# IFRS 17 and Pricing: Actuarial Considerations in the New Accounting Era

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# Understanding IFRS 17: Beyond Financial Reporting

**Global framework for insurance contract accounting**

**Transparency**

**Consistency**

**Comparability**

**Strategic tool for enhanced Pricing and Risk Management**

# How we price…

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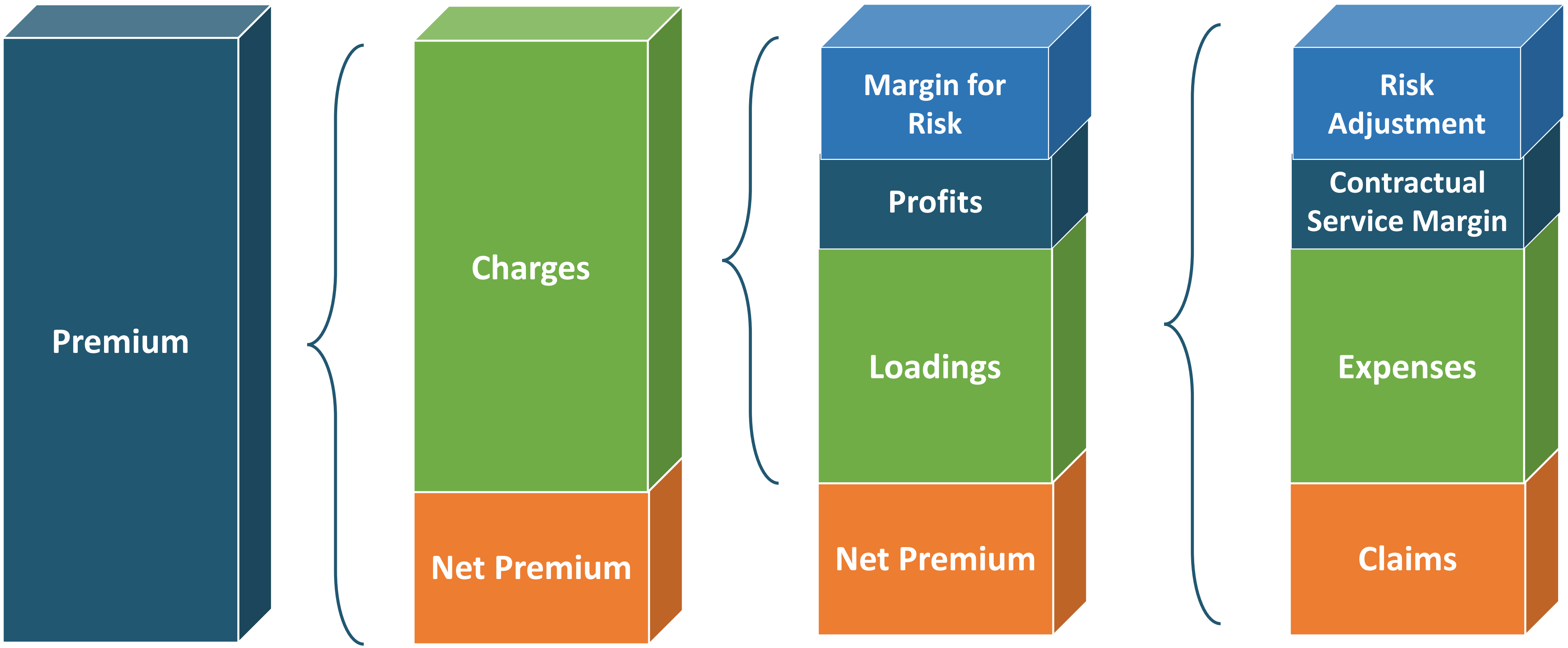

