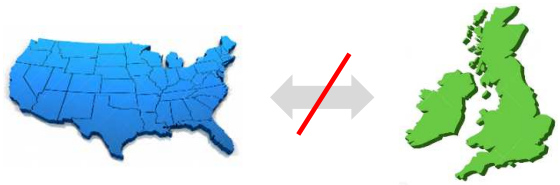
# Introduction

# Introduction to IFRS 17

## What is wrong with IFRS 4?

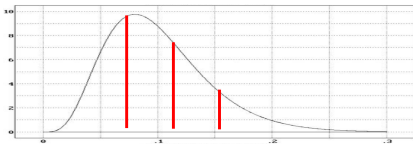
| Insurance Contracts IFRS | |
|---|---|
| Phase I (2005) | Phase II (2022) |
| IFRS 4 | IFRS 17 |

IFRS 4 allows for a wide range of insurance liabilities modelling methods that can be applied as long as they satisfy the Liability Adequacy Test.

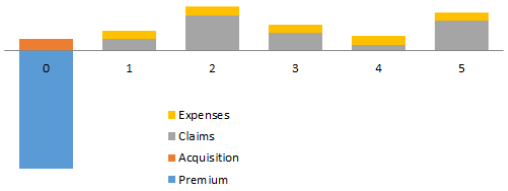


Lack of comparability between countries


Lack of comparability between companies

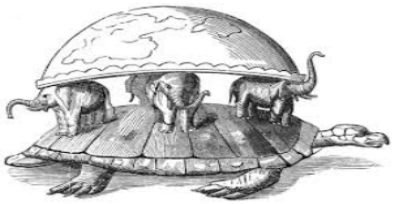


Different levels of safety embedded in insurance liabilities calculations




Valuation of insurance liabilities does not have to be cash flow-based

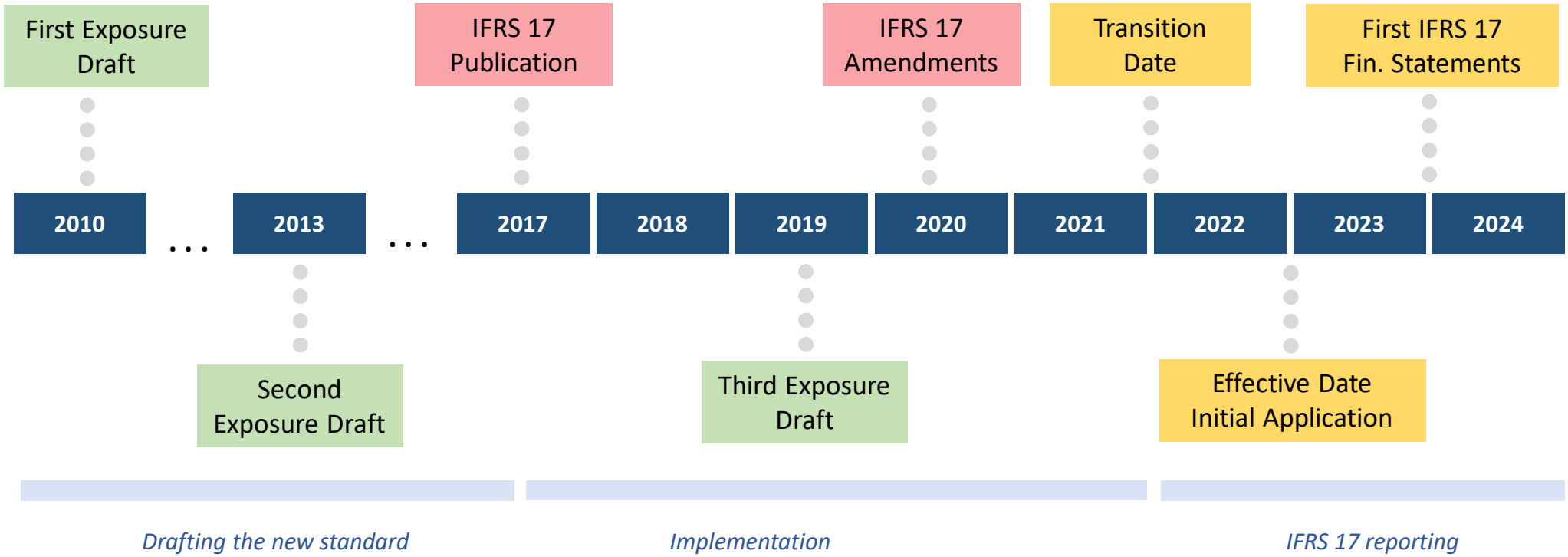

Discounting is not always required, typically non-life TPs valued on an undiscounted basis



Insurance liabilities may be calculated based on historical assumptions

# Introduction to IFRS 17

## Timeline



# Introduction to IFRS 17

## Measurement models overview [1]

| | General Model (GM) | Variable Fee Approach (VFA) | Premium Allocation Approach (PAA) |
|---|---|---|---|
| **Application** | Default approach | Contracts linked to underlying assets | Short term contracts (less than 1 year) |
| **Examples** | Endowments, Terms, Annuities, Whole Life | Unit Links, With Profits | 1-year non-life, health or life insurance |
| **LFRC** | PVCF + RA + CSM | (FV Assets) - (Var. Fee) + RA + CSM | Similar to unearned premium reserve |
| **LIC** | PVCF + RA | PVCF + RA | PVCF + RA |
| **Ins/Reins** | Insurance issued Reinsurance held | Insurance issued | Insurance issued Reinsurance held |
| **Onerousness** | Non-onerous Onerous | Non-onerous Onerous | Non-onerous, Onerous(*) |

**PVCF -** Present Value of Cash Flows

**RA** – Risk Adjustment

**CSM** - Contractual Service Margin

**LFRC** - Liability for Remaining Coverage

**LIC** - Liability for Incurred Claims

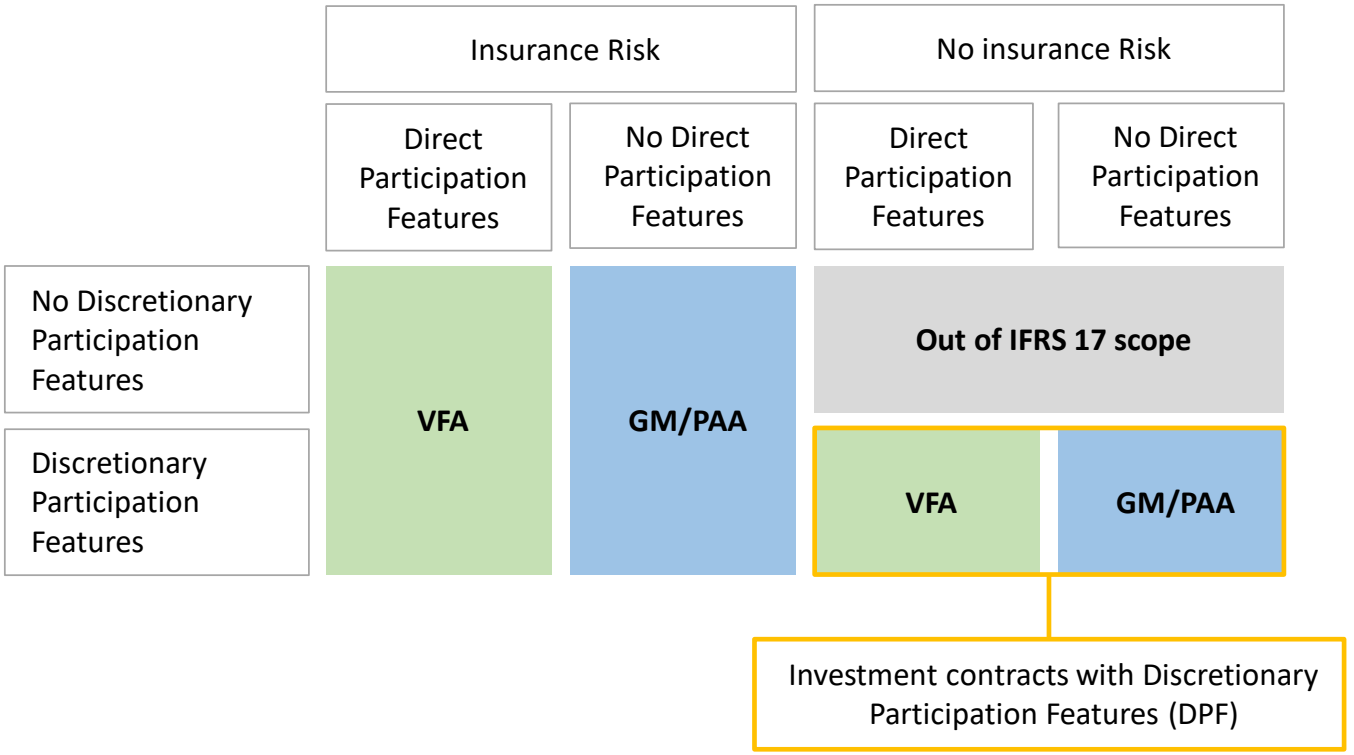
(*) measured using the fulfilment CF measurement

