



Impact Analysis & Budgeting

- Business impact assessment
- Financial impact analysis
- System impact assessment
- Advisory assistance on technical matters
- Budgeting templates



Bespoke Implementation Design

- Assessment of business & technical requirements
- Target Operating Model design
- IFRS17 Cash flow modelling methodologies
- Data analysis preparation for transition
- Roadmap for implementation and project management



IFRS17 Implementation

- Review of Margin policy
- Re-design of control frameworks and processes
- Risk Adjustment Calculations
- Develop or readjust Actuarial Valuation Models and assumptions
- User Acceptance testing (UAT) and Quality review
- Support for parallel run



Stakeholder Management

- Board Sensitization sessions
- Investor and stakeholders education
- Trainings, webcasts and workshops for the staff



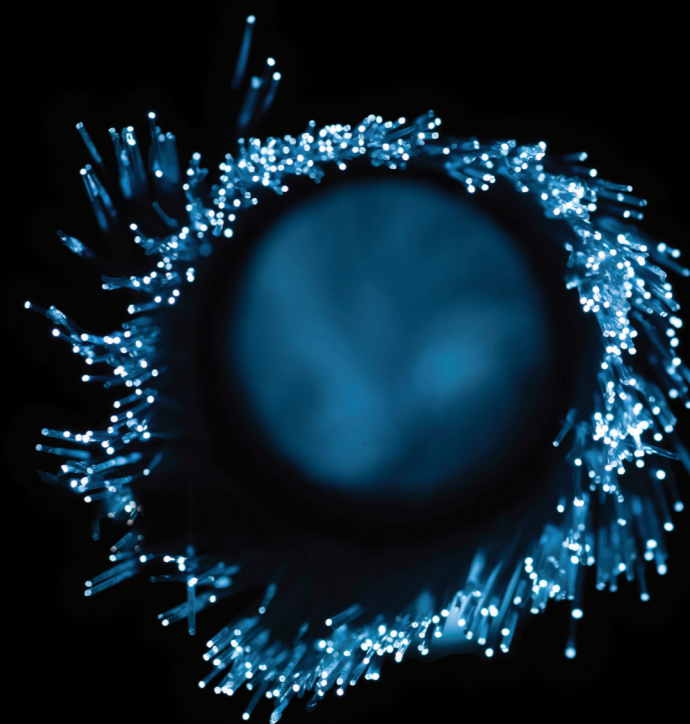
Key contact details

Aruna Pannala

Partner, Risk Advisory
M: +91 9892844595
E: apannala@deloitte.com

Asif Lakhani

Partner, Risk Advisory
M: +91 9820284844
E: asiflakhani@deloitte.com



Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

This material is prepared by Deloitte Touche Tohmatsu India LLP (DTTILLP). This material (including any information contained in it) is intended to provide general information on a particular subject(s) and is not an exhaustive treatment of such subject(s) or a substitute to obtaining professional services or advice. This material may contain information sourced from publicly available information or other third party sources. DTTILLP does not independently verify any such sources and is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such sources. None of DTTILLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering any kind of investment, legal or other professional advice or services. You should seek specific advice of the relevant professional(s) for these kind of services. This material or information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person or entity by reason of access to, use of or reliance on, this material. By using this material or any information contained in it, the user accepts this entire notice and terms of use.

IFRS 17

More than just accounting

For private circulation only

August 2018

Risk Advisory 

IFRS 17

Start early. Start small. Keep it simple.

Overview

Scope of IFRS 17:

- Insurance contracts and re-insurance contracts issued by a company
- Re-insurance contracts that a company holds
- Investment contracts with discretionary participation features issued by a company

Key Changes

- Alignment of life and non-life financial reporting and changes to short-term vs long-term business classification
- Valuing all future contract cash flows
- Introduction of the Contractual Service Margin (CSM)
- Introduction of the Risk Adjustment (RA)
- Unbundling is prohibited unless proven to be required
- Reinsurance contracts need to be treated as separate contracts with separate measurements

Technical Requirements

Risk Adjustment

RA (for non-financial risk) is the entity specific compensation that is required to make it indifferent between fixed and variable cash flows with the same present value. It reflects both the diversification considerations and risk tolerance of insurer

IFRS 17 does not specify the technique to measure the RA

3 methods commonly discussed in the market are:

Cost of Capital

Quantile (E.g.: Value at Risk)

Explicit Assumption (E.g.: factor based)

Contract Boundary

Cash flows are considered to be within the boundary of an insurance contract if they arise from the substantial rights and obligations that arise during the period for which the company can compel the policyholder to pay the premium or has a substantial obligation to the policyholder.

