

# MCEV - TEV Comparison

Capacity Building Seminar on Embedded Values

October 2017



A close-up photograph of a person wearing a grey suit jacket and a white shirt, holding a large, white, curved document or folder. The person's hands are visible, with a ring on the left hand. In the foreground, there is a stack of papers on a desk. The background is a bright, out-of-focus window.

Agenda

# Agenda

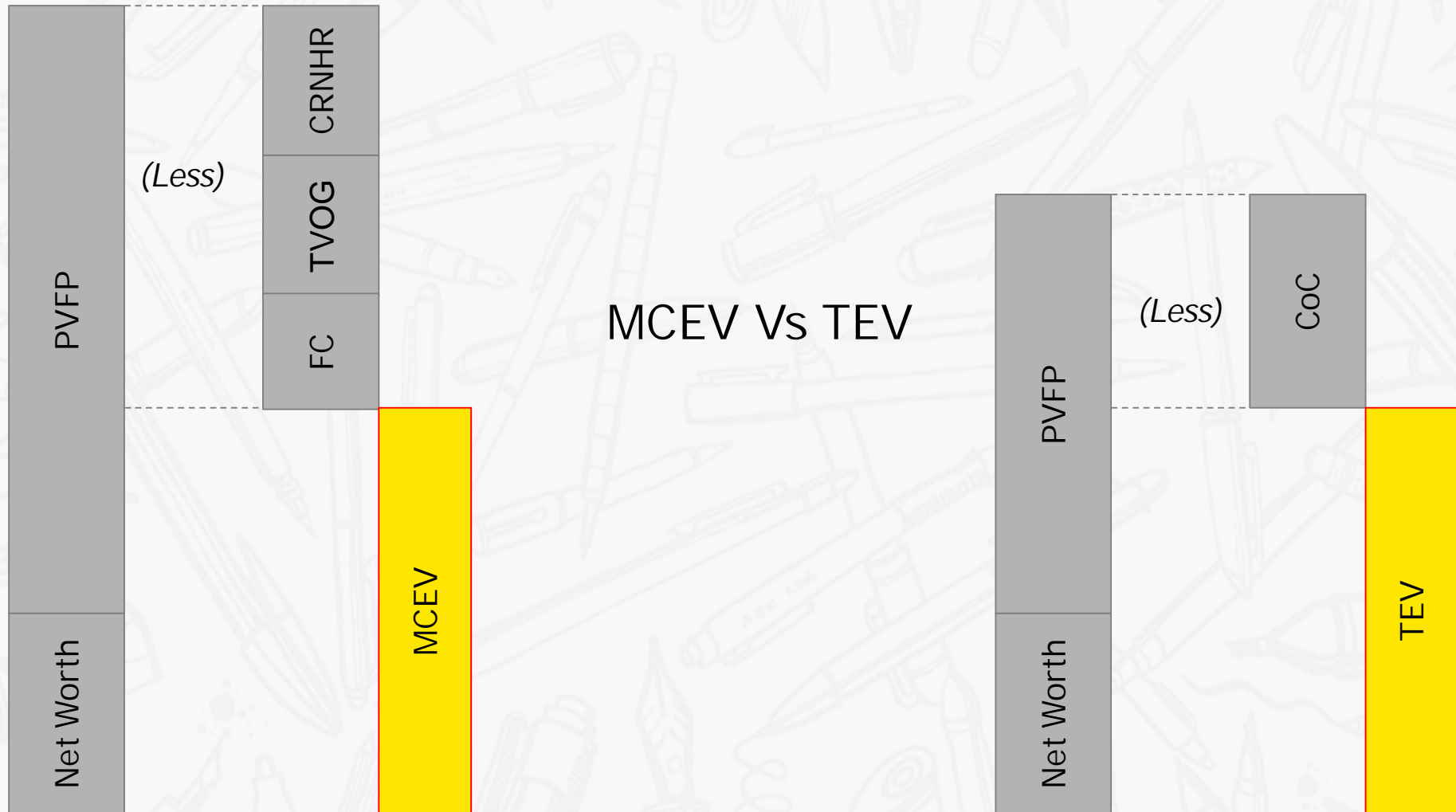
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- ▶ Components
  - ▶ Impacts
  - ▶ Advantages / Disadvantages
-



