1st Capacity Building Seminar on IFRS 17
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Overview of IFRS 17
Insurance Contracts / Ind AS 117

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Speakers

Mahasen Kunapuli
Managing Director
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Mahasen is a Managing Director in Deloitte Consulting in Hyderabad, India, with over 18 years of experience in benefits consulting. In addition to providing traditional retirement consulting services, Mahasen also advised clients on various benefits related services including due diligence on Mergers and Acquisitions, total rewards strategies to recruit and retain talent, pension risk management strategies primarily through asset liability management studies. At Deloitte, Mahasen leads the actuarial teams and is serving as the Chief Actuary.

Mahasen is also part of Deloitte global leadership group driving eminence activities related to IFRS 17 implementation.

Shrenik Baid
Partner
Audit and Assurance

Shrenik is a Partner with Deloitte Haskins & Sells LLP, India, with more than 22 years of experience providing assistance in capital market transactions and accounting advisory services. Shrenik has helped clients by providing them with technical and project management advice on conversions to and from IFRS, Ind AS and US GAAP.

In his present role, Shrenik focuses on financial services and infrastructure sector. He is leading financial services IFRS conversion projects and as a firm helping 17 banks (including the largest bank in India), 7 insurance companies (life and non-life) and several NBFCs and HFCs on their IFRS conversion projects.

Shrenik is a Chartered Accountant and regular speaker on IFRS and US GAAP at the ICAI and various other forums. He has co-authored the publication, “Similarities and Differences: IFRS, US GAAP and Indian GAAP”.

Introduction - IFRS 17

Insurance Contracts

Why the need to change accounting requirements

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Little or no comparability between entities that write insurance contracts

Insurance contracts often expose entities to long-term and uncertain obligations. However, existing insurance contracts accounting under IFRS does not provide existing and potential investors, lenders and other creditors with the information they need to:

a) understand the financial statements of entities that issue insurance contracts; or

b) make meaningful comparisons between such entities among them and with entities that do not issue insurance contracts.Long-duration contracts are measured using **outdated information**.

Existing insurance contracts accounting does not often reflect economics and risks in a timely manner

a) Entities use **expected investment returns on assets for discounting the liabilities**, even if the obligation to the policyholder is not dependent on the performance of the investments. This means that **economic risks are not reflected** (for example, from options and guarantees embedded in the insurance contract)

b) The **time value of money is not reflected**, even when cash flows are due in the future.

c) Little information is given about the **sources of profit** reported in the current period, or that is expected to be reported in future periods.

d) Information about underwriting (for example, revenue or expenses) is often **reported on a cash or cash-like basis** even when service is delivered in a different period and such cash receipts often **include deposits**. Current accounting often results in an **opaque 'change in the liability' line item** which is needed to reconcile cash-based amounts to the accruals-based result of the period. This is **not comparable to how other industries** report performance.

IFRS 17 Journey

IFRS 4 Phase II became IFRS 17

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Requires entities to reflect the time value of money on payments expected in the future

Provides up-to-date market-consistent information about the entity's obligation, including the value of options and guarantees

IFRS 17 is the first common global insurance accounting standard

Provides separate information about the investment and underwriting performance

Treats the service provided by the underwriting activity as revenue and expenses in a comparable way to other non-insurance business

IFRS 17 Timeline

Nov 1998
Project commenced

20 Jun 2013
ED issued

25 Oct 2013
Comment deadline

Jan 2014 – Feb 2016
Board re-deliberations

9 Dec 2015
Proposal on the interaction with IFRS 9 (IFRS 9 "decoupling")

Feb 2016
IFRS 4 Phase II deliberations complete, balloting begins

Sep 2016
IFRS 9 "decoupling"
published

18 May 2017
Publication date

1 Jan 2020
Opening balance sheet for one-year-comparative reports

1 Jan 2021
Effective date

The **Ind AS 117** is proposed to be effective by 1 April 2020

Key similarities / differences between IFRS 4 and IFRS 17

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Contract Definition	• Largely consistent with IFRS 4 • Under IFRS 17, significant insurance risk is assessed on a present value basis.
Acquisition cash flows	• Under IFRS 17, insurance acquisition cash flows are included as a reduction to the insurance liability. No longer permitted to be presented as an asset. So no DAC!
Unbundling	• Under IFRS 4, insurers may unbundle non-insurance components from an insurance contracts in most cases. • Under IFRS 17, unbundling is **prohibited** unless the insurer can demonstrate it is necessary to do so.
Discounting	• Under IFRS 4, there is no requirement to discount cash flows. If discounting is applied, discount rates are asset-based rates or risk-free rates. • Under IFRS 17, discounting is required. Discount rates should reflect characteristics of the insurance contracts. Practical expedients not to discount is permitted where certain criteria is met.

Key similarities/differences between IFRS 4 and IFRS 17

Risk Adjustment	• Under IFRS 17, an explicit risk adjustment is required.
Contractual service margin	• New concept under IFRS 17, which represents unearned profit in a contract.
Onerous contracts	• Under IFRS 17, liability adequacy test is no longer required. The new accounting model is based on the principle of no gain/loss on day 1 and based on current information. Therefore all favourable and unfavourable changes to the cash flows are offset against the contractual service margin (expected profit margin) which removes the need to test the liability for adequacy.
Premium allocation approach	• Similar to the current unearned premium approach for most non-life insurers.

Key similarities/differences between IFRS 4 and IFRS 17

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Reinsurance	• Reinsurance contracts held are treated as separate contracts, with separate measurement from the underlying insurance contracts.
Presentation	• New presentation requirements. Insurance revenue is recognized to depict transfer of services to policyholders, and is aligned with revenue recognition under IFRS 15 as applied by other industries.
Disclosures	• IFRS 17 requires more granular and detailed disclosures. New disclosures required to provide explanation of the recognized amounts, e.g. rollforward tables, reconciliation of the balance sheet items and movements to the cash flows and income statement items.
Shadow accounting	• There is no shadow accounting model in IFRS 17. However, IFRS 17 provides insurers an option to report changes in discount rates to P&L or OCI to reduce accounting mismatches with assets backing the insurance liabilities.