# Introduction to IFRS 17

## Measurement models overview [2]

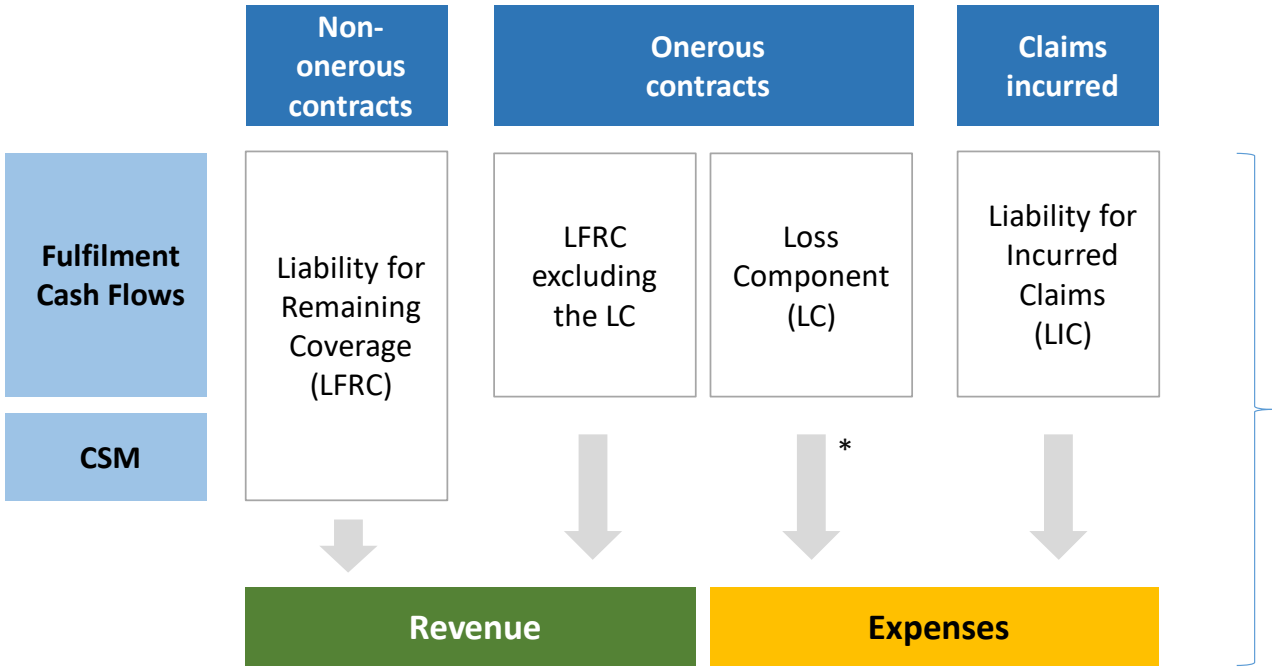
### IFRS 17 scope:

- Insurance contracts
- Reinsurance held
- Investments with DPF



# Introduction to IFRS 17

## Components of insurance liability



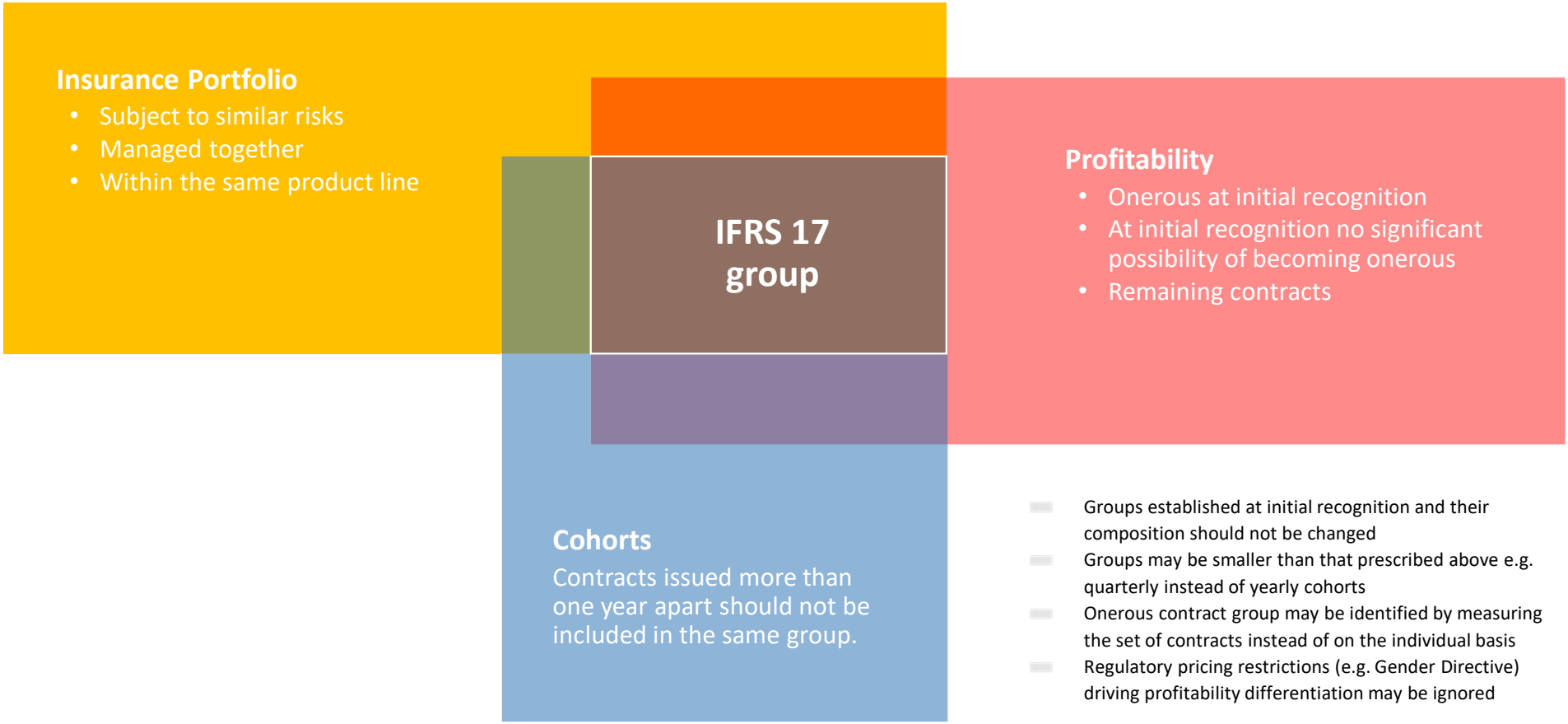

Treatment of insurance liabilities' movements recognised in the insurance result

* Recognition of the loss component and reversals of the loss component recognition

