



SOCIETY OF
ACTUARIES®

2019 **ANNUAL
MEETING**
& EXHIBIT

October 27-30
Toronto, Canada

Session 019: IFRS 17 Senior Leaders' Panel on Strategic Opportunities

[SOA Antitrust Compliance Guidelines](#)

[SOA Presentation Disclaimer](#)

IFRS 17 Senior Leaders' Panel on Strategic Opportunities

Presenters

Andrew Rallis, FSA, MAAA, EVP and Global Chief Actuary at MetLife and President-Elect of Society of Actuaries

Jonathan Turner, ACA, Senior Vice President and Chief Financial Officer, Canada at Swiss Re

Eve Pastor, CPA, CGMA, Director – Risk and Accounting Solutions, Moody's Analytics

Moderator

Rebecca Rycroft, FSA, MAAA, FCIA, SVP and CFO of Munich Re Canada (Life & Health)

October 28, 2019



SOCIETY OF ACTUARIES

Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

Presentation Disclaimer

Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.

Andrew Rallis' Intro



Resources on IFRS



- Webcasts
- In-person meetings
- Virtual sessions
- Section newsletter articles
- New textbook on IFRS

ASA/FSA Exams and IFRS

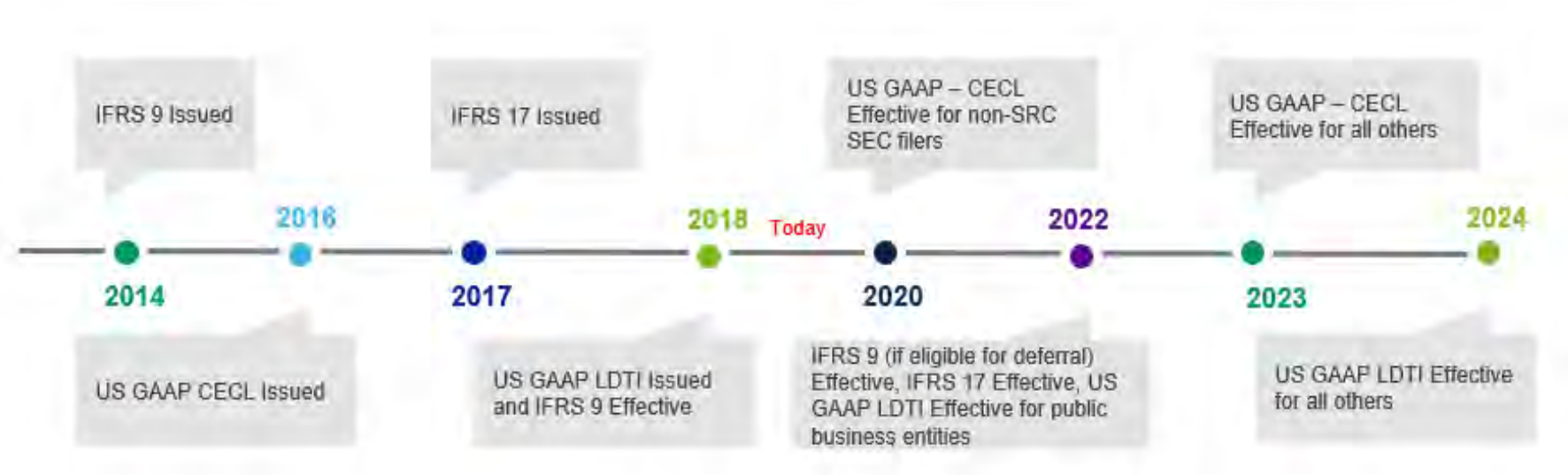
- FAP Modules to expand coverage of IFRS
 - Provide a baseline level of awareness
 - Module deployment begins January 2020
 - Content woven throughout the modules
 - Compare-and-contrast examples
 - Case studies
 - Testing of key concepts
 - Sample topics
- FSA Exam coverage
 - Examples
 - U.S./Canadian differences