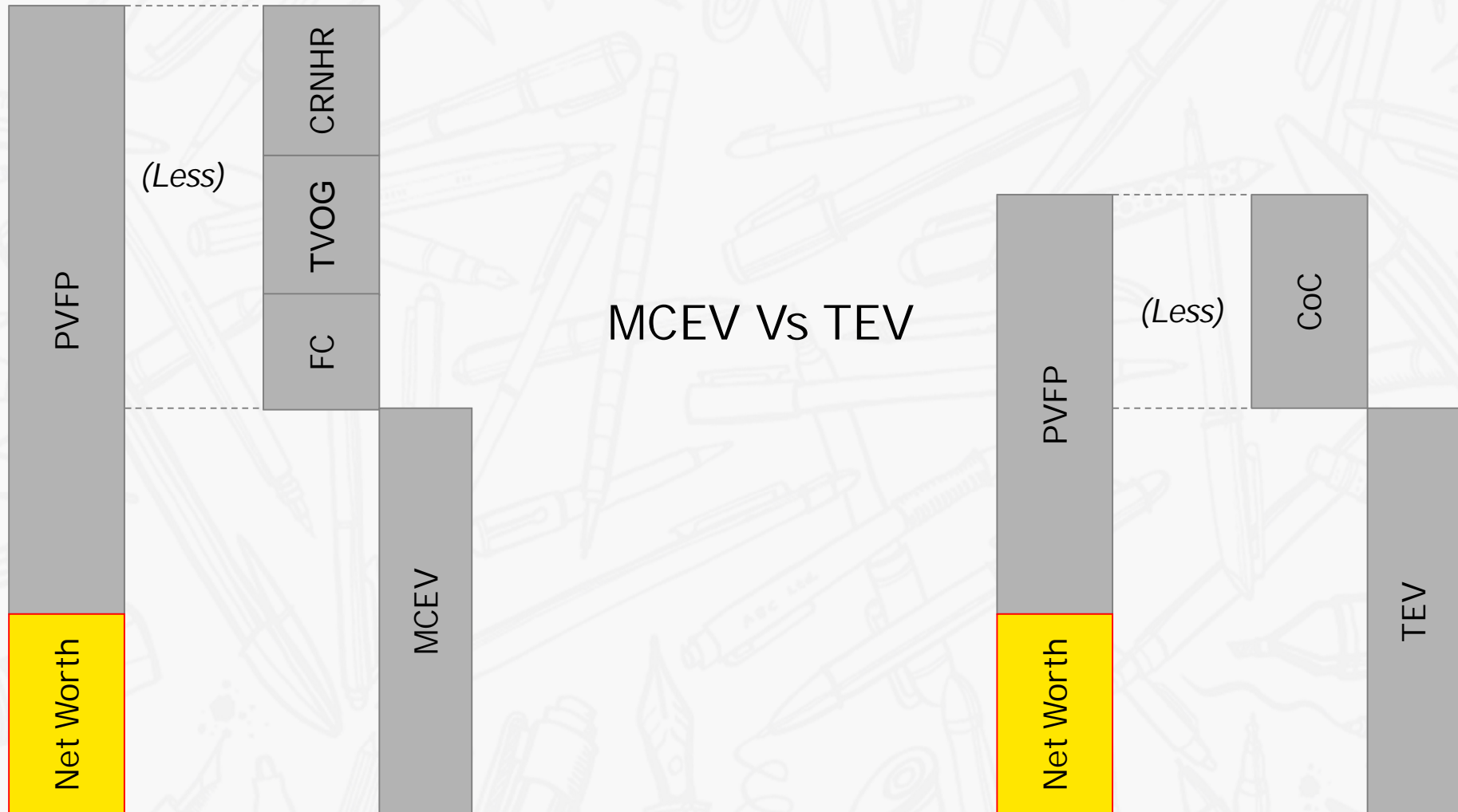
Components

# Components