Scope of IFRS 17

Scope of IFRS 17

What is the scope of IFRS 17?

IFRS 17 will apply to a range of different contracts issued by companies, which fall under the following categories:

- **Insurance** and **reinsurance contracts** issued by the company;
- **Reinsurance contracts** that the company holds ("ceded reinsurance"); and
- **Investment contracts with discretionary participation features ("DPF")** that it issues, provided that the entity also issues insurance contracts

Investment components may be present in any of these contract types:

Investment components are those amounts that an insurance contract requires an entity to repay to a policyholder, even if an insured event does not occur.

Remaining contracts which are typically issued by insurance companies transfer significant insurance risk or have a DPF, normally referred to as **investment contracts without DPF**. These are financial instruments ce companies are those which do not accounted for in accordance with IFRS 9.

Insurance Contracts

Definition

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The definition of an insurance contract is the same in Ind AS 117 as in Ind AS 104, except in one aspect:

"a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder."

The word, "Issuer" has replaced the word, "Insurer" from the Ind AS 104 definition

The definition of reinsurance contracts is:

"an insurance contract issued by one entity (the reinsurer) to compensate another entity (the "cedant") for claims arising from one or more insurance contracts issued by the cedant."

Therefore the key step in identifying if a contract meets the definition of an insurance contract and so is in scope for Ind AS 117, is to determine whether there is significant insurance risk arising for the contract issuer. This is substantially the same as Ind AS 104.

Investment contracts with discretionary participation features

Definition

A financial instrument that provides a particular investor with the **contractual right to receive**, as a supplement to an amount **<u>not</u>** subject to the discretion of the issuer, additional amounts:

(a) That are expected to be a significant portion of the total contractual benefits;

(b) The timing or amount of which are contractually at the discretion of the issuer; and

(c) That are contractually based on:

   i. The returns from a specified pool of contracts or a specified type of contract;

   ii. Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or

   iii. The profit or loss of the entity or fund that issues the contract.

Scope of IFRS 17

Specific exemptions

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IFRS 17 states a number of specific scope exemptions:

- Warranties provided by manufacturers, dealers or retailers
- Employers’ assets and liabilities from employee benefit plans and retirement benefit obligations reported by defined benefit retirement plans
- Contractual rights or obligations contingent on the future use of, or the right to use, a non-financial item
- Residual value guarantees provided by manufacturers, dealers or retailers, and a lessee’s residual value guarantees embedded in a lease
- Financial guarantee contracts (unless the issuer has explicitly asserted that such contracts are insurance contracts)
- Contingent consideration payable or receivable in a business combination
- Insurance contracts in which the company is the policyholder (except reinsurance held)

Unit of Account – Aggregation of Contracts

Unit of Account

Aggregation of Contracts

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- A **portfolio** is a group of contracts subject to **similar risks and managed together** as a single pool
- The portfolio is then required to be disaggregated into **groups** of insurance contracts that at inception are

  A. Onerous, if any

  B. at initial recognition have **no significant possibility** of becoming onerous subsequently, if any;

  C. remaining contracts, if any

- There is decreasing ranking of the risk-adjusted profitability of the groups (B, C, A). B is the highest ranking risk-adjusted profitable group and A is the lowest (A is actually expected to be loss making)
- Further disaggregation of the specified groups is permitted
- Only contracts issued **within the same twelve-month period** are permitted to be grouped. Groups for shorter periods are permitted. This period does not need to coincide with the annual reporting period of an entity
- An entity shall establish the groups at initial recognition, and **shall <u>not</u> reassess** the composition of the groups subsequently

Onerous	Profitable	Might become Onerous

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Contract Boundary

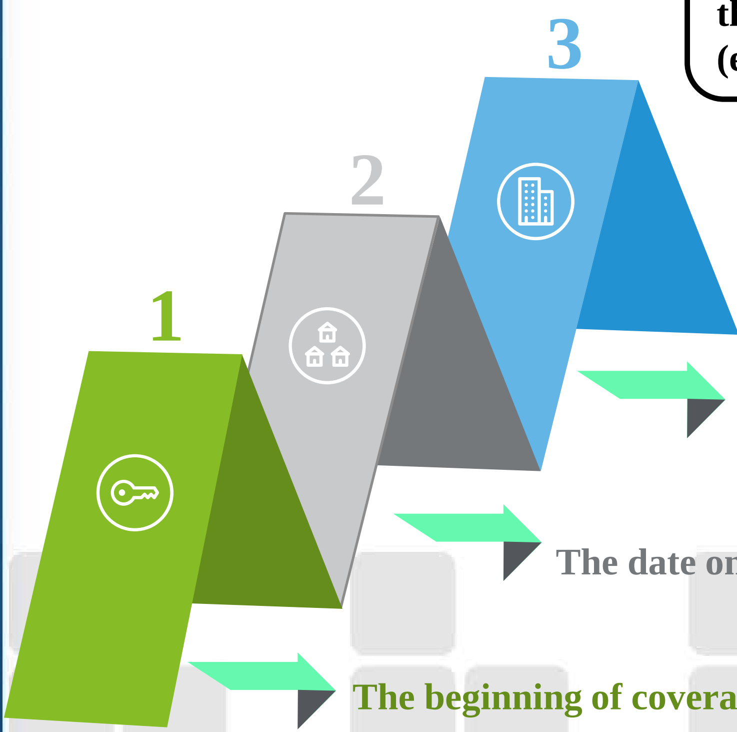
Contract Boundary

Definition

Cash flows are within the boundary if they arise from substantive rights and obligations that exist during the period in which the entity can **compel the policyholder to pay premiums** or the **entity has a substantive obligation to provide the policyholder with coverage.**

These CF includes claims occur after the coverage period but obligations related to the coverage period
(e.g. incurred claims liability)