# Group level vs Portfolio level accounting

# Group level vs Portfolio level

## IFRS 17 groups – level of aggregation




- Groups established at initial recognition and their composition should not be changed
- Groups may be smaller than that prescribed above e.g. quarterly instead of yearly cohorts
- Onerous contract group may be identified by measuring the set of contracts instead of on the individual basis
- Regulatory pricing restrictions (e.g. Gender Directive) driving profitability differentiation may be ignored

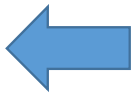
# Group level vs Portfolio level

## Level of aggregation concept

| | |
|---|---|
| **Frequency of calculations** | Daily calculations, monthly, quarterly, once in the reporting period |
| **Level of calculations** | Group, portfolio, segment, entity level, provided that article 24 is satisfied |
| **Level of accounting** | Group, portfolio, segment, entity level |
| **Locked-in discount rate** | Group, accident year (PAA OCI) |
| **Aggregating losses with gains** | **Group** |

**Article 24**

To measure a group of contracts, an entity may estimate the fulfilment cash flows at a higher level of aggregation than the group or portfolio, provided the entity is able to include the appropriate fulfilment cash flows in the measurement of the group, applying paragraphs 32(a), 40(a)(i) and 40(b), by allocating such estimates to groups of contracts.



**Level of Aggregation Rules**

# Group level vs Portfolio level

## Introduction

**Article 24**

To measure a group of contracts, an entity may estimate the *fulfilment cash flows* at a higher level of aggregation than the group or portfolio, provided the entity is able to include the appropriate fulfilment cash flows in the measurement of the group, applying paragraphs 32(a), 40(a)(i) and 40(b), by allocating such estimates to groups of contracts.

**Option A**

Allocate to group all fulfilment cash flows, regardless of whether it is needed for measurement or not.

**Option B**

Allocate to group fulfilment cash flows only when it is needed for the measurement.

$$M(Gr1) + M(Gr2) + \cdots + M(Grn) = M(Gr1 \cup Gr2 \cup \ldots. \cup Grn)$$

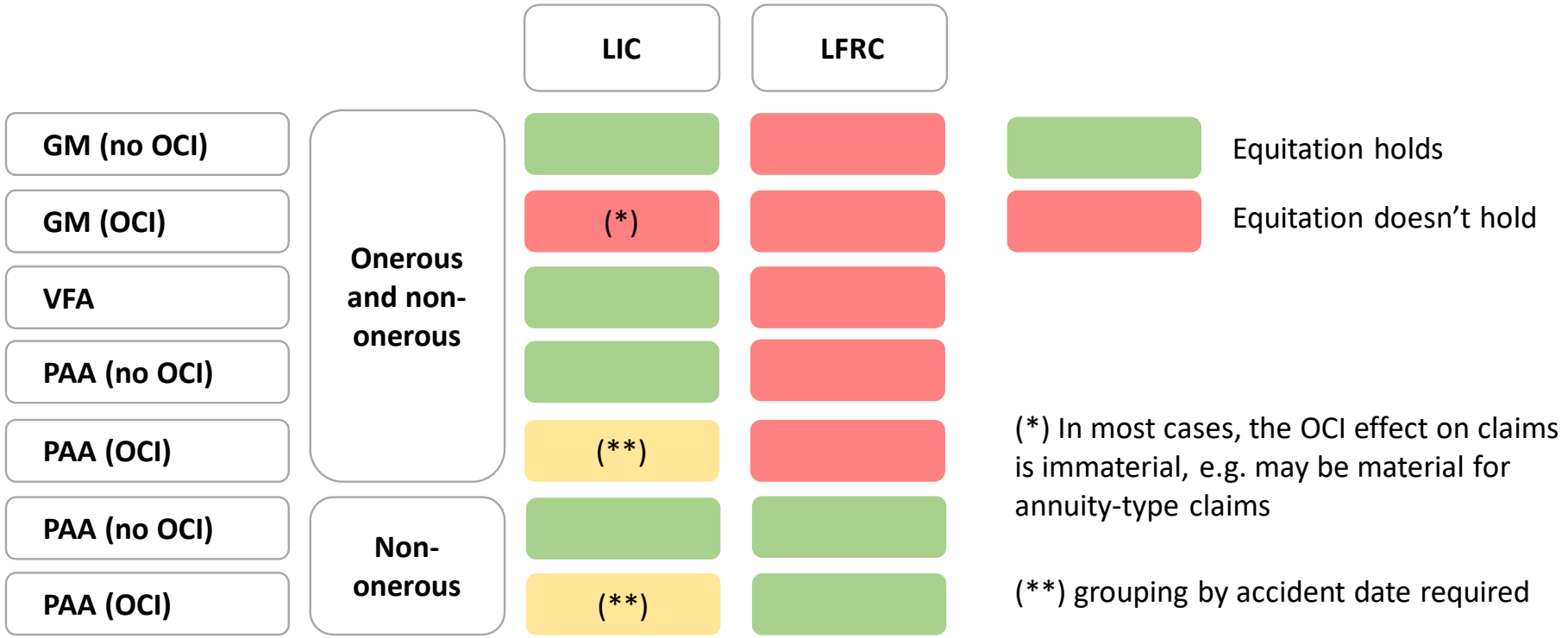
$M(.)$ – IFRS 17 measurement

In what cases does the equation hold?

# Group level vs Portfolio level

## Introduction

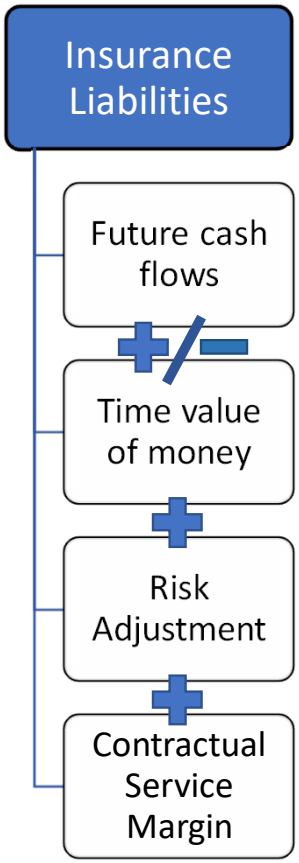
$$M(Gr1) + M(Gr2) + \cdots + M(Grn) = M(Gr1 \cup Gr2 \cup \ldots \cup Grn)$$



# Measurement
## General Model (GM)

# Introduction to IFRS 17

## Overview




**Sign convention:**

| | |
|---|---|
| Future cash flows | "**+**" for inflows<br>"**-**" for outflows |
| Time value of money | "**+**" or "**-**" dep. on the CF sign & structure |
| Risk Adjustment | "**+**", Risk Adj. increases the TP |
| Contractual Service Margin | "**+**", CSM increases the TP |

**Fulfilment Cash Flows**

**The same approach for the initial and subsequent measurement**

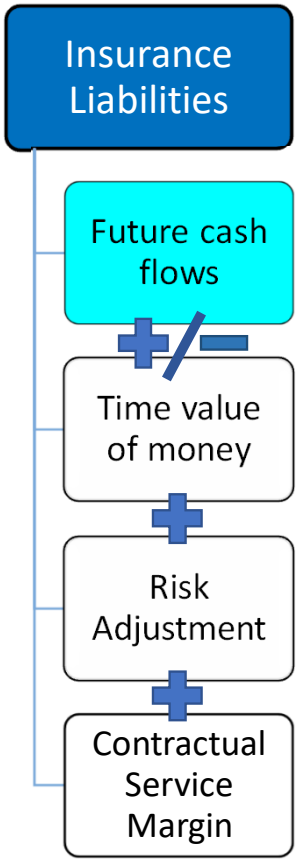
**CSM**

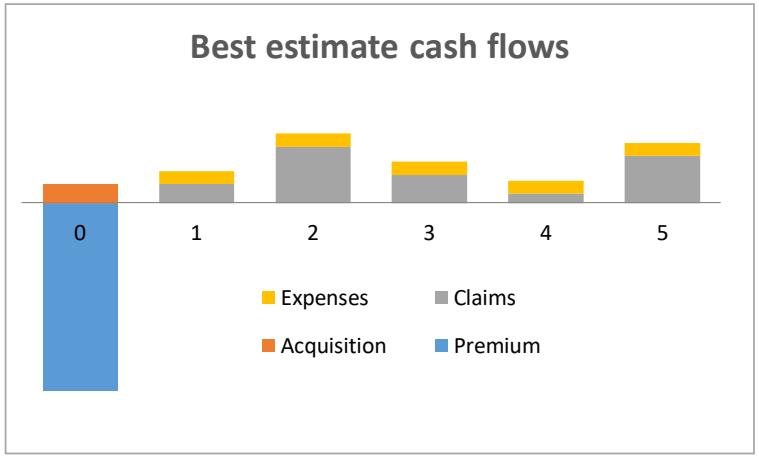
**Initial and subsequent measurement methods are different**

