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IFRS17 – Doing the Hard Work

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Agenda

- Background
- Approach to IFRS17 implementation
- Key challenges:
 - Model development and data
 - CSM and Loss component
- Conclusions

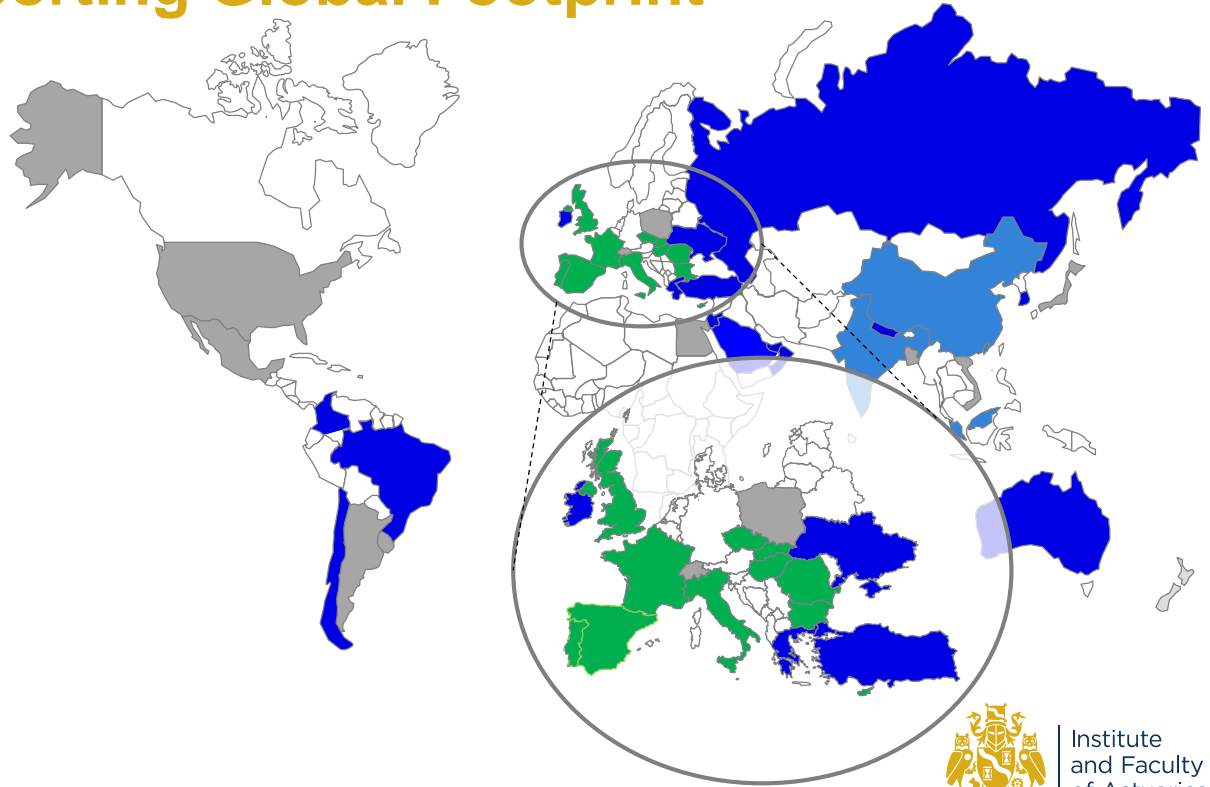


MetLife IFRS Reporting Global Footprint

Group reports on
US GAAP, but:

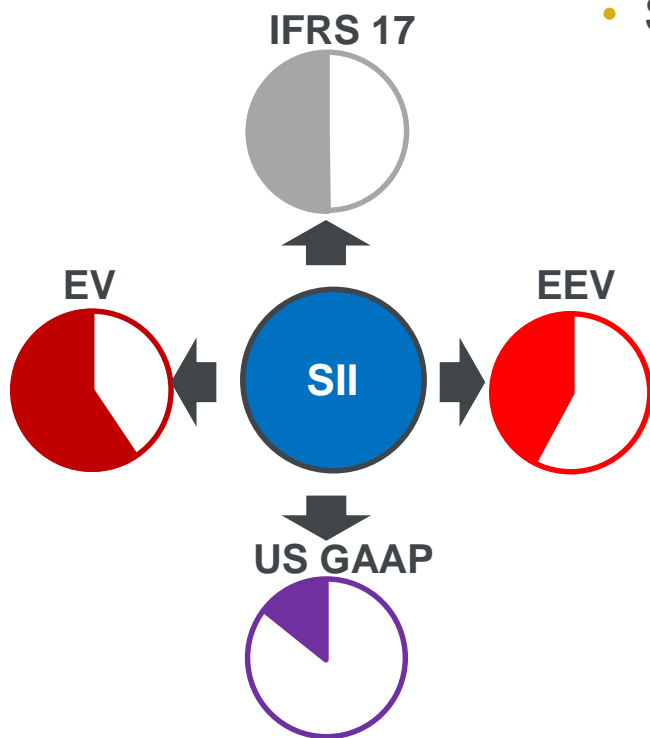
IFRS (or similar
standards) impact on
MetLife:
> 36 out of 46 Countries

Plus local regulation
following IFRS17



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IFRS17 in the context of wider reporting



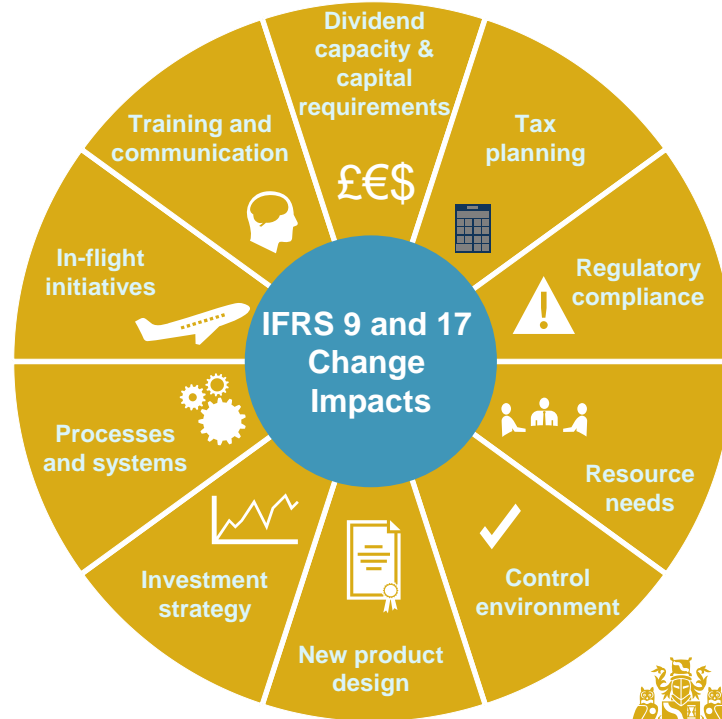
- Solvency II vs IFRS 17 vs US GAAP vs EV

- ✓ Technical framework is broadly consistent
- ✓ US GAAP is less consistent
- ✓ There is an opportunity to leverage consistencies in the frameworks
- ✓ However, there are many elements where granular application of the technical requirements will differ



