by the end of March
- 9 companies were approached, with major portfolios in the following territories:
  - Jamaica, Bahamas, Trinidad and Tobago, Barbados, Surinam
  - 7 companies have completed the survey
- Part 1 of the Survey
  - 19 questions
  - Topics: Discount Rate, Implementation Readiness/Timeliness, Role of the CAA
- Other Topics to be covered in Part 2 of the Survey

# Life Company Survey 2020-21: 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?

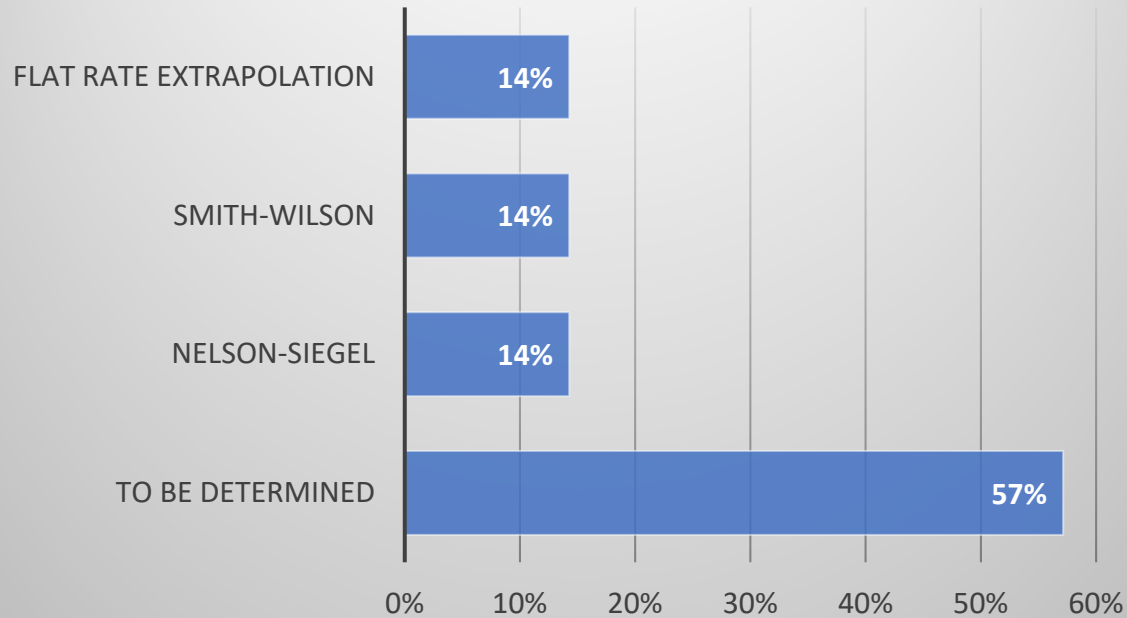


- Most companies have opted for the Bottom Up Approach
- Available market data is the main reason for the choice of methodology

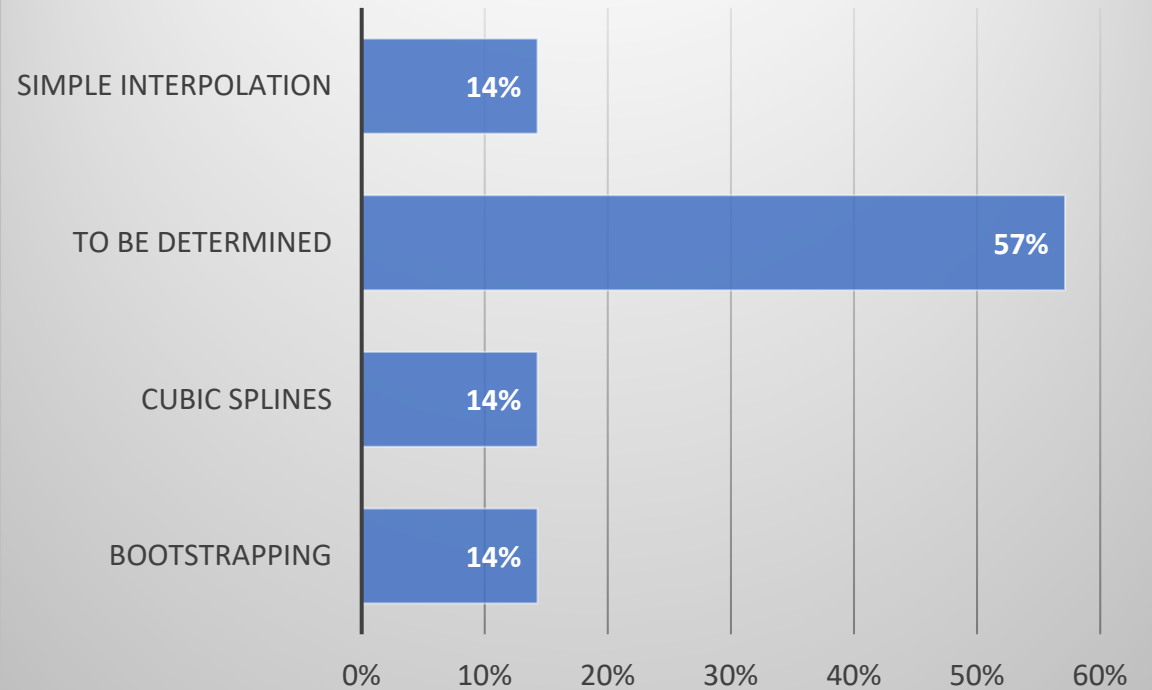


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## Risk-free curve: which method are you using to determine or extrapolate the risk-free curve?



