



# IFRS Assess

## *Simplifying IFRS 17*

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# IFRS Assess - Background

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- **IFRS Assess** is MBE's new modelling and simulation tool aimed at helping clients understand the impact of IFRS 17 on their business
- IFRS Assess demonstrates how the emergence of profits is likely to differ between IFRS 4 and IFRS 17, comparing the impact on profit cashflows and the present value of future profits
- IFRS Assess is **spreadsheet-based** and **fully customisable** for specific product features and reinsurance structures
- The tool has been configured to allow for:
  - **Building block approach** and **variable fee approach**
  - **Reinsurance**
  - **Unlocking of CSM** due to assumption changes
  - **Fair Value** and **modified retrospective** transitional approaches

# IFRS Assess - Functionality

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- IFRS Assess can be used to investigate how interpretations of the IFRS 17 principles may impact profit emergence, including:
  - **Aggregation of contracts** – insurance contracts and reinsurance contracts can be grouped as required
  - **CSM amortisation methods** – alternative amortisation methods can be set at group level
  - **Risk Adjustment** approaches – the impact of using different Cost of Capital percentages can easily be assessed
  - **BEL discount rates** – discount rates are input in to the model which are easily updated
- The tool calculates the CSM on both a **fair value** and **modified retrospective** approach, allowing users to:
  - Assess the likely impact on **transitional** and **future profits** of the two approaches
  - Understand where **historical data** is required, helping to determine which approach could **practically** be applied within the constraints of the principles
- Current and alternative **reinsurance structures** can be analysed in light of the significant changes to the presentation of reinsurance in the financial statements
- Support the **design and specification** of system landscapes (actuarial models and results databases) and can be used as a replicator to **validate** model results

# IFRS Assess - Benefits

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- IFRS Assess provides valuable insights to teams affected by IFRS 17, helping to explain how the emergence of profits will likely look after 2021
- As an excel based tool, calculations are **transparent** and **accessible** enabling:
  - Easy **customisation and understanding** of the calculations
  - Improved **interactions** and **discussions** across Actuarial and Finance functions
  - **Training** team members and **educating** stakeholders
- Outputs from the tool can be used in presentations, helping to explain IFRS 17 to executives when obtaining **budget approvals** for IFRS 17 projects
- Results can be published to **Power BI**, giving the ability to ‘publish’ in an internal website or report
- **Cost efficient** method as a complete and transparent valuation model for small or closed books of business, removing the need to update Actuarial Modelling Platforms

# Running IFRS Assess

Checks are made to ensure profitable and onerous contracts are grouped accordingly

Run Number	4
Valuation Year	Dec-16
Transition CSM	Fair Value
Run Mode	Find & Project Fair Value CSM
GAO Retirement Age	120
All Mort, Surr, Mat Rates Zero	No
All Econ Rates Zero	No
MP Level RA Calc Frequency	5
Cost of Capital	6.00%
Insurance Grouping Checks	OK
Reinsurance Grouping Checks	OK

The control panel allows users to easily set different scenarios to evaluate

Allows users to compare a fair value or modified retrospective transition CSM

Users can test the impact of alternative aggregation of model points, for the insurance and reinsurance contracts

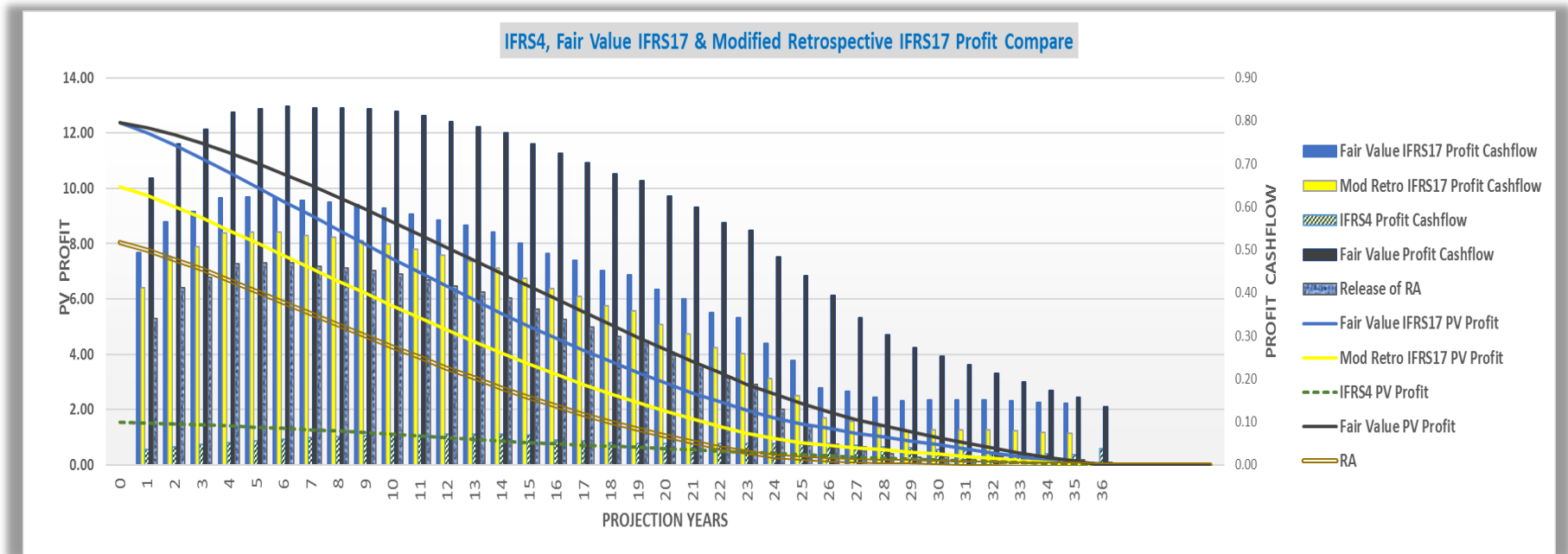
MP ID	Insurance Group	Reinsurance Group	Product Type	Coverage Units
1	1	1	Whole of Life	No of Policies
2	1	1	Whole of Life	No of Policies
3	1	1	Whole of Life	No of Policies
4	2	2	Unit Linked Savings	Benefit Cashflows
5	2	2	Unit Linked Savings	Benefit Cashflows
6	3	2	Unit Linked Savings	Benefit Cashflows
7	4	3	Annuity In Payment	No of Payments
8	4	3	Annuity In Payment	No of Payments
9	5	3	Annuity In Payment	No of Payments