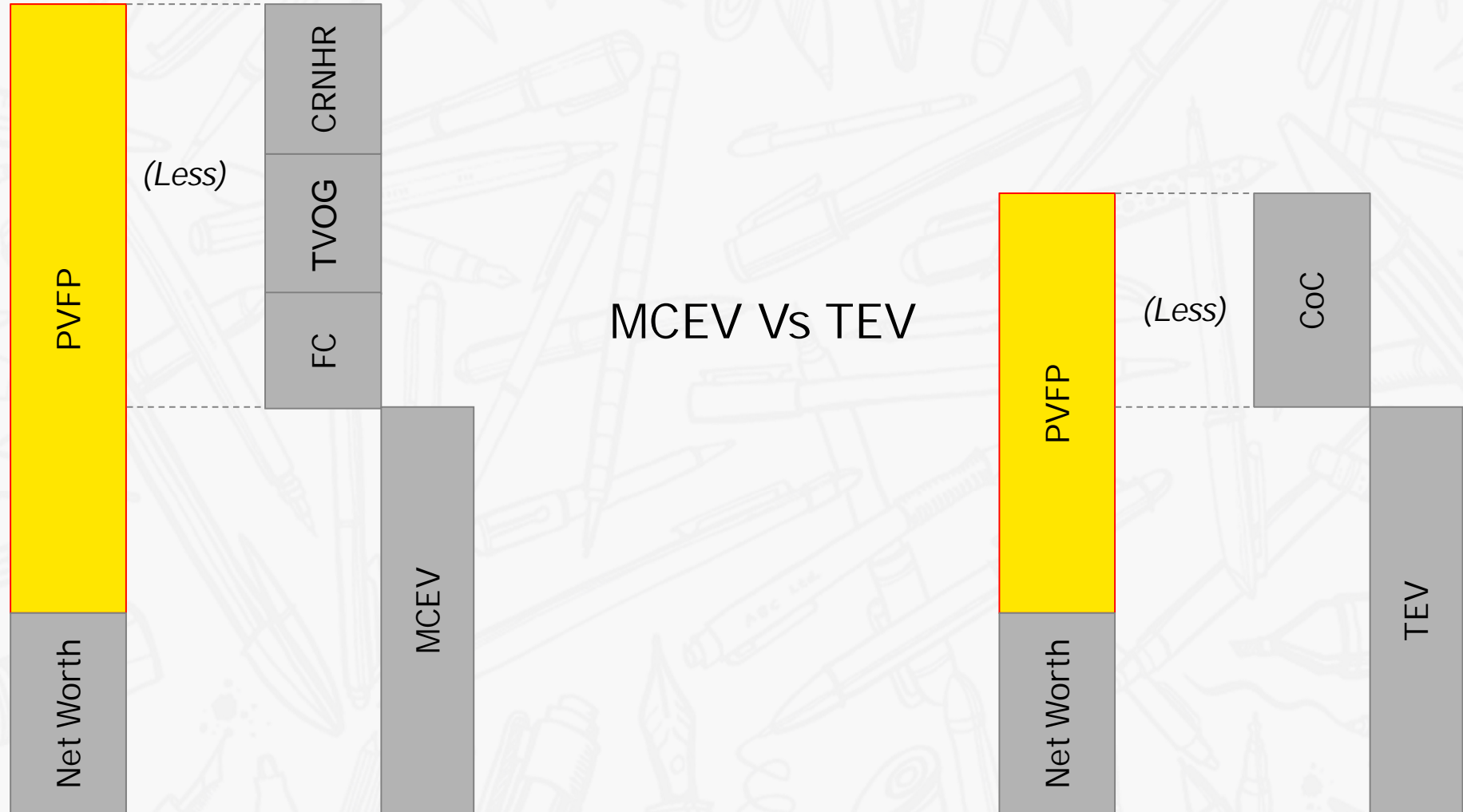


# Components

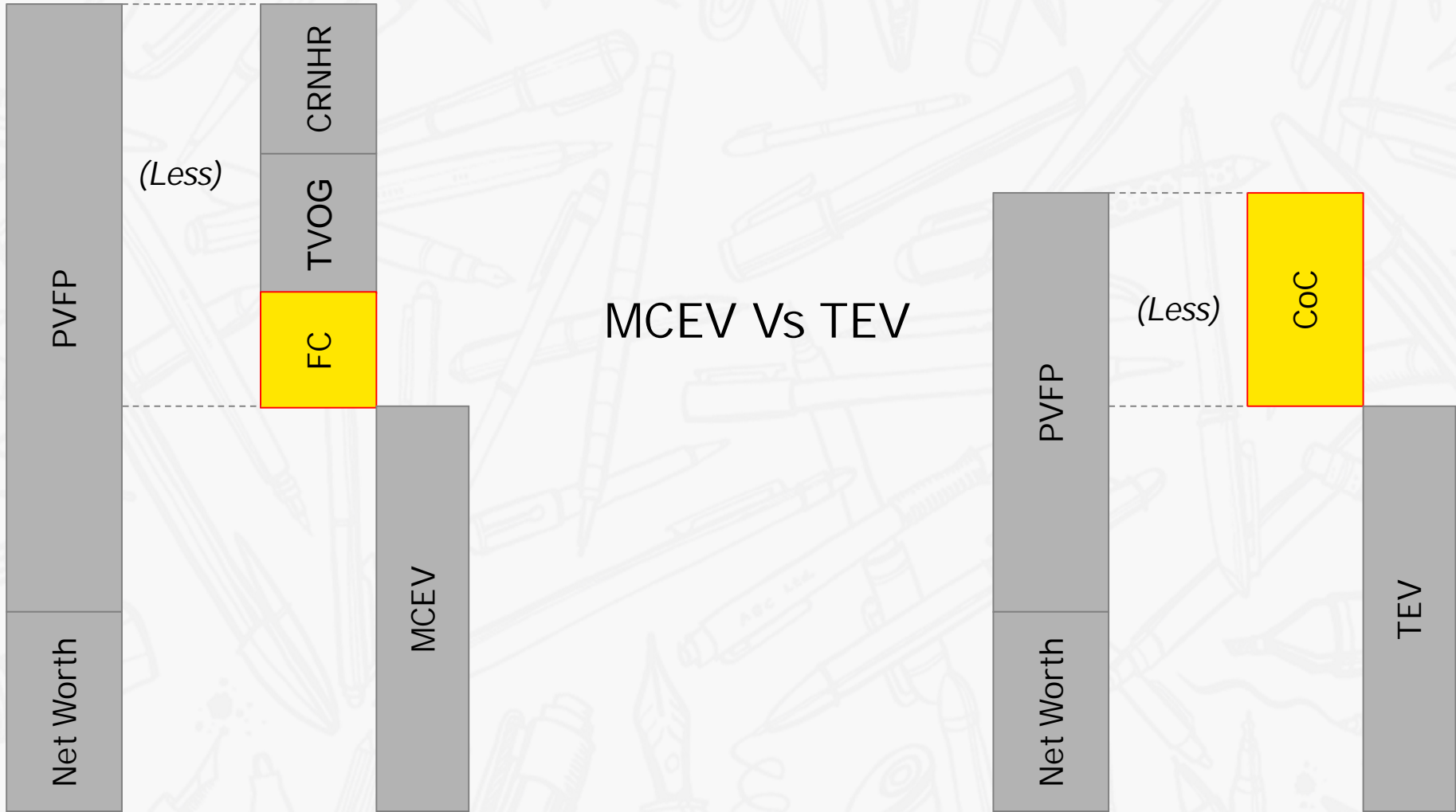
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# Components



