



CARIBBEAN
ACTUARIAL
ASSOCIATION



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IFRS17 Implementation From Denial To Acceptance

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

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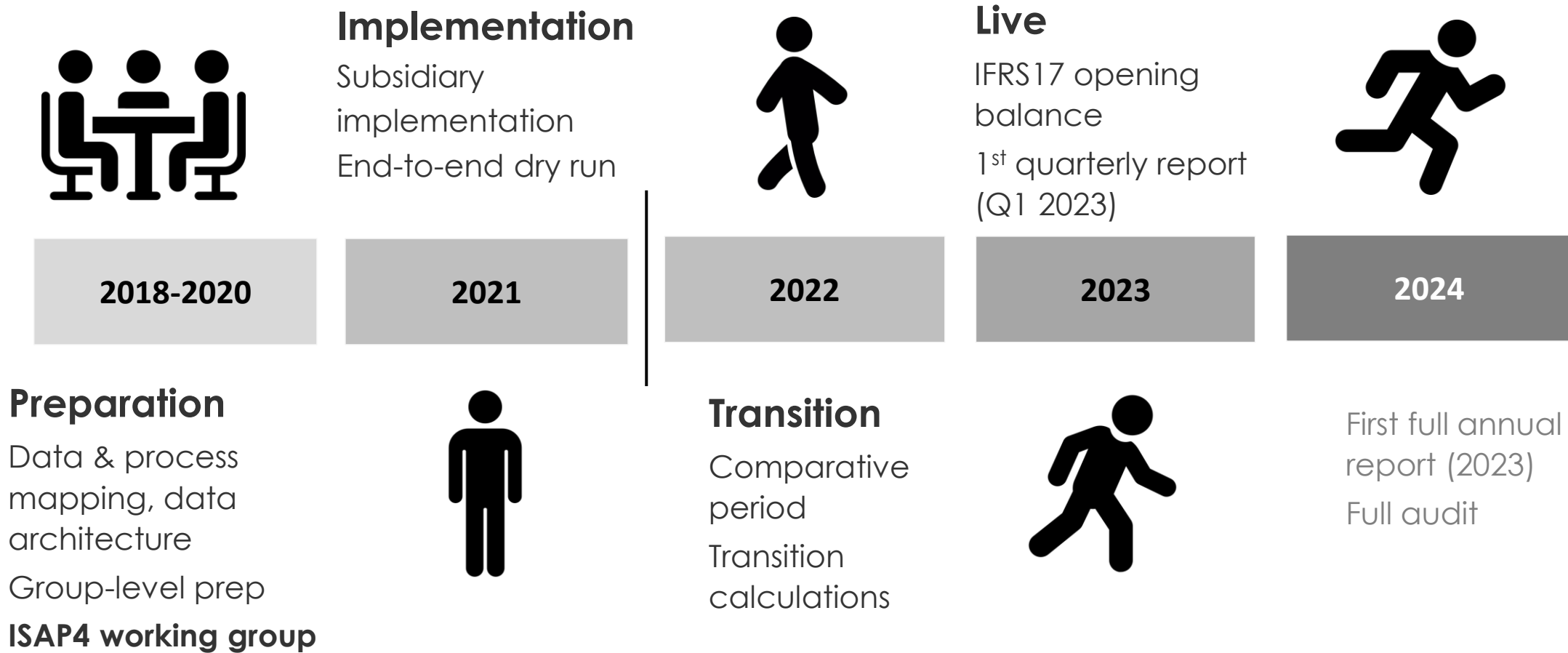
Pirates of the Baltic

- Published first IFRS17 quarterly report in Q1 2023, followed by Q2 and Q3
- IFRS17 driven by both group and local requirements

Medium-size composite insurer, focus on life
 Part of Vienna Insurance Group
 Operates in the three Baltic states – Estonia, Latvia and Lithuania
 134000 contracts in insurance portfolio,
 over 500M under management

