

IFRS 17 Contractual Service Margin (CSM) Working Party

The IFRS 17 CSM Working Party was established in the summer of 2018, following the publication of the new insurance accounting standard, IFRS 17, in 2017. The standard can be found here, but please note that it is behind a paywall: <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-17-insurance-contracts/>

Alongside the CSM Working Party, IFRS 17 workings parties were also established on “The Future of Discounting” and “Transversal”.

The IFRS 17 CSM defers immediate recognition of profit from the initial recognition of an insurance contract to future periods based on an accounting mechanic that releases the CSM balance over the coverage period stipulated in the contract.

The Working Party aims to:

- Compile and review current CSM literature in the life insurance arenas to ensure access to up to date information.
- Analyse the impact of different approaches to calculating the CSM at initial recognition and subsequent measurement, with respect to:
 - life (re)insurance products under the General Measurement Model and the Variable Fee Approach
 - existing and new business
- Consider the operational implications of the different approaches to ensure that recommendations are proportionate.
- Provoke thought leadership and innovation within the industry through presentations and forums to gain wider input.

The Working Party consists of 12 members from across the globe covering a number of employers which includes insurers, reinsurers and consultancies.

It will focus on three main areas:

1. Measurement Models (e.g. what are the measurement models, what are their similarities and differences in calculating the CSM both at initial recognition and subsequent measurement)
2. Reinsurance (e.g. what are the challenges and considerations for the CSM in reinsurance under IFRS 17)
3. Transition (e.g. what methodology and operational considerations are there in calculating the CSM at Transition)

The final output will be in the form of a sessional paper and is expected to be published in Q3 2019 as well as a presentation at the Life Conference 2019. However, in the lead up to this, the Working Party will regularly be releasing a series of short articles on key issues via LinkedIn to encourage debate and to draw all relevant stakeholders attention towards the operational and technical consequences of the CSM.

There is a varied list of topics that we are currently researching and we very much look forward to sharing our thinking with you in the coming weeks and months. We'd like the Working Party to be a valuable contribution in this space and to spark debate so please do send us your questions and comments on our articles when they are published to build momentum on what will be a key discussion area for the next few years for all producers and users of these accounts, particularly the actuaries and accountants.

On behalf of the IFRS 17 CSM Working Party
Rebecca Sardar - Chair

Disclaimer: The views expressed in this publication are those of invited contributors and not necessarily those of the Institute and Faculty of Actuaries. The Institute and Faculty of Actuaries do not endorse any of the views stated, nor any claims or representations made in this publication and accept no responsibility or liability to any person for loss or damage suffered as a consequence of their placing reliance upon any view, claim or representation made in this publication. The information and expressions of opinion contained in this publication are not intended to be a comprehensive study, nor to provide actuarial advice or advice of any nature and should not be treated as a substitute for specific advice concerning individual situations. On no account may any part of this publication be reproduced without the written permission of the Institute and Faculty of Actuaries.