Panel Discussion



Accounting standards are evolving

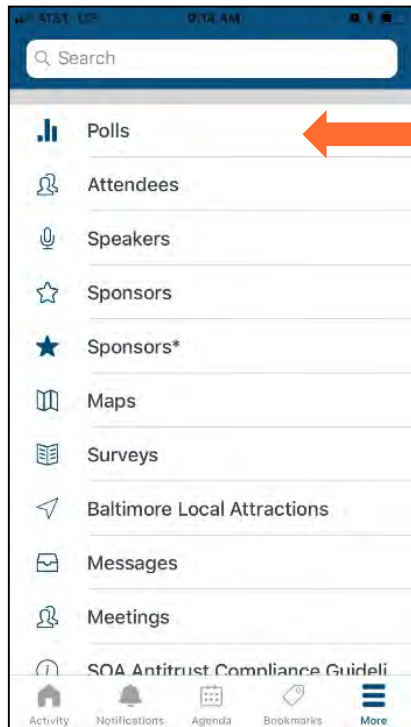
Delays were proposed and the new timeline requires decisive action, vigilance and sustained effort to achieve success



Recent developments

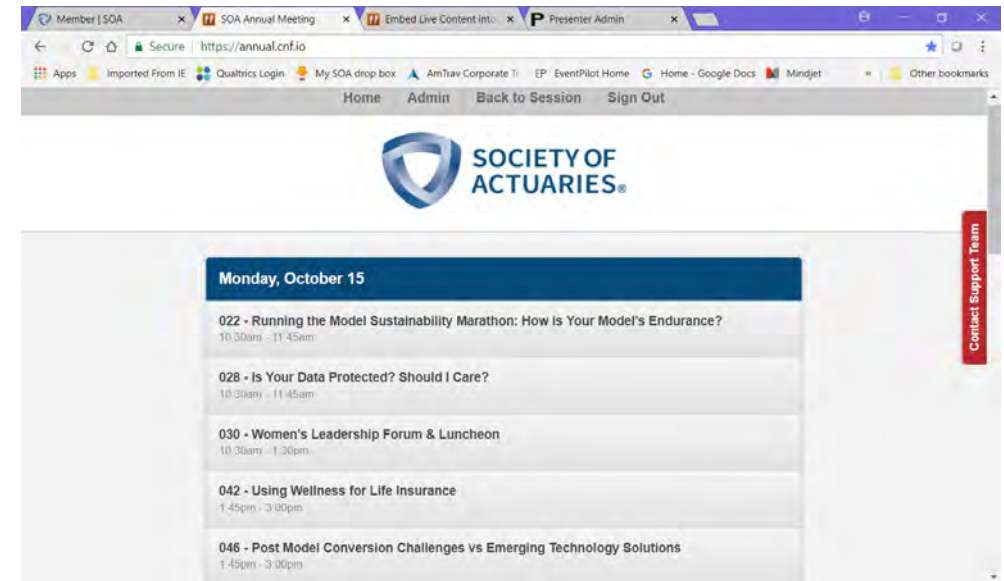
To Participate, look for Polls in the SOA Event App or visit annual.cnf.io in your browser

Find The Polls Feature Under **More**
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Session in the Agenda



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Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Is IFRS your

Is IFRS your

- a. Primary reporting basis
- b. Regulatory reporting basis
- c. Primary reporting basis and Regulatory reporting basis
- d. Not reporting IFRS at all

Actuarial impacts Accounting policy

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: What do you want to optimize?

What do you want to optimize?

- a. Operational efficiency
- b. Alignment with US GAAP
- c. Reduce accounting volatility

ALM

IFRS 17 interactions with US GAAP LDTI

IFRS 17 Interactions with IFRS 9

Long-duration non-participating contract accounting under LDTI and IFRS 17

| | LDTI | IFRS 17 |
|---|--|---|
| Accounting model | Multiple accounting models (e.g., FAS 60, FAS 97, SOP 03-1) retained | Single model, with modifications for direct participation contracts (VFA), and optional premium allocation approach if certain criteria are met |
| Reserve methodology for long-duration non-participating contracts | Net premium reserve, plus deferred profit liability (DPL) for limited pay contracts | Gross premium reserve with explicit contractual service margin (CSM) |
| Unit of account | Cohorts taking into account issue year and contract characteristics, but not individual contract profitability | Groups taking into account issue year and contract characteristics, and also individual contract profitability at issue |
| Margin limitations | Net premium ratio capped at 100% DPL floored at zero | CSM floored at zero |
| Non-expense cash flows | Best estimate under single scenario | Best estimate; stochastic scenarios must be considered |
| Maintenance expenses | Excluded from liability | Directly attributable expenses included in liability |
| Acquisition costs | Separate DAC asset | Included within liability |
| Discount rate | Consistent with characteristics of the liability; estimated by single-A rate | Consistent with characteristics of the liability; estimated via “top down” or “bottom up” calculation |
| Risk adjustment | Not included in liability | Explicit risk adjustment required as component of the liability |
| Revenue recognition | Premiums | Calculated amount based on change in risk adjustment, change in CSM, and expected claims and expenses |