Interpretation of the beginning of contract boundary is the earlier of:



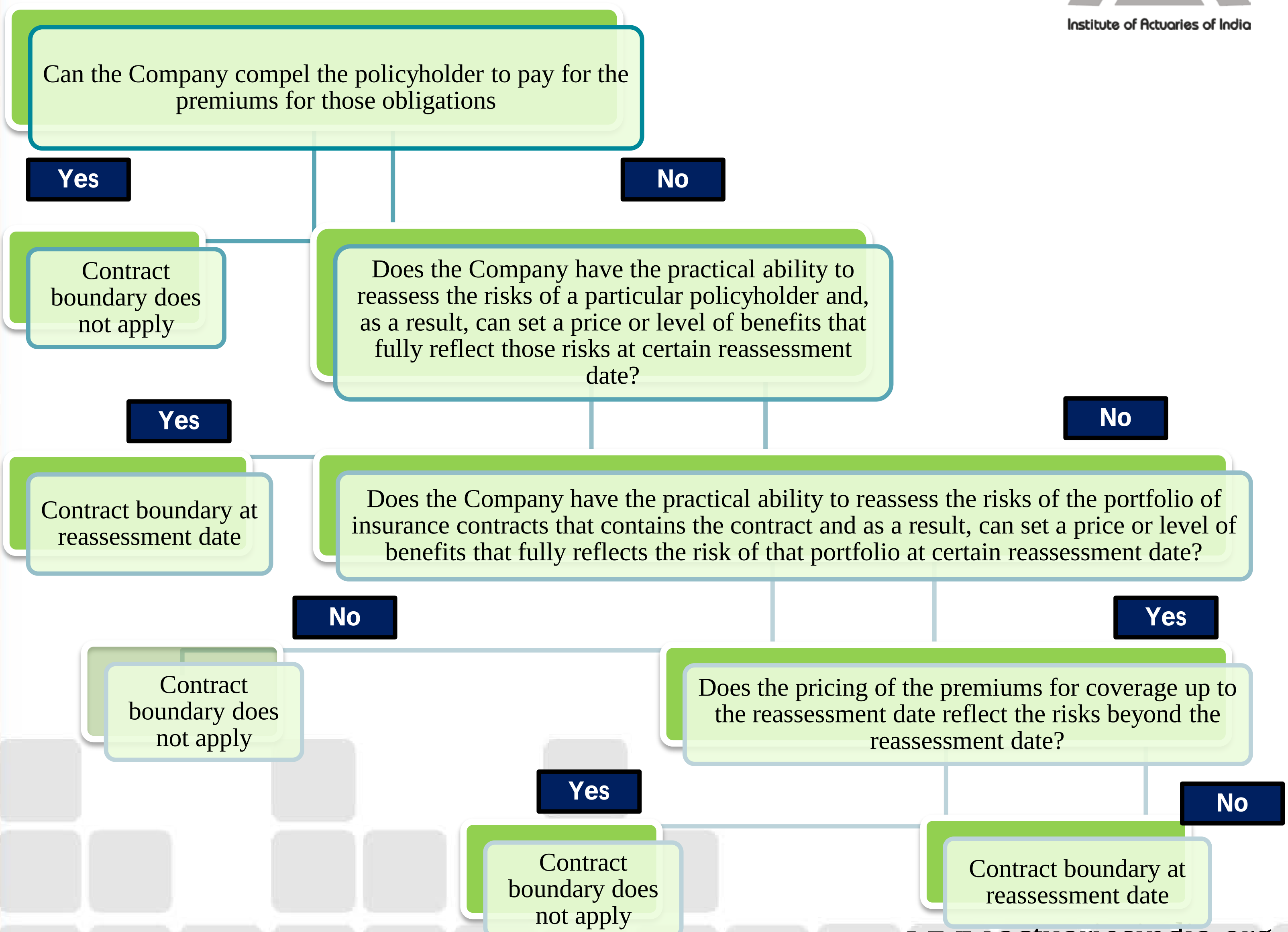
The beginning of coverage;

The date on which the first premium is due; or

When the facts and circumstances indicate that the contract will belong to an onerous group

Contract Boundary

Definition



Measurement Models

IFRS 17 – General Measurement Model

Building Block Approach

Total IFRS Insurance Liability

Block 4:
Contractual Service Margin (“CSM”)

‘Fulfilment cash flows’

Block 3:
Risk Adjustment

Block 2:
Time Value of Money

Block 1:
Expected Future Cash Flows (unbiased probability weighted mean)

The main features of the IFRS 17 general measurement model are as follows:

- **Expected profit is deferred and aggregated in groups of insurance contracts at initial recognition**
- **Expected profit is recognised over the coverage period**
- **Current and explicit measurement of risk**
- **Reflection of the time value of money**
- **Estimates and assumptions on future cash flows are always current**
- **Maximum use of observable market consistent information**

IFRS 17 – General Measurement Model

Premium Allocation Approach

Simplified measurement (i.e. PAA) for remaining coverage (excluding measuring claims liabilities) allowed if, at the date of initial recognition:

a) Doing so would produce a measurement that would not differ materially from the one that would be produced applying the requirement of the building blocks approach; or

b) The coverage period of the insurance contract (including coverage arising from all premium within the contract boundary) is one year or less

If, at contract inception, an entity expects significant variability during the period before a claim is incurred, in the fulfilment cash flows required to fulfill the contract, the criterion a) is not met

When to use the Premium Allocation Approach:

Applicable for yearly-renewable term life and short-term health rider products

1. If the **coverage period** at initial recognition is **one year or less**

OR

2. If it would be a **reasonable approximation** to BBA and the coverage period at initial recognition is more than one year