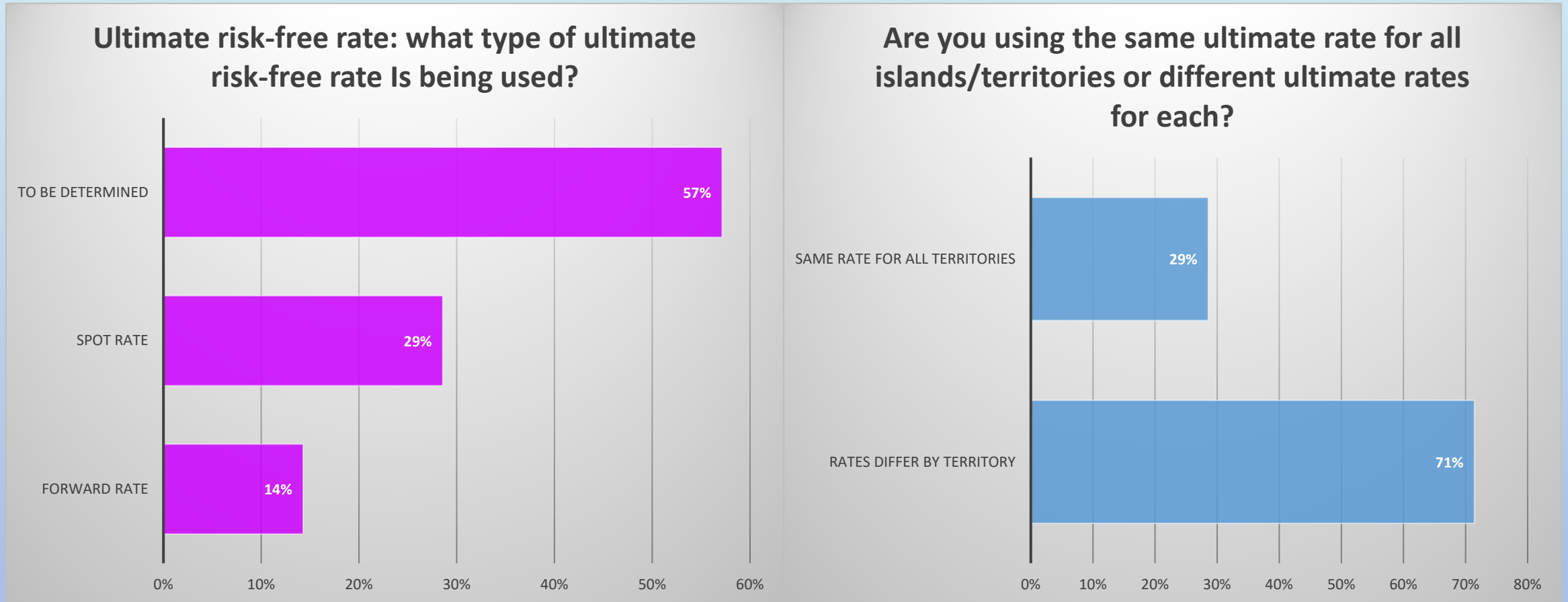
## Risk-free curve: which interpolation method are you using?



Most companies are yet to determine their method of extrapolation or interpolation



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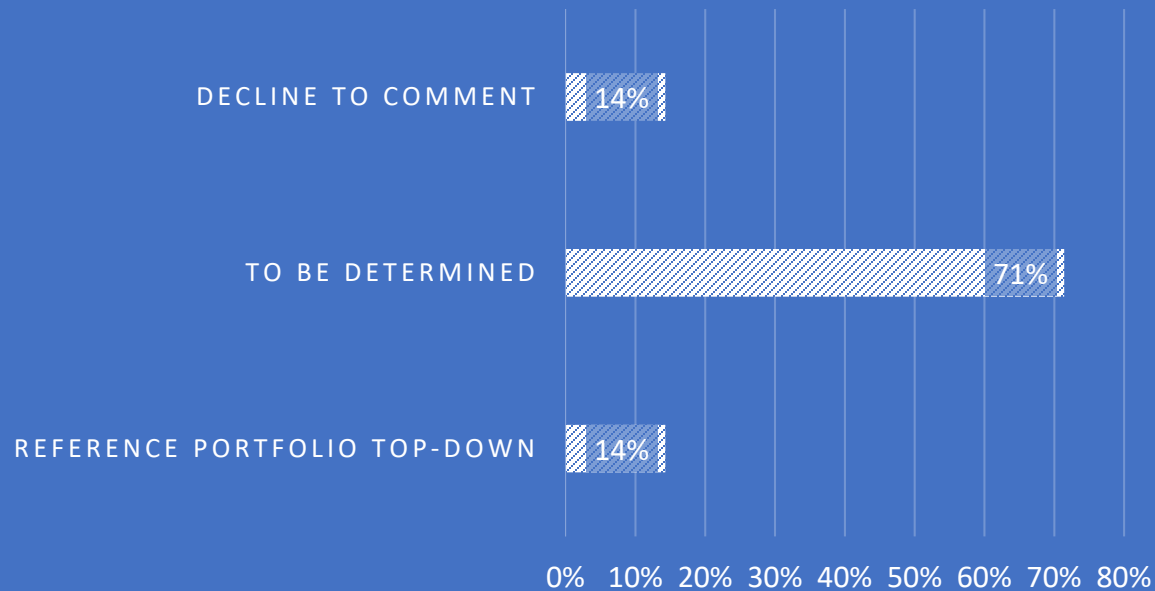