# Insurance Contract Liability (Asset)

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*At Inception*

Claims + Risk Adjustment + Expenses + CSM − Premium = 0

*After Inception*

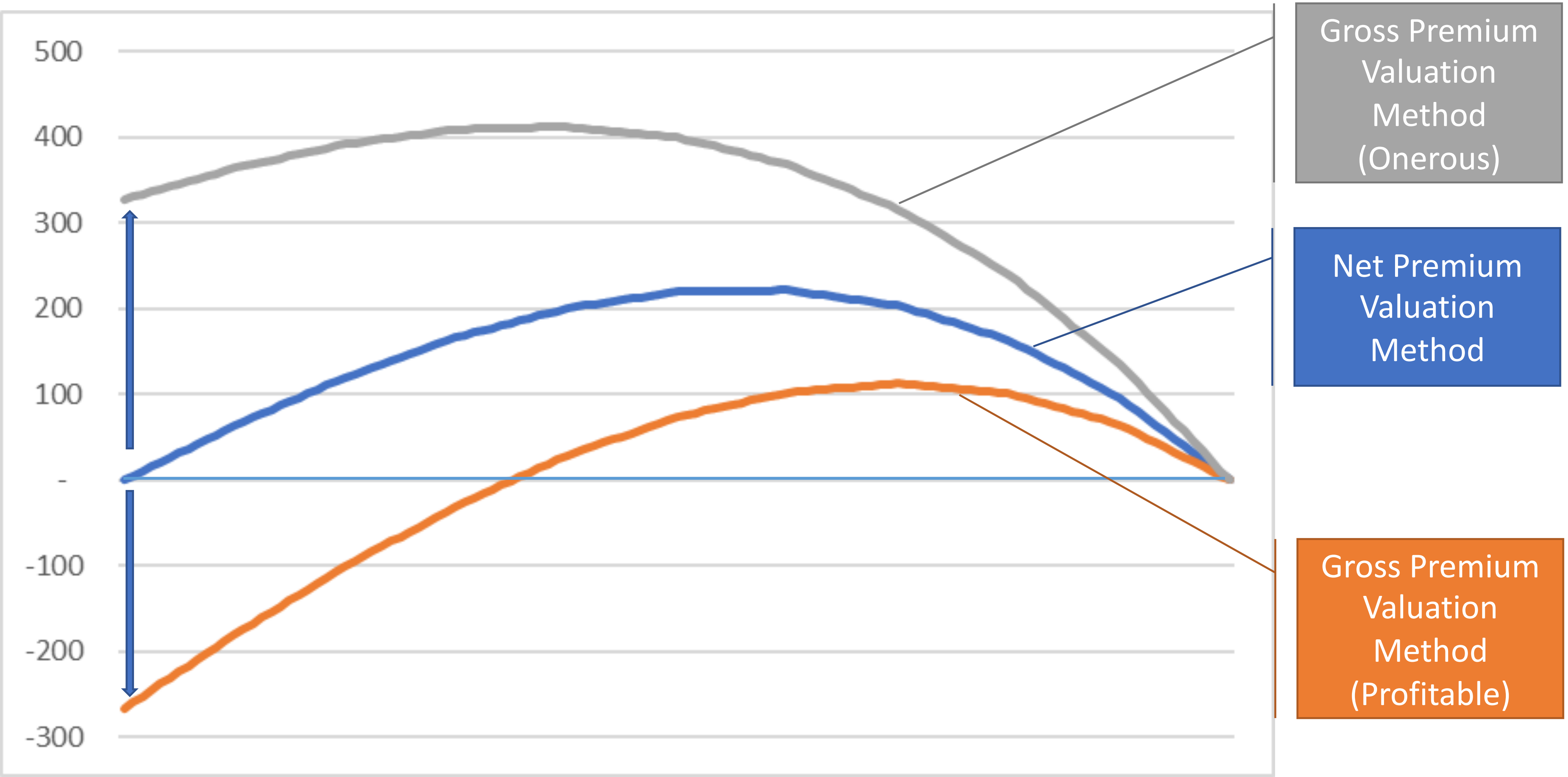
Claims + Risk Adjustment + Expenses + CSM − Premium =

< 0 → Asset

> 0 → Liability

*All as present Values*

# Current Practice: Liabilities



# Monitoring Pricing Adequacy by Group & Underwriting Year

Contracts must be grouped **by portfolio**, and further segmented by:

- **Underwriting year**
- **Profitability** (onerous vs. profitable at initial recognition)

**Pricing assumptions must be aligned with cohort-level tracking**, to:

- Assess actual vs. expected experience per underwriting year
- Evaluate assumption adequacy for each pricing cycle
- Capture risk emergence, CSM run-off, and LC creation

# Feedback Loop into Pricing

# Technical Monitoring KPIs

- Initial CSM (as a % of PVFCF)
- CSM amortization pattern
- Emergence of Loss Components (triggers: assumption updates, expense overrun)
- Movement in Risk Adjustment (RA) and its release
- Actual-to-Expected ratios for key pricing drivers

# Mispricing will Lead to Loss Components

Misestimated assumptions → Negative CSM

Underpricing risk → RA insufficient → LC emerges later

# Realigning Pricing Framework

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- Synchronize pricing and valuation models
- Calibrate assumptions to avoid artificial gains/losses
- Reflect taxation and policyholder behavior realistically
- Stress-testing: assess impact on future CSM and RA

# Challenges for Actuaries

- Pricing tools must align with accounting models
- Cross-functional communication with finance, risk, product
- Tracking profitability requires system integration
- Educating stakeholders on implications of IFRS 17 outputs

# Conclusion

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- Pricing must reflect IFRS 17 building blocks: FCF, CSM, RA
- Underwriting-year level monitoring is critical
- Actuaries must bridge pricing, valuation, and financial reporting
- Ongoing monitoring supports proactive product management


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***IFRS17 Implementation***

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# THANK YOU……