



International Actuarial Association
Association Actuarielle Internationale



Institute of Actuaries of India
Statutory body established under an Act of Parliament



**21st Global
Conference
of Actuaries**

17th - 19th February 2020 | Mumbai, India

An International Perspective - IFRS 17

Mary Trussell

Global Lead Insurance Change

19 February 2020

Financial Statements compared

Regulatory returns

Regulators

Risks, capital and solvency

Policyholder protection

Discontinuance, “safety first” basis

Balance sheet focus

Rules based

May reflect multiple stresses

Jurisdiction-specific

Stat

RECONCILIATION

General Purpose fin statements

Investors, lenders & other creditors

Relevance & faithful representation

Economic decision-making

Going concern basis

Entire financial statements important

Principles based

Point estimate

Increasingly international

GAAP

IFRS Conceptual Framework

These are typically highly inter-related

Regulatory returns

Technical Provisions /
Mathematical Reserves

Capital disclosures
Restrictions on
distributions

Simplifying assumptions may be permitted

Data

Subject to
regulatory
"haircuts"

General Purpose financial statements

Financial Instruments
Other assets and liabilities

DAC

VOBA

Overarching concept of materiality

EST. 1944

What is the potential impact of IFRS 17?

Regulatory returns

Technical Provisions /
Mathematical Reserves

Capital disclosures

Restrictions on distributions

Simplifying assumptions may be permitted

Data

Subject to regulatory
"haircuts"

IFRS 17 world

General Purpose financial statements

Insurance Contract Assets and Liabilities

Reinsurance Contract Assets and Liabilities

Insurance Acquisition Cash Flow asset

VOBA (different basis)
Financial Instruments

Other assets and liabilities

Greater focus on future cash flows, economic assumptions and current estimates

Much more disclosure

IFRS 9

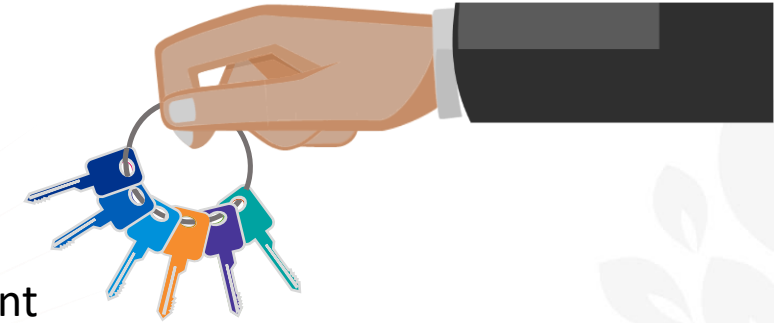
Pros and Cons of 2 reporting bases

Pros

- Different audiences have different needs
- Maintains stability of current regulatory reporting

Cons

- Adds to costs
- Management are trying to optimise two sets of inconsistent goals
- Confusing for users and analysts



A pragmatic solution ?

Develop overarching principles for the 2 bases of reporting, particularly given that global acceptance of an International Capital Standard appears to be some way off

1. Recognise that different users have different needs although we all operate in the same world
2. Avoid unnecessary differences (e.g. SII and IFRS 17 contract boundaries)
3. Avoid duplication (e.g. IFRS 17 risk disclosures may be useful for regulators)
4. **Ensure different bases can be reconciled**

Lessons from IFRS 17

IFRS 17 involves actuaries and accountants working together more closely than ever before



Adopt an iterative approach to change – test and learn to optimise solutions

Practice, practice, practice

Change is a shared endeavour – work collaboratively and not in silos

Communication is key

Accountants need to do a better job of explaining the Conceptual Framework governing general purpose financial statements (materiality, interpretation etc)



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Thank You