- Most companies are yet to determine the type of Ultimate Risk Free rate, although some companies will use the Spot Rate
- Most companies will use rates that differ by territory

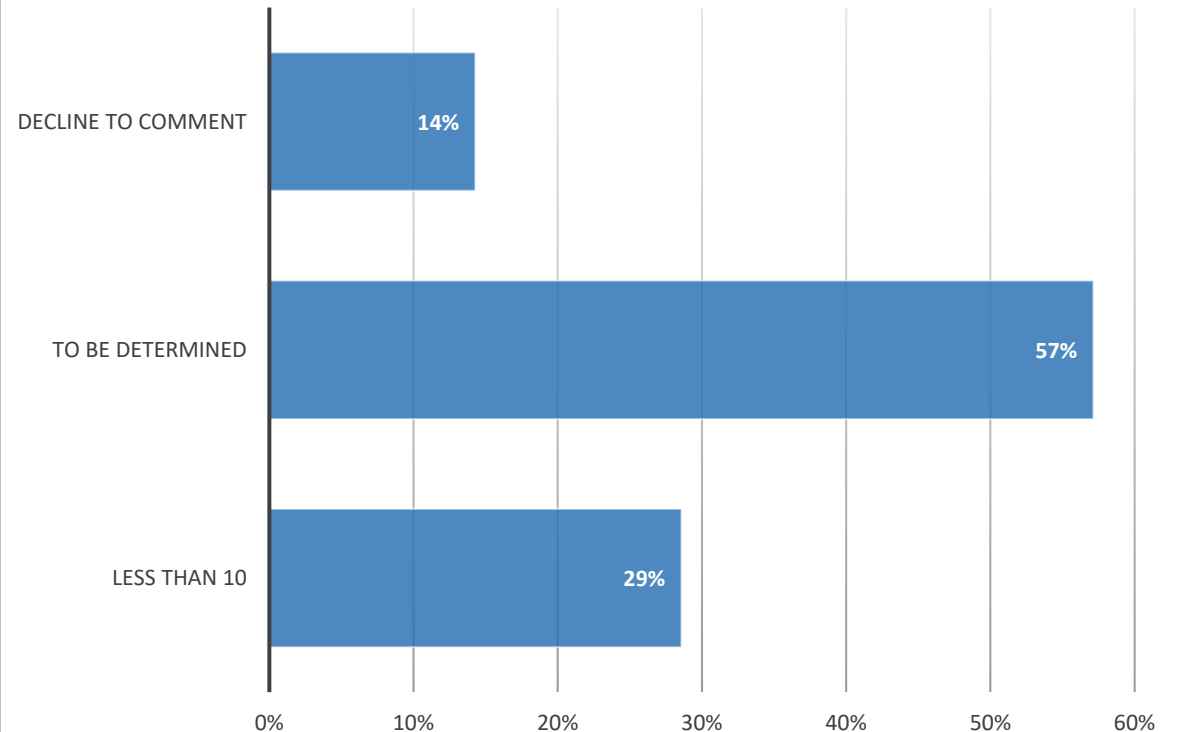


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## LIQUIDITY PREMIUM: WHAT APPROACH WAS USED TO DETERMINE THE LIQUIDITY PREMIUM WITHIN THE OBSERVABLE PERIOD?



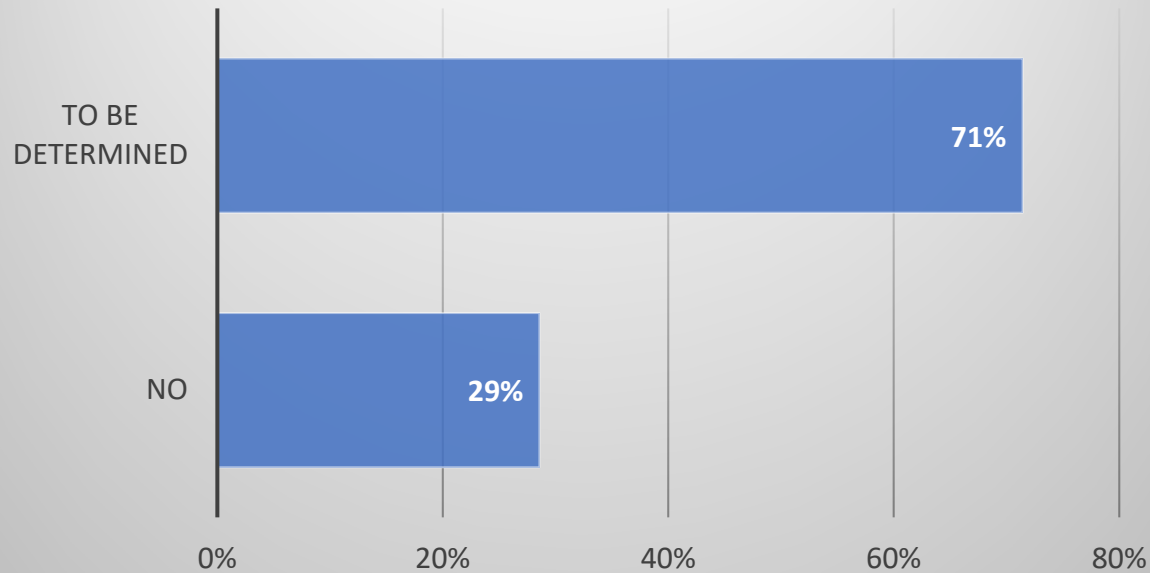
## How many liquidity categories does the company plan to have?