Treatment of market risk benefits under LDTI and IFRS 17

| | LDTI | IFRS 17* |
|------------------------------------|---|--|
| General approach | Separate asset or liability | Accounted for as part of overall contract liability |
| Measurement model | Fair value | IFRS 17 general model |
| Cash flows | Market participant view (likely consistent with insurer's best estimate) | Best estimate |
| Stochastic scenarios | Likely required | Likely required |
| Discount rate | Risk free rate plus instrument-specific non-performance risk (own credit) | Consistent with characteristics of the liability; estimated via "top down" or "bottom up" calculation |
| Risk margin/risk adjustment | Explicit risk margin required for unobservable inputs | Explicit risk adjustment required for non-financial inputs (general methodology for risk adjustment calculation may be similar to that for fair value risk margin) |
| Treatment of changes in own credit | Reported in OCI | N/A |

*Assuming the feature is not bifurcated as an embedded derivative under IFRS 17; most market risk benefits would not be bifurcated under

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: How far are you along with
implementation?**

How far are you along with implementation?

- a. Planning and impact analysis
- b. Technology assessment and selection
- c. Kick starting implementation
- d. Implementation is well underway

IFRS 17 impact to systems and process

IFRS 17 is scheduled to be applied for reporting periods starting on or after 1 Jan 2022. It is a critical challenge for MetLife entities to understand the operational impacts on data, systems and process. The impact to systems and process may include:

- Change in level of contract data granularity required to support cash flow generation and CSM calculation
- Impact on historical data retention for ongoing and transition
- Data and capability required to perform and support analysis of change
- Requirement to create additional IFRS 17 disclosures as per regulatory requirements
- Allocation of expenses and acquisition cost at more granular level
- Impact to finance close process and greater collaboration and transparency over Finance & Actuarial teams and processes
- Impact to end to end reconciliation process
- Integration with general ledger to create Balance Sheet and P/L reports

System Implementation

Direct perspective

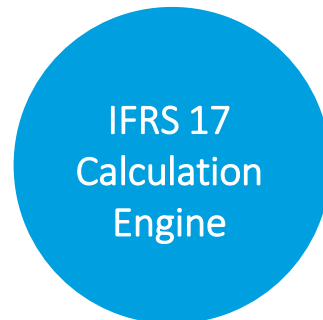
Reinsurer perspective

Financial statement user perspective

IFRS 17 Regulatory Impacts

IFRS 17: Change is an Opportunity to Make Better Business Decisions

- IFRS 17 is one on many new requirements that insurers are facing
 - Approach changes to accounting in a holistic manner especially given alignment of LDTI deadline
 - Tactical solutions to meet compliance requirements and deadlines are stepping stones to strategic accomplishments for broader actuarial and finance transformation and modernization
- Technology enables seamless integration and accelerates the business with faster actuarial runs, faster financial reporting, and a faster close
- Actuaries, accountants, and IT work together in a collaborative platform
- Security, governance, and preventive automated controls in the cloud
- Better insights leading to better business decisions and effective communication with investors, analysts, and regulators



Streamline IFRS 17 compliance

CORE CAPABILITIES



Controlled environment to manage the end-to-end process



Robust accounting engine



Single platform for multiple business lines



End user friendly UI built using industry input



Supports all methodologies (PAA, GMM, VFA)



