

## Nigerian Actuarial Society: Lessons From Implementing IFRS 17

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# Agenda

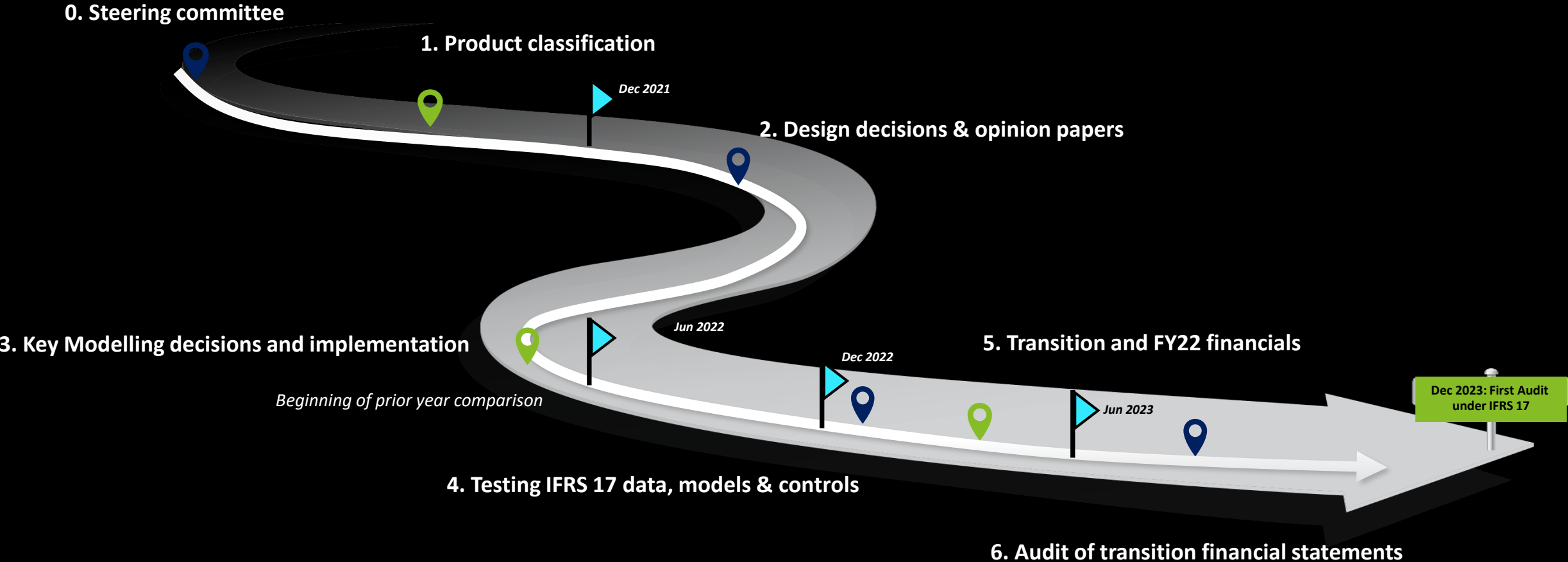
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# Introduction

# IFRS 17 Journey

Effective date is January 2023



# Introduction

## General Observations



Multi-disciplinary teams are working on IFRS 17 implementation.



These teams have diverse skills including actuarial, finance and data.



Despite this, IFRS 17 skills are still rare.

- Both technical accountants and IFRS 17 actuaries.

# Introduction

## General Observations



Significant amount of investment in IFRS 17 projects.

- Companies are spending approximately **x%** of Gross Written Premium on IFRS 17.



This is significantly higher than what companies spent on similar projects e.g. SAM implementation (Solvency II equivalent).



Most SA companies have completed the initial stages of their IFRS 17 implementation program.

# Lessons learned at the various stages of IFRS 17 Implementation



Program Inception



Design Phase

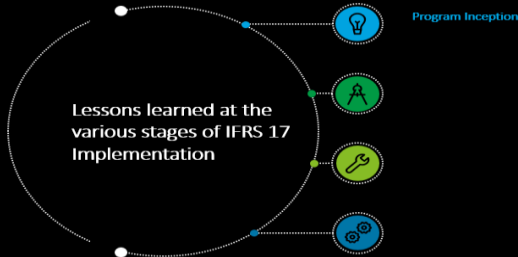


Build Phase



Run Phase

# Program Inception



Comparing current IFRS 4 and IFRS 17 financials as well as the disclosure requirements.