**The General Model is a default IFRS 17 insurance liabilities measurement approach**

# Introduction to IFRS 17

## Cash flows




- Best estimate of cash flows
- Reassessed at each reporting date
- Assumptions based on experience
- Reflect conditions existing at the measurement date
- Within boundary of the contract
- Unbundle distinct components: investments, derivatives or service
- Can be done at portfolio level and allocated to insurance groups

**Recognition**

The earliest of the following:

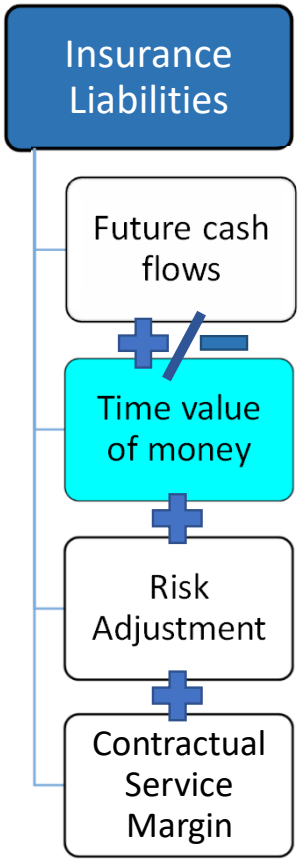
- beginning of the coverage period
- date when the first premium becomes due
- when the group becomes onerous

**Cashflow boundary**

- Substantive rights exist
- Ability to reassess the risk and change the premiums or benefits

# Introduction to IFRS 17

## Discounting [1]




**Insurance cash flows are not directly linked to assets**

- Top-Down
- Bottom-up

**Insurance cashflows directly linked to assets**

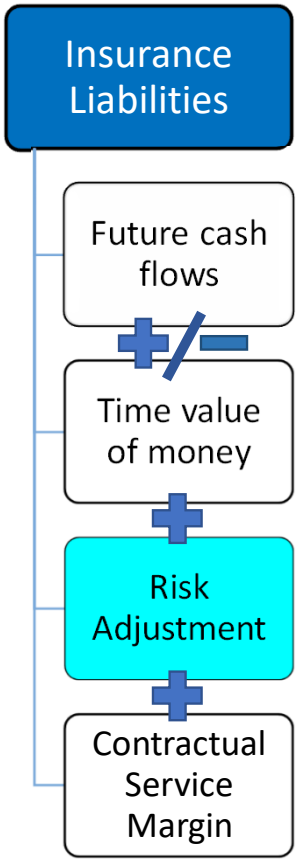
- Yield on the underlying assets
- Adj. yield on the underlying assets

| | |
|---|---|
| Assets reference portfolio rate | 5.5% |
| Duration mismatch adjustment | 0.5% |
| Credit Risk premium for expected losses (Probability of Default) | -1.5% |
| Credit risk premium for unexpected losses (Cost of Downgrade) | -0.5% |
| **Top-down IFRS 17 discount rate** | **4.0%** |

**Top-Down**

| | |
|---|---|
| **Bottom-up IFRS 17 discount rate** | **3.5%** |
| Liquidity premium | 1.5% |
| Swap rate (risk free rate) | 2.0% |

**Bottom-up**

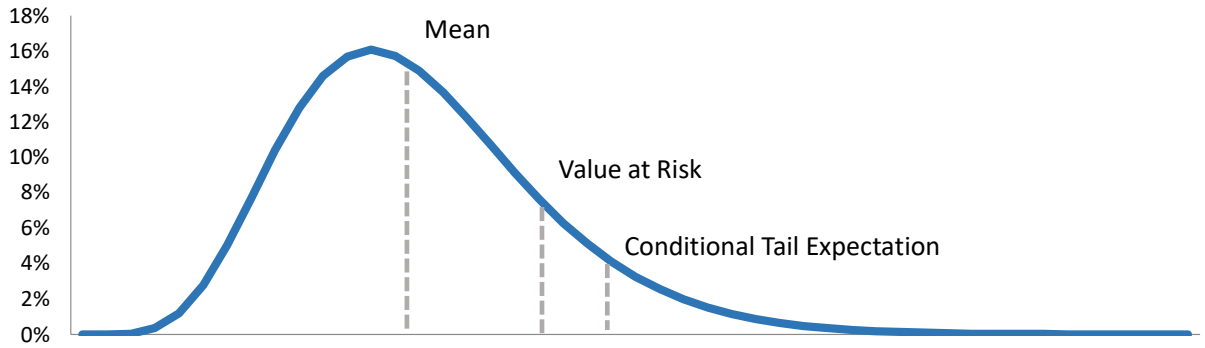



Risk Adjustment calculation method is not specified in the standard, but it should follow the following principles:

- **longer duration**
- **higher severity**
- **wider distribution**
- **less is known**

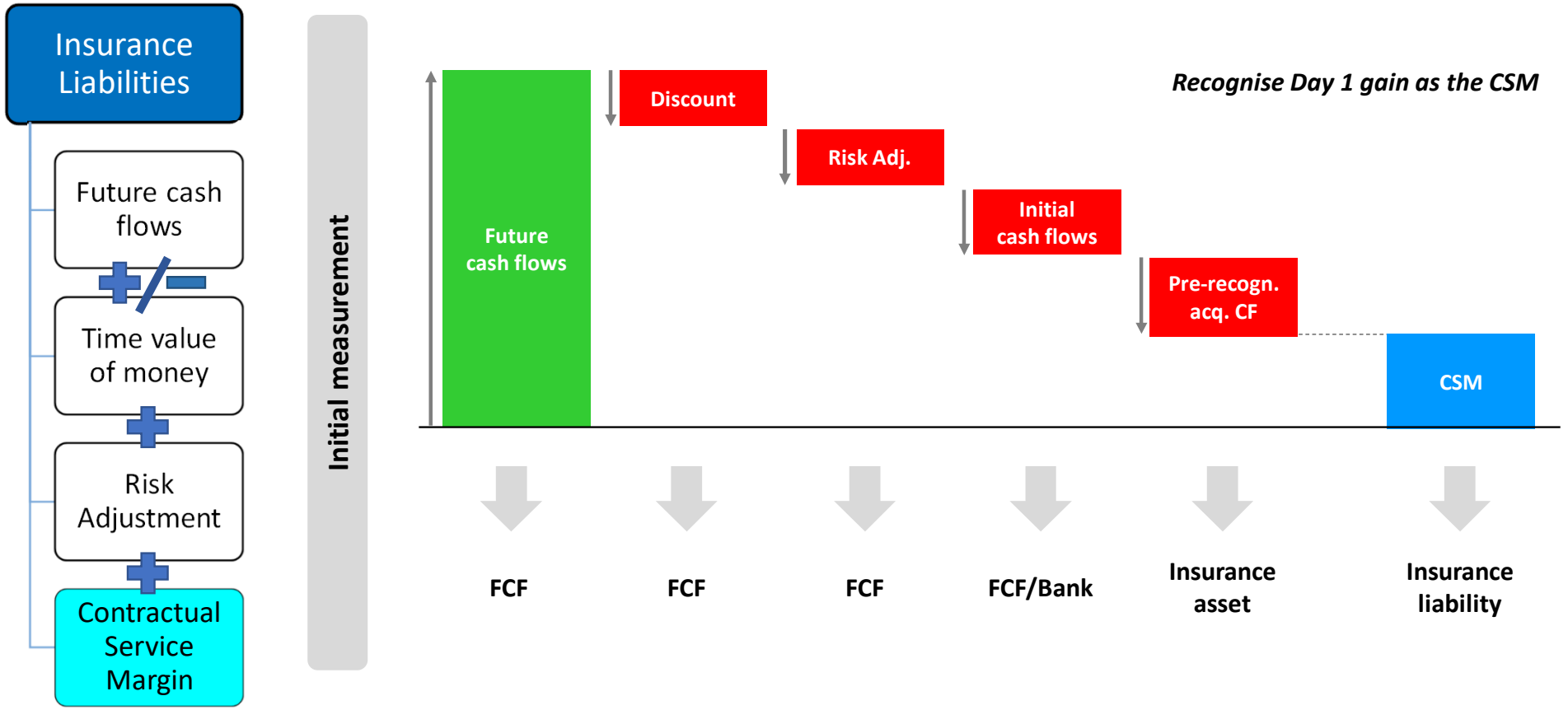
**Higher risk**
**Greater Risk Adjustment**

