

IFRS17 et les enjeux actuariels de présentation du New Business

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IFRS17 et les enjeux actuariels de présentation du New Business en assuran...

11:30-12:15

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Avec vous aujourd'hui

Conférenciers



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Journee100pour100.fr - Les intervenants



Agenda

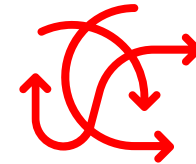
1. Introduction
2. Les exigences de la norme IFRS17 et leur mise en œuvre
3. Les pratiques actuarielles, tous référentiels confondus
4. Le sondage
5. Conclusion

Introduction



- Avant 2023, une communication autour du NB **plutôt peu contrainte** :

- Rien en matière de normes comptables FG et IFRS
- Un emploi diffus du concept d'embedded value (MCEV / TEV / EEV) malgré des initiatives d'harmonisation, notamment en Europe
- Solvabilité 2 : une publicité centrée en premier lieu sur le ratio de couverture



- Au 01/01/2023, arrive IFRS 17 :
 - **Une mort programmée de l'EV chez ceux en IFRS**
 - **Un travail plus général de convergence avec S2**
 - Une réflexion de rationalisation accrue de la communication financière



Les exigences de la norme IFRS17 et leur mise en œuvre (1/3)

- Pour les contrats comptabilisés selon les modèles BBA et VFA, la norme exige que l'effet des nouveaux contrats soit présenté à 2 endroits :

101 For insurance contracts other than those to which the premium allocation approach described in paragraphs 53–59 or 69–70A has been applied, an entity shall also disclose reconciliations from the opening to the closing balances separately for each of:

- (a) the estimates of the present value of the future cash flows;
- (b) the risk adjustment for non-financial risk; and
- (c) the contractual service margin.

104 An entity shall separately disclose in the reconciliations required in paragraph 101 each of the following amounts related to services, if applicable:

- (a) changes that relate to future service, applying paragraphs B96–B118, showing separately:
 - (i) changes in estimates that adjust the contractual service margin;
 - (ii) changes in estimates that do not adjust the contractual service margin, ie losses on groups of onerous contracts and reversals of such losses; and
 - (iii) the effects of contracts initially recognised in the period.

- Dans le tableau de récurrence des composants des *fulfilment cash flows* et, notamment, de la CSM ;

107 For insurance contracts other than those to which the premium allocation approach described in paragraphs 53–59 or 69–70A has been applied, an entity shall disclose the effect on the statement of financial position separately for insurance contracts issued and reinsurance contracts held that are initially recognised in the period, showing their effect at initial recognition as:

- (a) the estimates of the present value of future cash outflows, showing separately the amount of the insurance acquisition cash flows;
- (b) the estimates of the present value of future cash inflows;
- (c) the risk adjustment for non-financial risk; and
- (d) the contractual service margin.

108 In the disclosures required by paragraph 107, an entity shall separately disclose amounts resulting from:

- (a) contracts acquired from other entities in transfers of insurance contracts to business combinations; and
- (b) groups of contracts that are onerous.

- De façon isolée, en précisant leur impact sur les différents composants, tout en séparant l'information entre :

- Les contrats d'assurance émis ;
- Les contrats de réassurance détenus ;
- Les contrats acquis ;
- Les contrats onéreux.

- Cette exigence se situe dans un cadre européen particulier :
 - La Commission européenne a ouvert la possibilité de ne pas appliquer le principe normatif de limiter tout groupe de contrats à ceux émis au plus durant une année (« *annual cohort* ») ;
- La norme ne précise pas comment mesurer la contribution du New business, notamment pour les contrats pour lesquels existent une mutualisation intertemporelle ;
- Seul l'EFRAG, dans un document de travail, a recensé des pratiques actuarielles possibles en la matière.

22 An entity shall not include contracts issued more than one year in the same group. To achieve this the entity shall, if necessary, further subdivide the groups described in paragraphs 16–21.

COMMISSION REGULATION (EU) 2021/2036 of 19 November 2021 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17

Article 2

1. Each company shall apply the amendment referred to in Article 1 at the latest as from the commencement date of its first financial year starting on or after 1 January 2023.

2. By way of derogation from paragraph 1, a company may choose not to apply the requirement laid down in paragraph 22 of the Annex to this Regulation as regards:

- (a) groups of insurance contracts with direct participation features and groups of investment contracts with discretionary participation features as defined in Appendix A to the Annex to this Regulation, and with cash flows that affect or are affected by cash flows to policyholders of other contracts as laid down in paragraphs B67 and B68 of Appendix B of that Annex;
- (b) groups of insurance contracts that are managed across generations of contracts and that meet the conditions laid down in Article 77b of Directive 2009/138/EC and have been approved by supervisory authorities for the application of the matching adjustment.

When a company does not apply the requirement laid down in paragraph 22 of the Annex to this Regulation in accordance with paragraph 2 (a) or 2 (b) it shall disclose this, in accordance with International Accounting Standard 1 Presentation of Financial Statements, in the notes as a significant accounting policy and provide other explanatory information such as for which portfolios the company has applied this exemption.

Article 3

The Commission shall review the optional exemption laid down in Article 2(c) by 31 December 2027 and, where appropriate, propose to amend or end that exemption.

Les exigences de la norme IFRS17 et leur mise en œuvre (2/3)

- L'exemple de deux acteurs internationaux :
 - Une présentation convergente en IFRS
 - Des liens commentés entre NBV et NB-CSM

- Rappel :
 - Valeur des marges futures calculée au **point de vente**
 - Uniquement les contrats relevant des modèles **VFA et BBA**
 - Contrats d'assurance émis et de réassurance détenus.
 - Modalités de prise en compte des effets de **mutualisation** entre stock et AN pas imposées

6.4 Analysis by measurement component – contracts not measured under the FFA – Allianz Group

Analysis by measurement component – contracts not measured under the FFA – Allianz Group

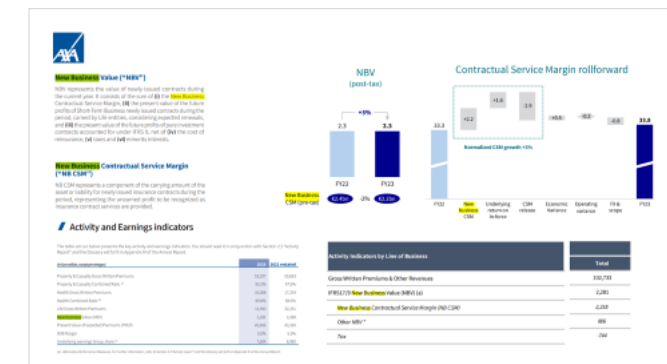
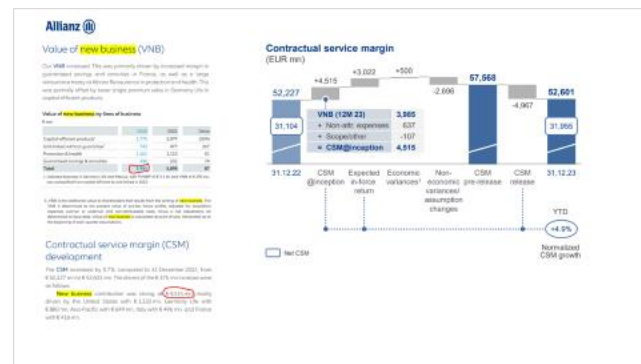
Component	2023	2022	2021
Insurance contracts	1,000	950	900
Reinsurance contracts	500	450	400
Financial assets	100	100	100
Financial liabilities	100	100	100
Other	100	100	100