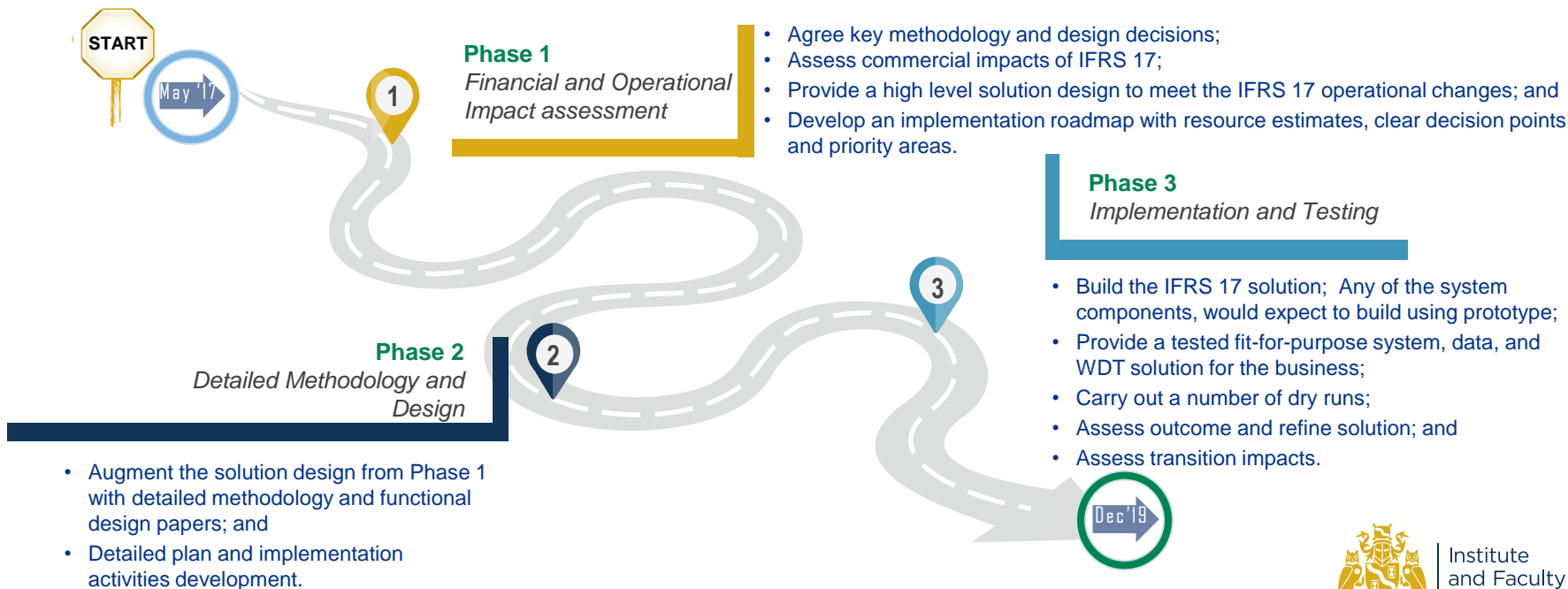
IFRS – Impact Beyond Local Reporting

- IFRS Financial Statements are prepared at a legal entity level on an annual basis.
- IFRS reporting influences many other aspects of our businesses:
 - **Distributable profits (dividend capacity)**
 - **Regulation**
 - **Income taxes**