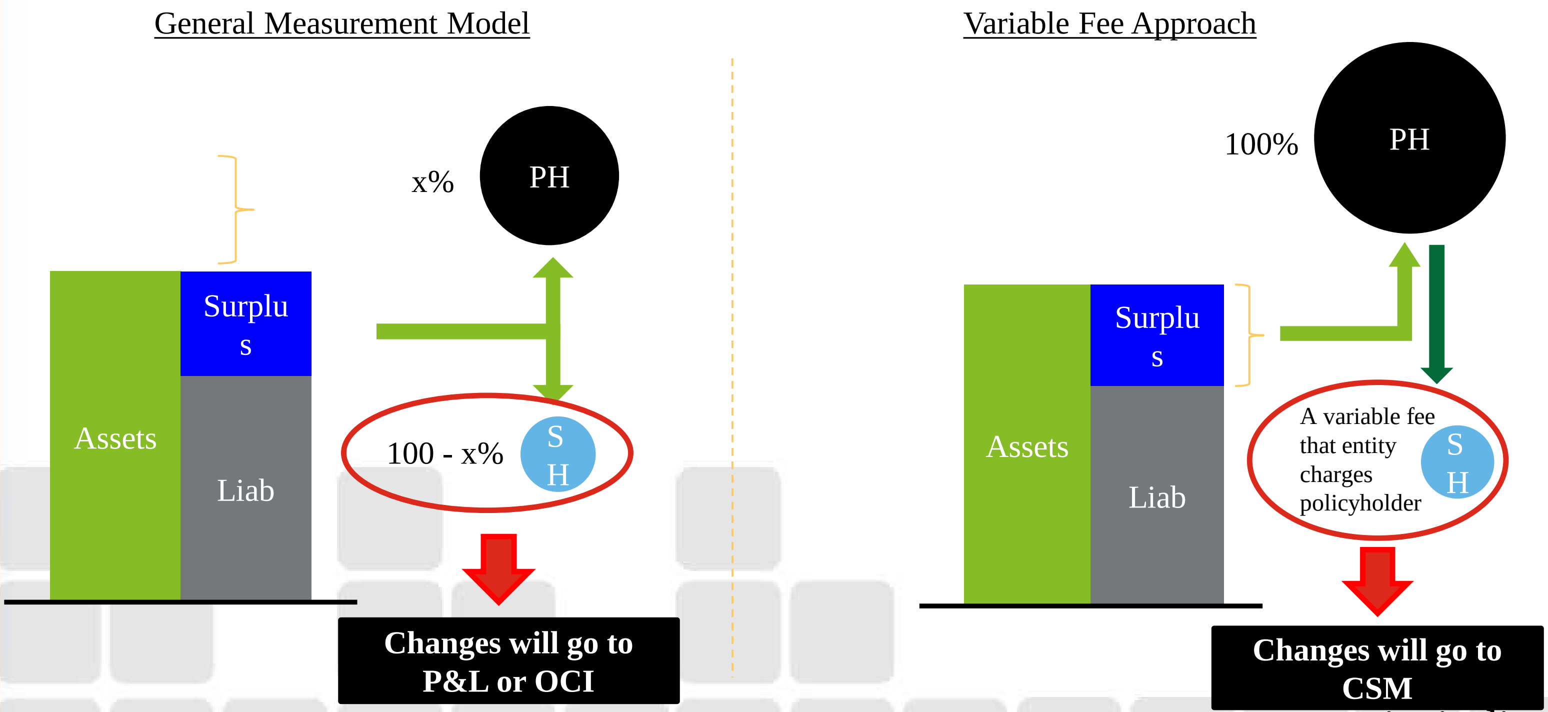
Applies to liability for remaining coverage only

2 is <u>not</u> met if at the inception of the group an entity expects **significant variability** in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred.

IFRS 17 – General Measurement Model

Variable Fee Approach

- In the general measurement model the net gains and losses that the entity retains from invested premiums are treated as if they were a share of economic returns from the investment portfolio.
- In the variable fee approach, the returns to the entity arising from participating contract is viewed as part of the compensation that the entity charges the policyholder for service provided by the insurance contract, rather than as a share of returns from a stand-alone investment.
- The entity's interest in the investment portfolio is not the equivalent of a direct holding in assets, but is equivalent to a variable fee that the entity charges the policyholder, expressed as a share of returns.



Contractual Service Margin

Definition

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An accounting mechanism for **recognising profit** over the **coverage period** of the contract

01 It represents the expected profit for the insurer as it sells an insurance contract

02 Absorbs changes in future cash flow expectations for release over time.

03 It is the amount that reduces the initial calculation of the fulfillment cash flows to nil when that calculation produces a positive (asset) amount:

PV of probability-weighted future inflows **-** PV of probability-weighted future outflows increased by a risk adjustment liability **-** CSM amount at initial recognition **= Nil**

04 The accounting result is that it defers immediate recognition of profit from the initial recognition of an insurance contract to future periods based on an accounting mechanic that releases the CSM balance over the coverage period stipulated in the contract.

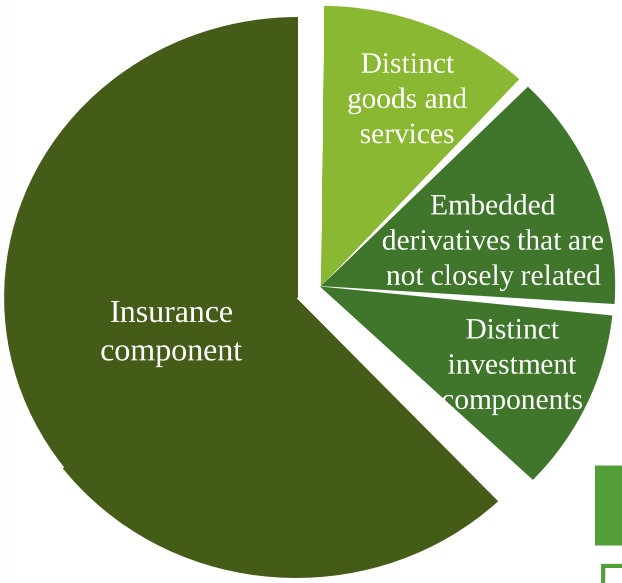
05 Potential investor view of profitability – likely to be viewed similarly to “Value In Force”

