SLFRS 17 IMPLEMENTATION EFFECT ON COMPANY'S FINANCIAL STATEMENTS

EFFECTS ON THE STATEMENT OF FINANCIAL POSITION

			EXPECTED EFFE	CTS OF SLFRS 17
	SCENARIO		Insurance contract liabilities	Equity
Current or	Currently used discount rate	If historical rate is lower than current rate	▼ Decrease	▲ Increase
historical Assumptions	(i.e. historical rate)	If historical rate is higher than current rate	(A) Increase	▼ Decrease
5.1.4	Compath cond Birly respect	If risk margin is higher than risk adjustment in SLFRS 17	▼ Decrease	(A) Increase
Risk Margins	Currently used Risk margin	If risk margin is lower than risk adjustment in SLFRS 17	(A) Increase	▼ Decrease
Financial options and	Current value of minimum interest	If doesn't fully reflect in measurement of insurance contracts	Increase	▼ Decrease
guarantees	rate guarantees	If fully reflects in measurement of insurance contracts	◆ Low effect	● Low effect
Acquisition	Existing treatment on acquisition	If expensed as incurred (i.e. the	▼ Decrease	▲ Increase
Cost	costs	current treatment)	Depends	Depends

General model (Building Block Approach - BBA)	Complex: requiring calculation of a Unearned Premium at a granular level at inception and tracked over life of the contract	Default approach for the measurement of insurance contracts
Premium allocation approach (PAA)	Simplified: similar to current accounting but with liability valuation based a model which is similar to discounting and risk margin	Generally, used for the contracts with duration of less than 12 months
Variable fee approach (VFA)	Similar to the general model, but with an obligation to pay policyholders an amount equal to the fair value of underlying items, less an insurer's fee which is variable.	Used for the contracts with direct participation features

Indicator	Caption	SLFRS 4	SLFRS 17		
9.0	Insurance contract liabilities	Dragant congretaly	Present separately		
	Reinsurance contract assets	Present separately			
	Insurance contract assets	Net with insurance contract liabilities			
V	Reinsurance contract liabilities	Net with reinsurance contract assets	Present separately on the Statement of Financial Position		
	Deferred acquisition costs		Include under Insurance contract liabilities and provide a reconciliation from the opening to closing balances of insurance acquisition cash flows (CFS) as a disclosure note.		
	Value of business acquired	Present separately	Include in the measurement of insurance contracts and disclose value of contracts acquired on initial recognition. Subsequently, this value will be included within the contractual service margin.		
	Policy loans		Include in the measurement of insurance contracts and disclose if they are a key metric for the company financial statement users.		
X	Premiums receivable	Present separately as financial assets	Include in the measurement of insurance contracts and disclose premiums received for insurance contracts issued in a reconciliation from the opening to closing balances of insurance contracts.		
	Unearned premiums	Present separately for non-life insurance contracts	Include in the measurement of insurance contracts and are disclosed as specified in premium receivable.		
	Claims payable	Present separately as financial liabilities	Include in the measurement of insurance contracts and disclose claims paid in a reconciliation from the opening to closing balances of insurance contracts.		

🚺 🕟 Line items unchanged (for presentation purposes) 🗸 Expected 'new' line items 🔀 Line items not required by either SLFRS 4 or SLFRS 17

EFFECTS ON THE STATEMENT OF COMPREHENSIVE INCOME

nclude within premiums (as income)

Release with change in insurance

contract liabilities

Include an implicit risk margin and

release it with change in insurance

contract liabilities



Exclude from insurance revenue and from incurred claims and

and within change in insurance contract liabilities (as expense)	Exclude from insurance revenue and from incurred claims and other expenses
Gross written premium represents the insurance revenue	Insurance revenue including components of: allocation of CSM, release of risk adjustment for non-financial risk, release of expected CFS, recovery of insurance Acquisition CFS (If available based on deferment)
When relevant, include within change in insurance contract liabilities	Accretion of interest on insurance contract liabilities include within insurance finance expenses and maybe a part record in OCI based on accounting policy choice.

the coverage period based on the coverage units, reflecting the expected duration and size of the contracts benefits in the group.

Include an explicit risk adjustment which reflects company's own assessment of risk and release as a part of insurance revenue.

Effects of changes in discount rates	Scenarios				
	Increase in risk-free rate Increase in asset default risk				
Value of financial assets measured at fair value	Decrease	▽ Decrease			
Value of insurance contract liabilities	▽ Decrease	♦ ♦ No change			
Effect on profit — SLFRS 4	Decrease	▽ Decrease			
Effect on profit — SLFRS 17	No effect if matched	○ Decrease			
Treatment for estimation changes in fulfillment cash flows					

Treatment for estimation changes in fulfillment cash flows					
Effects of changes in estimation of fulfilment CFs	Initial Recognition Subsequent Measureme				
Results net outflow (onerous contracts)	Charge loss immediately to the Profit or Loss (P&L)	Recognise additional losses to the P&L			
Results net inflow (Profitable and contracts can become onerous subsequently)	Recognise the contractual service margin and releases it to the P&L based on coverage units over the period.	Adjust contractual service margin and if it becomes zero, recognise the additional charge to P&L.			