**Confidence level based methods**



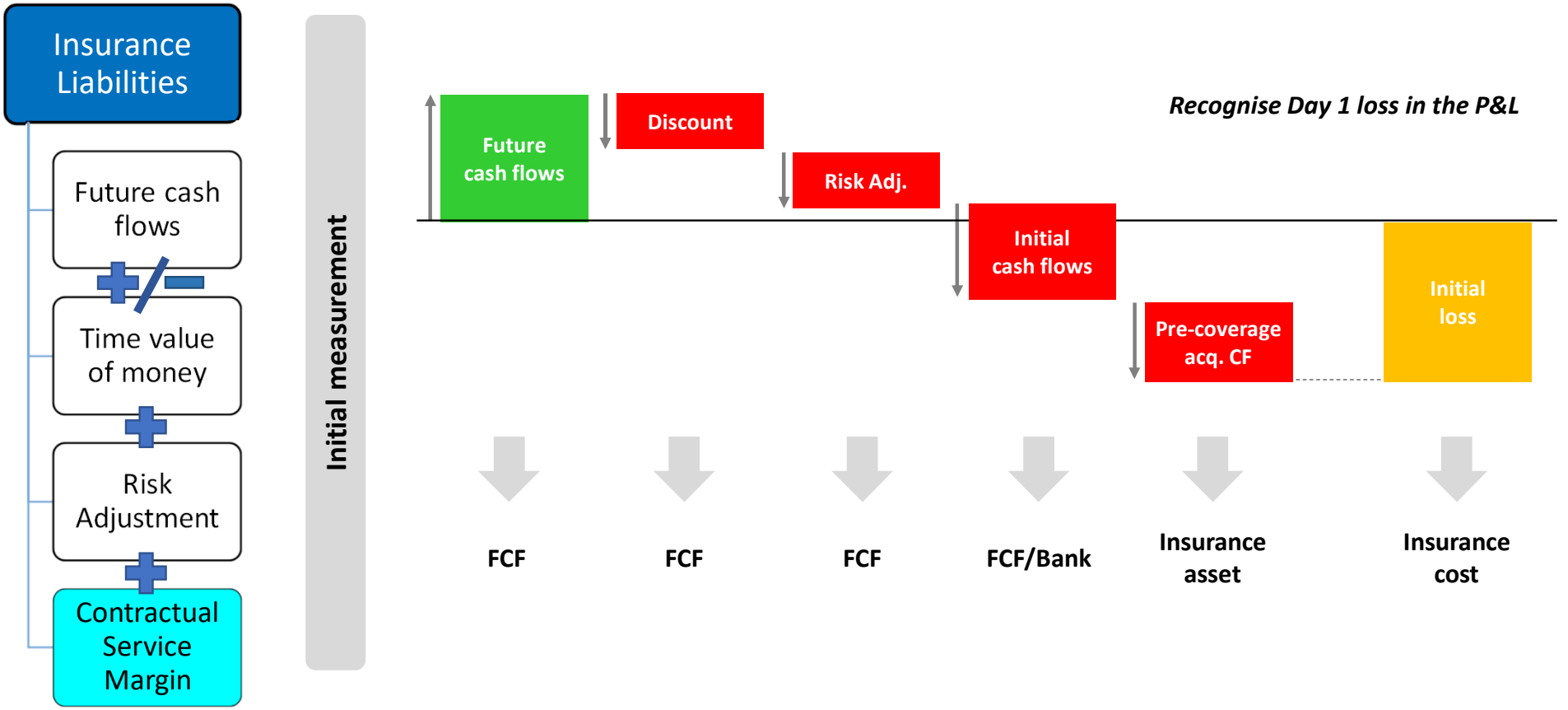
# Introduction to IFRS 17

## CSM initial measurement [1]



# Introduction to IFRS 17

## CSM initial measurement [2]



# Introduction to IFRS 17

## CSM initial measurement: examples

**Profitable product**

| | Year0 | Year1 | Year2 | Year3 |
|---|---|---|---|---|
| **Expected Premium** | 1000 | | | |
| **Expected Acquisition** | 300 | | | |
| **Expected Benefit** | | 100 | 100 | 100 |
| **Expected Expenses** | | 15 | 15 | 15 |
| CFs for Res.Calc. | -700 | 115 | 115 | 115 |
| | | | | |
| **Discount Factor** | 1.00 | 0.95 | 0.91 | 0.86 |

| | |
|---|---|
| **Future CFs** | -355.00 |
| **TV of Money** | -31.83 |
| **Discounted CFs** | -386.83 |
| | |
| **RA** | 31.32 |
| | |
| **CSM** | 355.51 |
| | |
| **TP total** | **0.00** |

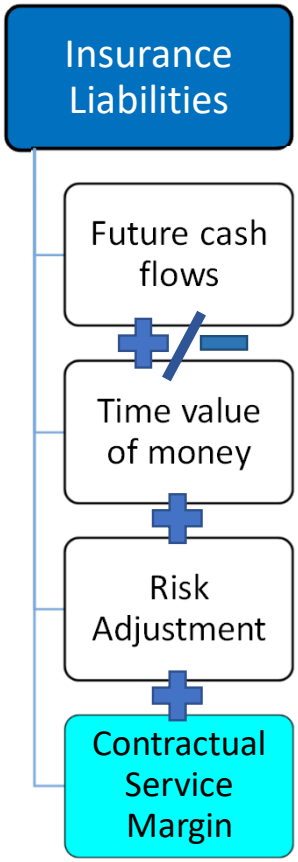
**Onerous product**

| | Year0 | Year1 | Year2 | Year3 |
|---|---|---|---|---|
| **Expected Premium** | 400 | | | |
| **Expected Acquisition** | 120 | | | |
| **Expected Benefit** | | 100 | 100 | 100 |
| **Expected Expenses** | | 15 | 15 | 15 |
| CFs for Res.Calc. | -280 | 115 | 115 | 115 |
| | | | | |
| **Discount Factor** | 1.00 | 0.95 | 0.91 | 0.86 |