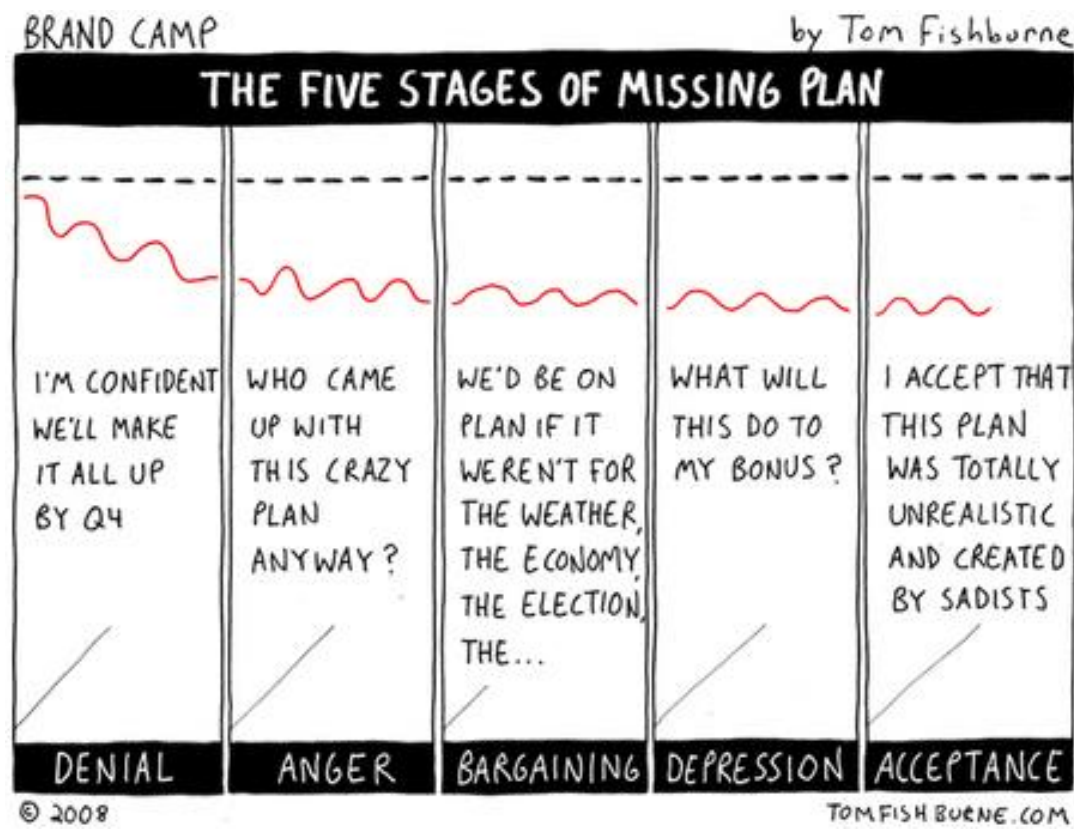


In Pursuit of Dead Man's Chest




What Stage of IFRS17 Grief Are You In

1. Denial
2. Anger
3. Bargaining
4. Depression
5. Acceptance



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What Stage of IFRS17 G



0% 0% 0%

Denial Anger Bargaining Depression Acceptance

Content

Add longer description

Options ?

Denial X

Anger X

Bargaining X

Depression X

Acceptance X

+ Add

LR

Account

Content

Design

Settings

Decisions, Decisions ...



Bottom-up or top-down?