Within the Boundary

A company can compel the policyholder to pay the premiums

Substantive Obligation

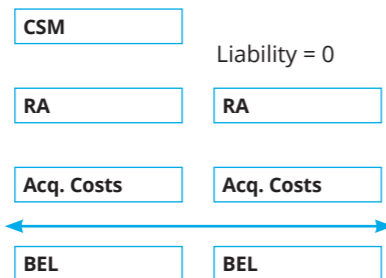
A company needs to provide coverage or other services to policyholders

Contractual Service Margin (CSM)

The CSM represents the unearned profit in the insurance contract that will be released over the passage of time. Key considerations under IFRS17:

- The future cash flows include all future premium increase options (and claims and expenses resulting from those increases); and
- The emergence of profit from the CSM follows a retrospective roll forward and not a full prospective re-valuation methodology that is currently deployed.

Liability = 0



If the contract is profitable

If the contract is onerous

Material Financial impacts

IFRS 17 will have a material impact on the financial reporting of insurance companies.

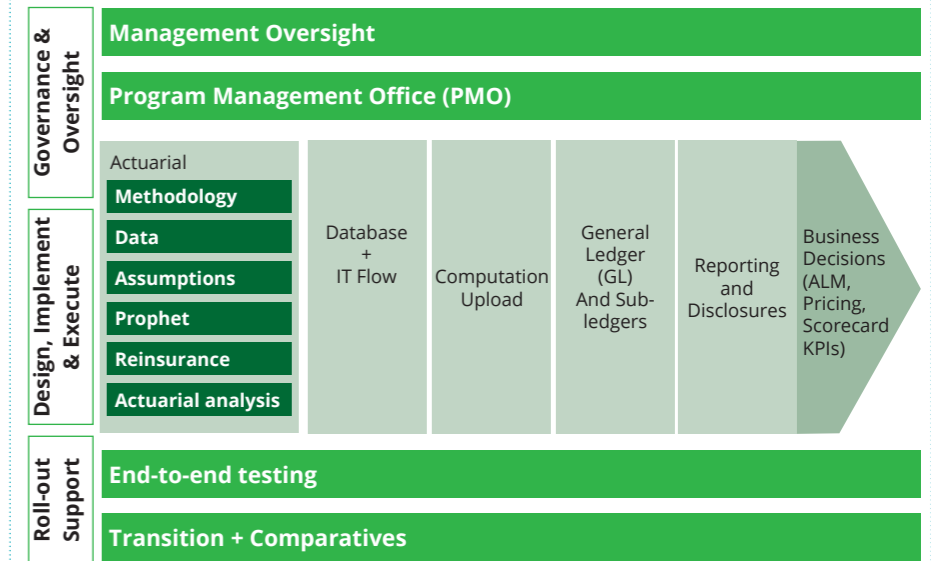
There is no consistency in "point of sale" profit reporting under current IFRS practices and certain companies report profit at initial recognition and this will be no longer possible.

Equally, companies which report day one losses because of policies based on solvency considerations would have a very different (better) profit profile in terms of new business profitability.

In addition, the timing of profitability in subsequent periods could be significantly different.

Components of Implementation

Implementation of IFRS 17 requires a holistic approach to ensure successful rollout as indicated below:



IFRS 17 Implementation Roadmap

- 📍 Planning
- 📍 Pre-implementation Approvals & Assessment
- 📍 IFRS 17 Model design and Implementation
- 📍 UAT Completion and launch

Companies seeking to implement IFRS 17 need to start early to ensure timely adoption of the standard. The following calendar may serve as a guide to implement the program:

