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IFRS 4 Phase II/ IFRS 17 – Time to Act

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4 November 2016

Agenda

- I. Welcome and Introduction
- II. IFRS 4 Phase II/ IFRS 17 – Recap
- III. Field Study – An industry Perspective
- IV. Q&A



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Welcome and Introduction

Presenting today



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Welcome and Introduction

Time to Act



September 2016

- The IASB has invited some companies (globally) to participate in a field study to better understand how entities will interpret specific requirements and any operational difficulties in the application of the requirements.
- The findings from the field study are due to be made publicly available and will be used by the IASB as part of the process for the finalisation of the outstanding proposals on these topics.



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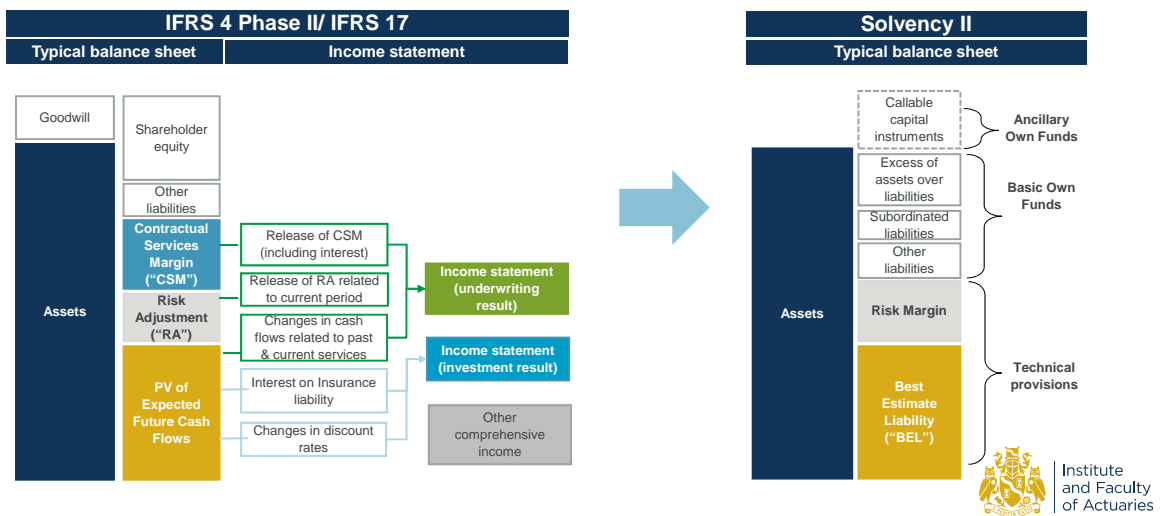
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IFRS 17 Recap

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IFRS 4 Phase II / IFRS 17

Brief Recap



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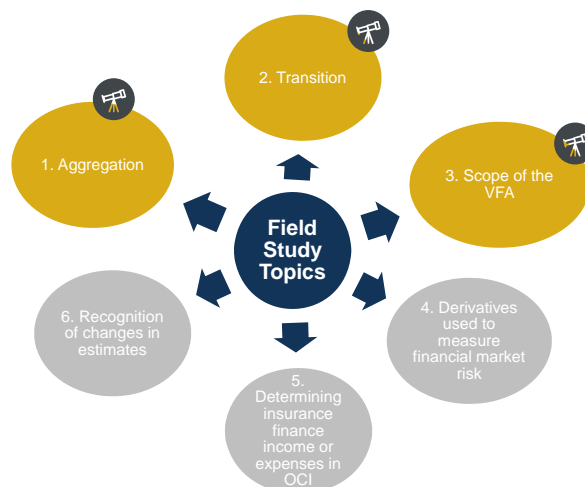
Field Study

An Industry Perspective

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Field Study Topics

We will get an industry perspective on the 3 topical areas



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Aggregation/ Unit of Account

What / where/ why?

What is the issue?

Level of calculation – policy, portfolio, something in between?


Where is the issue?

- BEL – no issue given it is calibrated to the statistical mean
- RA – determined at a different level than CSM with an impact on the calculation
- CSM – Very important and very ambiguous guidance

Why is it an issue?

