

IFRS 17

GENERAL INSURER

REVENUE RECOGNITION

- ▶ Change in terminology - Insurance Revenue
- ▶ Should present no major challenges to the General Insurer
- ▶ Contracts for a duration of 1 year or less
- ▶ Eligible to use the simplified PAA (Premium Allocation Approach)
- ▶ Similar to the current unearned premium model

REVENUE RECOGNITION

- ▶ Increased granularity may be required for proper data capture
- ▶ Where package products are issued with different rights and obligations, segregation requirements maybe an issue
 - ▶ Allocation of premiums between different components will be necessary
 - ▶ Recognition and measurement of onerous contracts will be different.

ACQUISITION COSTS

- ▶ Much narrower definition of acquisition cost
- ▶ Costs to be deferred must be specific
- ▶ Appears that incidental costs of acquisition would not be deferred.

INSURANCE LIABILITIES

- ▶ Estimated claims cost - similar approach
- ▶ Plus risk adjustment for non financial risk
- ▶ Discounted where not expected to be settled within 12 months (increased volatility in results)
- ▶ Discount rate to reflect the time value of money
- ▶ Discount rate to reflect liability characteristic

OPERATIONAL IMPLICATIONS

- ▶ Do a gap analysis between the new model for data capture and the existing one
 - ▶ Loss development changes
 - ▶ Data sets to be collected and how far back
- ▶ Review data systems for effectiveness
- ▶ Retrained staff to produce adequate management capabilities
- ▶ Redesign chart of accounts
- ▶ Significant costs for implementation