Reuse Solvency II

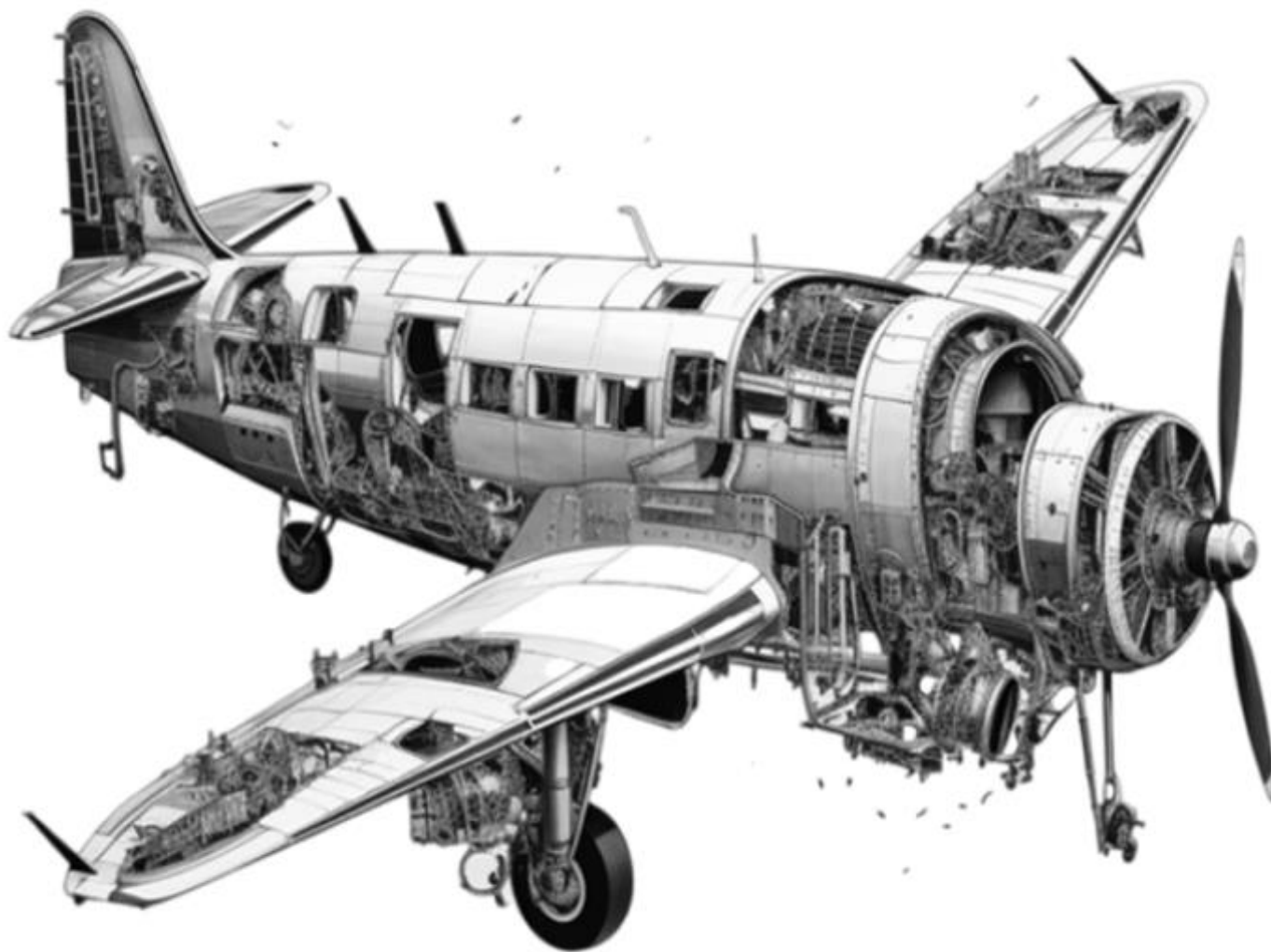
- Lines of business
- Cost-of-capital (CoC) approach to risk adjustment