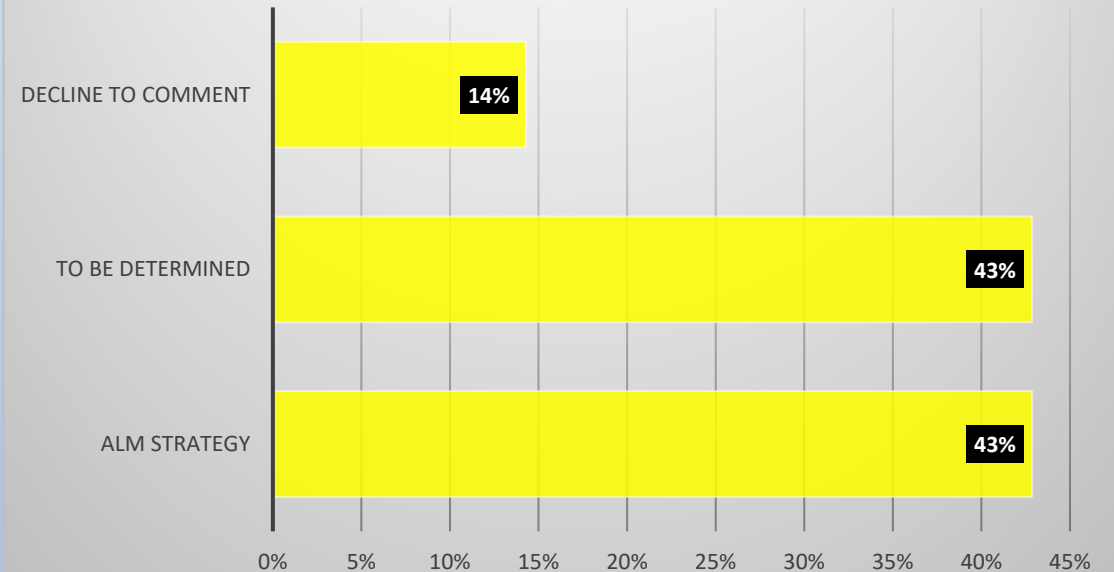
- Most companies are yet to determine their approach to determining the Liquidity Premium
- Most companies are yet to determine the number of Liquidity categories they plan to have, although some companies have indicated that this will be less than 10

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Are there plans to change ALM and/or investment strategies due to IFRS 17 requirements?



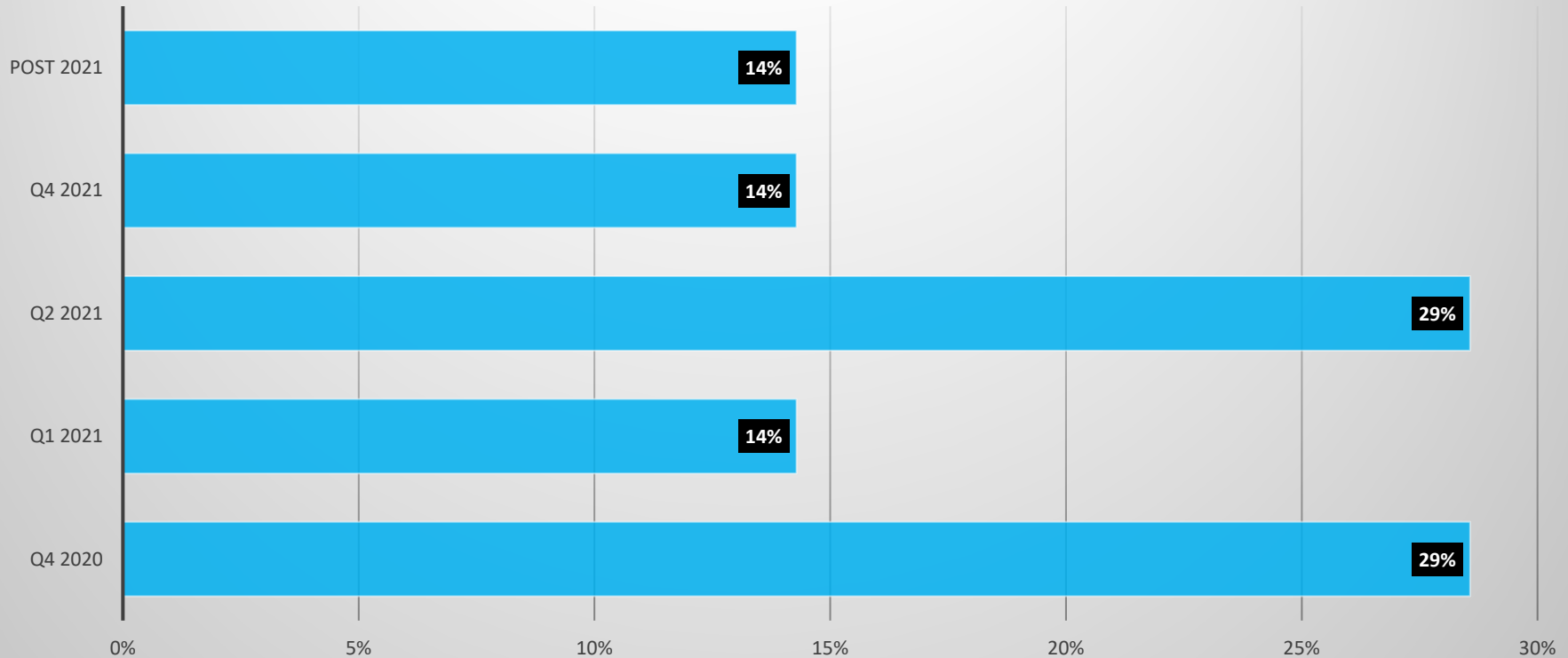
If a hypothetical asset mix is selected, please indicate if the hypothetical asset mix reflects the company's ALM strategy and/or target asset mix.