**Financial Impact Assessment**



**Training**



Upskilling the Board and senior management on the requirements of the standard.



**Gap Analysis**

Determining the gaps that need to be addressed with respect to systems, processes and people.



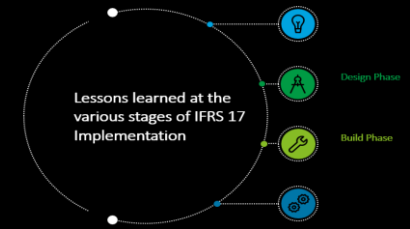
**Product Classification**

- Applied uniformly whether the insurer is a life and non-life insurance company.
- Using a combination of contractual clauses and pricing practices.

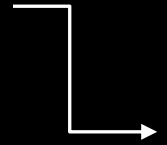


# Design and Build Phases

## Key changes to liability valuation for long term contracts



Different practices amongst insurers result in different emergence of profit patterns



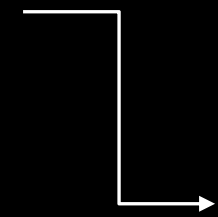
IFRS 4 Liabilities



IFRS 17 Liabilities



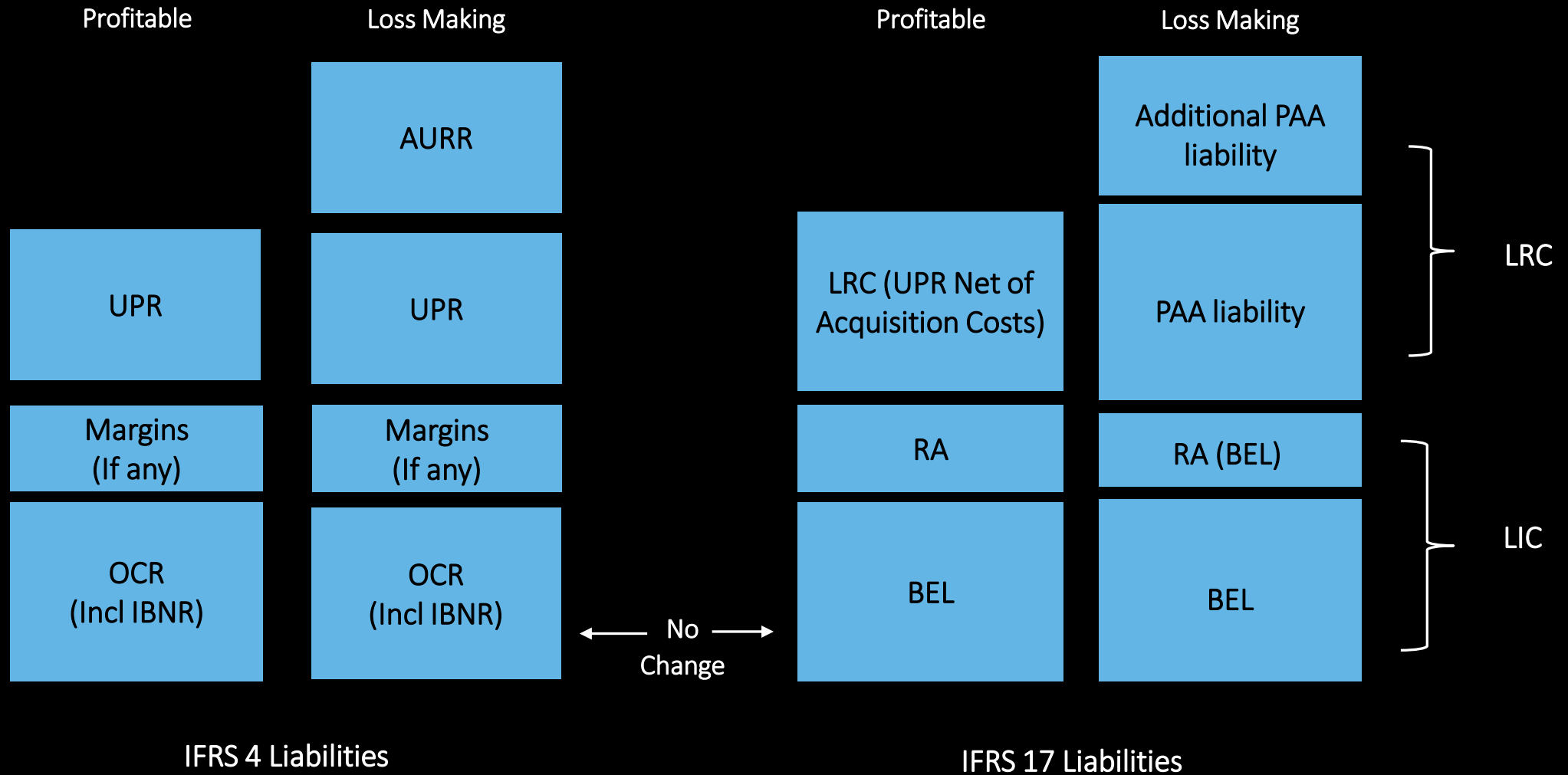
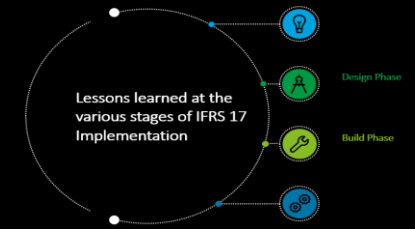
New concepts