Configurable for alternative CSM amortisation methods

Configurable for different product types

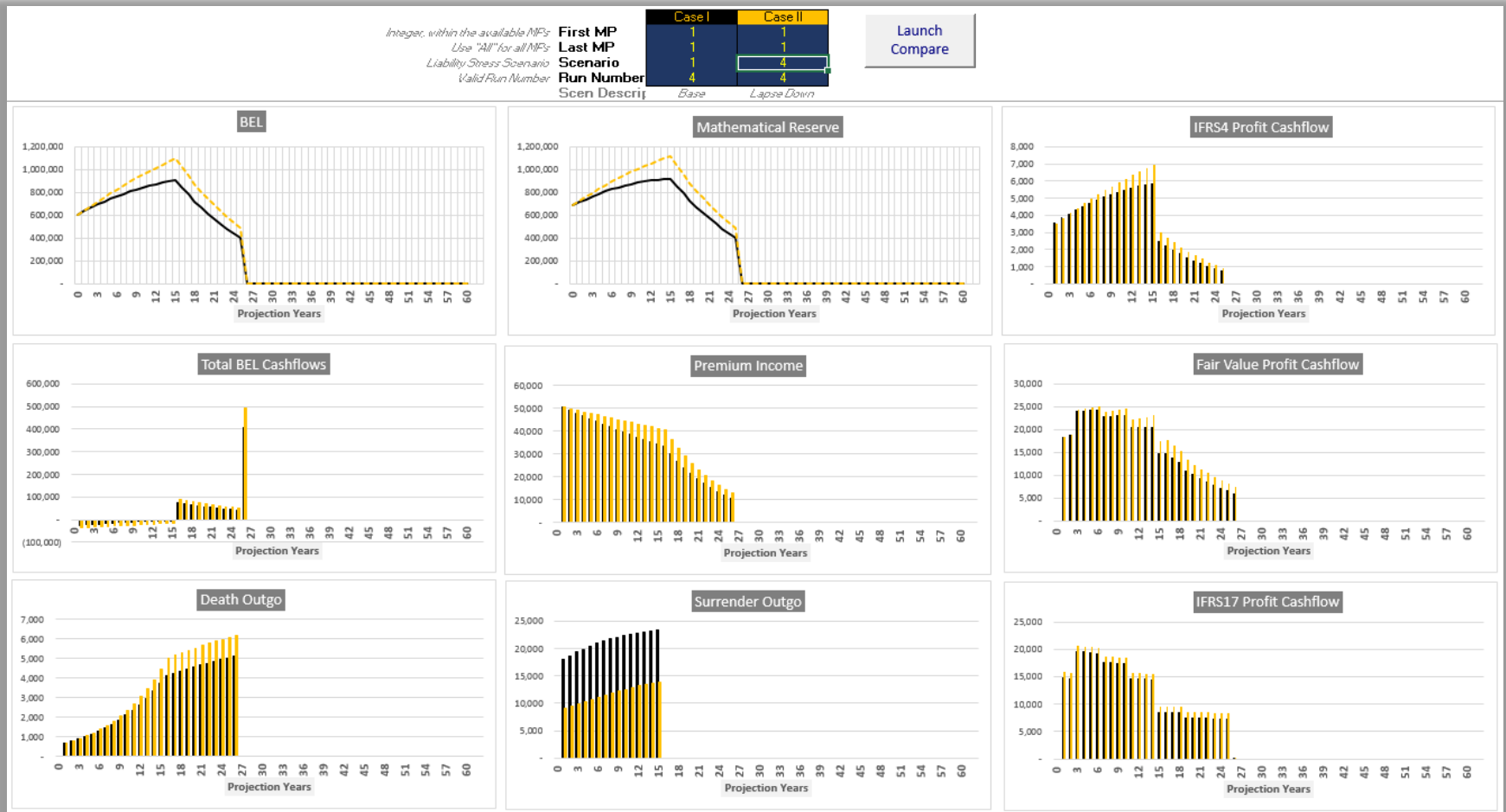
# Sample Results – Primary Output

- Comparison of outputs:
  - **Gross** and **Net** of reinsurance profit cashflows & present value of future profit
  - Risk adjustment