6.5 Insurance contracts initially recognized in the period

Component	2023	2022	2021
Insurance contracts	1,000	950	900
Reinsurance contracts	500	450	400
Financial assets	100	100	100
Financial liabilities	100	100	100
Other	100	100	100

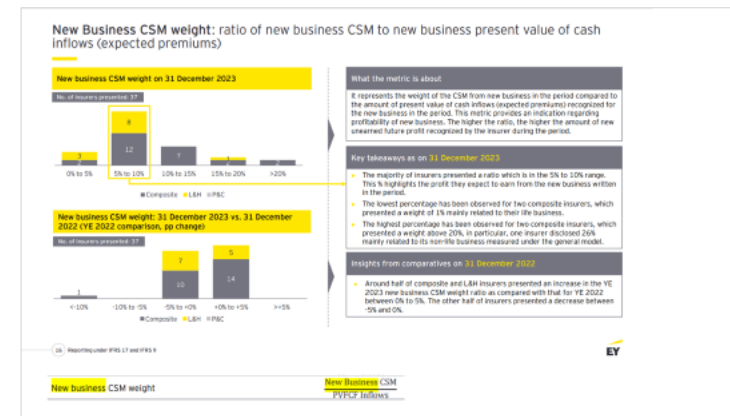
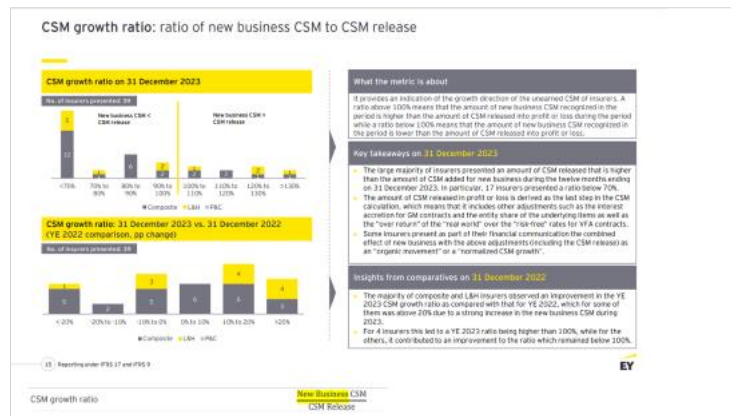
Value actuariale des profits futurs sur les contrats profitables

Value actuariale des pertes futures sur les contrats décevants



Les exigences de la norme IFRS17 et leur mise en œuvre (3/3)

- De fait, tout sondage sur les seuls rapports financiers et autre communication financière suggèrent des travaux ou informations complémentaires pour assurer la comparaison :



- Une lecture fine amène en effet au constat de :
 - Communication financière utilisant soit NBV, soit NB-CSM, soit d'autres nouveaux concepts tels que « deferred profit » ;
 - Emploi de l'EV hors d'Europe ;
 - Usage des concepts de Primes en assurance non-vie ou d'ANP en vie.

Les pratiques actuarielles (1/3) : un peu d'histoire

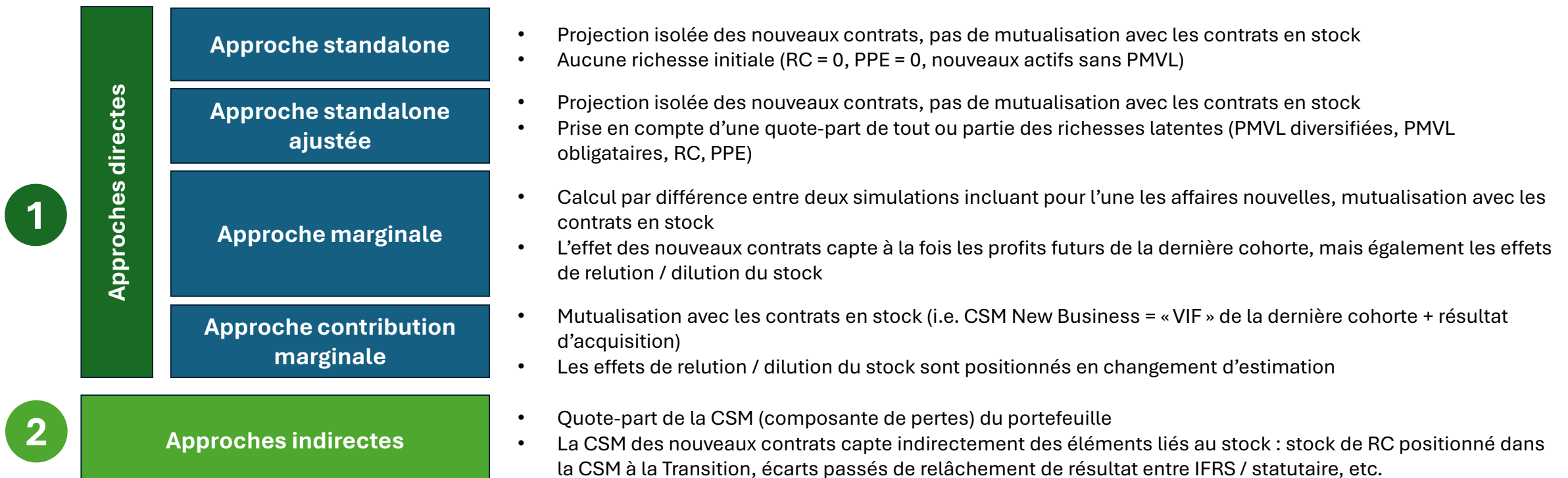
- La valeur des affaires nouvelles a progressivement évolué depuis l'entrée en application de Solvabilité 2, puis de la norme IFRS 17.
- Son adaptation aux différents contextes normatifs a notamment permis de toujours disposer d'un référentiel méthodologique partagé à l'échelle du marché.

Rappels

	European embedded value (EEV)	Market consistent embedded value (MCEV)	MCEV sous environnement S2	New CSM
Périmètre	Chiffre d'affaires de l'année	Chiffre d'affaires de l'année	Chiffre d'affaires de l'année	Affaires souscrites au cours de l'année, dont primes futures
Courbe des taux	Taux sans risques + prime d'illiquidité	Taux sans risques + prime d'illiquidité	Courbe des taux S2	Courbe des taux IFRS 17
Frais modélisés	Tous	Tous	Tous	Frais attribuables au sens IFRS 17
Composantes de perte	Non	Non	Non	Oui