- Most companies are yet to determine whether their ALM/Investment strategies will change
- Some companies are yet to determine the nature of the hypothetical asset mix, but an equal proportion of companies have indicated that the company's ALM Strategy will be used

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



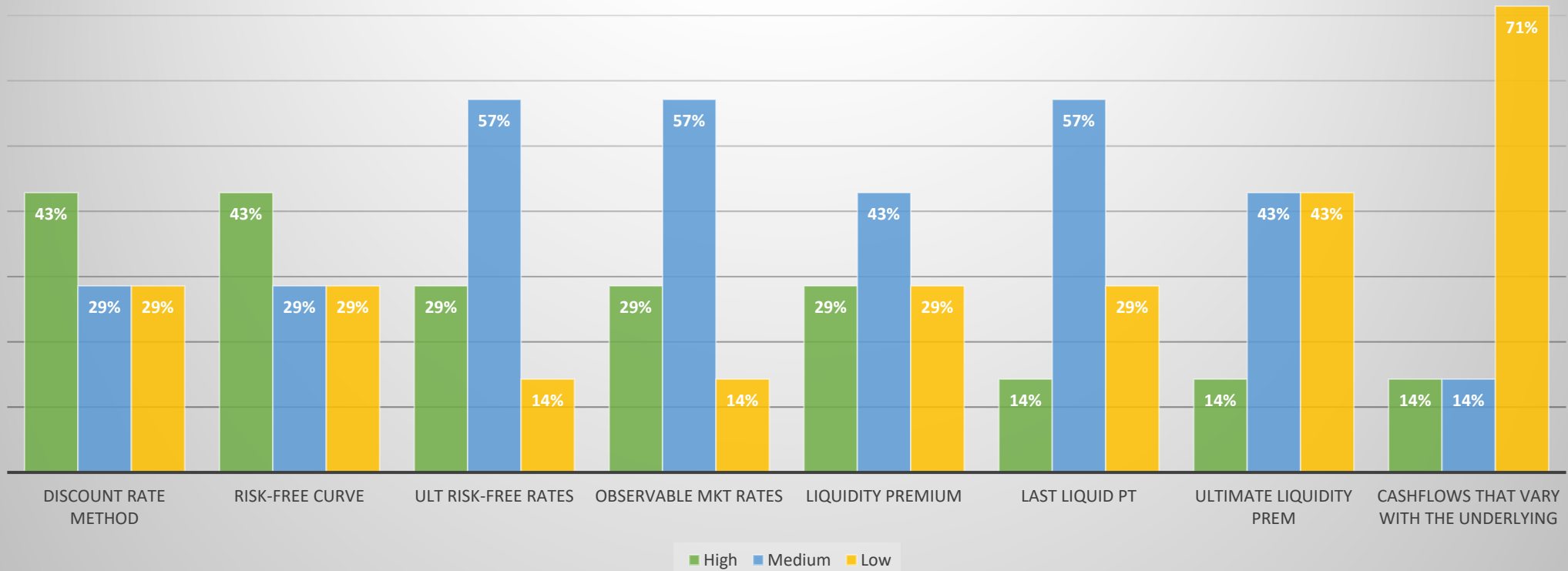
- Some companies have indicated readiness by Q4 2020, with an equal proportion ready by Q2 2021