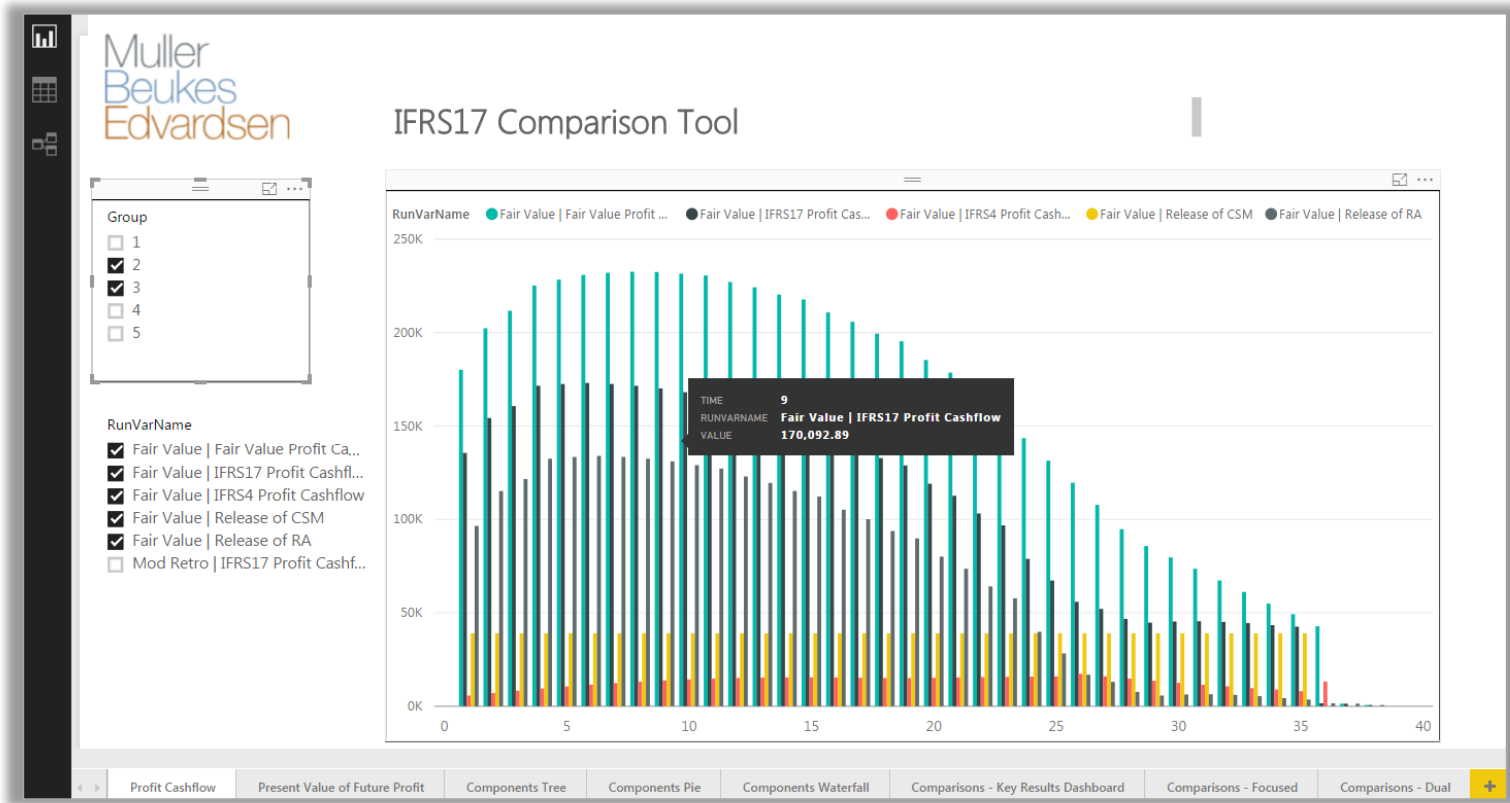
- Comparisons between:
  - Current IFRS 4
  - IFRS 17, assuming the fair value transition approach is used
  - IFRS 17, assuming the modified retrospective approach is used

# Sample Analysis Output – Investigations



- Example - Investigating the effect of Lapse Down scenario on IFRS 4, IFRS 17 and fair value profit

# Sample Results – Published to PowerBI



- Results can also be compared in Power BI, allowing:
  - Easier analysis of large volumes of data
  - Faster refresh of graphics
  - Graphics to be 'published' in an internal website or a report





To access IFRS Assess, or to arrange a demonstration, please contact Rachel Long ([Rachell@mbe-intl.com](mailto:Rachell@mbe-intl.com)), IFRS 17 Lead at MBE

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