

# IFRS 17 CSM Working Party - Terms of Reference

## Background to this document

The IFoA Life Research Sub-committee formed three working parties in 2018 to analyse different aspects of IFRS 17. One of these working parties was the IFRS 17 CSM Working Party which delivered in line with its stated objectives and presented its work in a sessional paper in October 2020. Most members have since stepped down.

However, during the course of its work, it was evident that a number of IFRS 17 topics will remain open for debate and that will continue to pose challenges to stakeholders.

It is consequently being proposed for the working party to be relaunched following its brief hiatus with revised terms of reference that would look to cover wider areas of IFRS 17 from a life insurer's perspective. Some members of the original working party are keen to continue as part of this relaunch but several new volunteer members will need to be recruited.

## Purpose

The purpose of the working party is to:

- Identify IFRS 17 implementation challenges faced by life insurers globally other than those covered by existing working parties
- Identifying possible interpretations and approaches to tackling those challenges
- Consider the operational as well as technical implications of the different approaches to ensure that recommendations are proportionate
- Provoke thought leadership and innovation within the industry through presentations at various forums to gain wider input.

## Approach

The working party will continue to be supervised by the Life Research Sub-Committee (LRC) but will work closely with the FRG in taking this work forward. The working party will also liaise with the other IFRS 17 working parties.

## Composition of working party

We recommend a working party of *eight to ten* members of the actuarial profession working within life insurance to perform this research. We recommend that members have prior experience in IFRS 17 but also more generally in consulting, pricing and financial reporting.

## Specific goals and areas to be investigated

- Analyse the IFRS 17 interpretations and operational considerations while estimating:
  - Fulfilment Cash Flows (FCF) i.e. Best estimate Liability (BEL) plus Risk Adjustment (RA) for *Insurance* as well as *Reinsurance* contracts
  - Liability under Premium Allocation Approach for eligible contracts
  - Deferral and recognition of acquisition cash flows
  - Revenue recognition in income statements

- Any other product specific challenges such as those pertaining to With-Profits, Annuities
  - Analysis of change
- Analyse the above elements under different transition approach i.e. Full retrospective, Modified retrospective and Fair Value approach.
- Analysis to draw comparisons with other accounting or solvency regimes
- Analyse impact of IFRS 17 on Pricing and Business Planning

## **Research methods**

The working party will perform a literature review to avoid reinventing prior thought. The expectation is that the body of the work will focus on demonstrating the implications of various interpretations and approaches using numerical or graphical examples.

## **Output**

A series of papers will be produced and published at regular intervals in line with the approach being taken by the other IFRS 17 working parties. The working party is not intending to prepare another sessional paper.

## **Indicative timetable**

Working party to be created - July 2021

First meeting and finalisation of scope – July 2021

Analysis and production of papers – July 2021 to July 2022

## **Funding**

No expectation of external funding.