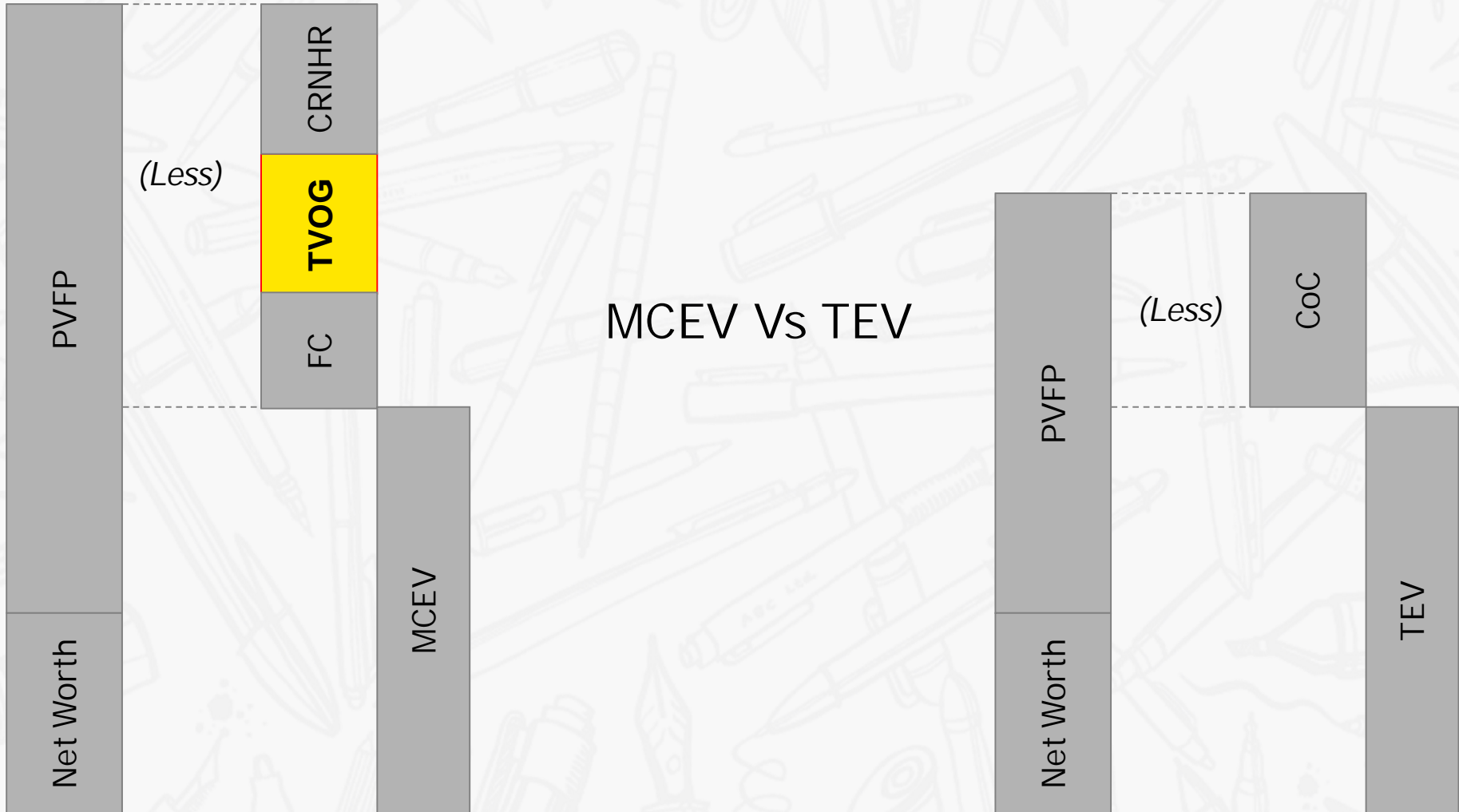
# Components



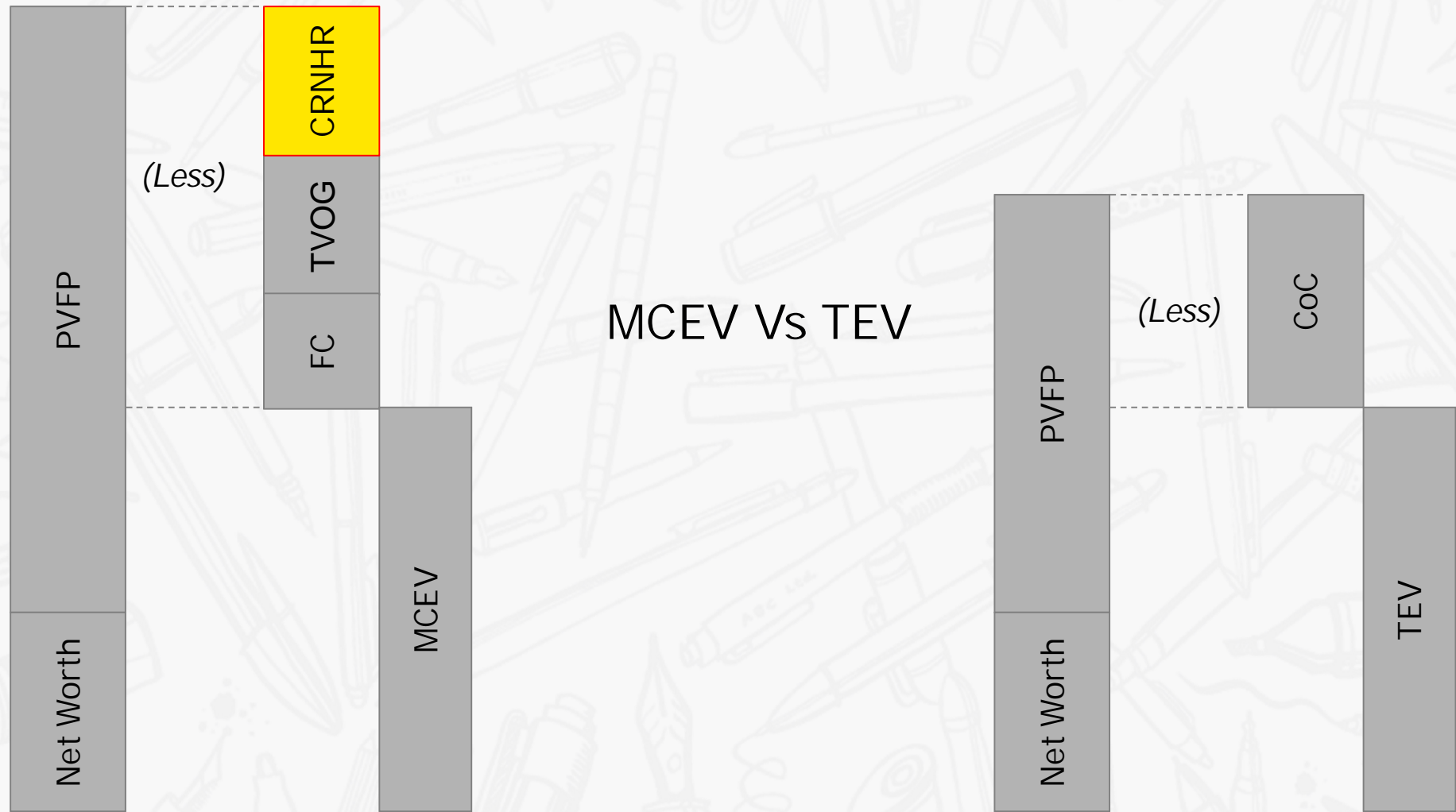


# Components

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# Components



# Component Comparison

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## ANW

- MCEV uses Market Value of assets
- TEV ideally consistent with accounting practice

## PVFP

- MCEV uses risk-free rates for investment returns and discounting
- TEV uses asset investment returns and RDR for discounting

## FC / CoC

- FC limited to cost of investment expenses and taxes
- CoC allows for shareholder expected returns in addition to these

## TVoG

- Mandatory for MCEV
- Required only for EEV

## CRNHR

- Only in MCEV
  - Offsets impact of lower discounting relative to RDR in TEV
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Impacts