Support for financial statements and disclosures



Support for accounting options in the standard



Cloud / SaaS

IMPLEMENTATION APPROACH



Focus on configuration – not customization



Use case based agile approach

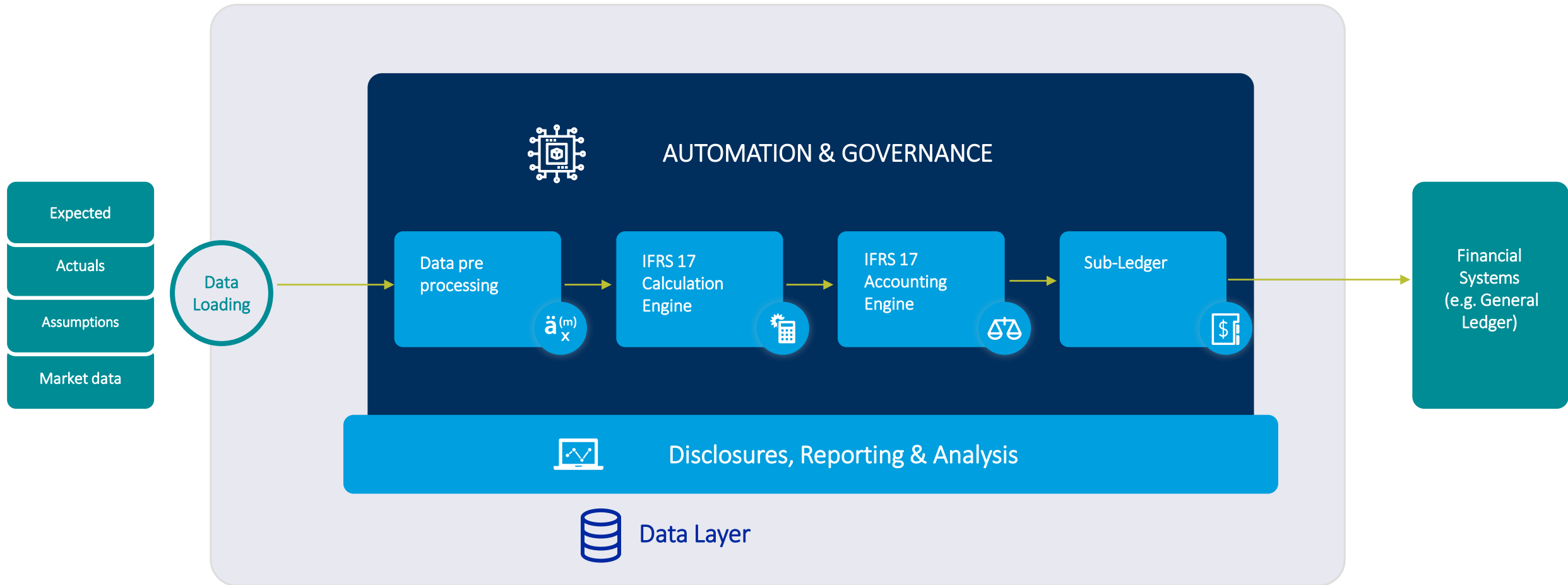


Strong partner ecosystem



Vendor maintained updates

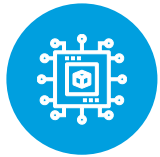
IFRS 17 Solution Overview



IFRS 17 Solution



Agnostic to actuarial engine enabling use of multiple actuarial systems that allows for the consolidation of information to provide comprehensive IFRS 17 calculations for a multi-line of business, multi-entities insurance group.



Automation and process governance provides a framework to ensure the secure and efficient processing of data at the holding company, or other entity level.



A reporting and analysis component that facilitates the production of the reports for disclosure or management analysis.



A data layer and staging area that enables the data gathering, data manipulation, data storage in the context of IFRS 17. This covers expenses allocation, onerousness, premium allocation approach (PAA) eligibility.



An IFRS 17 accounting engine to create journal postings, reflecting your accounting policy choices, with easy mapping to your chart of accounts (CoA).



An IFRS 17 calculation engine that provides the necessary IFRS 17 calculations (e.g. CSM) for the actuarial engine(s).



Disclosures that help generate all required financial statements and disclosures, movements, B/S, roll forward.

Core Requirements and Capabilities



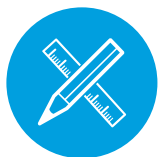
Grouping and Aggregation

- Develop complete list of all data items needed for grouping, measurement and disclosures.
- Provide option to aggregate contract level data or leverage pre-grouped data for insurance groups.



Data Pre-processing

- Derivation of cashflows based on patterns such as claims payment pattern, premium pattern.
- Support multiple methodologies to bucket costs, expenses, fees, premiums to insurance groups.



Measurement Options (PAA, GMM)

- Calculation and roll forward of LRC and LIC.
- Support ability to take in non-linear patterns for acquisition cost, revenue, claims.
- Discounting and risk adjustment for LRC and LIC.



PAA Eligibility and Onerosity Testing

- Ability to run GMM and PAA models for eligibility testing, alternately take in GMM PvCF as input.
- Model and track onerous contracts, track losses and loss reversals.



Sub-Ledger

- Comprehensive CoA to support the new financial statement and disclosure requirement.
- Robust sub-ledger capabilities, CoA, journal creation, soft and hard postings, trial balance.



