

2nd Capacity Building Seminar: IFRS 17

Hotel Sea Princess, Mumbai

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Illustration: Unit Linked product

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Agenda



Scope of variable fee approach

What is underlying item?

What is substantial share?

What is variable fee?

Changes from General Model

Illustration: Non-onerous contract

Illustration: Onerous contract

Scope

- Variable fee approach applies to insurance contracts with direct participating feature (DPF)
- Pre-requisites for insurance contracts with DPF:
 - Clearly identifiable pool of items
 - Entity pays substantial share of fair value returns from underlying items
 - Substantial portion of change in amounts payable vary with change in fair value of underlying items

What is underlying item?

- Pool of underlying items can comprise:
 - a reference portfolio of assets
 - net assets of the entity, or
 - a specified subset of net assets of entity
- Need not hold underlying items
 - as long as clearly identified by contract
- Underlying items does not exist when:
 - an entity can change the underlying items, or
 - no underlying items identified, even if the policyholder receives return that reflects entity's overall performance and expectations

What is substantial share?



- Interpret term ‘substantial’ in context of:
 - Objective to provide investment related services
 - Compensated by fee determined by reference to underlying items
- Assess variability:
 - Over duration of group of contracts
 - On expected present value basis

What is variable fee?

- Entity's obligation to policyholder:
 - Amount equal to fair value of underlying items
 - Less, a variable fee
- Variable fee comprises:
 - Entity's share of fair value of underlying items
 - Less, cash flows that do not vary directly with underlying item
- In case of unit linked product, variable fee:
 - Various charges collected from unit fund
 - Less, non-unit cash outflows

Changes from General Model



- Adjust CSM for:
 - Change in estimate of fulfilment cash flows due to change in effect of time value of money and financial risks
 - Entity's share of fair value returns
- Do not adjust for fair value returns if:
 - Relates to obligation to pay policyholder
 - Risk mitigation applies, or
 - Reinsurance contract covers financial risks

Illustration: Unit linked non- onerous contract

Product description



- Benefits:
 - Higher of sum assured and unit fund payable on death
 - Unit fund payable on surrender and maturity
- Policy features:
 - Premium: 100
 - Sum assured: 250
 - Premium paying term: 5 years
 - Policy term: 5 years

Product description

- Assumptions:
 - No. of contracts at start: 20
 - No. of deaths: 1 p.a.
 - No. of surrender: 1 p.a.

 - Miscellaneous charges: 2% p.a.
 - Fund management expense: 1% p.a.

 - Fund earning rate: 10% p.a.

Initial projection

- Unit fund projection:
 - Interest calculated on opening and premium inflow
 - Charges deducted as a % of opening plus premium and interest
 - Claims include death, surrender and maturity payouts

Year	1	2	3	4	5
Opening	-	1,940	3,584	4,890	5,812
Premium	2,000	1,800	1,600	1,400	1,200
Interest	200	374	518	629	701
Charges	(44)	(82)	(114)	(138)	(154)
Claims (unit)	(216)	(448)	(699)	(969)	(7,559)
Closing	1,940	3,584	4,890	5,812	-

Initial projection

- Non-unit fund projection:
 - Interest calculated on opening fund
 - Charges will be same as unit fund
 - Expenses calculated as % of unit fund at start plus premium and interest on unit fund
 - Claims include death payouts over and above unit fund

Year	1	2	3	4	5
Opening	-	(120)	(117)	(72)	(10)
Interest	-	(12)	(12)	(7)	(1)
Charges	44	82	114	138	154
Expenses	(22)	(41)	(57)	(69)	(77)
Claims (non-unit)	(142)	(26)	-	-	-
Closing	(120)	(117)	(72)	(10)	66

Initial projection

- Fulfilment cash flows, sum of:
 - Expected present value of cash flows
i.e. Premium, claims and expenses
 - Risk adjustment

Year	0	1	2	3	4	5
PV of cash outflows (A)	6,789	7,088	7,282	7,254	6,942	-
PV of cash inflows (B)	6,830	5,313	3,864	2,491	1,200	-
Risk adjustment (C)	-	-	-	-	-	-
Fulfilment cash flows (A - B + C)	(41)	1,775	3,417	4,763	5,742	-

Initial projection

- Contractual Service Margin (CSM)
 - At inception, set as negative of fulfilment cash flows (FCF)
 - Represents, present value of variable fee

Year	0	1	2	3	4	5
FCF	(41)	1,775	3,417	4,763	5,742	-
CSM	41					

Variable fee:						
Charges		44	82	114	138	154
Expenses		(22)	(41)	(57)	(69)	(77)
Claims (non-unit)		(142)	(26)	-	-	-
PV of variable fee	41	166	167	127	70	-