Unbundling

Unbundling

Overview

An insurer may need to separate non-insurance components from an insurance contract



Measure using insurance contracts standard (IFRS 17)

Measure using financial instruments standards (IFRS 9)

Measure using revenue recognition standard (IFRS 15)

Contracts containing insurance and non-insurance features

- Process of splitting and accounting for the insurance and non-insurance components separately
- Determining whether such components, if they were separate contracts, would be within the scope of other accounting standards

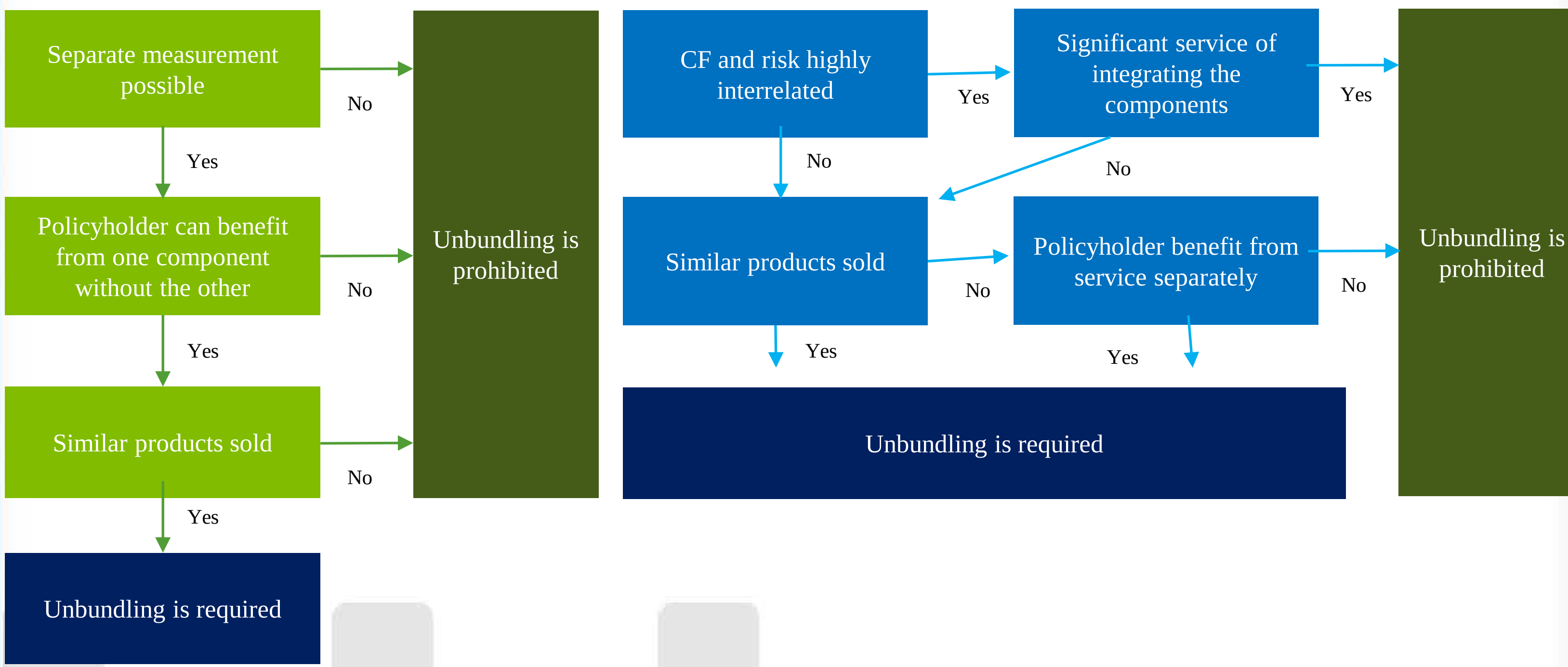
IFRS 4	IFRS 17
Unbundling was required under certain tests being passed. It could also be adopted on a voluntary basis given certain criteria.	Unbundling is prohibited unless it can be shown that is required.

Unbundling

Similarities and differences between investment and service components requirements in IFRS17

Investment component

Service component



Disclosures & Transition Approach

Disclosure Requirements

Current Format vs IFRS17/ Ind AS 117 format

Current presentation (extracts)
Asset Section
Investments (incl Assets held to cover linked liabilities)
Loans
Fixed Assets
Cash and Bank Balances
Advances and Other assets
Liabilities Section
Fair Value Change A/c
Borrowings
Provision for Policyholders Liabilities / Claims Outstanding
Share Capital
Reserves and Surplus

Ind AS 117 presentation (extracts)
Asset Section
Cash and cash equivalents
Investments
Loans
Other Financial Assets
Investment property
Insurance contract assets
Reinsurance contract assets
Property, plant and equipment
Liabilities Section
Insurance contract liabilities
Reinsurance contract liabilities
Borrowings
Other Financial Liabilities
Provisions
Equity
Other Equity

In addition, new disclosures, such as BEL, RA, and CSM roll forwards, will be required. Please note that most disclosures will also require explicit separate disclosure of direct business and reinsurance amounts. The illustration above only shows lines gross of reinsurance. Reinsurance lines will have to be separately presented whenever they are material to the reporting entity.