# Life Company Survey 2020-21: Part 1

Rate the level of importance of each item below

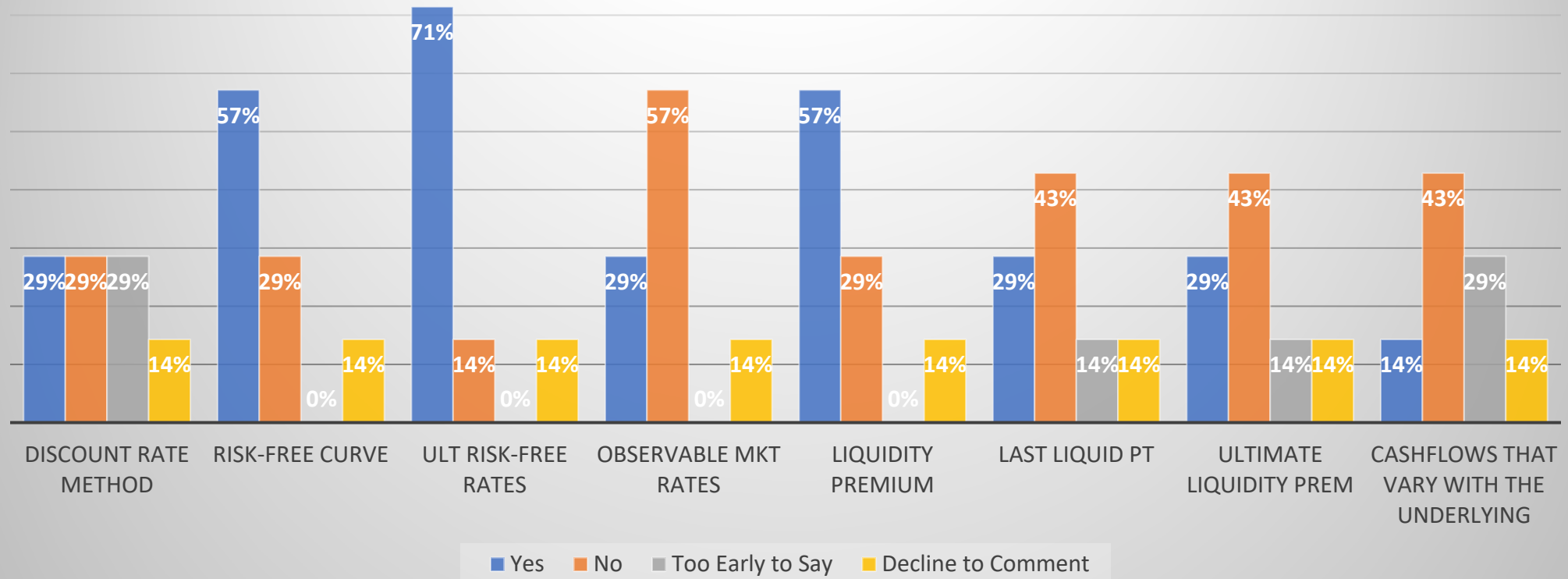


- High importance: Discount Rate Method, Risk-Free Rate
- Medium Importance: Ultimate Risk Free Rate, Observable Market Rate, Liquidity Premium, Last Liquid Point, Ultimate Liquidity Premium
- Low Importance: Cashflows that vary with returns of the underlying



# Life Company Survey 2020-21: Part 1

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



Yes: Risk-Free Rate, Ultimate Risk-Free Rate, Liquidity Premium

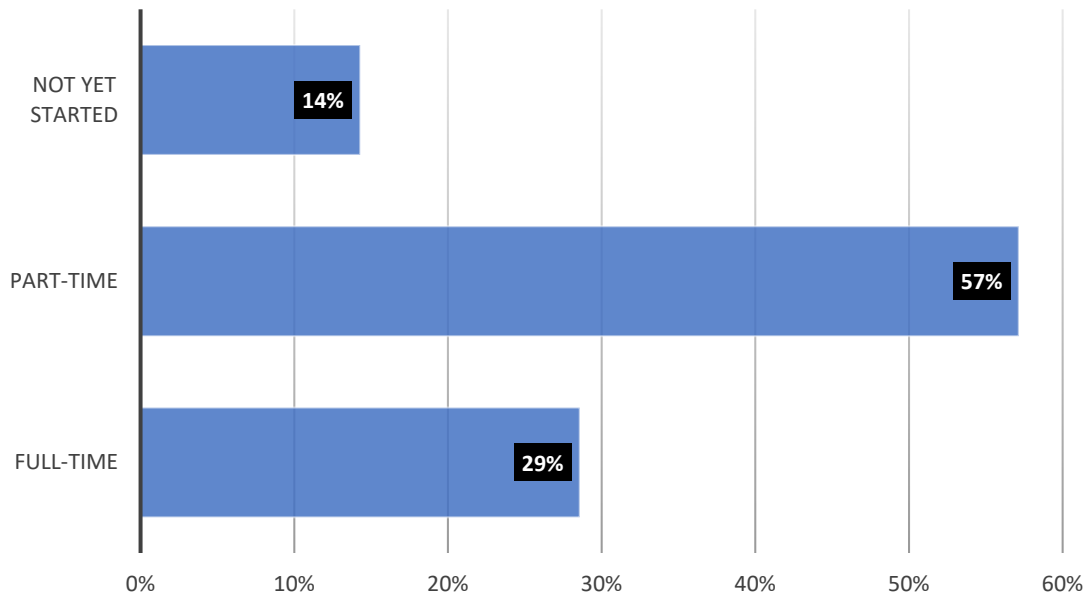
No: Observable Market Rates, Last Liquid Point, Ultimate Liquidity Premium, Cashflows that Vary With The Underlying

Yes/No/Too Early to Say: Discount Rate Method

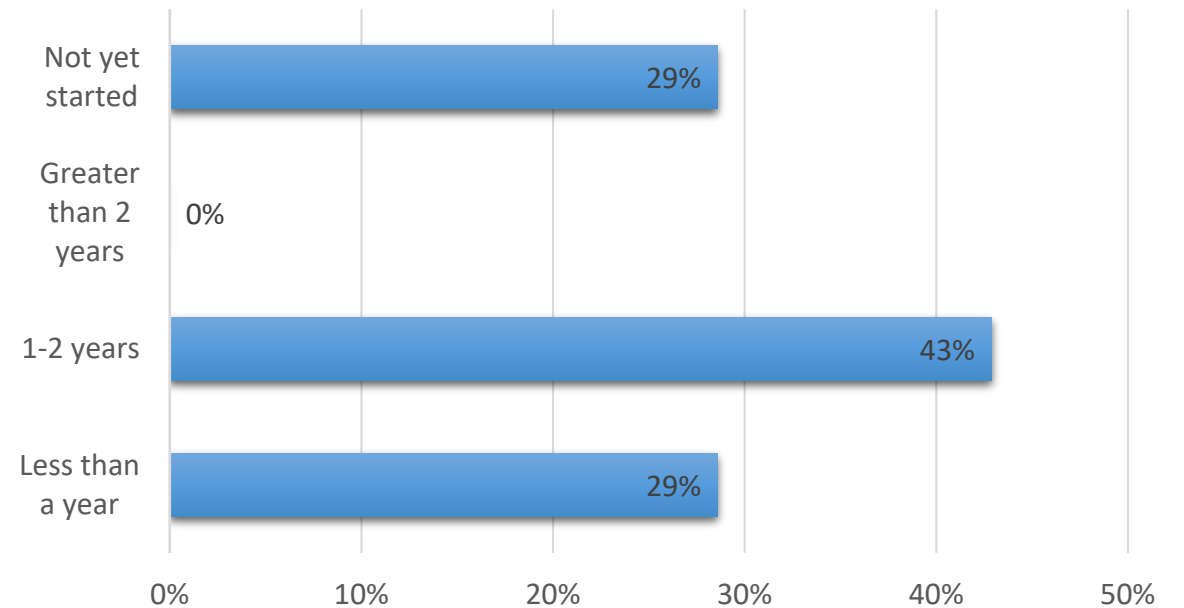


# Life Company Survey 2020-21: Part 1

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



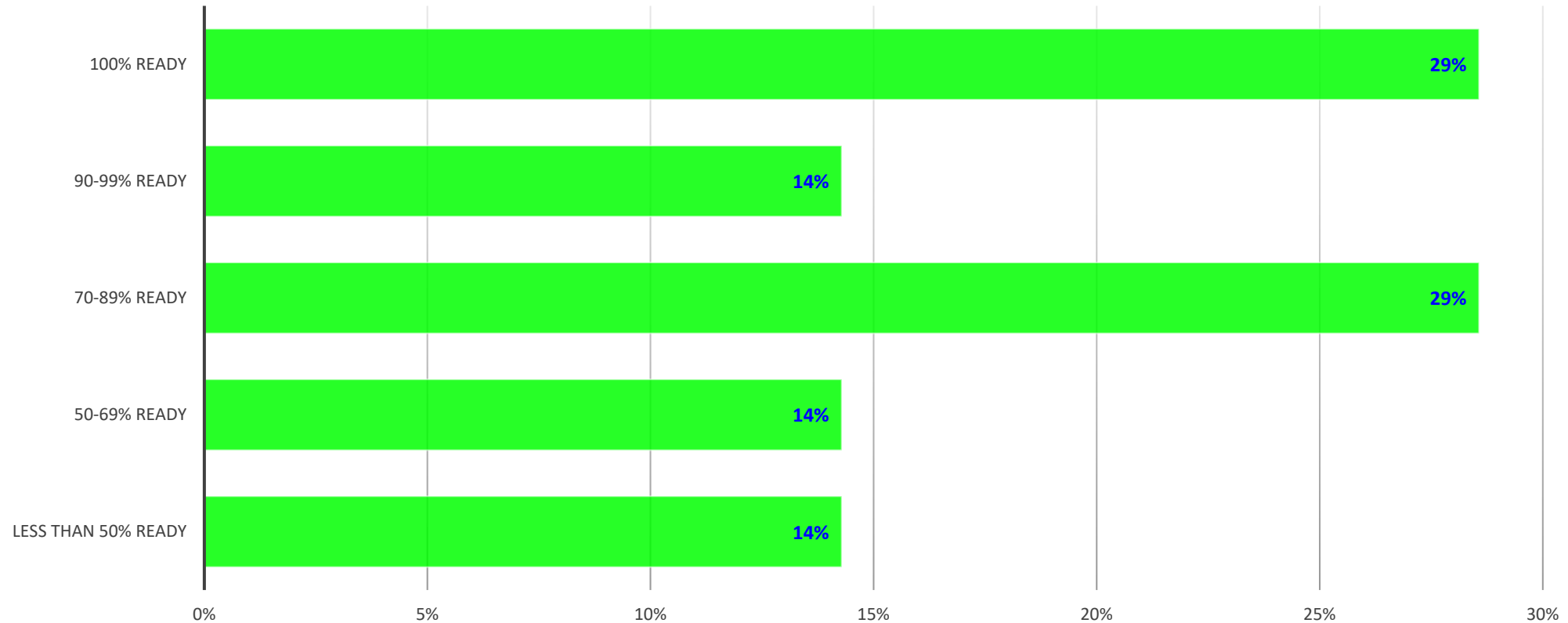
## How long has the implementation process been in place?