Roll forward: Year 1

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	-	-	-	(41)	41	-	-

- Before any cash flows exchanged:
 - Fulfilment cash flows held based on initial projections
 - CSM of equal amount with positive figure setup
 - No impact on Profit & Loss account and Balance Sheet

Roll forward: Year 1

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	-	-	-	(41)	41	-	-
Premium	2,000	-	2,000	2,000	-	-	2,000

- Premium received on day 1:
 - Full premium allocated to unit fund
 - Increase in FCF to extent of expected premium

Roll forward: Year 1

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	-	-	-	(41)	41	-	-
Premium	2,000	-	2,000	2,000	-	-	2,000
Interest	200	-	200	196	4	-	200

- Interest unwind:
 - Actual fund earning rate same as expected
 - Increase in unit fund
 - Increase in fulfilment cash flows
 - Difference of two transferred to CSM

Roll forward: Year 1

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	-	-	-	(41)	41	-	-
Premium	2,000	-	2,000	2,000	-	-	2,000
Interest	200	-	200	196	4	-	200
Charges	(44)	44	-	-	-	-	-

- Charges collected
 - Decrease in unit fund
 - Increase in non-unit fund
 - No impact on fulfilment cash flows

Roll forward: Year 1

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	-	-	-	(41)	41	-	-
Premium	2,000	-	2,000	2,000	-	-	2,000
Interest	200	-	200	196	4	-	200
Charges	(44)	44	-	-	-	-	-
Expenses	-	(22)	(22)	(22)	-	-	(22)
Claims	(216)	(142)	(358)	(358)	-	-	(358)

- Actual claim and expenses same as expected
- Reduction in assets and FCF
- No impact on CSM and equity

Roll forward: Year 1

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	-	-	-	(41)	41	-	-
Premium	2,000	-	2,000	2,000	-	-	2,000
Interest	200	-	200	196	4	-	200
Charges	(44)	44	-	-	-	-	-
Expenses	-	(22)	(22)	(22)	-	-	(22)
Claims	(216)	(142)	(358)	(358)	-	-	(358)
Release	-	-	-	-	(9)	9	-

- CSM release for service provided
 - *How is this calculated?*

CSM release



Year	1	2	3	4	5
Benefit payable	250	250	357	495	643

- Identify coverage units:
 - *Death benefit i.e. higher of sum assured and unit fund*

CSM release

Year	1	2	3	4	5
Benefit payable	250	250	357	495	643
No. of policies in-force at start	20	18	16	14	12

- Identify coverage units:
 - *Death benefit i.e. higher of sum assured and unit fund*
- Adjust for expected number of policies in-force at start of each period

CSM release

Year	1	2	3	4	5
Benefit payable	250	250	357	495	643
No. of policies in-force at start	20	18	16	14	12
Coverage units	5,000	4,500	5,588	6,781	7,559

- Identify coverage units:
 - *Death benefit i.e. higher of sum assured and unit fund*
- Adjust for expected number of policies in-force at start of each period

CSM release

Year	1	2	3	4	5
Benefit payable	250	250	357	495	643
No. of policies in-force at start	20	18	16	14	12
Coverage units	5,000	4,500	5,588	6,781	7,559
PV of coverage units	23,967	20,863	18,000	13,652	7,559

- Calculate present value of future coverage units including current period

CSM release

Year	1	2	3	4	5
Benefit payable	250	250	357	495	643
No. of policies in-force at start	20	18	16	14	12
Coverage units	5,000	4,500	5,588	6,781	7,559
PV of coverage units	23,967	20,863	18,000	13,652	7,559
Amortization rate	21%	22%	31%	50%	100%

- Calculate present value of future coverage units including current period
- Amortization rate:
 - *Ratio of coverage units by present value of coverage units*

CSM release



Year	1	2	3	4	5
Amortization rate	21%	22%	31%	50%	100%
CSM at start	41	36	41	40	26

- CSM at policy inception: Negative fulfilment cash flow

CSM release

Year	1	2	3	4	5
Amortization rate	21%	22%	31%	50%	100%
CSM at start	41	36	41	40	26
Entity's share of fair value returns	4	17	17	13	7

- CSM at policy inception: Negative fulfilment cash flow
- Entity's share of fair value return: Interest on underlying item less interest on fulfilment cash flows

CSM release

Year	1	2	3	4	5
Amortization rate	21%	22%	31%	50%	100%
CSM at start	41	36	41	40	26
Entity's share of fair value returns	4	17	17	13	7
Release	(9)	(11)	(18)	(26)	(33)

- CSM at policy inception: Negative fulfilment cash flow
- Entity's share of fair value return: Interest on underlying item less interest on fulfilment cash flows
- Release of CSM: $(\text{Opening} + \text{Entity's share of FV}) \times \text{amortization rate}$

CSM release

Year	1	2	3	4	5
Amortization rate	21%	22%	31%	50%	100%
CSM at start	41	36	41	40	26
Entity's share of fair value returns	4	17	17	13	7
Release	(9)	(11)	(18)	(26)	(33)
Closing CSM	36	41	40	26	-

- CSM at policy inception: Negative fulfilment cash flow
- Entity's share of fair value return: Interest on underlying item less interest on fulfilment cash flows
- Release of CSM: $(\text{Opening} + \text{Entity's share of FV}) \times \text{amortization rate}$
- Closing CSM: Net of above items

Roll forward: Year 1

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	-	-	-	(41)	41	-	-
Premium	2,000	-	2,000	2,000	-	-	2,000
Interest	200	-	200	196	4	-	200
Charges	(44)	44	-	-	-	-	-
Expenses	-	(22)	(22)	(22)	-	-	(22)
Claims	(216)	(142)	(358)	(358)	-	-	(358)
Release	-	-	-	-	(9)	9	-
Closing	1,940	(120)	1,820	1,775	36	9	1,820

- Assets and liability position matched

Roll forward: Year 2



	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820

Roll forward: Year 2



	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800

Roll forward: Year 2

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800
Interest	449	(14)	434	357	91	(14)	434

- Interest unwind:

- Unit fund: $(1,940 + 1,800) \times 12\% = 449$
- Non-unit fund: $120 \times 12\% = 14$
- FCF: $(1,775 + 1,800) \times 10\% = 357$
- Fair value return on underlying item (unit fund) over and above FCF transferred to CSM: $449 - 357 = 91$
- Interest on non-unit fund flows to Profit & Loss account

Roll forward: Year 2

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800
Interest	449	(14)	434	357	91	(14)	434
Charges	(84)	84	-	-	-	-	-

- Charges collected
 - Decrease in unit fund
 - Increase in non-unit fund
 - No impact on fulfilment cash flows or equity

Roll forward: Year 2

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800
Interest	449	(14)	434	357	91	(14)	434
Charges	(84)	84	-	-	-	-	-
Expenses	-	(42)	(42)	(41)	-	(1)	(42)

- Expected expenses: (41)
- Actual expenses: (42)
 - Variance captured in Profit & Loss account

Roll forward: Year 2

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800
Interest	449	(14)	434	357	91	(14)	434
Charges	(84)	84	-	-	-	-	-
Expenses	-	(42)	(42)	(41)	-	(1)	(42)
Claims	(456)	(22)	(478)	(474)	(8)	4	(478)

- Claims split into:
 - Insurance component (Non-unit outflow)
 - Investment component (Unit outflow)

Roll forward: Year 2



	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800
Interest	449	(14)	434	357	91	(14)	434
Charges	(84)	84	-	-	-	-	-
Expenses	-	(42)	(42)	(41)	-	(1)	(42)
Claims	(456)	(22)	(478)	(474)	(8)	4	(478)

- Expected non-unit outflow: (26)
- Actual non-unit outflow: (22)
 - Variance captured in Profit & Loss account

Roll forward: Year 2

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800
Interest	449	(14)	434	357	91	(14)	434
Charges	(84)	84	-	-	-	-	-
Expenses	-	(42)	(42)	(41)	-	(1)	(42)
Claims	(456)	(22)	(478)	(474)	(8)	4	(478)

- Expected unit outflow: (448)
- Actual unit outflow: (456)
 - Variance captured in Contractual Service Margin

Roll forward: Year 2

	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800
Interest	449	(14)	434	357	91	(14)	434
Charges	(84)	84	-	-	-	-	-
Expenses	-	(42)	(42)	(41)	-	(1)	(42)
Claims	(456)	(22)	(478)	(474)	(8)	4	(478)
Change in FCF	-	-	-	63	(63)	-	-

- Increase in FCF due to increase in future payments
- Change in FCF captured in CSM

Roll forward: Year 2



	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800
Interest	449	(14)	434	357	91	(14)	434
Charges	(84)	84	-	-	-	-	-
Expenses	-	(42)	(42)	(41)	-	(1)	(42)
Claims	(456)	(22)	(478)	(474)	(8)	4	(478)
Change in FCF	-	-	-	63	(63)	-	-
Release	-	-	-	-	(12)	12	-

