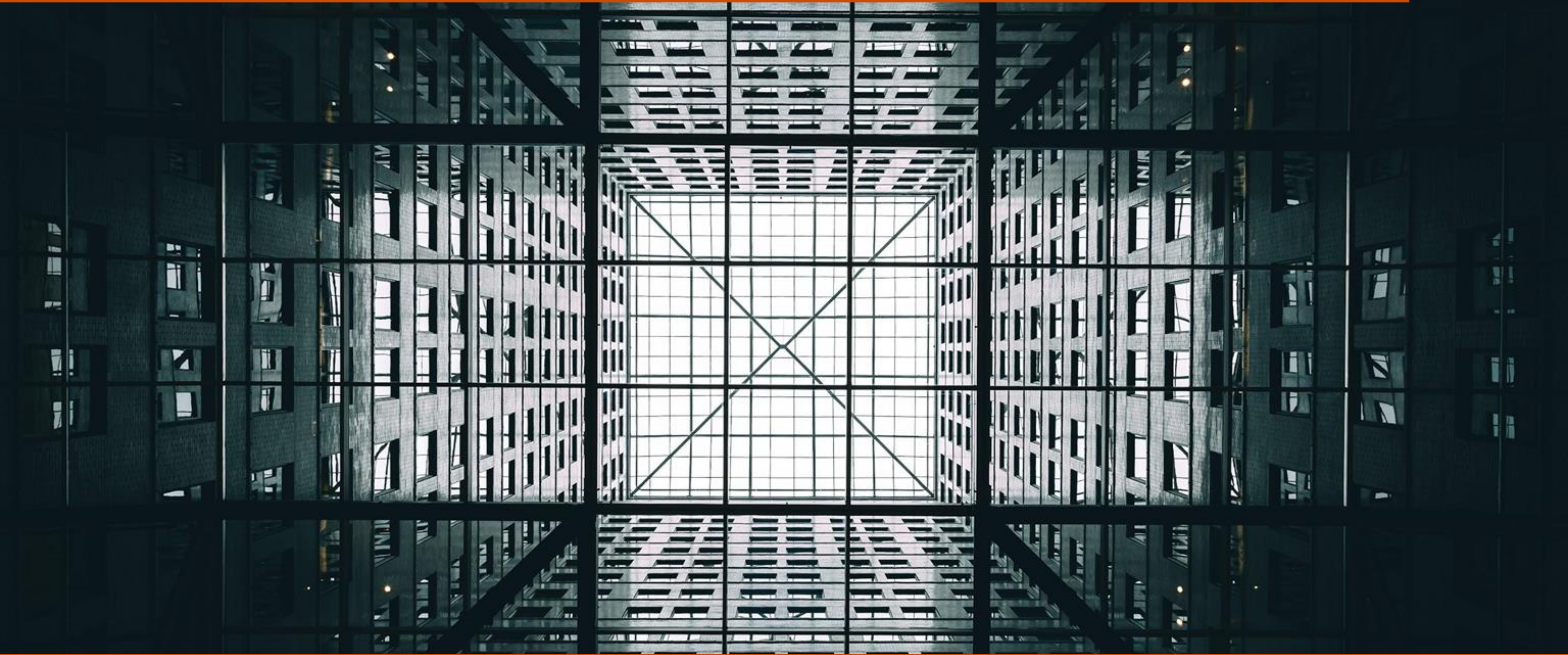
IFRS 17 – Operational & Financial impact



June 2021

pwc

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IFRS 17 Major changes - operational impact

Data

- Adequate data and parameters would be needed, the tools used for the calculations will have to be tested and implemented before the closing.
- Data would have to be stored from inception for each cohort separately.

Systems

- The exact need for systems update/ new systems needs to be determined by the companies.
- Robustness and auditability of the systems - Systems are not ready to produce the new calculations required under IFRS 17.
- Systems to be developed for the requirement of more detailed disclosures under IFRS 17.
- Cost implications of new systems and resources required will also have to be assessed.

Processes

- The exact need for processes and new or updated policies needs to be determined.
- Transition will have to be managed along with current business ongoing.

People

- The exact need for resources needs to be determined for each department.
- Working teams are not ready with complete knowledge at this stage.
- Key performance indicators would also change under IFRS 17.
- For the detailed disclosures that are required going forward, the staff would need to be trained.
- Availability of resources during the transition is another concern.

IFRS 17 Major changes - financial impact

Accounting

- **Granularity** of the calculations/unit of account for new business/aggregation of in force business is a major decision to be taken when considering the movement to IFRS 17.
- Choice of the relevant **assumptions**.
- Immediate impact of the **transition** to IFRS 17 will be visible on profits and equity in the first year.
- Changes in the **disclosure requirements** under IFRS 17, chart of accounts (COA) would also have to be taken care.
- A clear **mapping** would also be required between IFRS 4 and IFRS 17.

Actuarial

- Determination of the **discount rate** for non-life business is a new concept for the companies.
- **Methodology for Risk Adjustment**, confidence level, diversification of risk, etc. needs to be decided based on the risk appetite of the company and the business written.
- **Expense allocation –** Split between attributable and non - attributable
- **Payment pattern** becomes important under the new standard. Example : For claims and premiums, bad debt will also have to be included in cashflow estimation.
- **Initial Assessment vs Subsequent Measurement** is also an important concept which needs a clear understanding.
- **Onerous contracts** assessment and bucketing, choice of the appropriate measurement models, mismatch between insurance and reinsurance methodology, loss component & its release, determination and validation of the CSM, etc. are some other important concepts of IFRS 17 which draw attention critically.