- Implementation is a part-time effort for most companies
- Most companies have been in the implementation process for 1-2 years, some for less than a year, while others are yet to start

# Life Company Survey 2020-21: Part 1

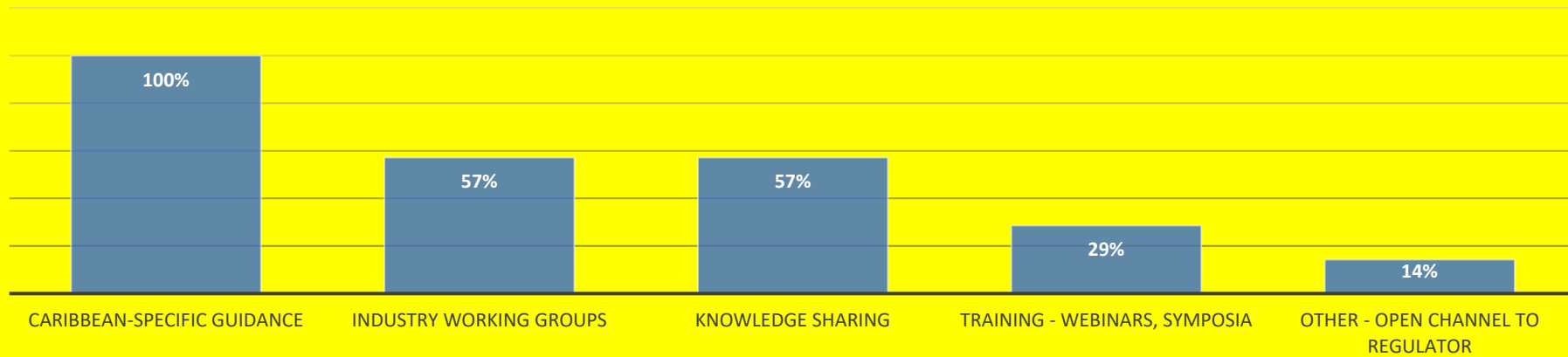
To what extent do you expect to be ready by the current IFRS 17 implementation deadline?



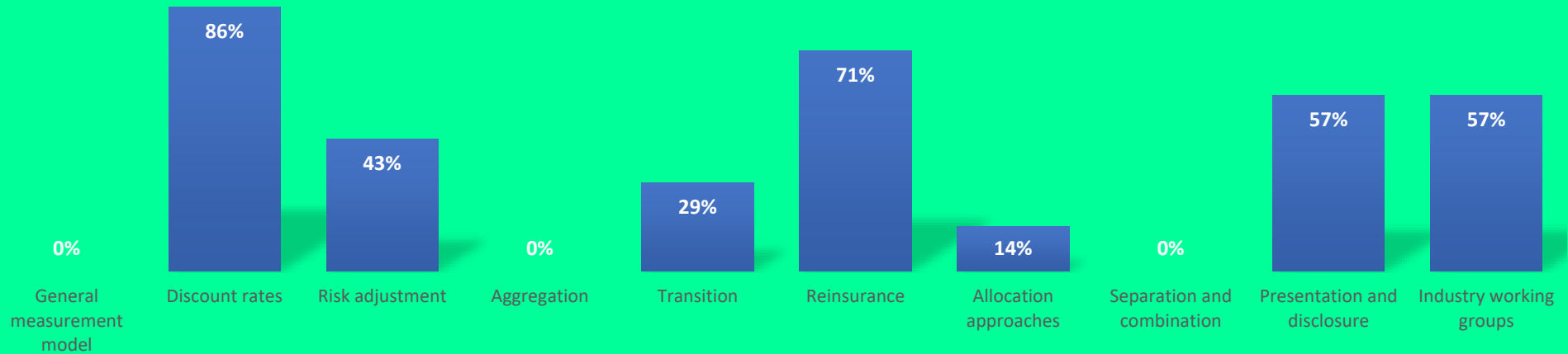
Most companies expect to be at least 70% ready, and of this proportion, some expect to be fully ready

# Life Company Survey 2020-21: Part 1

## What support would you like from the CAA?



## Which areas that you would like the CAA to focus on or provide additional support?



- Support: Caribbean Specific Guidance, Industry Working Groups, Knowledge Sharing
- Areas: Discount Rates, Reinsurance, Presentation & Disclosure, Risk Adjustment



# Life Company Survey 2020-21: Part 1

## Summary

- ❑ **Companies are in various stages of implementation:**
  - Some companies will be ready but others may need support to be ready in time
  - Many issues to resolve, questions to be answered
- ❑ **Key Priorities for CAA**
  - Caribbean Specific Guidance
  - Knowledge Sharing
  - Industry Groups/Forum
- ❑ **Key Topics**
  - Discount Rate Methodology
  - Risk Adjustment
  - Reinsurance
  - Presentation and Disclosure