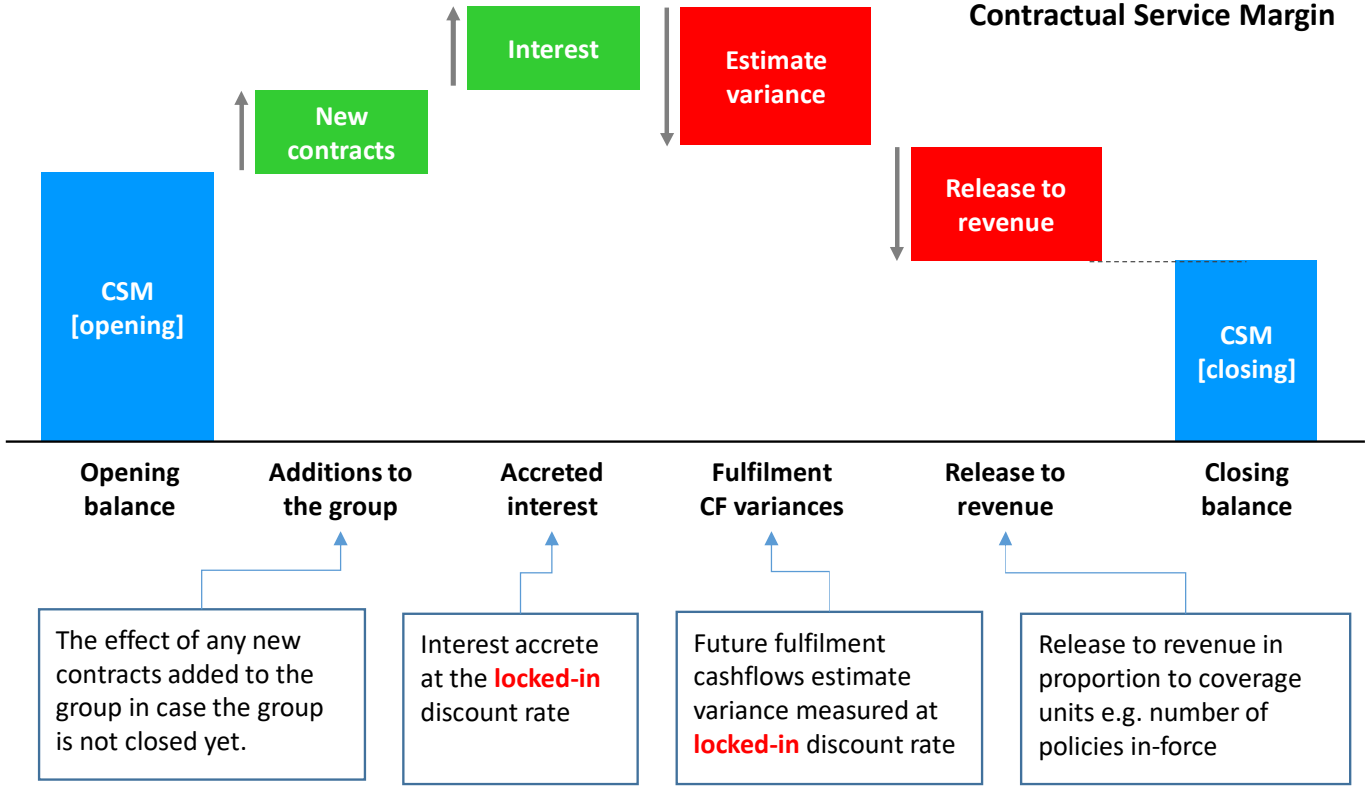
| | |
|---|---|
| **Future CFs** | 65.00 |
| **TV of Money** | -31.83 |
| **Discounted CFs** | 33.17 |
| | |
| **RA** | 31.32 |
| | |
| **CSM** | 0.00 |
| | |
| **TP total** | **64.49** |

# Introduction to IFRS 17

## CSM subsequent measurement

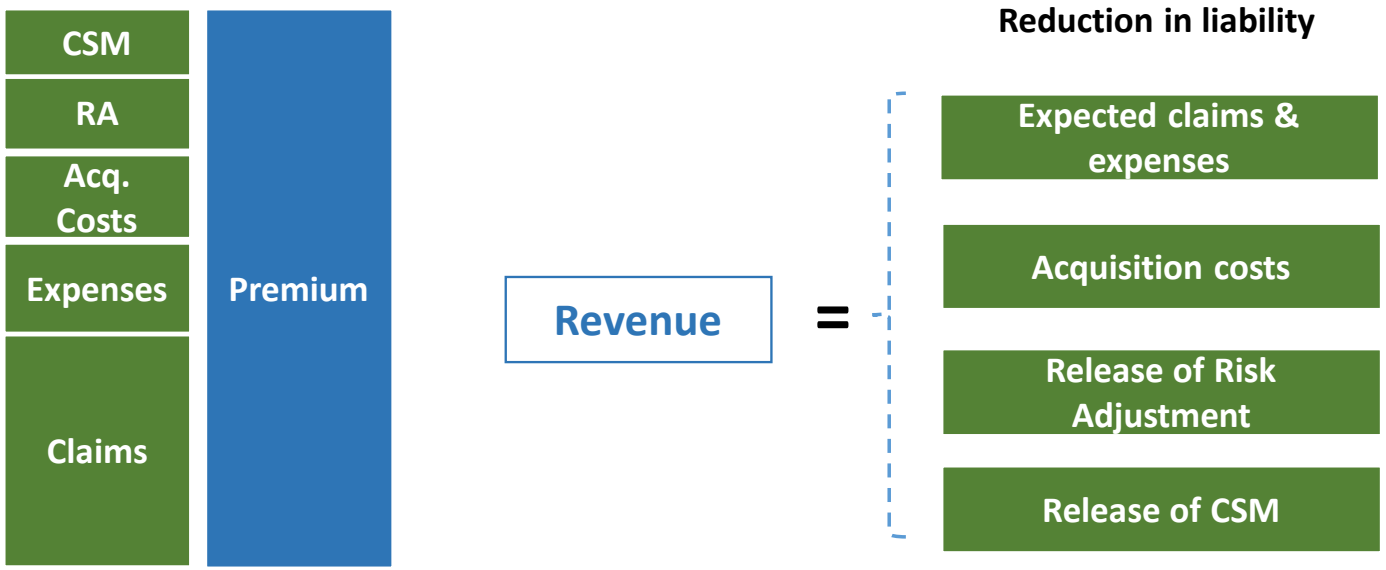



**Subsequent measurement**

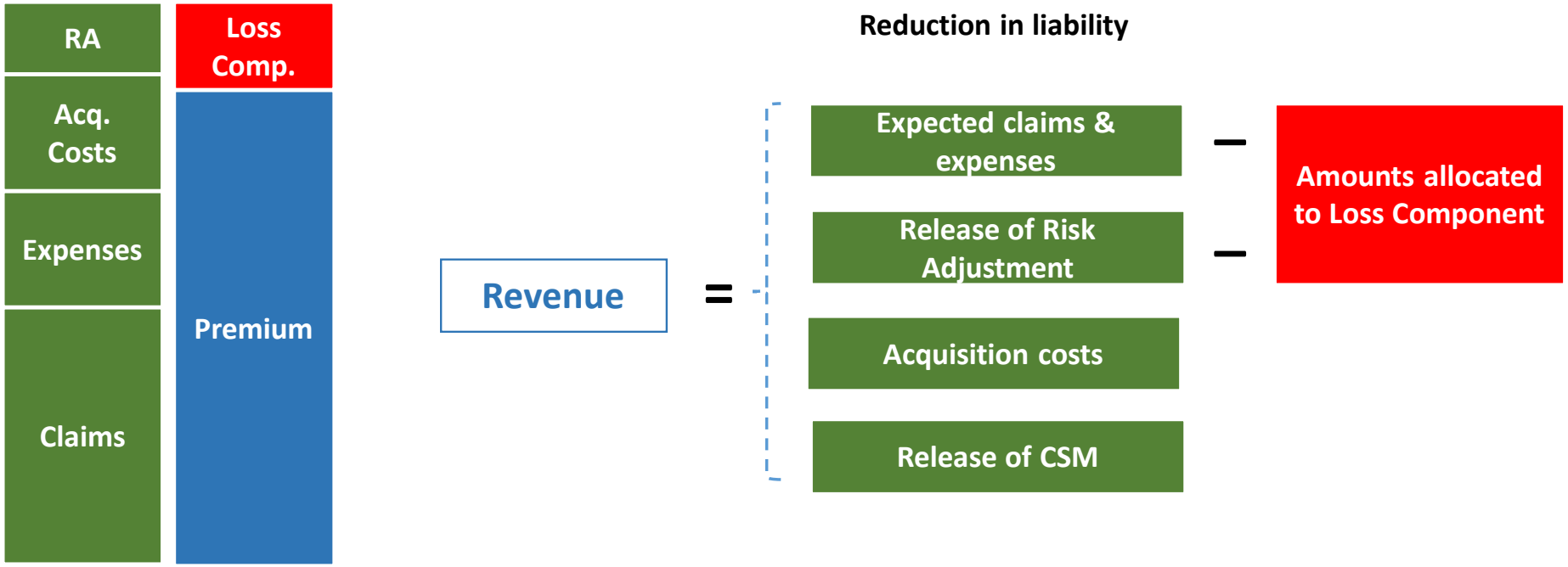


# IFRS 17 Accounting Examples

**Revenue under the GM – *without loss component***



**Revenue under the GM – *with loss component***



3Blocks®

### Example 1 - profitable; no variances

| Expected cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(300)** | **(300)** | **400** |

