Case Study 1- large Irish insurer

Background

A big Irish company approached the team at Infigos to conduct an IFRS 17 impact analysis for several of its life and short-term insurance products. The major objective was to compare the calculations needed to produce the findings for IFRS 4 and IFRS 17, using both the General Model and Premium Allocation methods.

The decision was taken to conduct the impact evaluation for four products—two long-term and two short-term. The various attributes of the products were chosen so that the assessment could take into account as many of the elements that might affect the outcome as possible.

Objectives:

During this exercise, the client aimed to accomplish two key objectives:

Perform a gap analysis to determine the model, systems, and methodology requirements of IFRS 17 and determine the priorities for their IFRS 17 program.

Investigate anticipated profit signatures under IFRS 17 considering the primary areas of concern were profit breakouts under IFRS 17 and the resulting tax repercussions.

What we did?

Infigos' team used SAS's IFRS 17 solution software to help the client attain their objectives.

Data collection

The first phase was gathering all the cash flow information needed for the IFRS 17 software. This began to show some flaws in the current models' comprehension of IFRS 17. The primary choices that had to be taken after evaluating the information at hand are outlined in the following points:

Transitional approach: The statistics made it obvious that the modified retrospective approach would be the best course of action.

IFRS 17 groups: Cohorts were divided into annual groups for simplicity of use, and profitability groups were assigned by figuring out the VNB of each contract at the transition date.

Discount rates: for simplicity, the IFRS 4 discount rates were used.

Risk Adjustment: A cost of capital method, based on stressed BELs, was selected.

These decisions and unfilled gaps were documented, and the facts offered, along with the presumptions made, were used as input into the IFRS 17 software model.

Customizing IFRS 17 Software

The team customized IFRS 17 software once the data had been sourced and structured to make sure that all material assumptions, discrepancies in data, and product characteristics were taken into account. The model was changed to produce quarterly calculations rather than annual calculations since the client wanted to see more detailed findings with regard to time steps.

Initial results from IFRS 17 software

Following a revision to the IFRS 17 software, we were able to observe firsthand results. We compared these findings to the most recent findings from the pertinent valuation to make sure they lined up. The BEL's accuracy was the major point of verification. From this point, we could locate any problems and identify their data/modeling based on sources.

The initial findings also provided some insight as to the potential impact of the IFRS17 methodology, particularly the Risk Adjustment and coverage units, on the outcomes. The client could then alter these methods as needed.

Results from IFRS 17 software

We had numbers for the general model and PAA that could be evaluated to the present outcomes from IFRS4 after all the appropriate adjustments to the data and model had been made. To demonstrate the effects of each scenario, we had a number of distinct sets of findings with various assumptions and coverage units.