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IFRS 17 MANAGEMENT REPORTING AND EMERGING KPIS

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This presentation has been prepared for the 2023 Caribbean Actuarial Association (CAA) Conference.

The CAA wishes it to be understood that opinions put forward herein are not necessarily those of the CAA and the CAA takes no responsibility for those opinions.

Where we are and what's next – an update

Current Status		Near-term Considerations
	Analysis <ul style="list-style-type: none"> Education remains a top priority Identify sources of growing pain 	<ul style="list-style-type: none"> Focus is to bring stakeholders up to speed Mindset shift from IFRS 4 to IFRS 17
	Process <ul style="list-style-type: none"> IFRS 17 production process fully functional Manual processes 	<ul style="list-style-type: none"> Ad hoc analysis and approximations Efficiency of reporting process
	Market <ul style="list-style-type: none"> Investment volatility Discount rate mechanics 	<ul style="list-style-type: none"> Refine policy and methodology decisions Asset liability management
	Disclosure <ul style="list-style-type: none"> AAR requirements Divergent approach on disclosure 	<ul style="list-style-type: none"> Continue to enhance disclosure prior to YE Alignment between peers

Communication of IFRS 17 management insights is a top priority

Communicating the IFRS 17 story

- Tailor communication of IFRS 17 results to the audience and keep messages simplified
- Develop expectation under IFRS 17
- Leverage comparative periods
- Separate long-term expectation from short term fluctuation in results

It will take time!

Underlying economics



CSM and LC



ALM / Investment volatility



Presentation



New IFRS 17 metrics will supplement existing KPIs

- Existing KPIs will continue to be relevant
- CSM will be a major focus
- Recalibration of traditional KPIs
- Resetting management expectation

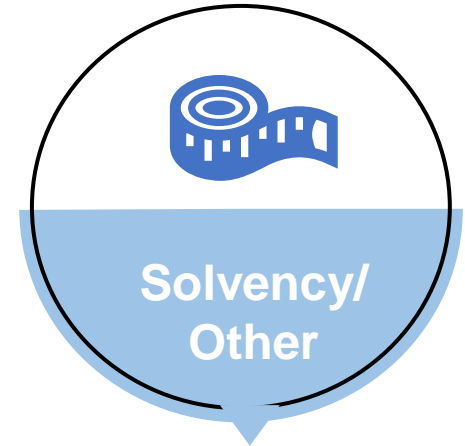
Sample KPIs



- Inforce CSM
- Adjusted IFRS 17 income
- ROE



- New Business CSM
- Value of New Business (VNB)
- Premium



- Capital ratios
- Expense efficiency ratio
- Leverage ratio

IFRS 17 income does not tell the whole story; **CSM Movement** is required and is being split for the explanation

CSM Movement

New KPI New KPI (Alternate)

	Other descriptions	CSM Trend / Normalized CSM Growth	Organic CSM Movement
Initial CSM			
Impact of New Insurance Business	New business CSM	✓	✓
Interest accretion	Expected in-force return	✓	✓
Insurance Experience Gains / Losses	Non-economic variances		✓
Impact of Change in Non-Financial Assumptions	Assumption Changes		
Impact of Financial Risk (for VFA contracts)	Economic Variances		
CSM Amortization	CSM Release	✓	✓
Closing CSM			

CSM Balance Growth is another potential metric but with more variability and usage choice can be a function of starting CSM

Income statements use ‘Drivers of Earnings’ format vs default format laid out in IFRS 17 standard

IFRS 17 Income Statement (simplified)

Insurance Revenue

Insurance Service Expense

Net Insurance Service Result

Net investment income

Net finance expenses from ins. contracts

Change in inv. contract liab.

Net Investment Results

Other income

Non-directly attributable expenses

Net other income

Net Income / (Loss)

Drivers of Earnings (simplified - sample)

Expected Insurance Earnings

Experience Gains / Losses

Assumption Changes

Net Insurance Service Result

Expected investment earnings

Market Related impacts

...