| Actual cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(300)** | **(300)** | **400** |

| Income statement | 1 | 2 | Total |
|---|---|---|---|
| Expected claims & expenses | 300 | 300 | **600** |
| Release of the CSM | 200 | 200 | **400** |
| Acquisition costs experience adj. | - | - | **-** |
| Premiums experience adj. | - | - | **-** |
| Acquisition costs recognition | - | - | **-** |
| **Insurance revenue** | **500** | **500** | **1000** |
| Actual claims and expenses | (300) | (300) | **(600)** |
| Acquisition cost recognition | - | - | **-** |
| Loss component recognition | - | - | **-** |
| Loss component run-off | - | - | **-** |
| **Insurance service costs** | **(300)** | **(300)** | **(600)** |
| **Profit or loss** | **200** | **200** | **400** |

| | | | | |
|---|---|---|---|---|
| **CSM** | **400** | **200** | **-** | **n/a** |
| **Loss component** | **-** | **-** | **-** | **n/a** |

### Example 2 - profitable, no variances, acquisition costs recognition

| Expected cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | (200) | - | - | **(200)** |
| **Total** | **800** | **(300)** | **(300)** | **200** |

| Actual cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | (200) | - | - | **(200)** |
| **Total** | **800** | **(300)** | **(300)** | **200** |

| Income statement | 1 | 2 | Total |
|---|---|---|---|
| Expected claims & expenses | 300 | 300 | **600** |
| Release of the CSM | 100 | 100 | **200** |
| Acquisition costs experience adj. | - | - | **-** |
| Premiums experience adj. | - | - | **-** |
| Acquisition costs recognition | 100 | 100 | **200** |
| **Insurance revenue** | **500** | **500** | **1000** |
| Actual claims and expenses | (300) | (300) | **(600)** |
| Acquisition cost recognition | (100) | (100) | **(200)** |
| Loss component recognition | - | - | **-** |
| Loss component run-off | - | - | **-** |
| **Insurance service costs** | **(400)** | **(400)** | **(800)** |
| **Profit or loss** | **100** | **100** | **200** |

| | | | | |
|---|---|---|---|---|
| **CSM** | **200** | **100** | **-** | **n/a** |
| **Loss component** | **-** | **-** | **-** | **n/a** |

**Example 3 - onerous at recognition and onerous subsequently, no variances**

| Expected cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (600) | (600) | **(1200)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(600)** | **(600)** | **(200)** |

| Actual cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (600) | (600) | **(1200)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(600)** | **(600)** | **(200)** |

| Income statement | 1 | 2 | Total |
|---|---|---|---|
| Expected claims & expenses (*) | 500 | 500 | **1000** |
| Release of the CSM | - | - | **-** |
| Acquisition costs experience adj. | - | - | **-** |
| Premiums experience adj. | - | - | **-** |
| Acquisition costs recognition | - | - | **-** |
| **Insurance revenue** | **500** | **500** | **1000** |
| Actual claims and expenses | (600) | (600) | **(1200)** |
| Acquisition cost recognition | - | - | **-** |
| Loss component recognition | (200) | - | **(200)** |
| Loss component run-off | 100 | 100 | **200** |
| **Insurance service costs** | **(700)** | **(500)** | **(1200)** |
| **Profit or loss** | **(200)** | **-** | **(200)** |

| | | | | |
|---|---|---|---|---|
| **CSM** | **-** | **-** | **-** | **n/a** |
| **Loss component** | **(200)** | **(100)** | **-** | **n/a** |

(*) less the loss component run-off

**Example 4 – profitable; claims experience adjustment in year 1**

| Expected cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(300)** | **(300)** | **400** |

| Actual cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (500) | (300) | **(800)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(500)** | **(300)** | **200** |

| Income statement | 1 | 2 | Total |
|---|---|---|---|
| Expected claims & expenses | 300 | 300 | **600** |
| Release of the CSM | 200 | 200 | **400** |
| Acquisition costs experience adj. | - | - | **-** |
| Premiums experience adj. | - | - | **-** |
| Acquisition costs recognition | - | - | **-** |
| **Insurance revenue** | **500** | **500** | **1000** |
| Actual claims and expenses | (500) | (300) | **(800)** |
| Acquisition cost recognition | - | - | **-** |
| Loss component recognition | - | - | **-** |
| Loss component run-off | - | - | **-** |
| **Insurance service costs** | **(500)** | **(300)** | **(800)** |
| **Profit or loss** | **-** | **200** | **200** |

| | | | | |
|---|---|---|---|---|
| **CSM** | **400** | **200** | **-** | **n/a** |
| **Loss component** | **-** | **-** | **-** | **n/a** |

### Example 5 - profitable; change in claims estimates in year 1

| Expected cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(300)** | **(300)** | **400** |

| Expected cash flows | 2 | Total |
|---|---|---|
| Premiums | - | **-** |
| Claims & expenses | (400) | **(400)** |
| Acquisition costs | - | **-** |
| **Total** | **(400)** | **(400)** |

| Actual cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (400) | **(700)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(300)** | **(400)** | **300** |

| Income statement | 1 | 2 | Total |
|---|---|---|---|
| Expected claims & expenses | 300 | 400 | **700** |
| Release of the CSM | 150 | 150 | **300** |
| Acquisition costs experience adj. | - | - | **-** |
| Premiums experience adj. | - | - | **-** |
| Acquisition costs recognition | - | - | **-** |
| **Insurance revenue** | **450** | **550** | **1000** |
| Actual claims and expenses | (300) | (400) | **(700)** |
| Acquisition cost recognition | - | - | **-** |
| Loss component recognition | - | - | **-** |
| Loss component run-off | - | - | **-** |
| **Insurance service costs** | **(300)** | **(400)** | **(700)** |
| **Profit or loss** | **150** | **150** | **300** |

| | | | | |
|---|---|---|---|---|
| **CSM** | **400** | **150** | **-** | **n/a** |
| **Loss component** | **-** | **-** | **-** | **n/a** |

**Example 6 - profitable at recognition, onerous subsequently; change in claims estimates in year 1**

| Expected cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (400) | (400) | **(800)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(400)** | **(400)** | **200** |

| Expected cash flows | 2 | Total |
|---|---|---|
| Premiums | - | **-** |
| Claims & expenses | (700) | **(700)** |
| Acquisition costs | - | **-** |
| **Total** | **(700)** | **(700)** |

| Actual cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (400) | (700) | **(1100)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(400)** | **(700)** | **(100)** |

| Income statement | 1 | 2 | Total |
|---|---|---|---|
| Expected claims & expenses (*) | 400 | 600 | **1000** |
| Release of the CSM | - | - | **-** |
| Acquisition costs experience adj. | - | - | **-** |
| Premiums experience adj. | - | - | **-** |
| Acquisition costs recognition | - | - | **-** |
| **Insurance revenue** | **400** | **600** | **1000** |
| Actual claims and expenses | (400) | (700) | **(1100)** |
| Acquisition cost recognition | - | - | **-** |
| Loss component recognition | (100) | - | (100) |
| Loss component run-off | - | 100 | 100 |
| **Insurance service costs** | **(500)** | **(600)** | **(1100)** |
| **Profit or loss** | **(100)** | **-** | **(100)** |

| | | | | |
|---|---|---|---|---|
| **CSM** | **200** | **-** | **-** | **n/a** |
| **Loss component** | **-** | **100** | **-** | **n/a** |