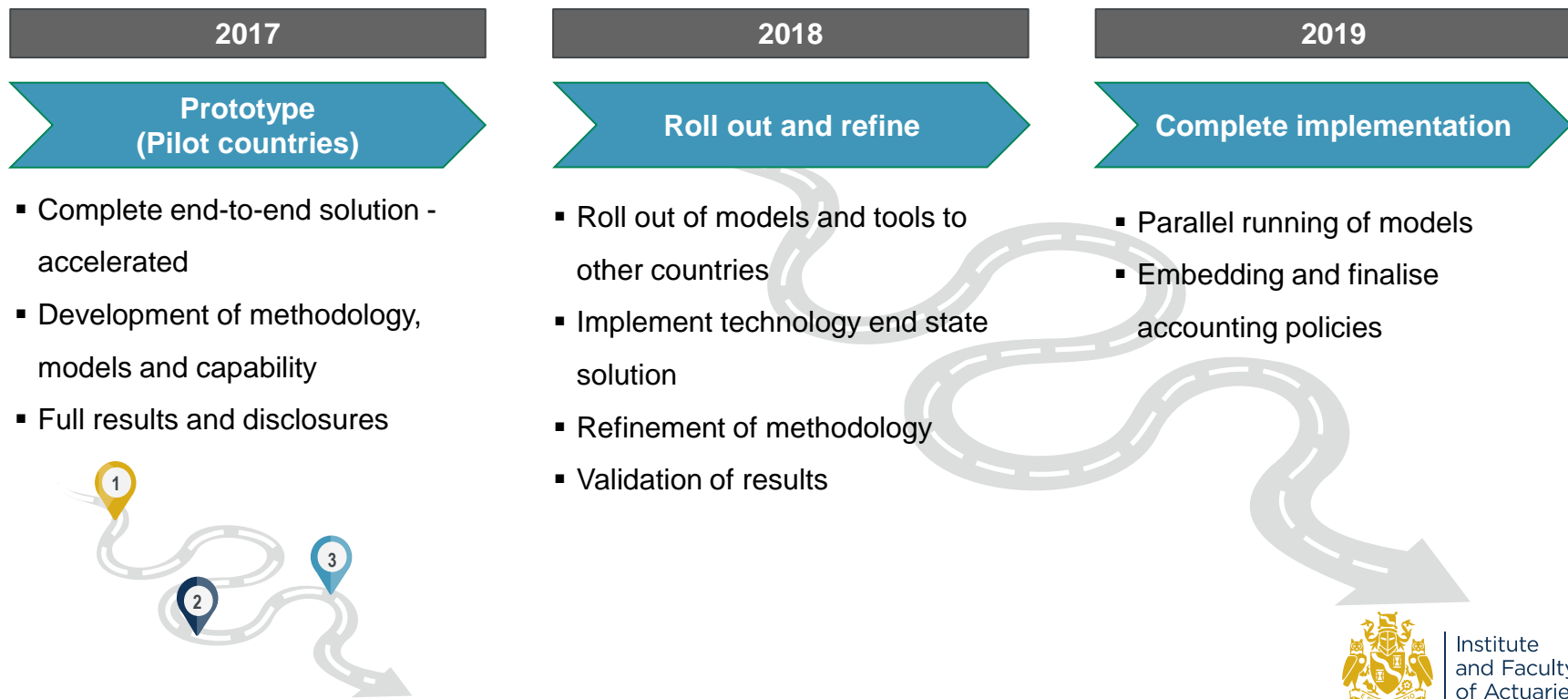


IFRS 17 Implementation Roadmap

The typical top-down implementation of IFRS 17 can be divided into **three main phases**.