Measurement Models

- Using all model types - PAA, GMM and VFA

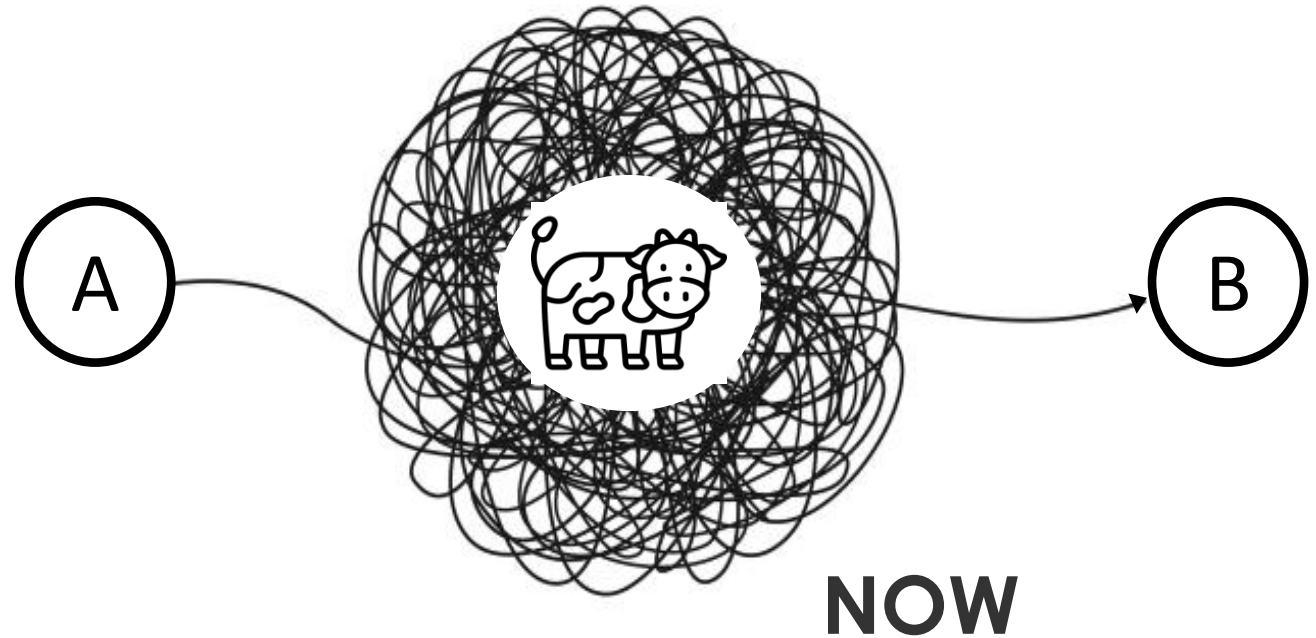
Discount Rates

- Bottom-up approach: risk-free rate plus illiquidity premium if applicable



Knowns and Unknowns

Getting Results



Backend process automation
Partnership between actuarial
and accounting functions

Excel is Dead

- With IFRS17, datasets multiply, time-to-results and IT costs grow
- Multiple parameters and data inputs increase risk of human and computing error
- Lengthy multi-step calculations affect the actuarial process itself



IT investment to reduce calculation time and to mature software
Built-in data quality checks



Waiting on numbers to crunch

The Rollercoaster of Results Validation



Actuary and IFRS17 results

- Standard and calculations complexity causes low confidence in results accuracy
- Difficult to use existing frameworks to cross-check the results



**Think of IFRS17 in IFRS17 language
Develop common tools and ways
for results validation**

New Regime, New KPIs

- Profitability challenges and opportunities
- Overall CSM development
- Long-term business sustainability tracked by ratio of new CSM to old CSM

