IAA Webinar on
Actuarial Support for
the Implementation of
IFRS 17

Presented by the
IAA Actuarial Standards Committee

06 February 2020
Introduction

Andrew Chamberlain
Chair
IAA Actuarial Standards Committee
Disclaimer

- We are members of the ASC or of its ISAP 4 Task Force.
- Our remarks today are our personal opinions.
- They are not, and should not be construed as, official positions of the IAA or the ASC.
Model International Standard of Actuarial Practice 4 (ISAP 4) on IFRS 17 Insurance Contracts

Micheline Dionne
Chair
ISAP 4 Task Force of the IAA Actuarial Standards Committee
IFRS 17 was issued by the IASB in May 2017

- **Prior to IFRS 17**
  - Wide divergence of approach to insurance contracts accounting among jurisdictions
  - Some used assumptions fixed from pricing, did not provide measurement for all the guarantees, lack sufficient disclosure
  - Arbitrage between jurisdictions was common

- **IFRS 17 brings**
  - A set of common accounting principles
  - Greater comparability between jurisdictions, while leaving room for judgment
  - Extensive disclosure
Why support IFRS 17 with ISAP 4?

- **ISAP 4 complements IFRS 17**
  - The focus of IFRS 17 is to define an accounting basis
  - The focus of ISAP 4 is to address the actuarial aspects of the measurement

- **ISAP 4**
  - Is principle based
  - Complements IFRS 17 and ISAP 1 without repeating the guidance in them
  - Facilitate convergence in standards of actuarial practice
  - Address the complexities related to
    - projecting future cash flows
    - future management actions
    - risk adjustments and
    - discount rates, especially beyond the investment horizon.
• Specific knowledge requirements
• Treatment of processes like identification, combination, separation and grouping of contracts
• Choice of measurement approaches: General Measurement, Premium Allocation, Variable Fee
• Selection of Assumptions
• Updating of Assumptions
• Transition
• Disclosure of judgments
ISAP 4 and ISAP 1 go hand in hand

ISAP 1 is fundamental to ISAP 4 and covers general actuarial practice

- Acceptance of Assignment
- Knowledge of relevant circumstances
- Materiality
- Data Quality
- Reliance on Others
- Assumptions and Methodology
  - Set by actuary, Prescribed or Mandated by law
- Documentation and communication
Solid and transparent process

• 1\textsuperscript{st} Exposure draft of ISAP 4 issued February 27\textsuperscript{th}, 2018
  – 4 Months Exposure period
  – Comments from 21 organizations or individuals

• 2\textsuperscript{nd} Exposure draft of ISAP 4 issued February 28\textsuperscript{th}, 2019
  – 2 Months Exposure period
  – Comments from 13 organizations or individuals

• Final Review of ISAP 4 issued July 17\textsuperscript{th}, 2019
  – 1 Month Exposure period
  – Comments from 6 organizations or individuals, 3 limited changes made
Current Status

- Unanimously adopted by the IAA Council at its IAA Tokyo meeting on November 21st, 2019

- Impact of IFRS 17 Amendments on ISAP 4, if any, will be addressed when IFRS 17 is finalized later this year.
## Membership of ISAP 4 Task Force

<table>
<thead>
<tr>
<th>Name</th>
<th>Country</th>
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<tbody>
<tr>
<td>Tamsin Abbey</td>
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<td>Robert Buchanan</td>
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<td>Matthias Zerbst</td>
<td>Germany</td>
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Educational tools associated with IFRS 17

Non-authoritative educational material that can help actuaries with IFRS 17

- Monograph on Discount Rates in Financial Reporting – October 2013
- Monograph on Risk Adjustments for Insurance Contracts – May 2018
- International Actuarial Note 100 (IAN 100) on Application of IFRS 17 Insurance Contracts
  - Draft exposed July 2019
  - In process of being re-issued
  - Will be revised later to cover the IFRS 17 amendments
Why adopt ISAP 4 model standard?

Luc Farmer
Co-Vice-Chair
IAA Actuarial Standards Committee
Why adopt ISAP 4 model standard?

- Aligns with a set of recognized international practice
- Increases the confidence in local actuaries (smaller associations)
- Optimizes local standard setting resources but
  - Requires local adoption processes for buy-in and transparency

Local adoption process

- Exposure period amongst stakeholders
- Treatment of comments
- Adjustments for local particularities (legal environment, products…)
- Don’t forget about ISAP 1
Need Assistance?

If your local association or standard setter needs any assistance or have any questions regarding adopting or implementing standards, please contact the IAA Secretariat.

Contact person: Amali Seneviratne
Director, Technical Activities
E-mail: amali.seneviratne@actuaries.org
Tel: +1 613 236 0886, Ext. 116
Questions?

- If you have any questions for our speakers, please use the Q&A box on the bottom right hand side of your screen to submit your questions.

- Please note that this webinar is recorded and will be available for access from the IAA website from tomorrow.
Thank you!