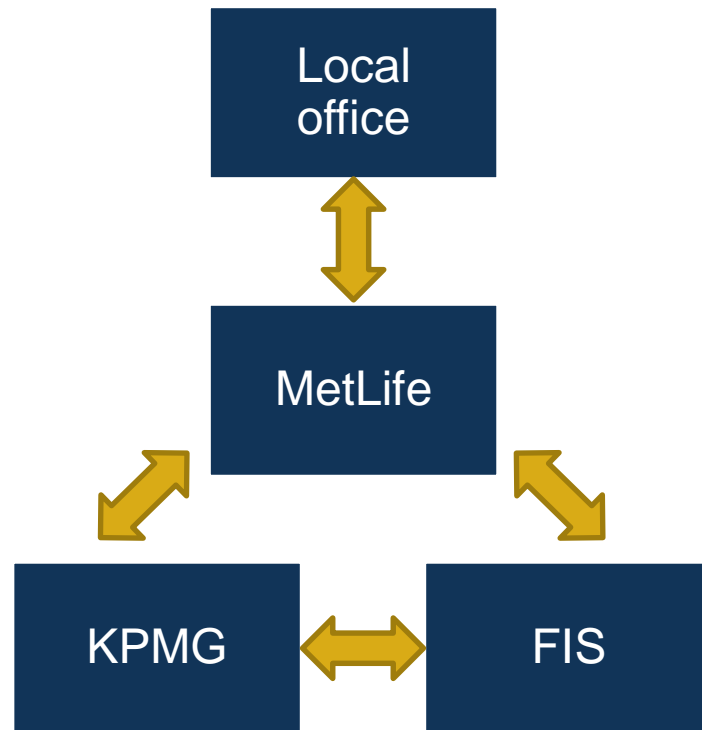


IFRS17 Implementation Roadmap – Accelerated initial phase



Model development

- Primary objectives to define the modelling approach to be used for IFRS 17 modelling across the Group and understand scale of challenge
- Discussions between MetLife, KPMG, FIS valuable for providing feedback and resolving issues – often common to all needs
- Prototype provided further understanding into model implementation and resource requirements. Significant difference where building models from scratch versus leveraging existing Solvency II models.



Model Development Observations

- Typical drawbacks of starting 'early'.
- Needed modelling functionality not yet implemented within Prophet, e.g. explicitly quantifying CSM for reinsurance, some aspects of VFA, a consistent view of CSM run-off.
- Impact on modelling efforts of having differing views.
- Implications on levels of granularity
- Although some customisation was required, due to the central management of the models, mapping to IFRS 17 library was straight forward.
- Using modelling as a facilitator for education and internal decision making.



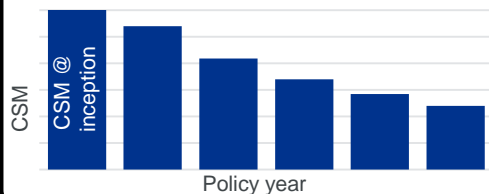
CSM

Expected CSM run-off

Run-off pattern determined by accretion of interest and expected release.

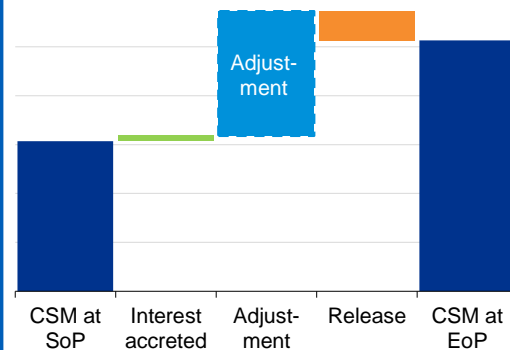


Expected CSM run-off by period and over lifetime of contracts.



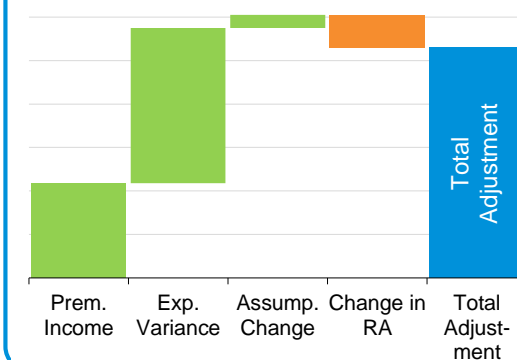
Actual CSM carry-forward

Actual change in CSM determined by accretion of interest, adjustment and release.



CSM Adjustment

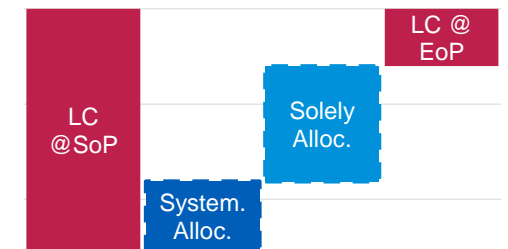
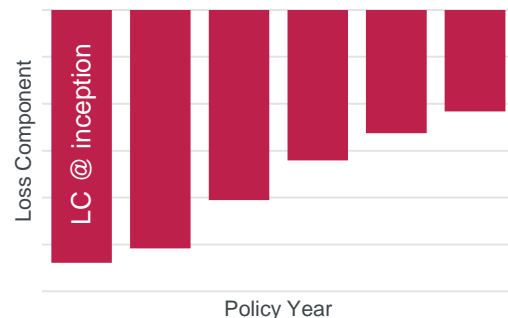
Reflects changes in BEL and Risk adjustment due to change in estimates of FCFs as well as variance in current period premium income.