Aggregation of contracts to carry out onerous portfolio testing. Different levels produce materially different outcomes in the P&L


Important Note: while viewed as financially disadvantageous, policy level calculations would be more straightforward to manage in systems



HSBC's Perspective

Simple Example:

	CSM	Policy	Aggregate
Policy 1	100	100	100
Policy 2	-100	0	-100
Immediate Loss		-100	0



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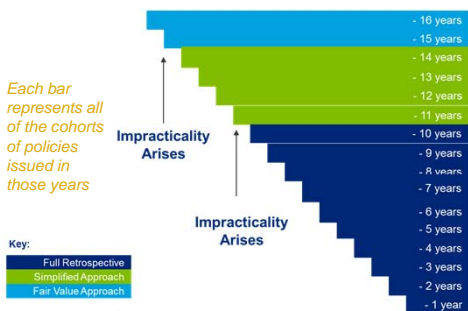
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Transition

Do you have Point of Sale Data, Models and assumptions?

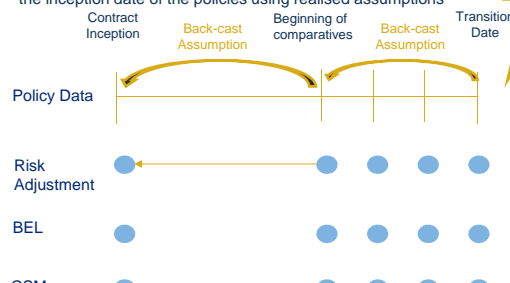
Three possible approaches to be applied in order:

1. Full retrospective application of new requirements is required, unless impracticable
2. Where impracticable, the simplified approach in the 2013 ED must be applied
3. Where impracticable to apply the simplified approach, a fair value approach is applied from the date of transition



Simplified approach - Back-casting

- A pragmatic approach to transition taking into account available historic data
- Policy data and values are projected backwards, "back-cast", to the inception date of the policies using realised assumptions

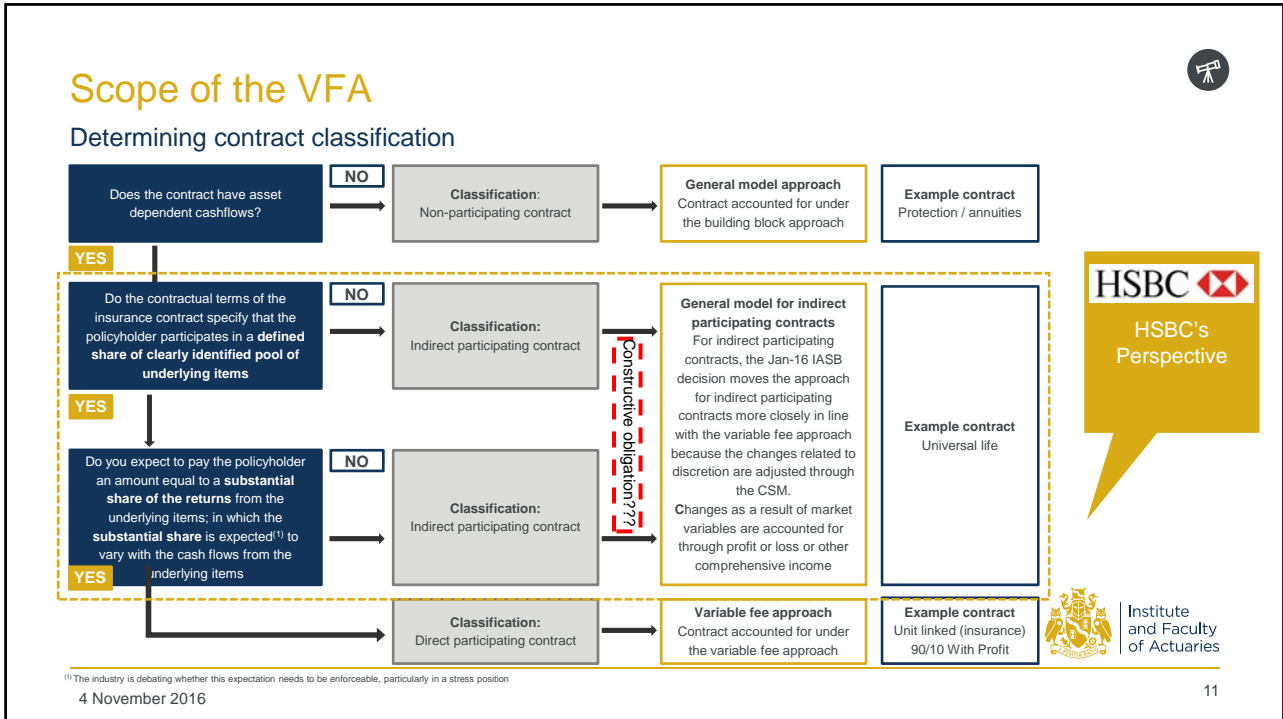


"A company needs not undertake exhaustive efforts to obtain objective information but shall take into account all objective information that is reasonably available"



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Questions/ Comments



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Questions

Comments

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