# Differential Impacts

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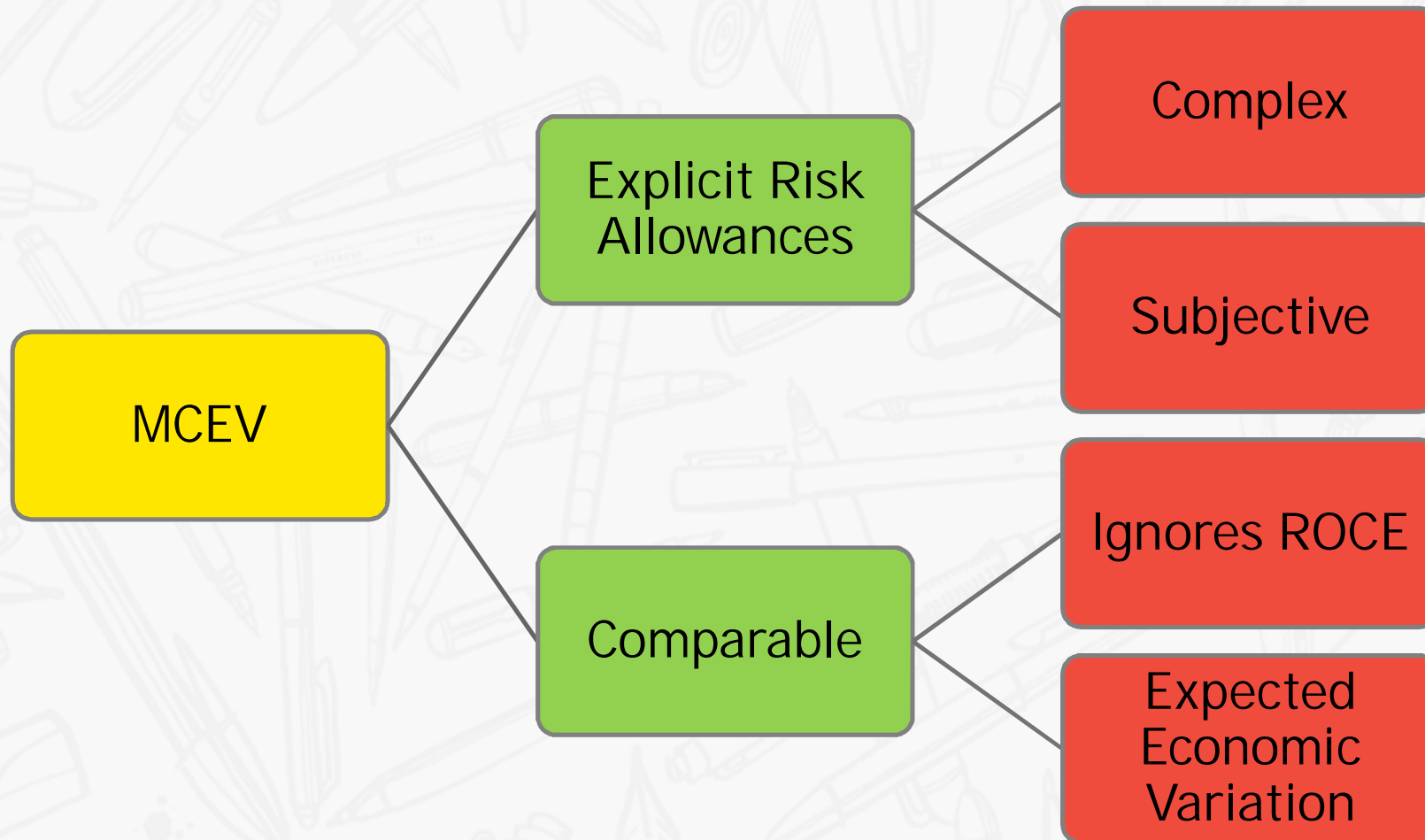
- Allowance for risks
  - Asset mix
  - Asset liability duration match
  - Reserves
  - Target RSM
  - Timing of surplus arising
  - Unrealised gains / loss
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Advantages / Disadvantages



# MCEV limitations



MCEV becoming redundant with introduction of SII and IFRS

# Questions

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