(*) less the loss component run-off

### Example 7 - profitable; premium experience adjustment in year 1

| Expected cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(300)** | **(300)** | **400** |

| Actual cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | 200 | - | **1200** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | - | - | - | **-** |
| **Total** | **1000** | **(100)** | **(300)** | **600** |

| Income statement | 1 | 2 | Total |
|---|---|---|---|
| Expected claims & expenses | 300 | 300 | **600** |
| Release of the CSM | 200 | 200 | **400** |
| Acquisition costs experience adj. | - | - | **-** |
| Premiums experience adj. | 200 | - | **200** |
| Acquisition costs recognition | - | - | **-** |
| **Insurance revenue** | **700** | **500** | **1200** |
| Actual claims and expenses | (300) | (300) | **(600)** |
| Acquisition cost recognition | - | - | **-** |
| Loss component recognition | - | - | **-** |
| Loss component run-off | - | - | **-** |
| **Insurance service costs** | **(300)** | **(300)** | **(600)** |
| **Profit or loss** | **400** | **200** | **600** |

| | | | | |
|---|---|---|---|---|
| **CSM** | **400** | **200** | **-** | **n/a** |
| **Loss component** | **-** | **-** | **-** | **n/a** |

### Example 8 - profitable, acquisition costs experience adjustment in year 1

| Expected cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | (200) | - | - | **(200)** |
| **Total** | **800** | **(300)** | **(300)** | **200** |

| Actual cash flows | 0 | 1 | 2 | Total |
|---|---|---|---|---|
| Premiums | 1000 | - | - | **1000** |
| Claims & expenses | - | (300) | (300) | **(600)** |
| Acquisition costs | (200) | (100) | - | **(300)** |
| **Total** | **800** | **(400)** | **(300)** | **100** |

| Income statement | 1 | 2 | Total |
|---|---|---|---|
| Expected claims & expenses | 300 | 300 | **600** |
| Release of the CSM | 100 | 100 | **200** |
| Acquisition costs experience adj. | (100) | - | **(100)** |
| Premiums experience adj. | - | - | **-** |
| Acquisition costs recognition | 200 | 100 | **300** |
| **Insurance revenue** | **500** | **500** | **1000** |
| Actual claims and expenses | (300) | (300) | **(600)** |
| Acquisition cost recognition | (200) | (100) | **(300)** |
| Loss component recognition | - | - | **-** |
| Loss component run-off | - | - | **-** |
| **Insurance service costs** | **(500)** | **(400)** | **(900)** |
| **Profit or loss** | **-** | **100** | **100** |

| | | | | |
|---|---|---|---|---|
| **CSM** | **200** | **100** | **-** | **n/a** |
| **Loss component** | **-** | **-** | **-** | **n/a** |

# IFRS 17 vs Solvency II

# Introduction to IFRS 17

## Solvency II and IFRS 17 – Differences [1]

| | Solvency II | IFRS 17 |
|---|---|---|
| **Goal** | Capital adequacy and risk management | Show financial position and result for the reporting period |
| **Scope** | Assets and liabilities, own funds, capital requirements | Recognition, measurement, presentation and disclosure of insurance liabilities |
| **Contracts covered** | All contracts giving rise to assets or liabilities | (Re)insurance contracts issued, reinsurance contracts held, investments with DPF |
| **Geographical coverage** | EEA i.e. the European Union plus Iceland, Liechtenstein and Norway | All insurance and reinsurance companies in the world reporting under IFRS |
| **Acquisition cost** | Recognised immediately | Recognised in systematic way over the insurance period |
| **Discounting** | Risk free rate with adjustments: matching adj., volatility adj., discount rate transitional | Risk-free rate plus illiquidity adjustment |
| **Initial gain** | Recognised immediately in P&L | Initial gain recognised gradually over the insurance coverage period |

# Introduction to IFRS 17

## Solvency II and IFRS 17 – Differences [2]

| | Solvency II | IFRS 17 |
|---|---|---|
| **Contract beginning** | Earlier of the coverage period and policy date | Earlier of the coverage period, first premium due, the group becomes onerous |
| **Contract end** | Unilateral right to terminate contract, amend premiums or benefits | Similar to Solvency II, however, only insurance and financial risk considered |
| **Short-term contracts** | No special treatment of short-term contracts | Simplification allowed for short-term contracts |
| **Grouping** | Homogeneous Risk Groups | Groups based on portfolio, profitability and underwriting period |
| **Risk Adjustment** | Cost of Capital method, applied only to the insurance liabilities | No method prescribed; RA applied to both insurance liabilities and reinsurance held |
| **Unbundling** | Not required | Distinct derivative, investment or service components should be unbundled |
| **Expenses** | Cashflow models include overhead expenses | Cashflow models include only expenses that relate directly to the ins. contract fulfilment |

# Introduction to IFRS 17

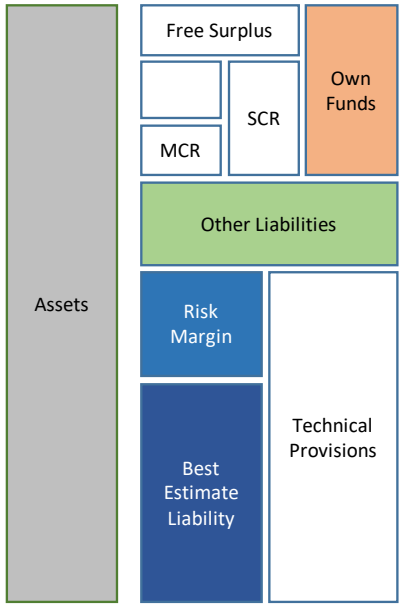
## Solvency II and IFRS 17 – Differences [3]

| | Solvency II | IFRS 17 |
|---|---|---|
| **Reinsurance modeling** | Reinsurance modelling mirrors the related insurance contract calculations | Reinsurance held and the related insurance contract are modelled independently |
| **Transition** | Possibility to apply transitional measures on the TPs or TPs discount rates | Possible simplifications related to the transitional CSM |
| **Disclosures** | Disclosures focused on the solvency position and risk management (QRT, SFCR, ORSA) | Disclosures focused on explaining the financial position and result for the period |
| **Contracts with DPF** | "Surplus Funds" defined in the UK regulations excluded from the TPs | Does not regulate the country specific elements, IFRS is principle based |
| **Effective date** | 1 January 2016 | 1 January 2023, with an earlier implementation option |

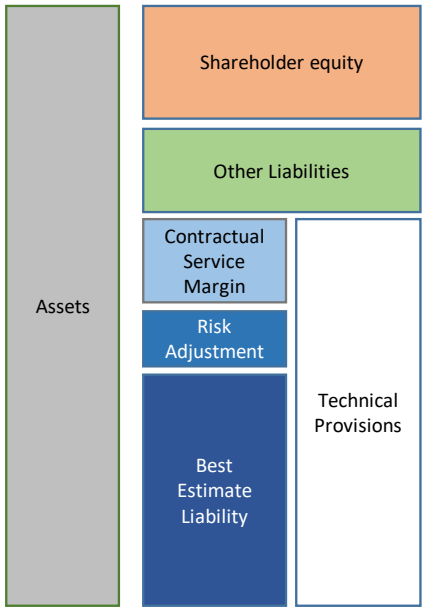
# Introduction to IFRS 17

## Solvency II vs IFRS 17 – Balance Sheet

### Solvency II




### IFRS 17




### Spot the difference