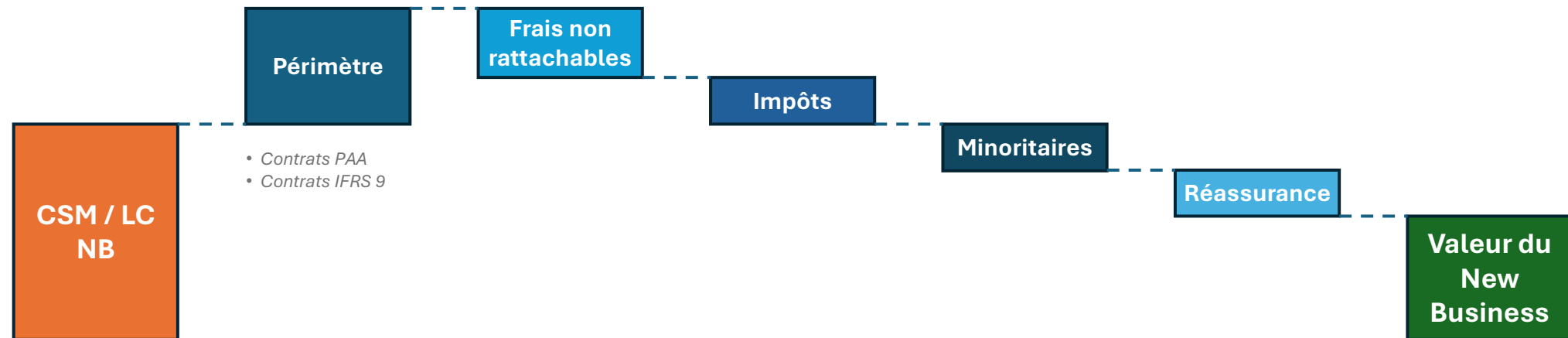
Les pratiques actuarielles (2/3) : les approches couramment retenues

- Aux dispositions normatives IFRS 17 s'ajoutent les besoins propres à la communication financière réclamant parfois la diffusion d'une VNB comme indicateur de la performance de la souscription propre à l'exercice.
- Les approches retenues à ce jour sont plutôt hétérogènes, notamment pour les contrats relevant du modèle VFA :



Les pratiques actuarielles (3/3) : la mise en œuvre dans le contexte d'IFRS 17

- Les éléments requis par IFRS 17.101, IFRS 17.107 et IFRS 17.108 sont chez certains assureurs complétés par des indicateurs extra-comptables relatifs à la rentabilité de la nouvelle production, notamment la Valeur du New Business :



- Certains acteurs publiant une VNB ne prennent pas la totalité de ces retraitements (ex : VNB brute d'IS, non réintégration des frais non rattachables, etc.)
- La frontière des contrats IFRS 17 (i.e. inclusion des versements libres dans le périmètre du contrat initial) ne fait généralement pas l'objet de retraitement.

Le sondage (1/4)

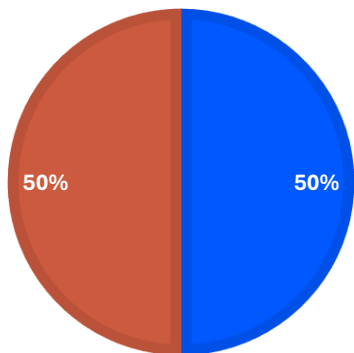
Méthodologie du sondage et typologie des acteurs sondés

- Méthodologie retenue :
 - 14 groupes d'assurances sondées sur 5 questions principales
 - Résultats présentés issus des publications de ces groupes et des retours directs au sondage

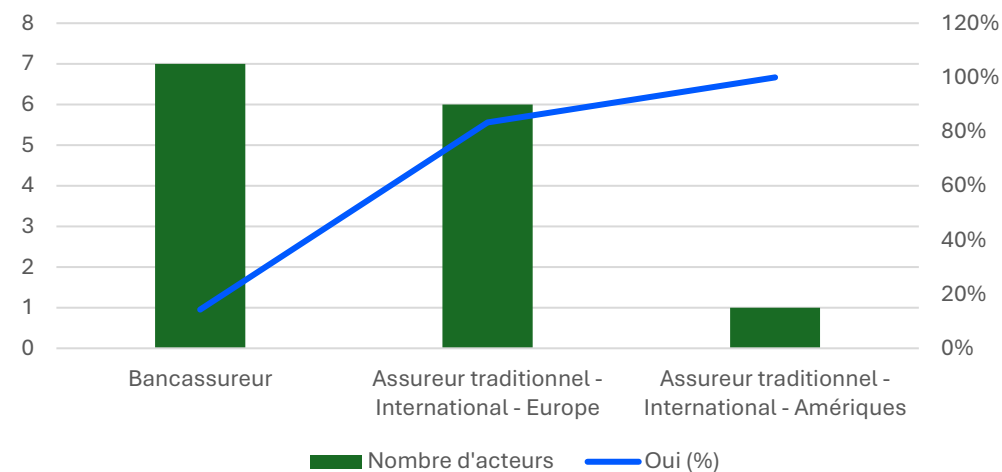
- **Question 1 : Avec le passage à IFRS 17, avez-vous fait évoluer le concept de New Business Value (NBV ou VNB)?**
 - 1.1 Oui en IFRS 17 et en Communication financière
 - 1.2 Oui pour la seule IFRS17

■ Oui en IFRS 17 et en Communication financière

■ Oui pour la seule IFRS17



- La moitié des 14 acteurs interrogés publie un indicateur de NBV au sein de leur communication financière
- La plupart sont des assureurs traditionnels internationaux
- Le sondage ne prend pas en compte les indicateurs de NBV internes qui sont souvent mis en place



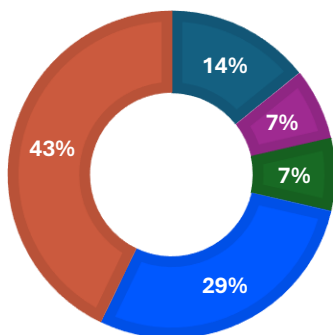
Le sondage (2/4)

Méthodes de calcul de la CSM NB et de la VNB

- **Question 2 : Quelle technique avez-vous mis en œuvre pour le calcul de la VNB des contrats VFA en IFRS 17 ?**
- **Question 3 : Quelle technique et ajustements par rapport à IFRS 17 avez-vous mis en œuvre pour le calcul de la VNB des contrats VFA en communication financière ?**
 - 2.1/3.1 Approche standalone : la CSM des affaires nouvelles est calculée sans prise en compte du stock
 - 2.2/3.2 Approche standalone ajustée : Méthode 1 avec une allocation d'une partie des actifs dans le calcul de CSM (et non du BE)
 - 2.3/3.3 Approche marginale : CSM des affaires nouvelles calculée par différence entre la CSM globale avec et sans affaires nouvelles
 - 2.4/3.4 Approche contribution marginale : CSM globale déterminée avec les affaires nouvelles et la CSM des affaires nouvelles est calculée de manière séparée
 - 2.5/3.5 Approche contribution marginale au travers d'une allocation : CSM globale déterminée avec les affaires nouvelles et la CSM des affaires nouvelles est calculée au travers d'une allocation

