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News from Latin America: SOA Conducts an IFRS 17 and Solvency II Workshop in São Paulo

By Alexandre Leal

Editor's note: This article was originally published on the website of the National Confederation of General Insurance, Pensions and Life, Health, and Capitalization Products Companies (CNseg) of Brazil on July 19, 2019. It has been translated from the original Portuguese by Marli Barba.

The IFRS 17 and Solvency II Seminar, sponsored by the Latin American Committee of the Society of Actuaries (SOA) and supported by CNseg, took place July 15–17 at Escola Nacional de Seguros, in São Paulo, Brazil. The seminar was presented by Alexandre Leal, CNseg technical and studies director, highlighting the relevance of the topic for the insurance industry and recalling the occasions in which CNseg promoted initiatives such as this one, helping with the technical

improvement of the professionals of the industry and the resulting positive effects on commissions' debates, and in the forums constituted by regulators to deal with these issues.

Ronald Poon-Affat, FSA, opened the seminar by addressing the mission of the SOA—which has more than 31,000 members worldwide—promoting education, research and professional development. According to him, IFRS 17 is considered today “the most disruptive norm of all time.” Published in May 2017, this is a new international financial reporting standard for insurance contracts. It is estimated that its impact will reach 186 countries around the world. In Brazil, companies in the publicly traded insurance sector should adopt the international standard. The others are still waiting for definitions from insurance regulatory agencies (SUSEP [Superintendence of Private Insurance] and ANS [National Agency of Supplementary Health]).

Máris Gosmann, a professor at Federal University of South Rio Grande and director of the Brazilian Actuarial Institute, addressed the concepts and issues of IFRS 17, such as treaty measurement, separation of contract components, aggregation level, the new form of result statement and disclosure of the assumptions made, as well as detailing the principles that guide future rules, which will come into effect in 2022.

Carlos Arocha, FSA, developed even further the concepts of the norm, also talking about the treatment given to reinsurance treaties through practical application exercises. Among IFRS 17 features, it highlighted the best comparability, the most intuitive economic vision and better perception of profit and transparency, as well as bringing more dynamism, consistency and cash flow strength. Also highlighted was the importance of the



Left to right: Carlos Arocha, Máris Gosmann and Alexandre Leal

accounting, financial, actuarial, technology and risk management sectors to work together toward an effective implementation of IFRS 17.

The IFRS 17 seminar ended in the morning of the second day with the presentation of implementation workflow consisting of:

- mapping sources of information, including insurance contract data and actuarial information;
- validation and data enrichment;
- filing;
- insurance contract group definition (groupings);
- insurance contract classification (non-onerous, onerous, etc.);
- insurance contract service margin calculation, risk adjustment, among other variables;

- identification of the specificities of IFRS 17 in the accounting process;
- consolidation and reconciliation;
- financial statements, including explanatory notes; and
- internal reports demonstrating the interfaces with solvency capital requirements.

In the afternoons of the 16th and 17th, the SOA seminar addressed issues related to Solvency II, a risk-based capital standard applied to European insurers and an inspiration for the Brazilian current model. ■

Alexandre Leal is the technical and studies director at CNseg in Brazil.

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