Disclosure Requirements

Current Format vs IFRS17/ Ind AS 117 format

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Current presentation (extracts)
Gross Written Premium
Add/Less: Reinsurance
Add/Less: Unearned Reserve Movement
Net Earned Premium
Income from Investments
Other Income
Total Income
Commission
Operating Expenses
Benefits Paid / Claims Paid
Total Expenses
Surplus / (Deficit)

Ind AS 117 presentation (extracts)
Insurance revenue
Insurance service expenses
Incurred claims and expenses
Amortisation of acquisition costs
Experience adjustment - liability for incurred claims
Change in estimates - liability for incurred claims
Amounts recovered from reinsurers
Allocation of reinsurance premiums
Insurance service results
Investment income
Insurance finance income or expense
Finance results
Profit or Loss
Other comprehensive income - insurance finance income or expense
Total comprehensive income

In addition, new disclosures, such as BEL, RA, and CSM roll forwards, will be required. Please note that most disclosures will also require explicit separate disclosure of direct business and reinsurance amounts. The illustration above only shows lines gross of reinsurance. Reinsurance lines will have to be separately presented whenever they are material to the reporting entity.

Ind AS 117 disclosure requirements

The disclosure requirements under Ind AS 117 can be categorized as follows:

General Disclosures

- Explanation of recognized amounts
- Significant judgments
- Risk

Specific Disclosures

- Variable Fee Approach
- Premium Allocation Approach
- Transition

Ind AS 117 transition approach

The following are the three transition approaches:

01

Retrospective Approach

- The retrospective approach **must be applied** to all groups of insurance contracts, **unless it is impracticable** or if groups of contracts in force on transition date cannot be identified (e.g. the inception date has been lost).
- Recognise and measure each group of insurance contracts as if Ind AS 117 had always applied i.e. since **inception of the contracts**
- If applying the retrospective approach is impracticable, an entity is then permitted to choose between the **modified retrospective approach** and the **fair value approach**.

02

Modified Retrospective Approach

- Objective is to achieve the **closest outcome to retrospective application** possible **using reasonable and supportable information** (which is available without undue cost or effort)
- Assessment to be made at inception of contract or at 1/4/2019;

03

Fair Value Approach

- Fair value approach deals with situations where there is **lack of historical information**
- Application is **same as modified retrospective approach** however, the Companies are allowed to make assessments **either as at inception date of a contract or 1/4/2019**

Challenges

Challenges in the Implementation of IFRS

Modelling Implication and Practicalities of Implementation

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Key Question

Are we ready for IFRS17/ Ind AS 117 Transition?

4 **Storage and Speed**
- Integration of cloud computing
- Increased data storage

3 **Data**
- Historic data
- Model points consistent with contract boundary

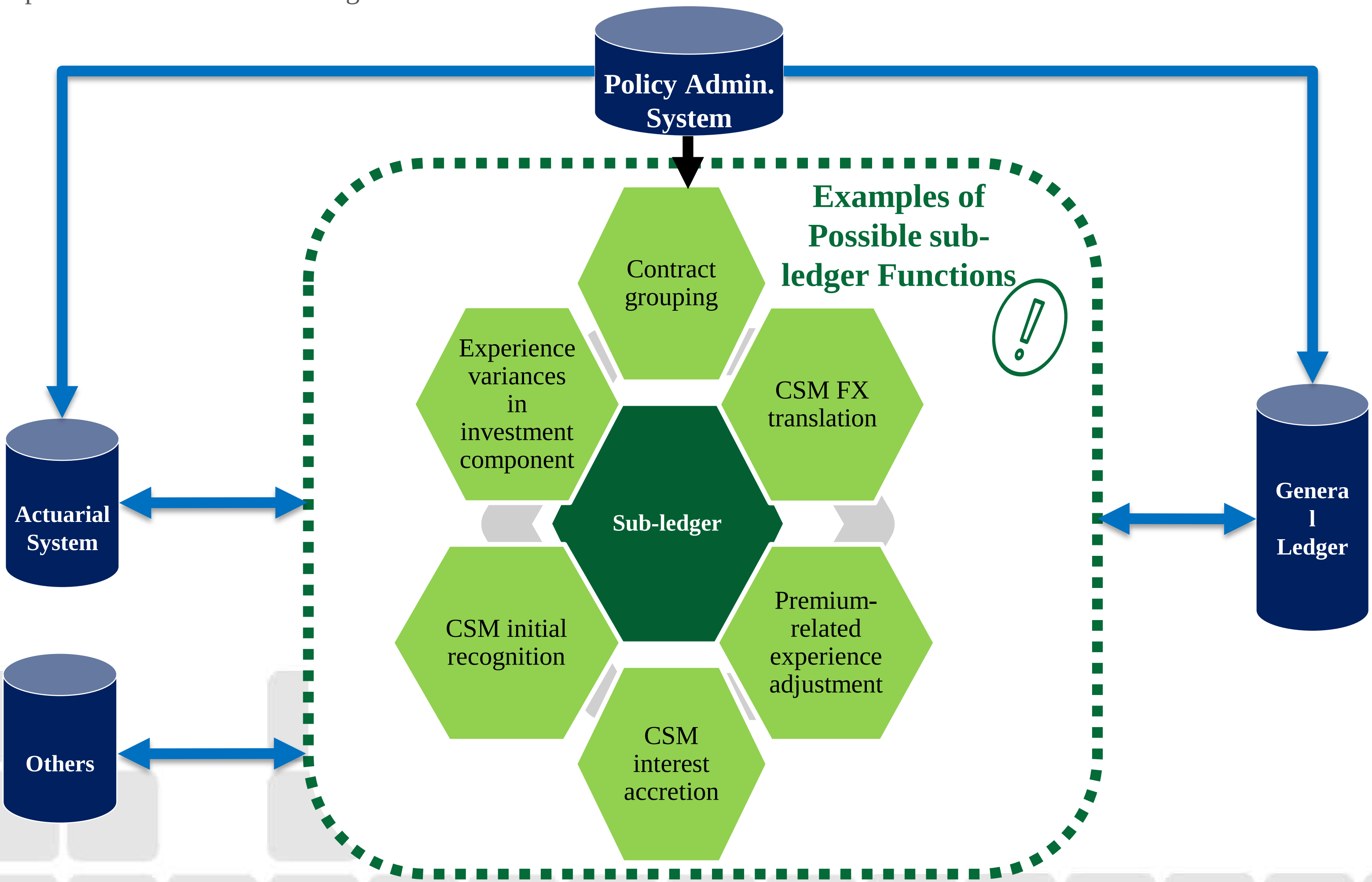
2 **Assumption Changes**
- Change in assumptions
- Assumptions readily available?