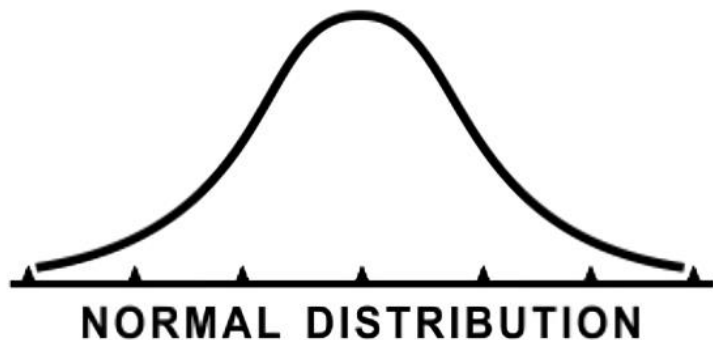


Missing KPIs for tracking of onerous portfolios and loss component



Holding CSM release

Riding the CSM Curves



Spooked by IFRS17

- CSM release sensitivity to the coverage unit type choice
- Change in discount rates causes results volatility



**Advanced coverage unit
options required**
**Smart ALM helps absorb
discount curve changes**

Crystal Clarity of Costs

- Granular cost allocation among products and cohorts is “must have”
- Reduce cross-subsidization of products
- Old cost allocation approaches insufficient
- Balance accuracy with complexity

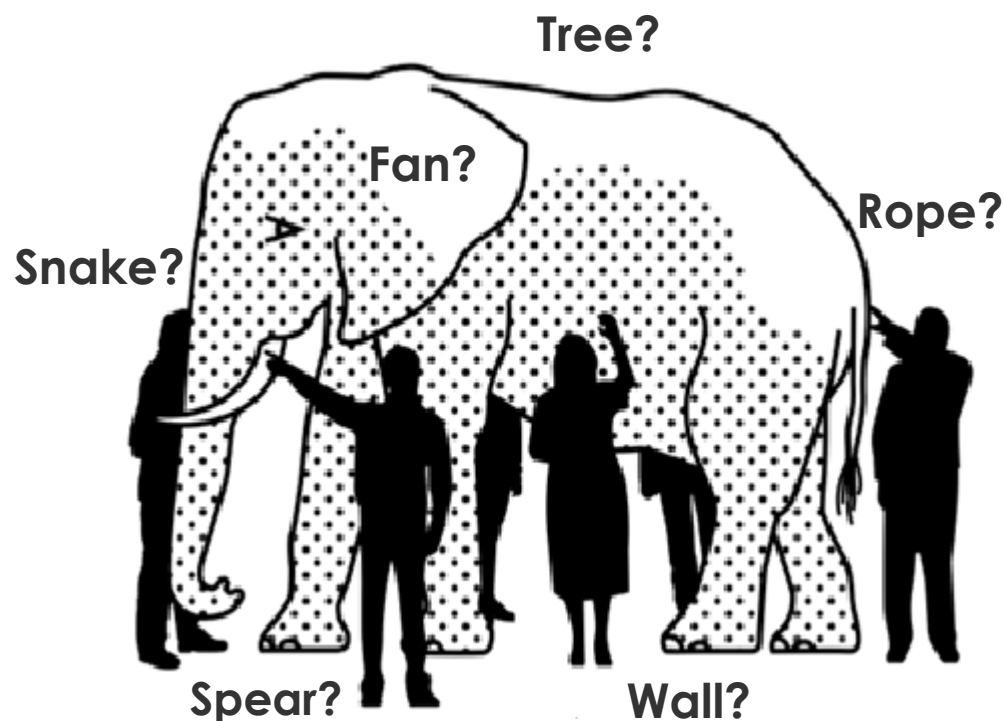


Improved accounting support and awareness for cost allocation



Accountant blues

IFRS17 and Six Blind Men



IFRS17 conference

- Incompatible interpretations of IFRS17 by preparers and consultants lead to incomparable results
- Difference in interpretation between companies, within group, between auditors
- Incomparability undermines the stated goals for IFRS17 standard



Industry best practices for IFRS17 interpretation and calculations

Marathon, Not Sprint

- All functions and stakeholders to adopt IFRS17 language
- Gain confidence in results using validation tools and methodology
- Actuarial-financial partnership
- Automate, automate, automate
- Align business KPIs to fit the new regime
- Industry-wide best practices for IFRS17 calculations and interpretation



Run, preparer, run