QUESTION 2

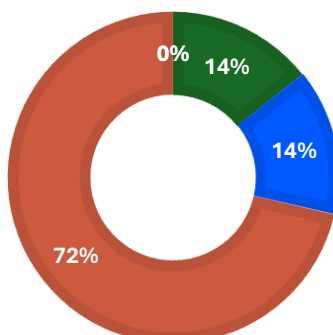
■ 2.1 ■ 2.2 ■ 2.3 ■ 2.4 ■ 2.5



Echantillon : 14 acteurs

BANCASSUREURS

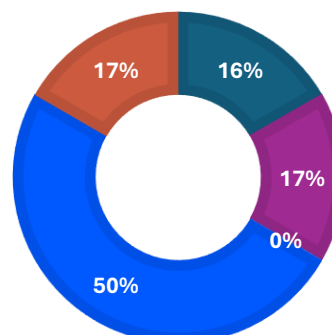
■ 2.1 ■ 2.2 ■ 2.3 ■ 2.4 ■ 2.5



Echantillon : 7 acteurs

ASSUREUR TRADITIONNEL - EUROPE

■ 2.1 ■ 2.2 ■ 2.3 ■ 2.4 ■ 2.5

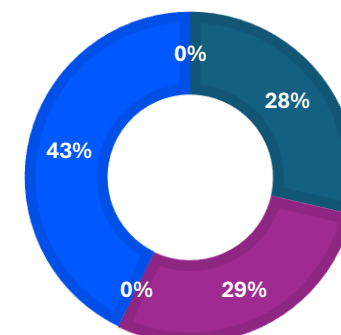


Echantillon : 6 acteurs

- La méthode marginale représente, en IFRS, 79% des acteurs au global et la totalité des bancassureurs, avec une pondération prépondérante pour la méthode 5 (43% au global, 72% des bancassureurs)
- Les méthodes standalone sont utilisées par les acteurs internationaux qui publiaient déjà une VNB selon cette méthode avant IFRS 17, cette méthode est d'ailleurs toujours majoritaire pour les VNB publiées (57%)

QUESTION 3

■ 3.1 ■ 3.2 ■ 3.3 ■ 3.4 ■ 3.5



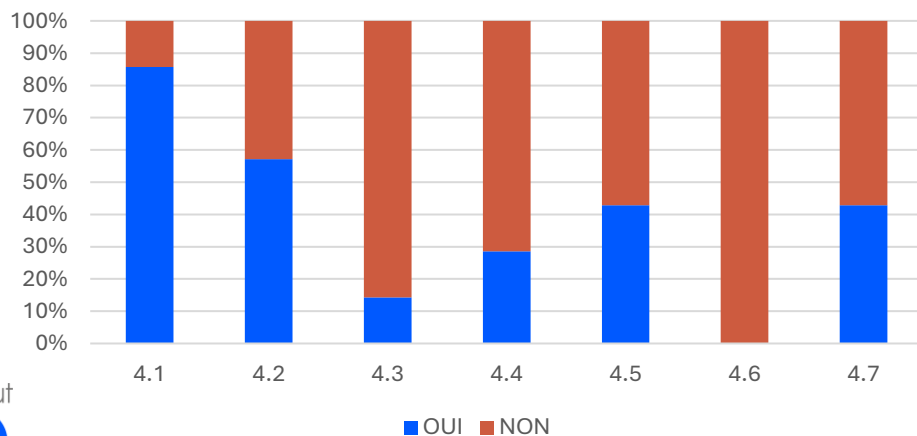
Echantillon : 7 acteurs

Le sondage (3/4)

Principaux retraitements des VNB publiées en comparaison d'une vision IFRS

Question 4 : Quels sont les ajustements des VNB publiées par rapport à celle d'IFRS 17

- 4.1 Prise en compte des renouvellements des contrats prévoyance/santé
- 4.2 Prise en compte des renouvellements des contrats UC purs IFRS 9
- 4.3 Retraitement des frais rattachables
- 4.4 Retraitement de la courbe des taux
- 4.5 Présentation nette de réassurance
- 4.6 Retraitement de la vision « point of sale »
- 4.7 Autres retraitements

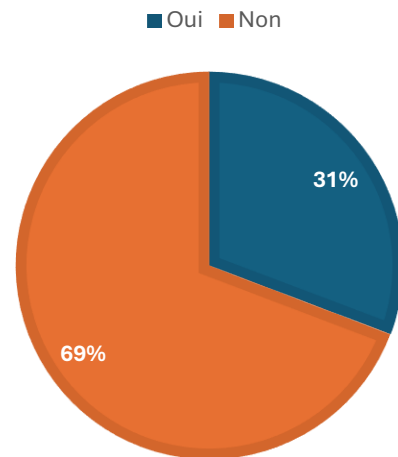


- En plus des méthodes retenues (standalone vs marginale), la principale différence entre les VNB publiées et la CSM des affaires nouvelles concerne la frontière des contrats en prévoyance/santé, pour lesquels les renouvellements sont pris en compte en VNB.
- Le constat est similaire pour les contrats UC purs IFRS 9.
- De manière générale on observe une convergence de plus en plus forte entre les VNB publiées et IFRS 17.
- S'agissant de la vision « point of sale », la convergence est désormais totale avec IFRS quand des acteurs présentaient des visions fin d'années auparavant. **13**

Le sondage (4/4)

CSM NB / VNB des affaires nouvelles négatives et conclusion

- **Question 5 : Pour les contrats VFA, la méthode permet-elle d'avoir une valeur négative si le stock reste positif (si la différence entre la CSM du stock des contrats VFA de l'année n diminue par rapport à celle de l'année n-1) ?**



Echantillon : 13 acteurs

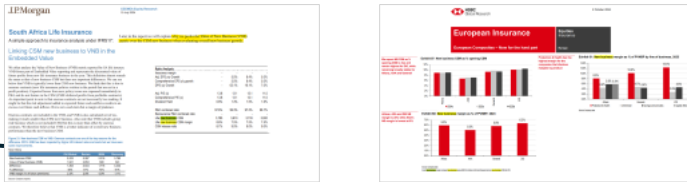
- Pour la majorité des acteurs, la méthode retenue ne permet pas d'avoir une CSM des affaires nouvelles négatives en cas de diminution de la CSM du stock au cours de l'année.
- Généralement la méthode est la même entre la VNB publiée et la CSM des affaires nouvelles.
- Dans les 31% des acteurs autorisant une CSM négative pour les affaires nouvelles, la majorité publie une NBV. Cela reflète le fait que les NBV publiées reposent en majorité sur des méthodes standalone.

• Conclusions sur le sondage

- La NBV reste un indicateur largement utilisé en termes de communication financière pour les assureurs internationaux
- La méthode de calcul de la CSM des affaires nouvelle (standalone vs marginale) est généralement héritée des pratiques des compagnies en termes de publication NBV et des choix en matière de cohortes annuelles
- On observe néanmoins une convergence de plus en plus forte entre NBV et CSM des affaires nouvelles, qui devrait se renforcer, à l'exception de la frontière des contrats sur certains périmètres (santé / prévoyance / etc.)

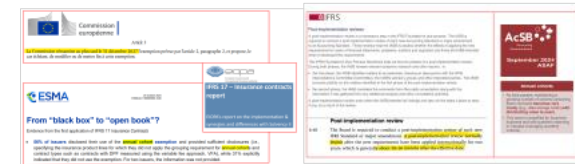
Conclusion

Des lectures différentes
persistantes



**Where Are
We Now?**

Un environnement
normatif sous
surveillance



Des préparateurs
tournés vers d'autres
projets

Echanges avec les participants



“The floor is
yours”

Vos questions

Annexes pour effet Zoom



101

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 - (i) changes in estimates that adjust the contractual service margin;
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- (a) contracts acquired from other entities in transfers of insurance contracts or business combinations; and
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22

An entity shall not include contracts issued more than one year apart in the same group. To achieve this the entity shall, if necessary, further divide the groups described in paragraphs 16–21.

47

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. Applying paragraph 16(a), an entity shall group such contracts separately from contracts that are not onerous. To the extent that paragraph 17 applies, an entity may identify the group of onerous contracts by measuring a set of contracts rather than individual contracts. [Refer: Basis for Conclusions paragraph BC129] An entity shall recognise a loss in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero.

[Refer: Illustrative Examples, Example 1]

COMMISSION REGULATION (EU) 2021/2036

of 19 November 2021

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17

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6.6.4 Analysis by measurement component – contracts not measured under the PAA – Allianz Group

Analysis by measurement component – contracts not measured under the PAA – Allianz Group

€ mn

	2023			
	Present value of future cash flows	Risk adjustment	CSM	Total
Insurance contract assets as of 1 January	(1)	-	-	(1)
Insurance contract liabilities as of 1 January	597,022	5,357	53,382	655,761
Net insurance contract liabilities as of 1 January	597,021	5,357	53,382	655,760
Changes that relate to current service				
CSM recognized for the services provided	-	-	(5,057)	(5,057)
Change in RA, that does not relate to future or past service	-	(516)	-	(516)
Experience adjustments	359	-	-	359
Subtotal	359	(516)	(5,057)	(5,214)
Changes that relate to future service				
Changes in estimates that adjust CSM ¹	(923)	(370)	1,293	-
Changes in estimates that do not adjust CSM (losses on groups of onerous contracts and reversals of such losses)	(8)	-	-	(8)
Effects of contracts initially recognized in the period	(4,935)	346	4,589	-
Subtotal	(5,866)	(24)	5,882	(8)

- 1 Valeur actuelle des profits futurs sur les contrats profitables
2 Valeur actuelle des pertes futures sur les contrats onéreux

6.9.1 Insurance contracts initially recognized in the period

Insurance contracts initially recognized in the period – Allianz Group

€ mn

	2023	2022
Present value of future cash outflows		
Claims and other insurance expenses payable	52,596	53,552
Insurance acquisition cash flows	4,835	2,670
Subtotal	57,431	56,222
Present value of future cash inflows	(62,366)	(61,305)
Risk adjustment	346	506
CSM	4,589	4,577

(in Euro million)	Analysis of changes occurred in the course of						
	Estimates of the PVFCF	CSM				Other contracts	Total CSM
		RA	Contracts measured at transition under the MRA	Contracts measured at transition under the FVA			
Opening assets	(19)	-	-	-	15	15	
Opening liabilities	294,890	1,327	7,613	2,610	23,967	34,190	
Net balance as of January 1 (A)	294,871	1,327	7,613	2,610	23,982	34,205	
CSM recognized in profit or loss for services provided	-	-	(550)	(240)	(2,203)	(2,992)	
Release of RA	-	(74)	-	-	-	-	
Experience adjustments	(295)	2	-	-	-	-	
Changes that relate to current services (B)	(295)	(72)	(550)	(240)	(2,203)	(2,992)	
Contracts initially recognized in the period	(2,357)	88	57	-	2,233	2,289	
Changes in estimates that adjust the CSM	(1,886)	97	66	180	1,543	1,789	
Changes in estimates that result in losses and reversal of losses on onerous contracts	26	5	-	-	-	-	
Changes that relate to future services (C)	(4,217)	190	123	180	3,776	4,078	
Adjustments to liabilities for incurred claims	(106)	(2)	-	-	-	-	
Changes that relate to past services (D)	(106)	(2)	-	-	-	-	
INSURANCE SERVICE RESULT (E = B + C + D)	(4,618)	117	(427)	(60)	1,573	1,086	
Net finance income or expenses recognized in profit or loss	13,145	0	98	18	64	180	
Net finance income or expenses recognized in OCI	8,951	1	-	-	-	-	
NET FINANCE INCOME OR EXPENSES FROM INSURANCE CONTRACTS (F)	22,096	1	98	18	64	180	

The effect of insurance contracts initially recognized in 2023 is broken down as follows:

(In Euro million)	December 31, 2023					
	Life & Health		Property & Casualty		Total	
	Profitable Groups of Contracts	Onerous Groups of Contracts	Profitable Groups of Contracts	Onerous Groups of Contracts	Profitable Groups of Contracts	Onerous Groups of Contracts
Estimates of the present value of future cash outflows	22,240	76	354	27	22,594	103
Insurance acquisition cash flows	2,415	6	193	14	2,608	20
Claims and other insurance service expenses payable	19,825	70	161	13	19,986	83
Estimates of the present value of future cash inflows	(24,528)	(71)	(433)	(23)	(24,961)	(94)
RA	79	0	8	1	87	1
CSM NET OF LOSS COMPONENT	2,209	(6)	71	(4)	2,280	(10)

Value of **new business** (VNB)

Our **VNB** increased. This was primarily driven by increased margin in guaranteed savings and annuities in France, as well as a large reinsurance treaty at Allianz Reinsurance in protection and health. This was partially offset by lower single premium sales in Germany Life in capital-efficient products.

Value of **new business** by lines of business

€ mn

	2023	2022	Delta
Capital-efficient products ¹	1,775	2,079	(304)
Unit-linked without guarantee ¹	743	477	267
Protection & health	1,161	1,110	51
Guaranteed savings & annuities	306	232	74
Total	3,985	3,898	87

¹ Selected business in Germany Life and Mexico, with PVNBP of € 3.1 bn and VNB of € 292 mn, was reclassified from capital-efficient to unit-linked in 2023.

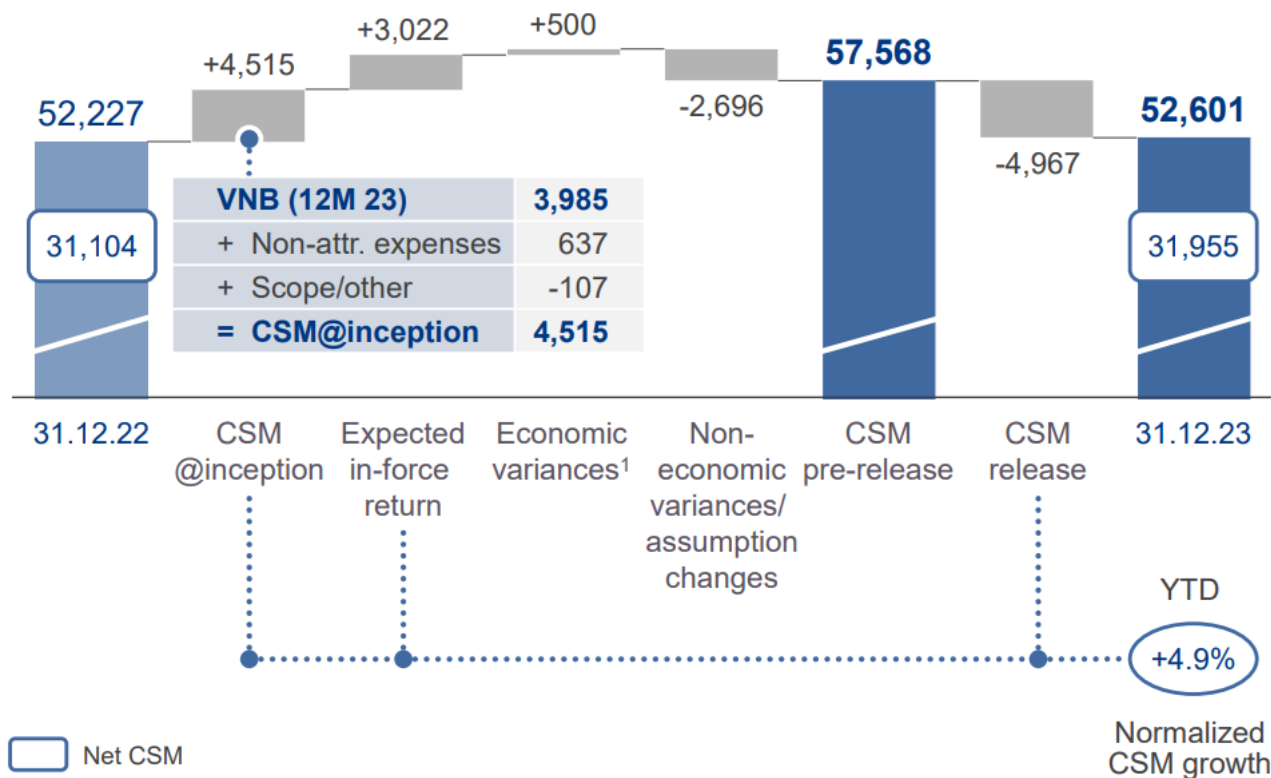
³ VNB is the additional value to shareholders that results from the writing of **new business**. The VNB is determined as the present value of pre-tax future profits, adjusted for acquisition expenses overrun or underrun and non-attributable costs, minus a risk adjustment, all determined at issue date. Value of **new business** is calculated at point of sale, interpreted as at the beginning of each quarter assumptions.

Contractual service margin (CSM) development

The **CSM** increased by 0.7%, compared to 31 December 2022, from € 52,227 mn to € 52,601 mn. The drivers of the € 375 mn increase were as follows:

New business contribution was strong at **€ 4,515 mn**, mostly driven by the United States with € 1,320 mn, Germany Life with € 880 mn, Asia-Pacific with € 649 mn, Italy with € 496 mn, and France with € 416 mn.

Contractual service margin (EUR mn)





New Business Value (“NBV”)

NBV represents the value of newly issued contracts during the current year. It consists of the sum of (i) the **New Business Contractual Service Margin**, (ii) the present value of the future profits of Short-Term Business newly issued contracts during the period, carried by Life entities, considering expected renewals, and (iii) the present value of the future profits of pure investment contracts accounted for under IFRS 9, net of (iv) the cost of reinsurance, (v) taxes and (vi) minority interests.

New Business Contractual Service Margin (“NB CSM”)

NB CSM represents a component of the carrying amount of the asset or liability for newly issued insurance contracts during the period, representing the unearned profit to be recognized as insurance contract services are provided.

Activity and Earnings indicators

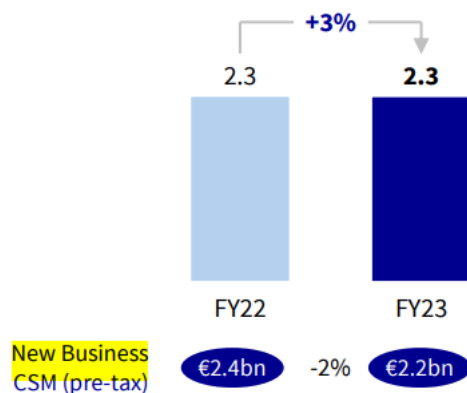
The table set out below presents the key activity and earnings indicators. You should read it in conjunction with Section 2.3 “Activity Report” and the Glossary set forth in Appendix IV of this Annual Report.

(in Euro million, except percentages)

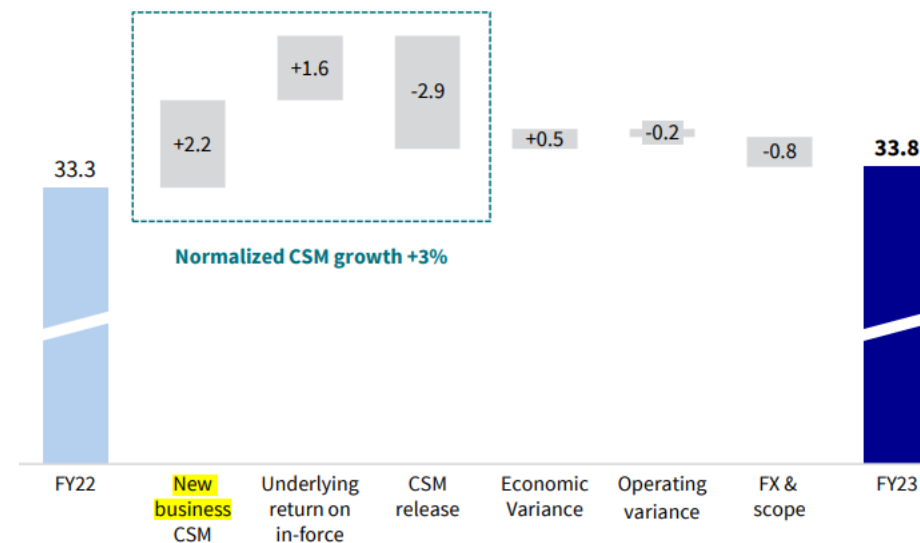
	2023	2022 restated
Property & Casualty Gross Written Premiums	53,027	50,633
Property & Casualty Combined Ratio ^(a)	93.2%	97.6%
Health Gross Written Premiums	16,068	17,254
Health Combined Ratio ^(a)	99.8%	98.6%
Life Gross Written Premiums	31,990	32,231
New Business Value (NBV)	2,281	2,288
Present Value of Expected Premiums (PVEP)	45,856	43,320
NBV Margin	5.0%	5.3%
Underlying earnings Group share ^(a)	7,604	6,080

(a) Alternative Performance Measures. For further information, refer to Section 2.3 “Activity report” and the Glossary set forth in Appendix IV of this Annual Report.

NBV (post-tax)



Contractual Service Margin rollforward



Activity Indicators by Line of Business

Gross Written Premiums & Other Revenues

IFRS17/9 **New Business Value (NBV)** (a)

New Business Contractual Service Margin (NB CSM)

Other NBV *

Tax

Total

102,733

2,281

2,218

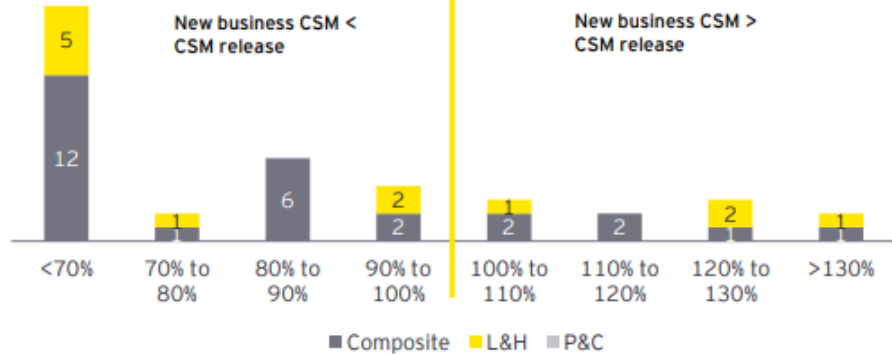
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-744

CSM growth ratio: ratio of new business CSM to CSM release

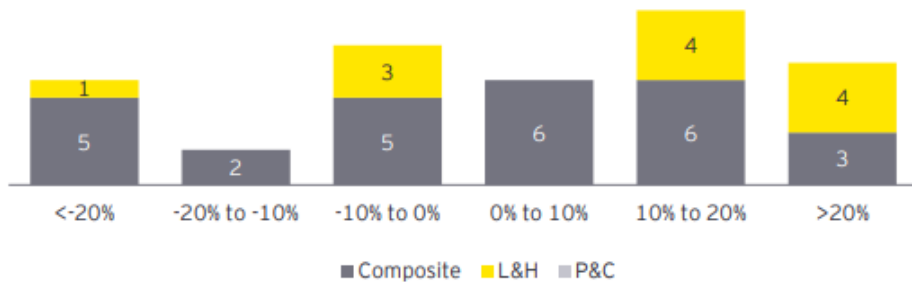
CSM growth ratio on 31 December 2023

No. of insurers presented: 39



CSM growth ratio: 31 December 2023 vs. 31 December 2022 (YE 2022 comparison, pp change)

No. of insurers presented: 39



What the metric is about

It provides an indication of the growth direction of the unearned CSM of insurers. A ratio above 100% means that the amount of new business CSM recognized in the period is higher than the amount of CSM released into profit or loss during the period while a ratio below 100% means that the amount of new business CSM recognized in the period is lower than the amount of CSM released into profit or loss.

Key takeaways on 31 December 2023

- ▶ The large majority of insurers presented an amount of CSM released that is higher than the amount of CSM added for new business during the twelve months ending on 31 December 2023. In particular, 17 insurers presented a ratio below 70%.
- ▶ The amount of CSM released in profit or loss is derived as the last step in the CSM calculation, which means that it includes other adjustments such as the interest accretion for GM contracts and the entity share of the underlying items as well as the "over return" of the "real world" over the "risk-free" rates for VFA contracts.
- ▶ Some insurers present as part of their financial communication the combined effect of new business with the above adjustments (including the CSM release) as an "organic movement" or a "normalized CSM growth".

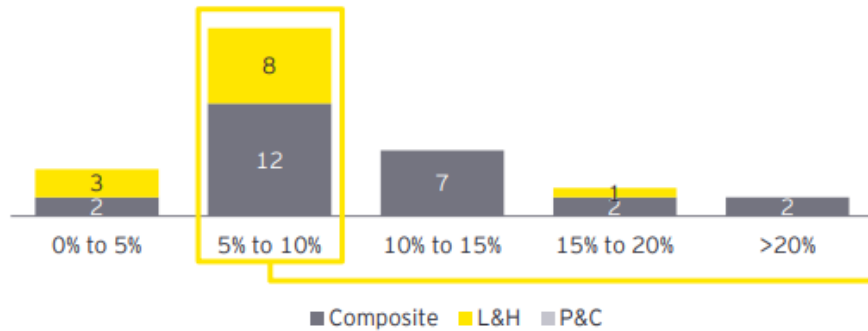
Insights from comparatives on 31 December 2022

- ▶ The majority of composite and L&H insurers observed an improvement in the YE 2023 CSM growth ratio as compared with that for YE 2022, which for some of them was above 20% due to a strong increase in the new business CSM during 2023.
- ▶ For 4 insurers this led to a YE 2023 ratio being higher than 100%, while for the others, it contributed to an improvement to the ratio which remained below 100%.

New Business CSM weight: ratio of new business CSM to new business present value of cash inflows (expected premiums)

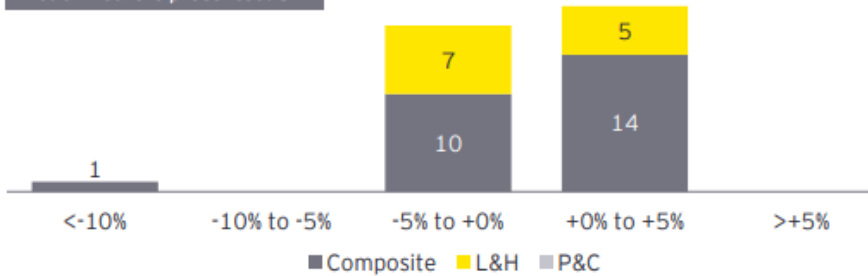
New business CSM weight on 31 December 2023

No. of insurers presented: 37



New business CSM weight: 31 December 2023 vs. 31 December 2022 (YE 2022 comparison, pp change)

No. of insurers presented: 37



What the metric is about

It represents the weight of the CSM from new business in the period compared to the amount of present value of cash inflows (expected premiums) recognized for the new business in the period. This metric provides an indication regarding profitability of new business. The higher the ratio, the higher the amount of new unearned future profit recognized by the insurer during the period.

Key takeaways as on 31 December 2023

- ▶ The majority of insurers presented a ratio which is in the 5% to 10% range. This % highlights the profit they expect to earn from the new business written in the period.
- ▶ The lowest percentage has been observed for two composite insurers, which presented a weight of 1% mainly related to their life business.
- ▶ The highest percentage has been observed for two composite insurers, which presented a weight above 20%, in particular, one insurer disclosed 26% mainly related to its non-life business measured under the general model.

Insights from comparatives on 31 December 2022

- ▶ Around half of composite and L&H insurers presented an increase in the YE 2023 new business CSM weight ratio as compared with that for YE 2022 between 0% to 5%. The other half of insurers presented a decrease between -5% and 0%.

South Africa Life Insurance

A simple approach to insurance analysis under IFRS17:

Later in the report we will explain why we prefer the Value of New Business (VNB) metric over the CSM new business when evaluating overall new business growth.

Linking CSM new business to VNB in the Embedded Value

We often analyse the Value of New Business (VNB) metric reported by SA life insurers. VNB forms part of Embedded Value reporting and represents the discounted value of future profits from new life insurance business in the year. This definition almost sounds the same as that of new business CSM but there are important differences. We can see below that VNB is typically lower than CSM new business. We think that this is due to onerous contracts (new life insurance policies written in the period that are not in a profit position). Expected losses from new policy issues are expensed immediately in P&L and do not feature in the CSM (CSM=deferred profits from profitable contracts). An important point to note is that onerous contracts are not necessarily loss making. It might be that the risk adjustment added to expected future cash outflows results in an excess over future cash inflows. RA is not a cash item but a margin of prudence.

Onerous contracts are included in the VNB, and VNB is also calculated net of tax, making it much smaller than CSM new business. Also note that VNB includes group risk business which is not included CSM but this is more than offset by onerous contracts. We therefore believe that VNB is a better indicator of overall new business performance than the new business CSM.

Ratio Analysis				
Insurance margin	-	-	-	-
Adj. EPS y/y Growth	-	5.0%	8.4%	5.0%
Comprehensive EPS y/y growth	-	5.0%	8.4%	5.0%
DPS y/y Growth	-	63.1%	16.1%	7.0%
Adj. P/E (x)	13.8	13.1	12.1	11.5
Comprehensive P/E (x)	13.8	13.1	12.1	11.5
Dividend Yield	0.8%	1.3%	1.5%	1.6%
P&C combined ratio	97.6%	99.3%	97.2%	96.7%
Reinsurance P&C combined ratio	-	-	-	-
Life new business CSM	3,785	3,610	3,733	3,932
Life new business CSM margin	8.6%	7.5%	7.5%	7.5%
CSM release ratio	8.7%	9.0%	9.0%	9.0%

Figure 21: New business CSM vs VNB: Onerous contracts are one of the key reasons for the difference. DSY's VNB has been impacted by higher UK interest rates and costs but we have seen some improvements.

Rand millions

	Old Mutual	Sanlam	MMH	Discovery
New business CSM	3,223	5,397	2,316	3,785
Value of New Business (VNB)	1,921	2,853	600	343
Difference	1,302	2,544	1,716	3,442
% difference	40%	47%	74%	91%
VNB margin (% of future premiums)	2.3%	2.8%	0.9%	1.1%

European Insurance

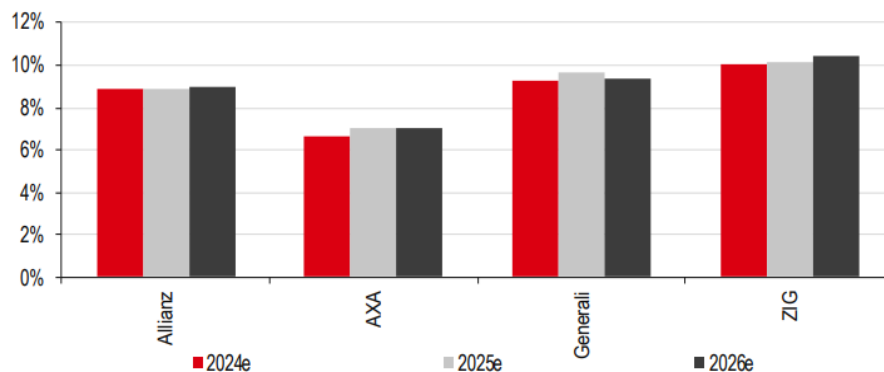
European Composites – Now for the hard part

Equities
Insurance

Europe

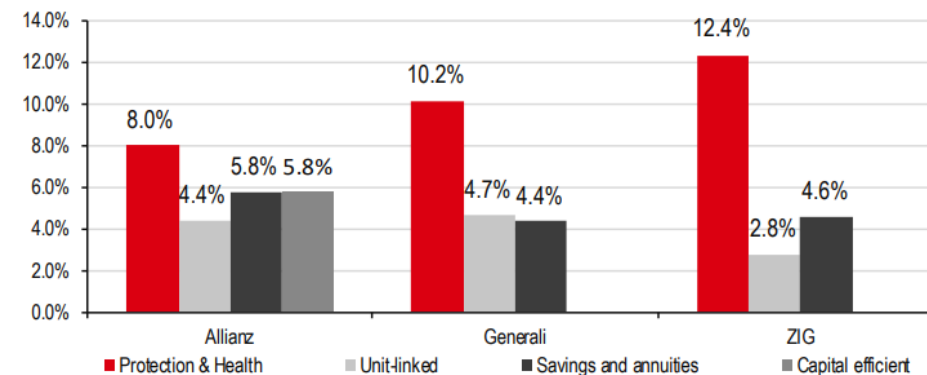
We expect NB CSM as % opening CSM to rise and remain highest for ZIG, while remaining broadly stable for Allianz, AXA and Generali

Exhibit 57: New business CSM as % opening CSM



Protection & Health has the highest margin for the companies that disclose margins by product

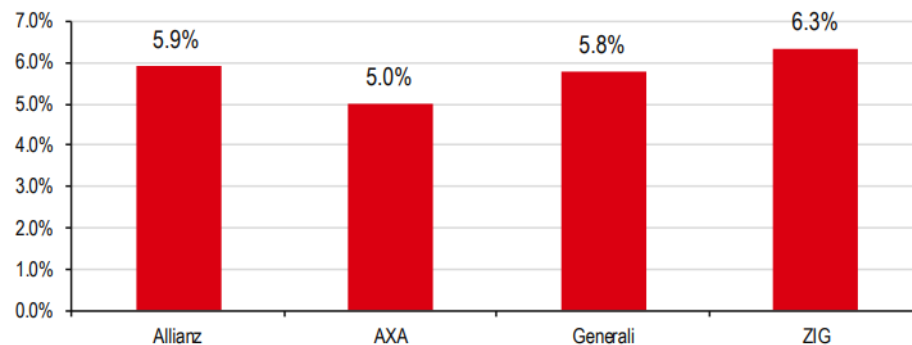
Exhibit 61: New business margin as % of PVNBP by line of business, 2023



Source: Company data

Allianz, AXA and ZIG NB margin is c6% while AXA's NB margin is lowest at 5%

Exhibit 60: New business margin as % of PVNBP, 2023



Source: Company data

Note: New business margin is based new business value (NBV) for Allianz, AXA and Generali and on new business CSM for ZIG

Article 3

La Commission réexamine au plus tard le 31 décembre 2027 l'exemption prévue par l'article 2, paragraphe 2, et propose, le cas échéant, de modifier ou de mettre fin à cette exemption.

IFRS 17 – Insurance contracts report

EIOPA's report on the implementation &
synergies and differences with Solvency II

25 October 2024
ESMA32-1188985980-1046

From “black box” to “open book”?

Evidence from the first application of IFRS 17 *Insurance Contracts*

- **56% of issuers** disclosed their use of the **annual cohort exemption** and provided sufficient disclosures (i.e., specifying the insurance product lines for which they did not apply the grouping requirement for **annual cohorts** and contract types such as contracts with DPF measured using the variable fee approach, VFA), while 31% explicitly indicated that they did not use the exemption. For two issuers, the information was not provided.

Post-implementation reviews

A post-implementation review is a mandatory step in the IFRS Foundation's due process. The IASB is required to conduct a post-implementation review of each new Accounting Standard or major amendment to an Accounting Standard. These reviews help the IASB to assess whether the effects of applying the new requirements for users of financial statements, preparers, auditors and regulators are those the IASB intended when it developed the requirements.

The IFRS Foundation's *Due Process Handbook* sets out the two phases of a post-implementation review. During both phases, the IASB reviews relevant academic research and other reports. In:

- the first phase, the IASB identifies matters to be examined, drawing on discussions with the IFRS Interpretations Committee (Committee), the IASB's advisory groups and other interested parties. The IASB consults publicly on the matters identified in the first phase of the post-implementation review.
- the second phase, the IASB considers the comments from the public consultation along with the information it has gathered from any additional analysis and other consultative activities.

A post-implementation review ends when the IASB presents its findings and sets out the steps it plans to take, if any, as a result of the review.

Post-implementation review

- 6.48 The Board is required to conduct a post-implementation review of each new IFRS Standard or major amendment. A post-implementation review normally begins after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date.



Annual cohorts

- As time passes, maintaining a growing number of cohorts containing fewer contracts **becomes very costly** (e.g., data storage costs) **with diminishing value to users**
- This issue is amplified for long-term business and with quarterly reporting in Canada (managing quarterly cohorts)