EFFECTS ON DISCLOSURE NOTES

	Disclosure requirements	What's new?
Ins	surance Contract Liabilities	
•	conciliation of the net carrying amounts of contracts analysed by: The net liabilities (assets) for remaining coverage excluding the loss component Any loss component The liabilities for incurred claims The estimates of the present value of the future cash flows The risk adjustment for non-financial risk The CSM	•
	surance Finance Income or Expense (IFI or IFE)	
Exp	planation of the relationship between insurance finance income or expenses d the investment return on assets	•
As	sets for insurance acquisition cash flows	
•	conciliation of assets for insurance acquisition cash flows including: Recognition of impairment losses and reversals Quantitative disclosure of when the entity expects to derecognise an asset for insurance acquisition cash flows in appropriate time bands	•
Co	ntracts not measured under the PAA	
•	An analysis of insurance revenue An analysis of the effect of contracts initially recognised in the period Quantitative disclosure of when the entity expects to recognise the remaining CSM in profit or loss in appropriate time bands	•
Dir	rect participating contracts	
:	The composition of underlying items and their fair values The effect of the risk mitigation option For any change in the basis for disaggregating IFI or IFE (Why change is required, amount of adjustment, impact on carrying amount)	•
Tra	ansition amounts	
	r contracts measured under the modified retrospective approach or the fair ue approach:	
•	Reconciliation of the CSM	
•	Amounts of insurance revenue separately under each approach How the entity determined the measurement of the contracts at the date of transition If IFI or IFE are disaggregated between P&L and OCI, a reconciliation of	•

Z	Disclosure requirements	What's new?
RISKS ARISING FROM INSURANCE CONTRACTS	Information about the effect of the regulatory frameworks If contracts are included within the same group as a result of law or regulation	•
5	Information about risk concentrations	
	For each type of risks:	
	The exposures to risks, how they arise and changes therein	
	The entity's objectives, policies and processes for managing the risks, methods used to measure the risks and changes therein	•
	Summary quantitative information about exposure to the risk at the reporting date, based on information provided internally to key management personnel or, when this is not provided, based on the specific disclosure requirements provided	
	Insurance and market risks	
	For insurance risk, a sensitivity analysis that shows the effect for insurance contracts issued, before and after risk mitigation by the reinsurance	
	Methods and assumptions used in preparing the sensitivity analyses, changes therein and the reasons for such changes	
	If an entity discloses an alternative sensitivity analysis in place of any of those specified above, explanations of the method used and its objective, the main parameters and assumptions, and any limitations that may result in the information provided	
	For each type of market risk, a sensitivity analysis that explains the relationship between the sensitivities from insurance contracts and those from financial assets	•
А		

the cumulative amounts included in OCI for related financial assets at



Disclosure requirements	What's new?
Insurance risk	
Claims development – i.e. actual claims compared with previous estimates of the undiscounted amount of the claims	•
Credit risk	
The entity's maximum exposure to credit risk	
Information about the credit quality of reinsurance contract assets	•
Liquidity risk	
A description of how liquidity risk is managed	
Maturity analyses that show, as a minimum, net cash flows for each of the first five years after the reporting date and in aggregate beyond the first five years, which may be based on the estimated timing of:	•
• The remaining contractual undiscounted net cash flows; or	
• The estimates of the present value of the future cash flows	
Amounts that are payable on demand and their relationship with the carrying amounts of the related portfolios of contracts	•

New disclosure Existing requirement Expanded requirement - Similar disclosure more detailed or specific under SLFRS 17

EFFECTS ON KEY FINANCIAL METRICS

(SLERS 17)

Return On Equity (ROE)

Earnings Per Share (EPS)

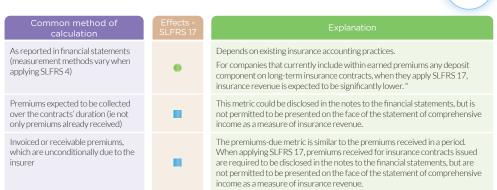
Earned premiums Insurance revenue

applying SLFRS 4)

Equity

Profit or loss

Number of shares outstanding



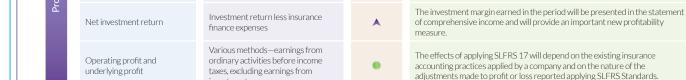
existing insurance accounting practices applied by a company.

change the denominator.

Depends on the effects on profit or loss, which depend on the existing

insurance accounting practices applied by a company. SLFRS 17 does not

iontractual service margin dded from new contracts	Contractual service margin initially recognised in the period	*	This will be a new metric provided by all insurers in a consistent manner. S 17 requires its disclosure in the notes to the financial statements. This metric is similar to the value added from new business, a metric prov
nsurance service result	As reported applying SLFRS 17	A	This will be a new metric comprising insurance revenue less insurance ser expenses.
rofit or loss	As reported applying SLFRS Standards	***	Depends on the existing insurance accounting practices applied by a com-
	Profit or loss		D 1 11 (() () 1 1 1 1 1 1 1 1 1 1 1 1 1





Insurers are expected to review the cash flow classification in their operating, Various methods—cash flow from financing and investing activities in the light of the changes introduced by Net operating cash flow operating activities does not include SLFRS 17 in the presentation of information about insurance contracts in the cash related to equity and borrowing statement of comprehensive income. ▲ New metric ■ No change ● Depends

THE ESSENTIAL INSURANCE JARGONS

FRS 4	SLFRS 17	SLFRS 4	SLFRS 17	SLFRS 4	SLFRS 17
loss reserves	Liability for incurred claims-LIC	Value in force-VIF	Contractual service margin-CSM	Unearned premium reserves-UPR	Liability for remaining coverage-LRC
writing profit	Insurance service result	New business profit	Contractual service margin-CSM	Experience variances -life	Experience adjustments and change in estimates

Premiums due Premiums received Premiums written