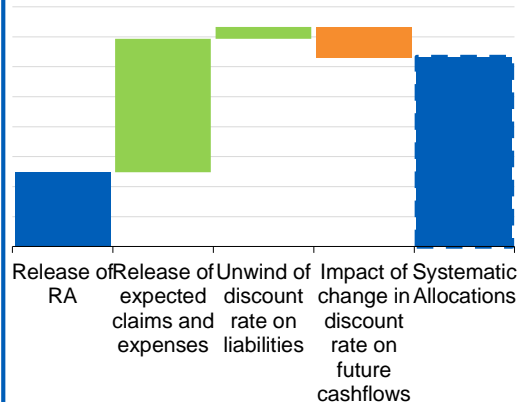
Loss component

Loss Component run-off

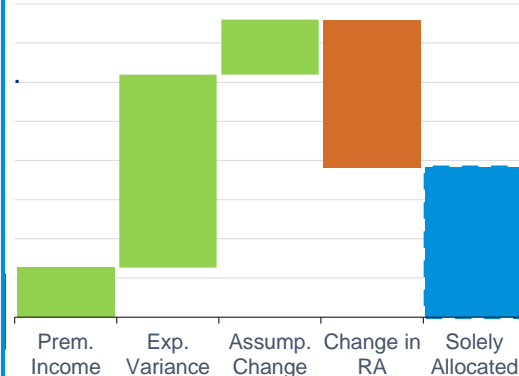
Expected LC run-off by period over coverage period of contracts.



Systematically allocated



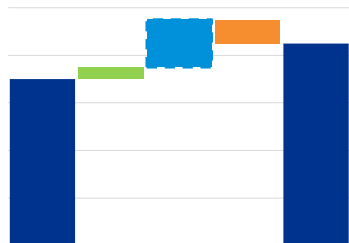
Solely allocated



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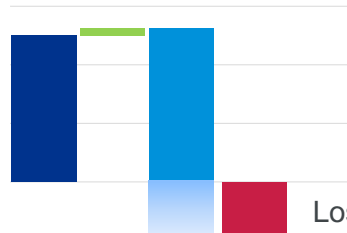
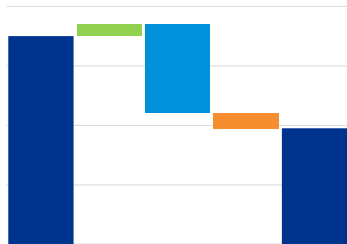
Level of aggregation

- Granularity matters



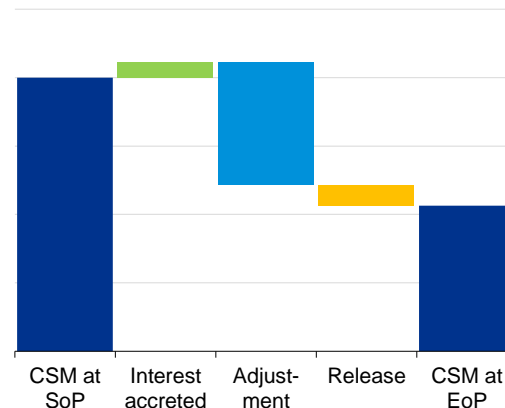
Product 1
– modest positive
variance

Product 2
– significant negative
assumption change



Product 3
– modest negative
assumption change

Loss component
generated



Aggregate group

CSM maintained
– no loss
component



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Lessons Learnt

- Availability of the appropriate data
- Difficult decisions regarding Modelling/Methodology
- Significant overhead addressing the educational gap
- Satisfying IFRS 17 Disclosures



Conclusions

- Was it the right approach to take?



Questions

Comments

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