1 **Modelling Implications**
- Analyzing differences
- Incorporating calculation/unlocking of CSM
- Period to Period Dependency
- Risk adjustment
- **Product grouping and cohorts**

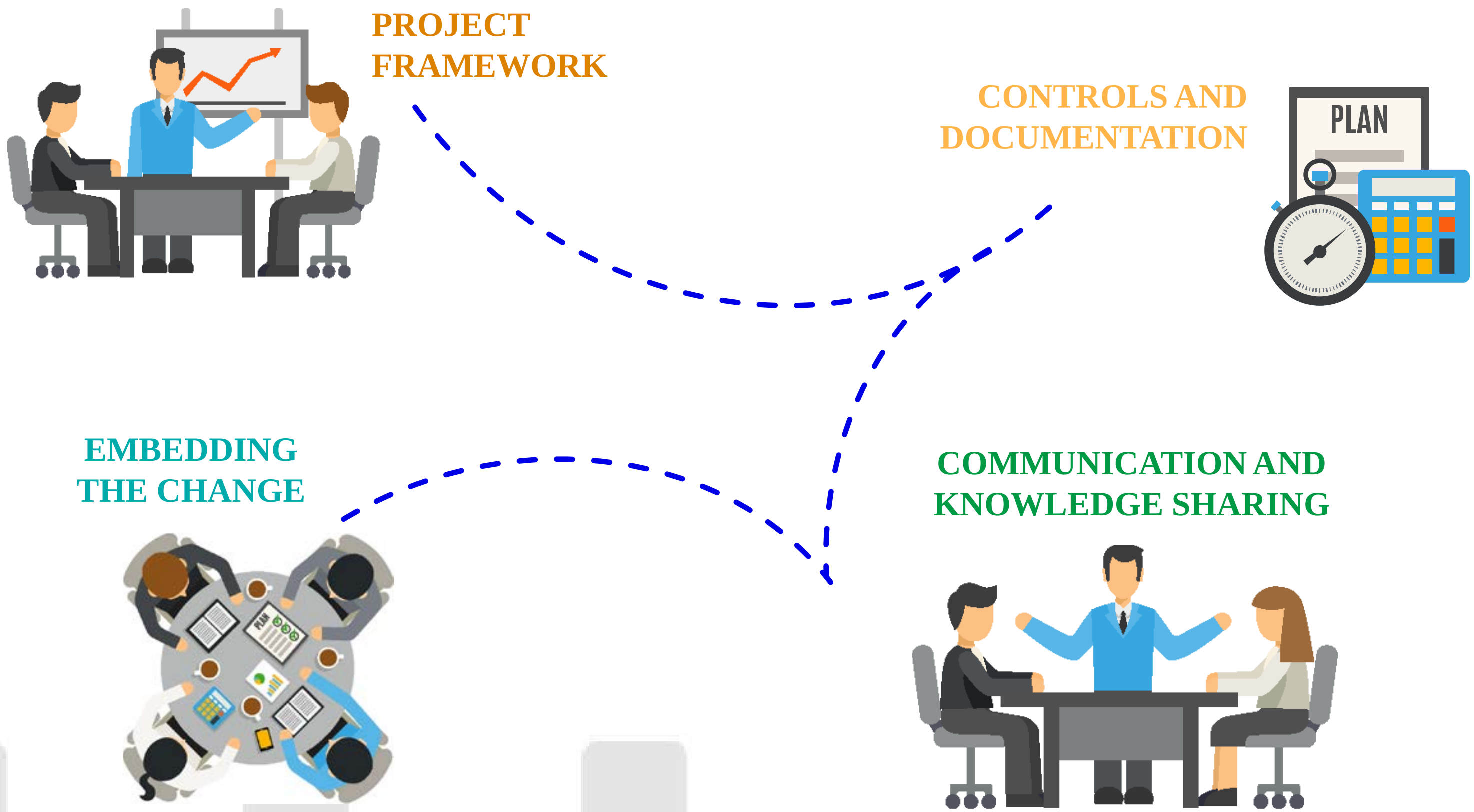
Challenges in the Implementation of IFRS

Systems Impact

Based on our understanding, the insurance companies may adopt **a sub-ledger** to bridge the gap between financial and actuarial data to improve analytics capabilities, strengthen controls, manage compliance and ultimately increase the performance of the whole organization.



Managing the change



EFRAG / CFO Forum Findings

EFRAG Testing Results

CFO Forum Presentation to the EFRAG Board

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CFO forum has identified significant issues along with their impact. These issues need to resolved in IFRS17 before it's acceptance.

Issues Identified:

- *Measurement Issues*
  - Acquisition cashflows
  - CSM amortization
  - Discount rates
  - Multi-component contracts
  - Reinsurance
  - Scope of hedging adjustment
  - Scope of the VFA vs GMM and PAA
  - Transition

- *Operational Complexity*
  - Business combinations
  - Level of aggregation
  - Presentational issues

- *Other Implementation Challenges*
  - Pressure on implementation timeline

Findings from testing – Measurement (1/2)