- CSM release for service provided

CSM roll forward



Particulars	Year 2
CSM at start	36

CSM roll forward



Particulars	Year 2
CSM at start	36
Entity's share of fair value returns	?
Interest earned on underlying item (unit fund)	449
Expected interest on fulfilment cash flows	(357)
Excess return earned	91
Paid to policyholder in current period	(8)
Payable in future periods	(63)
Entity's share of fair value returns	20



CSM roll forward



Particulars	Year 2
CSM at start	36
Entity's share of fair value returns	20
Release	(12)

Year	2	3	4	5
Coverage units	4,500	5,659	6,847	7,620
PV of coverage units	21,028	18,181	13,774	7,620
Amortization rate	21%	31%	50%	100%

- Release of CSM in year 2:

$$- (36 + 20) \times 21\% = (12)$$

CSM roll forward



Particulars	Year 2
CSM at start	36
Entity's share of fair value returns	20
Release	(12)
Closing CSM	44

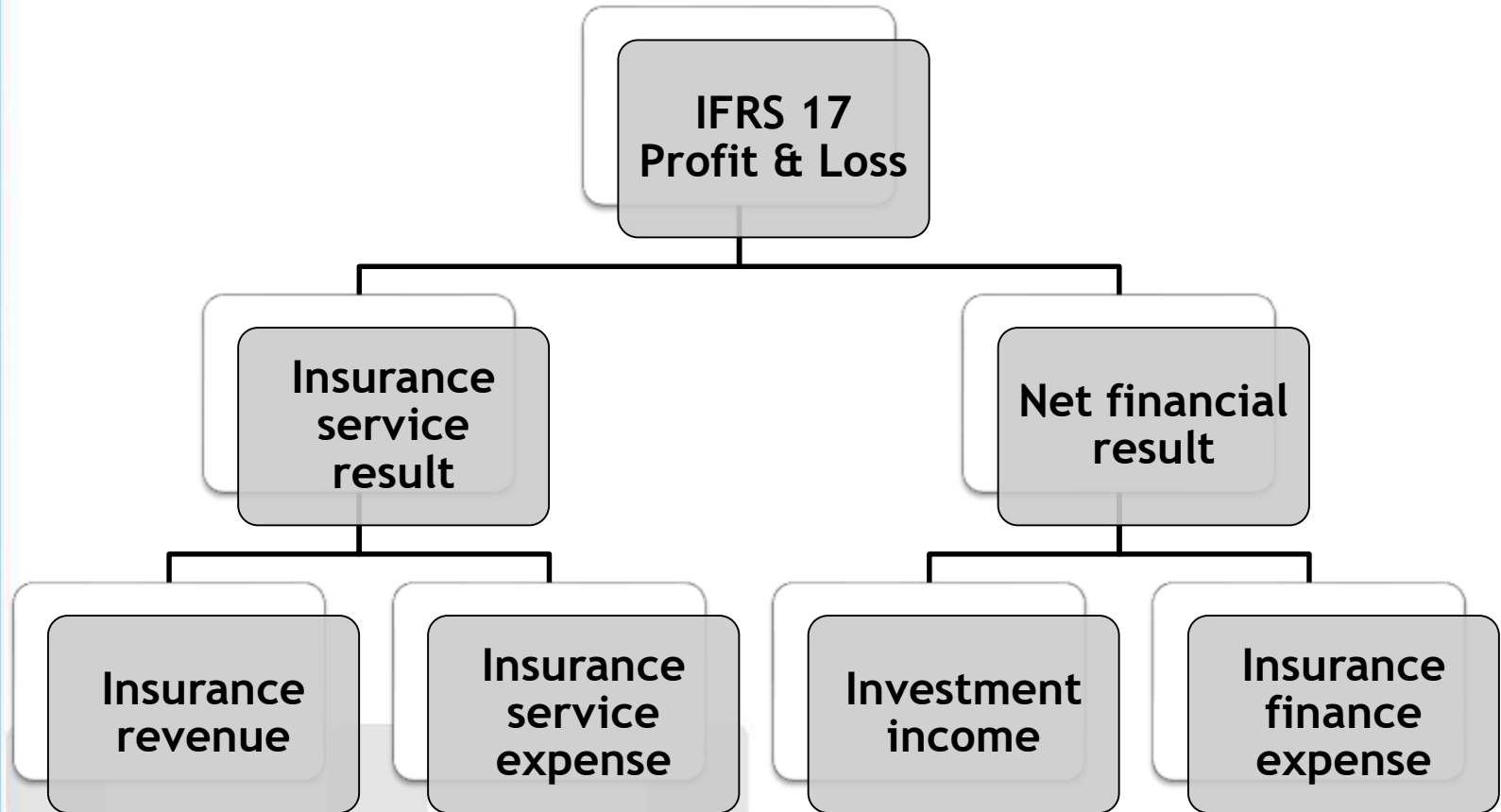
Roll forward: Year 2



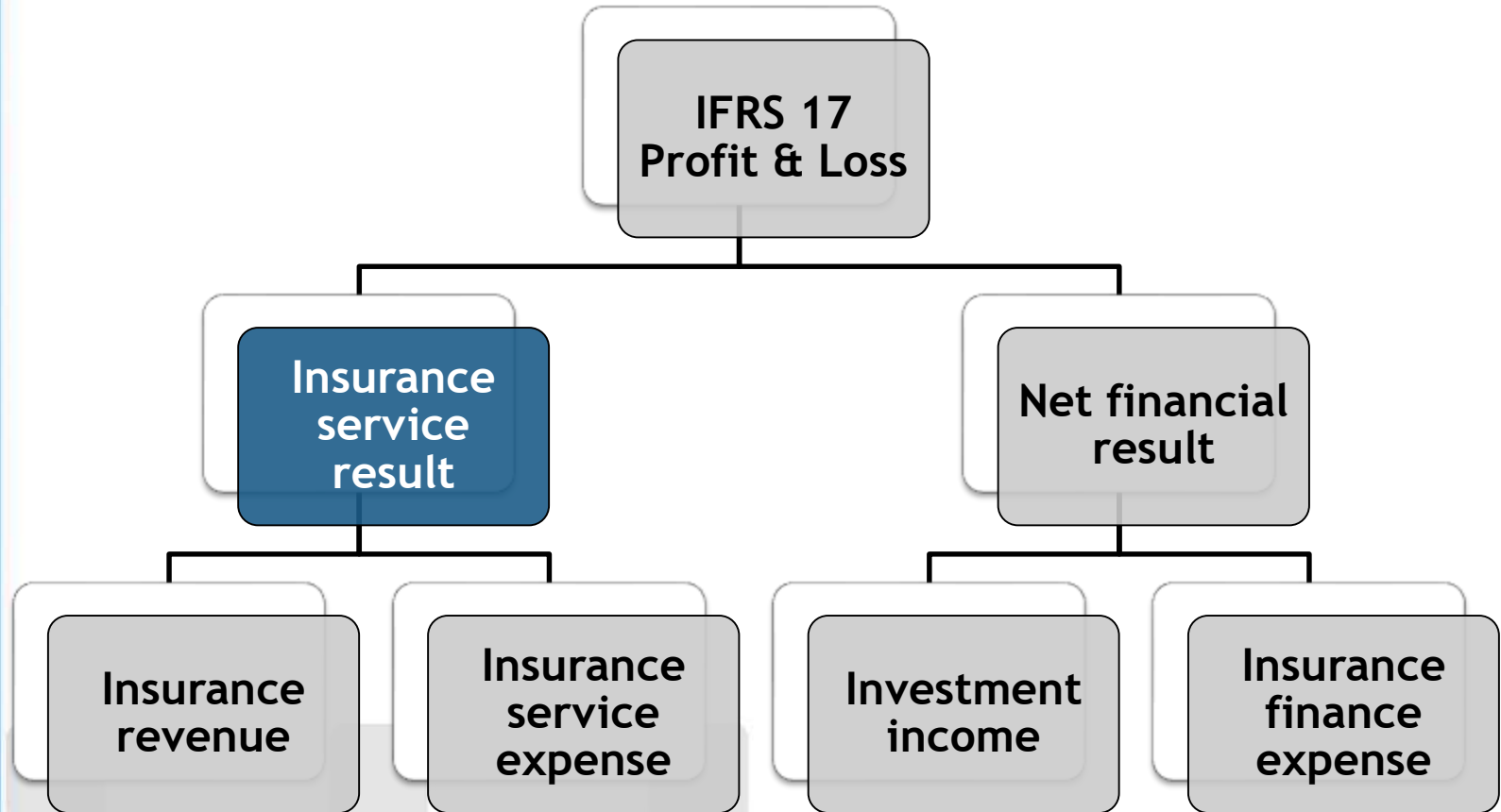
	Assets			Liability			
	Unit	Non-unit	Total	FCF	CSM	Equity	Total
Opening	1,940	(120)	1,820	1,775	36	9	1,820
Premium	1,800	-	1,800	1,800	-	-	1,800
Interest	449	(14)	434	357	91	(14)	434
Charges	(84)	84	-	-	-	-	-
Expenses	-	(42)	(42)	(41)	-	(1)	(42)
Claims	(456)	(22)	(478)	(474)	(8)	4	(478)
Change in FCF	-	-	-	63	(63)	-	-
Release	-	-	-	-	(12)	12	-
Closing	3,649	(115)	3,535	3,481	44	10	3,535

- Assets and liability position matched

Profit & Loss account



Profit & Loss account



Insurance service result



Year	1	2	3	4	5
Expected claim (non-unit)	142	26	-	-	-
Expected expense	22	41	58	70	78
Release of CSM	9	12	19	27	34
Insurance revenue	174	79	77	97	112
Actual claim (non-unit)	(142)	(22)	-	-	-
Actual expense	(22)	(42)	(58)	(70)	(78)
Insurance service expense	(164)	(64)	(58)	(70)	(78)
Insurance service result	9	15	19	27	34

Insurance service result



Year	1	2	3	4	5
Expected claim (non-unit)	142	26	-	-	-
Expected expense	22	41	58	70	78
Release of CSM	9	12	19	27	34
Insurance revenue	174	79	77	97	112
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Insurance service result	9	15	19	27	34

Insurance service result



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Insurance revenue	174	79	77	97	112
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Actual expense	(22)	(42)	(58)	(70)	(78)
Insurance service expense	(164)	(64)	(58)	(70)	(78)
Insurance service result	9	15	19	27	34

Insurance service result



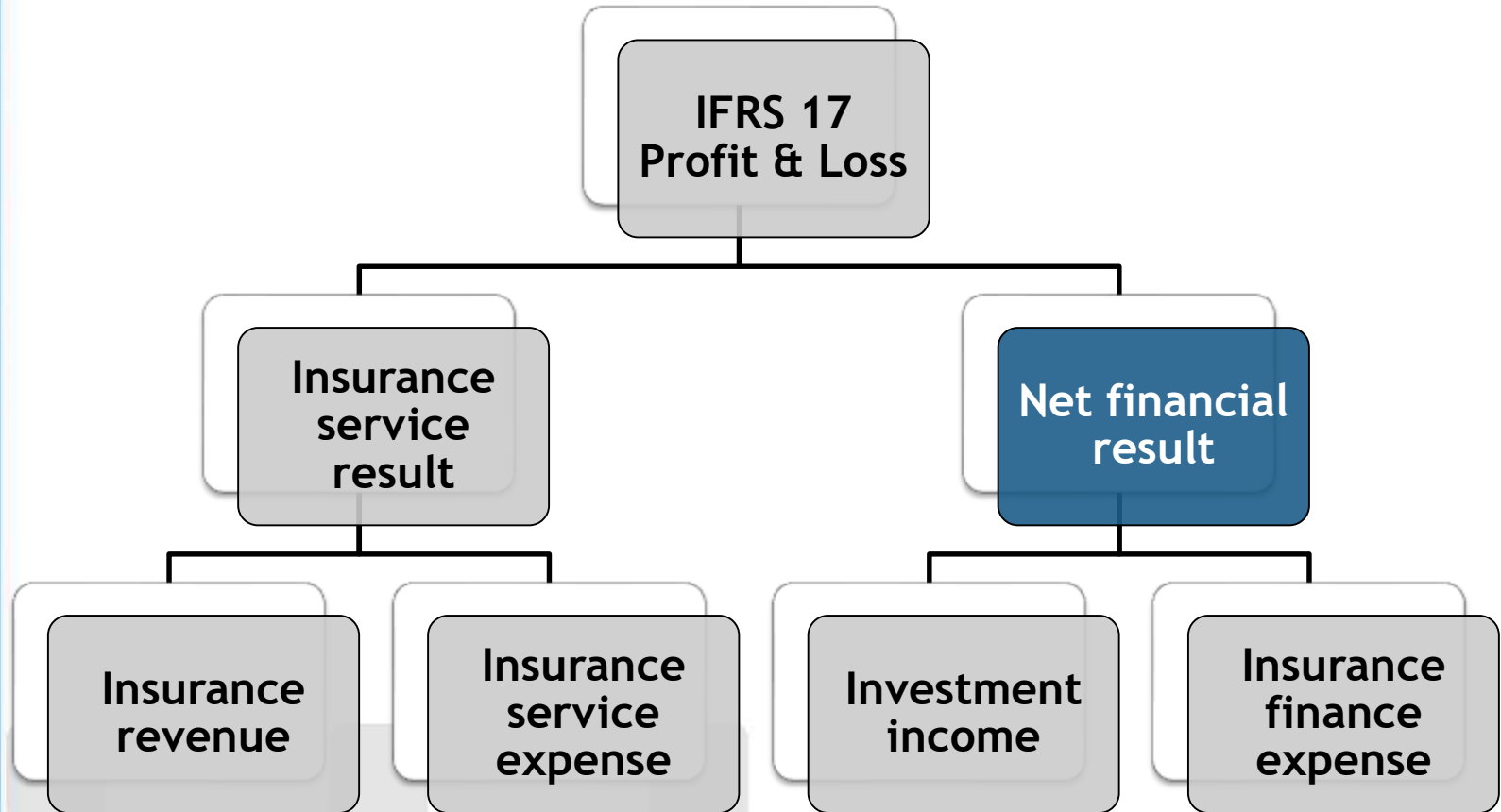
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Actual expense	(22)	(42)	(58)	(70)	(78)
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Insurance service result	9	15	19	27	34

Insurance service result



Year	1	2	3	4	5
Expected claim (non-unit)	142	26	-	-	-
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Insurance revenue	174	79	77	97	112
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Actual expense	(22)	(42)	(58)	(70)	(78)
Insurance service expense	(164)	(64)	(58)	(70)	(78)
Insurance service result	9	15	19	27	34

Profit & Loss account



Net financial result



Year	1	2	3	4	5
Interest on unit fund	200	449	525	635	707
Interest on non-unit fund	-	(14)	(11)	(7)	(1)
Investment income	200	434	513	628	706
Interest on FCF	(196)	(357)	(508)	(622)	(700)
CSM unwind	(4)	(91)	(17)	(13)	(7)
Insurance finance expense	(200)	(449)	(525)	(635)	(707)
Net financial result	-	(14)	(11)	(7)	(1)

Profit & Loss account



Year	1	2	3	4	5
Insurance revenue	174	79	77	97	112
Insurance service expense	(164)	(64)	(58)	(70)	(78)
Insurance service result	9	15	19	27	34
Investment income	200	434	513	628	706
Insurance finance expense	(200)	(449)	(525)	(635)	(707)
Net financial result	-	(14)	(11)	(7)	(1)
IFRS 17 profit/(loss)	9	1	7	20	34



Balance sheet

Year	1	2	3	4	5
Equity	9	10	18	38	72
Insurance contract liability	1,811	3,524	4,865	5,825	-
Total liability	1,820	3,535	4,883	5,863	72
Unit fund	1,940	3,649	4,951	5,869	-
Non-unit fund	(120)	(115)	(68)	(5)	72
Total asset	1,820	3,535	4,883	5,863	72

- Total assets and liability position matched



Illustration: Unit linked Onerous contract

Product description



- Benefits:
 - Higher of sum assured and unit fund payable on death
 - Unit fund payable on surrender and maturity
- Policy features:
 - Premium: 100
 - Sum assured: 500
 - Premium paying term: 5 years
 - Policy term: 5 years

Product description

- Assumptions:
 - No. of contracts at start: 20
 - No. of deaths: 1 p.a.
 - No. of surrender: 1 p.a.

 - Miscellaneous charges: 2% p.a.
 - Fund management expense: 1% p.a.

 - Fund earning rate: 10% p.a.

Initial projection

- Unit fund projection:
 - Interest calculated on opening and premium inflow
 - Charges deducted as a % of opening plus premium and interest
 - Claims include death, surrender and maturity payouts

Year	1	2	3	4	5
Opening	-	1,940	3,584	4,890	5,812
Premium	2,000	1,800	1,600	1,400	1,200
Interest	200	374	518	629	701
Charges	(44)	(82)	(114)	(138)	(154)
Claims (unit)	(216)	(448)	(699)	(969)	(7,559)
Closing	1,940	3,584	4,890	5,812	-

Initial projection

- Non-unit fund projection:
 - Interest calculated on opening fund
 - Charges will be same as unit fund
 - Expenses calculated as % of unit fund at start plus premium and interest on unit fund
 - Claims include death payouts over and above unit fund

Year	1	2	3	4	5
Opening	-	(370)	(642)	(800)	(826)
Interest	-	(37)	(64)	(80)	(83)
Charges	44	82	114	138	154
Expenses	(22)	(41)	(57)	(69)	(77)
Claims (non-unit)	(392)	(276)	(151)	(16)	-
Closing	(370)	(642)	(800)	(826)	(832)

Initial projection

- Fulfilment cash flows, sum of:
 - Expected present value of cash flows
i.e. Premium, claims and expenses
 - Risk adjustment

Year	0	1	2	3	4	5
PV of cash outflows (A)	7,347	7,452	7,432	7,268	6,942	-
PV of cash inflows (B)	6,830	5,313	3,864	2,491	1,200	-
Risk adjustment (C)	-	-	-	-	-	-
Fulfilment cash flows (A - B + C)	517	2,138	3,567	4,778	5,742	-

Loss component

- FCF split into loss component and remaining

Year 1	Fulfilment cash flows (FCF)		
	Loss component	Remaining	Total
Opening	517	-	517

Loss component

- FCF split into loss component and remaining
- Increase in liability towards expected premium
- Loss component not supported by premium

Year 1	Fulfilment cash flows (FCF)		
	Loss component	Remaining	Total
Opening	517	-	517
Premium	-	2,000	2,000

Loss component

- FCF split into loss component and remaining
- Interest earned on expected basis i.e. 10%

Year 1	Fulfilment cash flows (FCF)		
	Loss component	Remaining	Total
Opening	517	-	517
Premium	-	2,000	2,000
Interest	52	200	252

Loss component

- FCF split into loss component and remaining
- Claims and expenses split by loss ratio at start
- Loss ratio = Loss component ÷ PV outflows

Year 1	Fulfilment cash flows (FCF)		
	Loss component	Remaining	Total
Opening	517	-	517
Premium	-	2,000	2,000
Interest	52	200	252
Expenses	?	?	(22)
Claims (unit)	?	?	(216)
Claims (non-unit)	?	?	(392)

Loss component

- FCF split into loss component and remaining
- Claims and expenses split by loss ratio at start
- Loss ratio = $517 \div 7347 = 7\%$

Year 1	Fulfilment cash flows (FCF)		
	Loss component	Remaining	Total
Opening	517	-	517
Premium	-	2,000	2,000
Interest	52	200	252
Expenses	(2)	(20)	(22)
Claims (unit)	(15)	(200)	(216)
Claims (non-unit)	(28)	(365)	(392)

Loss component

- FCF split into loss component and remaining
- Loss component tracked till end of policy term
- Movements disclosed every reporting

Year 1	Fulfilment cash flows (FCF)		
	Loss component	Remaining	Total
Opening	517	-	517
Premium	-	2,000	2,000
Interest	52	200	252
Expenses	(2)	(20)	(22)
Claims (unit)	(15)	(200)	(216)
Claims (non-unit)	(28)	(365)	(392)
Closing	524	1,614	2,138

Insurance service result



Year	1	2	3	4	5
Expected claim (non-unit)	392	276	151	16	-
Expected expense	22	41	57	69	77
<i>Release of loss component</i>	<i>(29)</i>	<i>(22)</i>	<i>(15)</i>	<i>(6)</i>	<i>(5)</i>
Insurance revenue	385	295	193	79	72
Loss component at start	(517)	-	-	-	-
Actual claim (non-unit)	(392)	(276)	(151)	(16)	-
Actual expense	(22)	(41)	(57)	(69)	(77)
<i>Release of loss component</i>	<i>29</i>	<i>22</i>	<i>15</i>	<i>6</i>	<i>5</i>
Insurance service expense	(902)	(295)	(193)	(79)	(72)
Insurance service result	(517)	-	-	-	-

- Actual assumed to be same as expected

Net financial result



Year	1	2	3	4	5
Interest on unit fund	200	374	518	629	701
Interest on non-unit fund	-	(44)	(64)	(80)	(82)
Investment income	200	337	454	549	619
Interest on FCF	(252)	(394)	(517)	(618)	(694)
Insurance finance expense	(252)	(394)	(517)	(618)	(694)
Net financial result	(52)	(57)	(63)	(69)	(76)

Profit & Loss account



Year	1	2	3	4	5
Insurance revenue	385	295	193	79	72
Insurance service expense	(902)	(295)	(193)	(79)	(72)
Insurance service result	(517)	-	-	-	-
Investment income	200	337	454	549	619
Insurance finance expense	(252)	(394)	(517)	(618)	(694)
Net financial result	(52)	(57)	(63)	(69)	(76)
IFRS 17 profit/(loss)	(568)	(57)	(63)	(69)	(76)



Balance sheet

Year	1	2	3	4	5
Equity	(568)	(625)	(688)	(756)	(832)
Insurance contract liability	2,138	3,567	4,778	5,742	-
Total liability	1,570	2,942	4,090	4,985	(832)
Unit fund	1,940	3,584	4,890	5,812	-
Non-unit fund	(370)	(642)	(800)	(826)	(832)
Total asset	1,570	2,942	4,090	4,985	(832)

Key takeaways

- ✓ Variable fee approach applies to direct participating features
- ✓ Changes in discount rates and financial risks adjust CSM
- ✓ Fair value changes absorbed in CSM unless risk mitigation applies
- ✓ CSM recognized in line with insurance and investment service provided
- ✓ Release of loss component in line with cash outflows

Questions?

Thank you