Some expenses not reserved for under IFRS 17 that are reserved for under IFRS 4

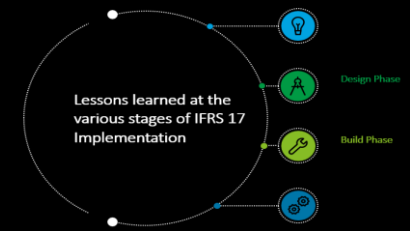
# Design and Build Phases

## Key changes to liability valuation for short term contracts



# New Concept: Introduction of the explicit Contractual Service Margin (CSM)

Companies will be required to develop a system to track and monitor the CSM



Most Policy Administration Systems (PAS) are unable to provide this capability. As such a new system has to be purchased or developed.

It is imperative that this system links into the actuarial modelling system as the changes to CSM are driven by the actuarial process.

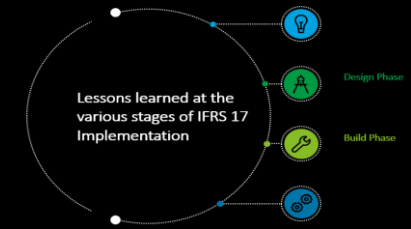
CSM

The requirement to unwind the discount rate for the accretion of CSM at the locked-in discount rate at policy inception for each defined group of non-participating contracts also materially increases the volume of data required to be accessed by actuarial systems.

Assessment of the system and data storage requirements will be essential to determine the extent of any IFRS 17 implementation work.

# New Concept: Introduction of the explicit Risk Adjustment (RA), a liability component

## Companies will be required to calculate the RA and disclose the confidence interval



This is another new IFRS 17 concept. The IFRS 17 standard does not prescribe a specific technique for calculating the RA.

The IASB has encouraged the industry to define the best method.

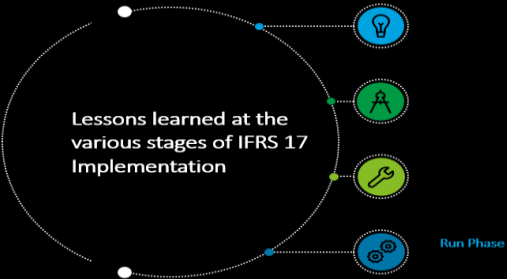
RA

There is additional complexity when not using a confidence level approach in the form of having to produce a confidence interval disclosure corresponding to the chosen RA technique.