Disclosures, Reporting and Analysis

- Generate all required financial statements and disclosures, movements, B/S, roll forward.
- Ability to disaggregate IFRS 17 results to reserving segments or other levels for internal reporting.

Q&A (including questions from virtual audience)



**COMING
THIS FALL**



Bios



About the Speaker: Andrew D. Rallis

Executive Vice President & Global Chief Actuary MetLife, Inc.



Mr. Rallis is responsible for the practice of actuarial science across MetLife.

Regional Chief Actuaries report jointly to Mr. Rallis and their respective CFOs. Global actuarial functions also reporting to Mr. Rallis include Asset/Liability Management, Global Actuarial Modeling, Emerging Actuarial Issues and Actuarial Services.

He is Chairman of MetLife's captive reinsurers and serves on several internal asset/liability management and risk management committees.

Mr. Rallis is President-Elect of the Society of Actuaries and serves on its Board of Directors and its Leadership Team.

He also serves on its International Committee, its Employer Advisory Council, and presides over the Council of Section Chairs.

He represents MetLife on the corporate advisory council of the International Association of Black Actuaries and on the Chief Actuaries Forum.

He is a frequent speaker at industry meetings on ALM and actuarial topics such as the risk management of variable annuities, the impact of low interest rates on insurers, and the transformation of actuarial functions.

Mr. Rallis joined MetLife in 1984 in MetLife's Actuarial Development Program. He has advanced through roles of increasing responsibility in pricing, valuation and ALM departments and has extensive capital markets, US Generally Accepted Accounting Principles (GAAP), statutory financial reporting and product development experience.

He has participated extensively in the Company's adoption of GAAP accounting, the demutualization and funding of the Closed Block, the development of MetLife's economic capital and European embedded value models, and in the actuarial due diligence of and purchase GAAP accounting for various acquisitions.

Mr. Rallis graduated from the Massachusetts Institute of Technology (MIT) in 1982 with a BS in Physics and a BS in Mathematics. He is Fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

About the Speaker: Jonathan Turner

- Senior Vice President & CFO of Swiss Re's Canadian operations, including the company's Property & Casualty and Life & Health reinsurance operations in both Canada and the English Caribbean.
- Prior experience includes 12 years with Ernst & Young's Insurance Audit practice with a variety of P&C and Life & Health clients on both assurance and advisory engagements in the United Kingdom and Canada.
- Serves on the Finance Standing Committee of Insurance Bureau of Canada, the IFRS 17 Implementation Group of the Canadian Life & Health Insurance Association and the Transition Resource Group of the Canadian Accounting Standards Board.
- UK CA, and holds a Bachelor of Arts degree in French & Management Studies from the University of Leeds.



About the Speaker: Eve Pastor



- Director – Risk and Accounting Solutions at Moody’s Analytics
- Insurance Accounting Subject Matter Expert
- Prior experience includes MetLife, Swiss Re, Transamerica, and North Carolina Department of Insurance
- Licensed CPA in NC and DE
- Contributed to comment letters, field testing, and industry advocacy and outreach to IASB and FASB regarding exposure drafts that were issued as IFRS 17 and US GAAP Targeted Improvements to the Accounting for Long-Duration Contracts and US GAAP Update on Hedging as well as the IASB’s macro hedging project
- **Interested in the intersection of accounting, actuarial science, and technology in service of insurers’ and policyholders’ success**

About the Moderator: Rebecca Rycroft



Rebecca Rycroft
FSA, FCIA, MAAA

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- Rebecca Rycroft is the Senior Vice President and Chief Financial Officer, at Munich Re, Canada (Life and Health). She is responsible for the overall financial position of the Canadian Life branch and contributes to the strategy and success of the business at an executive level.
- Rebecca joined Munich Re in 2018. She has over 20 years' experience in the insurance industry. Previous to this role, she was a Senior Principal at Oliver Wyman where her role included serving as the Appointed Actuary of Life Insurers.
- Rebecca has served as a member of various industry committees, including: the Canadian Actuarial Standards Board and the ASB IFRS 17 Designated Group, the CLHIA LICAT working group, and served as both a member and chair of CLIFR (CIA Committee on Life Insurance Financial Reporting).
- She is a graduate of the University of Western Ontario, a Fellow of both the Society of Actuaries and the Canadian Institute of Actuaries, and Member of the American Academy of Actuaries.