Issue	Description of Issue and Evidence from Testing	Implications
Acquisition cashflows	Acquisition cash flows on new business that is expected to renew cannot be allocated to future periods. This is inconsistent with other industries which capitalize acquisition costs over multiple contracts. This was particularly evidenced in the testing of P&C contracts.	This results in incorrect matching of income and expenses over time. The implications are intensified if the inability to allocate acquisition costs to future periods results in contracts being onerous in accounting (but not in economic reality).
CSM amortization	The requirements on coverage units to be used for the CSM amortization are not appropriate for all types of contracts. A key issue is that the CSM (of which the initial amount is impacted by investment spreads) cannot be amortized over the period in which investment services are provided. This issue was mainly identified in the testing for savings and participating contracts. It is acknowledged that this is a topic under discussion by the IASB for contracts in scope of the VFA. However, the issue is equally relevant for the general measurement model.	Profit recognition over the life of the contract is not appropriate. For certain contracts, profit recognition is strongly frontloaded or back loaded. For example, on a simple annuity contract profit is not appropriately recognized in the accumulation and deferral phases.
Discount rates	The use of a locked in discount rate for the CSM in the general model. The impact of assumption updates is absorbed in the CSM at the locked-in rate. The BEL is measured at the current rate. The difference between the locked-in and the current rate is reflected in the P&L and will significantly distort the current period result.In the situation where the BEL component of the insurance liability is an asset and the CSM component is a liability, inconsistencies arise due to the different discount rates for BEL (current rate) and CSM (locked-in rate).There is currently uncertainty regarding whether changes in asset mix will result in changes to the discount rate when the discount rate is determined top down using actual assets as a reference portfolio.	The result is significantly distorted by the discount rate components of the impact of assumption changes that are otherwise absorbed in the CSM. The P&L and/or OCI is distorted by the use of different discount rates for different components of the insurance liability. This is particularly exacerbated when the BEL component is an asset. An interpretation of the reference portfolio that appropriately reflects the asset/liability matching strategy is key to avoid significant levels of spurious volatility.

Findings from testing – Measurement (2/2)

Issue	Description of Issue and Evidence from Testing	Implications
Reinsurance	The approach to reinsurance gives rise to several accounting mismatches. Examples include; For an onerous contract a cedant has to recognize a loss component though P/L whereas the relief from an corresponding reinsurance contract held has to be deferred over the coverage period. Reinsurance held cannot be accounted for under the VFA model, even if the VFA model is applied to the underlying insurance contracts. Contract boundaries for reinsurance are inconsistent with those of the underlying insurance contracts, meaning that the reinsurance accounting requires including an estimate of underlying insurance business that is not yet written/recognized	The inconsistencies between insurance and reinsurance accounting creates a number of accounting mismatches, meaning that the financial statements do not appropriately reflect the net risk position after reinsurance and, as a consequence, a distorted profit recognition pattern.
Business combinations	There are several elements in accounting for insurance business combinations that add significantly to complexity, including The requirement to assess classification at the acquisition date instead of the original inception date. The treatment of claims in payment at the acquisition date	This will result in a significantly different accounting treatment between the group and subsidiary financial statements. This adds significant unnecessary complexity and costs, particularly for GI business which may require GMM capability only if a future acquisition takes place.
Level of aggregation	The prohibition to aggregate contracts that are issued more than one year apart is unduly complex. We believe that it should be replaced by a principle according to which the insurer determines based on its internal business and risk management the way it defines its cohorts. This determination should reflect mutualisation effects when they exist. In addition, the second profitability bucket (no significant possibility of becoming onerous) is highly subjective and adds to the complexity.On the contrary, the requirement to - in principle - group contracts in their entirety prohibits the insurer to group components of an insurance contracts (e.g. the host contract and individual riders) in line with how the business and risks are managed in some cases.	The standard's requirements on level of aggregation, including the annual cohorts, are too prescriptive and detailed, leading to an excessive level of granularity, major implementation challenges, as well as undue costs. The inability to group components of an insurance contract by relevant risks means contract aggregation will not reflect how the business and risks are managed. The requirement to report on an underwriting year basis (including analysis of change) is not aligned with management of reserves which is on an accident year basis.

Findings from testing – Operational Complexity

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Issue	Description of Issue and Evidence from Testing	Implications
Business combinations	There are several elements that add significantly to complexity, including: The requirement to assess classification at the acquisition date instead of the original inception date. The treatment of claims in payment at the acquisition date	This leads to different accounting treatment between the group and subsidiary financial statements and adds unnecessary complexity and costs, particularly for GI business which may require GMM capability only if a future acquisition takes place.
Level of aggregation	Prohibition to aggregate contracts that are issued more than one year apart is unduly complex therefore should be replaced by a principle according to which the insurer determines based on its internal business and risk management the way it defines its cohorts. It should reflect mutualisation effects when they exist. The requirement to - in principle - group contracts in their entirety prohibits the insurer to group components of an insurance contracts (e.g. the host contract and individual riders) in line with how the business and risks are managed in some cases.	The standard's requirements are too prescriptive and detailed, leading to an excessive level of granularity, major implementation challenges and undue costs. The inability to group components of an insurance contract by relevant risks means contract aggregation will not reflect how the business and risks are managed.
Presentational issues	The standard requires that groups of contracts be presented as asset or liability based on its entirety. In reality, different components, such as claims liabilities to be settled, unearned premiums, receivables/payables, etc are managed separately and administered in different systems. Groups of contracts may frequently switch from an asset to liability position. The standard requires premiums and claims to be included in the insurance provision on a cash paid/received basis. In reality, these are reflected on an accrual basis and payments/receipts are managed and administered separately. The standard requires, for presentation of revenue only, segregation of non-distinct investment components, even for contract that do not have a specified account balance or component. In several reinsurance contracts, the cedent is obligated to provide funds withheld as collateral. IFRS 17 requires a presentation of reinsurance funds withheld on a net basis, i.e. the insurance contract liability is offset by the funds withheld.	These requirements would require major system changes compared to the current approach, which is a well established industry practice. This will also lead to insurance receivables, policy loans and reinsurance collateral (funds withheld) no longer being separately visible in the balance sheet, which is a deterioration in relevance of the financial statements. Companies have considered the implications for implementation and maintenance of systems for these requirements and found that the complexity and costs will be very significant

Questions?

To sum up

- Scoping
- Level of Aggregation
- Identification of Contract Boundaries
- Initial recognition and various Measurement models
- Separation of Contracts (Unbundling)
- Disclosure requirements
- Transition Approach
- Challenges and Managing the change…

Thank You