We do expect that the RA confidence interval will converge into an industry standard probability, particularly for those who need to disclose this metric.

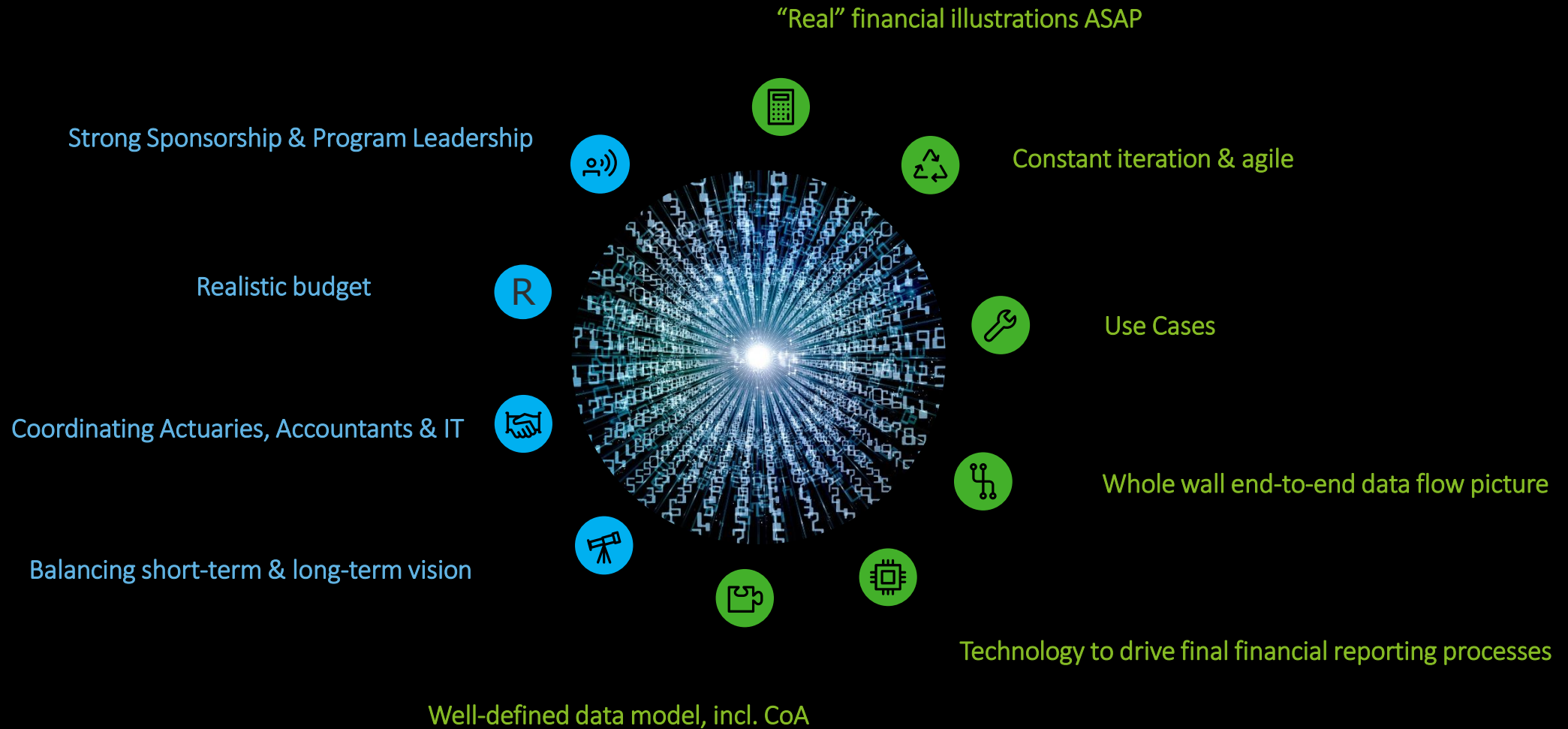
# Run Phase

Companies are slowly transitioning into the testing phase as 2023 approaches.



# IFRS 17 Program Success Factors

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# Thank You.



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