

IFRS 17: implications on insurers

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Agenda

	Topic	Considerations
1	Financial statements	Glossary and presentation Accounting choices Impact on financial condition
2	Financial analysis	Performance of the insurance operations Performance of risk management strategies Operational challenges
3	Supervision and audit	Supervisory and audit approaches: compliance vs risk-based Solvency assessment

Financial Statements

Financial analysis

The actuarial / financial alignment

Closing period	31/03/2022	30/06/2022	03/09/2022	31/12/2022	
1 Insurance revenues	63,399,224	67,405,176	71,958,289	73,319,035	
2 Insurance service expenses	(46,998,423)	(47,140,015)	(55,005,800)	(54,035,974)	
2.1 Current period	(50,259,720)	(75,178,875)	(44,879,534)	(58,876,392)	⇒ Underwriting performance
Insurance claims and risk adjustment	(42,961,476)	(67,180,933)	(37,760,960)	(50,631,446)	
Attributable expenses	(3,564,057)	(4,164,624)	(3,095,073)	(4,295,109)	
Acquisition expenses	(3,734,187)	(3,833,317)	(4,023,501)	(3,949,837)	
2.2 Prior periods	2,581,198	28,529,973	(10,528,062)	3,907,406	⇒ Reserving strategy
2.3 Loss component on onerous contracts	680,100	(491,113)	401,796	933,012	⇒ Pricing strategy
3 Net reinsurance service expenses	(14,016,770)	(19,186,476)	(13,453,073)	(15,562,903)	⇒ Reinsurance strategy
4 Net financing component	(241,578)	(348,629)	(558,368)	(473,155)	⇒ Discounting and financing
5 Insurance surplus / (deficit)	2,142,452	730,057	2,941,047	3,247,003	

Financial analysis

The actuarial / financial alignment

Closing period	31/03/2022	30/06/2022	03/09/2022	31/12/2022	31/03/2022	30/06/2022	03/09/2022	31/12/2022	
1 Insurance revenues	63,399,224	67,405,176	71,958,289	73,319,035					
2 Insurance service expenses	(46,998,423)	(47,140,015)	(55,005,800)	(54,035,974)	74.1%	69.9%	76.4%	73.7%	
2.1 Current period	(50,259,720)	(75,178,875)	(44,879,534)	(58,876,392)	79.3%	111.5%	62.4%	80.3%	→ Combined ratio (actuarial)
Insurance claims and risk adjustment	(42,961,476)	(67,180,933)	(37,760,960)	(50,631,446)	67.8%	99.7%	52.5%	69.1%	
Attributable expenses	(3,564,057)	(4,164,624)	(3,095,073)	(4,295,109)	5.6%	6.2%	4.3%	5.9%	
Acquisition expenses	(3,734,187)	(3,833,317)	(4,023,501)	(3,949,837)	5.9%	5.7%	5.6%	5.4%	
2.2 Prior periods	2,581,198	28,529,973	(10,528,062)	3,907,406	-4.1%	-42.3%	14.6%	-5.3%	→ Prior periods adjustments
2.3 Loss component on onerous contracts	680,100	(491,113)	401,796	933,012	-1.1%	0.7%	-0.6%	-1.3%	→ LC impact
3 Net reinsurance service expenses	(14,016,770)	(19,186,476)	(13,453,073)	(15,562,903)	22.1%	28.5%	18.7%	21.2%	
4 Net financing component	(241,578)	(348,629)	(558,368)	(473,155)	0.4%	0.5%	0.8%	0.6%	→ RI impact
5 Insurance surplus / (deficit)	2,142,452	730,057	2,941,047	3,247,003	96.6%	98.9%	95.9%	95.6%	→ Combined ratio (accounting)

Financial analysis

Reflecting the impact of risk management strategies

Financial analysis

An example on pricing strategy evaluation

Loss component

Group medical portfolio

Closing date	Cohort								Total
	202103	202106	202109	202112	202203	202206	202209	202212	
2021-03-31	-								-
2021-06-30	-	-							-
2021-09-30	-	-	-						-
2021-12-31	109	322	693	-					1,124
2022-03-31	5,891	11,324	15,218	1,084	503				34,020
2022-06-30	-	16,640	28,110	13,951	4,669	1,249			64,619
2022-09-30	-	-	35,888	28,054	8,287	8,184	-		80,412
2022-12-31	-	-	-	-	16,396	27,540	2,726	-	46,663

- Analysis of a group medical insurance portfolio, with quarterly cohorts and quarterly reporting periods
- Loss component is broken down by cohort and by reporting period.

Financial analysis

Attributable expense allocation

Closing date	Cohort								Total
	202103	202106	202109	202112	202203	202206	202209	202212	
2021-03-31	164,311								164,311
2021-06-30	266,897	28,433							295,330
2021-09-30	299,599	79,484	40,276						419,359
2021-12-31	274,741	72,813	81,899	58,699					488,152
2022-03-31	84,277	33,960	38,307	65,150	80,073				301,767
2022-06-30	11,327	26,290	41,574	74,679	139,886	26,732			320,487
2022-09-30	116	1,664	27,585	74,292	142,528	54,237	42,365		342,788
2022-12-31	4	92	1,361	54,320	141,476	66,337	29,737	47,549	340,877

- Attributable expense allocation by quarterly cohort and quarterly reporting period
- Is the allocation reasonable and sensible?
- Does it have an impact on the pricing of new cohorts?
- What are the drivers of fluctuation between cohorts?

Financial analysis

Key operational challenges

	Topic	Considerations	Governance
1	Accounting reconciliations	<ul style="list-style-type: none">▪ Data used to estimate key income statement entries▪ Data used to estimate insurance and reinsurance assets and liabilities▪ Reinsurance data▪ Cash reconciliations▪ Enhancing core IT and accounting systems to cater for the cohorts accounting basis	Audit committee Finance department Internal audit Appointed actuary
2	Current accounts and allocation to cohorts	<ul style="list-style-type: none">▪ Reinsurance accounts▪ Brokers and beneficiaries accounts▪ Doubtful receivables and recoveries▪ Sales and income taxes	Audit committee Finance department Internal audit
3	Assumptions and policy choices	<ul style="list-style-type: none">▪ Determination of attributable expenses▪ Risk adjustment▪ Discount rates and illiquidity premiums	BOD Audit committee
4	Other	<ul style="list-style-type: none">▪ Basis of income tax determination▪ Life and savings for small portfolios▪ Pools	

Supervision and audit