Net Investment Results

Other income

Non-directly attributable expenses

Net other income

Net Income / (Loss)

Driver of Earnings breaks down investment results into key drivers of volatility

IFRS 17 Income Statement (extract)

Net investment income

Interest / Dividend Income

Net Realized & Unrealized Gain (Loss)

Insurance Finance Income or Expense

Effect of Time Value of Money

Effect of financial risk

Net Investment Results

Drivers of Earnings (simplified – example)

Expected investment earnings

Predictable and expected

1

Quantification of Expected Income

Effect of Time Value of Money - expected

2

Market related impacts

Unpredictable and difficult to explain

Unrealized Gain/Loss on FI

Effect of financial risk and change in financial risk

3

Realized Gain/Loss

Unrealized Gain/Loss on NFI and Alternative Asset

Financial Assumption Changes

Unpredictable but easy to explain

Difference in Liab between current & LIR

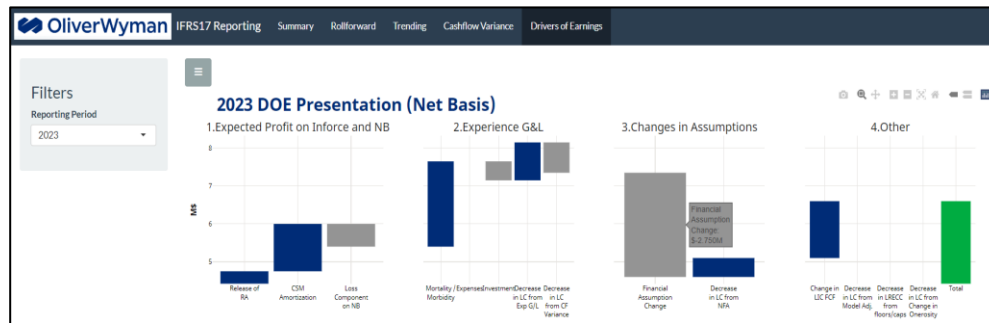
Earnings on Surplus (S)

Net Investment Results

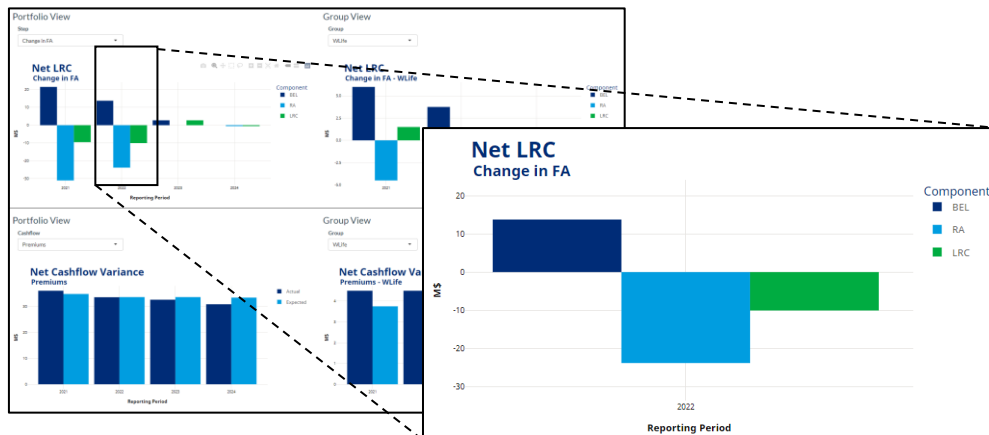
Additional analyses (e.g., ALM review / Comparison of sensitivities) may also required to help explain and mitigate investment volatilities

Dashboards are being developed for Drivers of Earnings CSM movement & other analyses

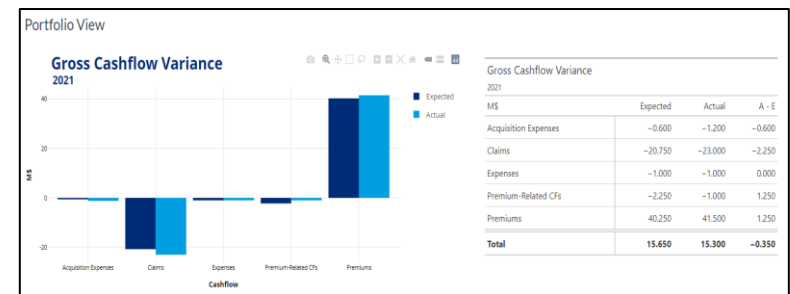
Understanding Drivers of IFRS 17 Earnings



Assessing trends for a particular IFRS 17 Group



Examining actual and expected cashflow transactions



Gaining insights into the liability rollforward, while focusing on a particular time period

