Discussion of financial metrics for simple model points - IFRS Phase 2
Disclaimer

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Agenda part 1: Unit linked

- Contract specification
- Assumptions used
- Elements of IFRS Total Comprehensive Income (TCI)
- Projected balance sheets and profit signatures—IFRS vs IGAAP
- Effect of variances and assumption changes on IFRS profit signature
Agenda part 2: Immediate annuity

- Contract specification
- Assumptions used
- Elements of IFRS Total Comprehensive Income (TCI)
- Projected balance sheets and profit signatures—IFRS vs IGAAP
- Effect of variances and assumption changes on IFRS profit signature
**Contract Specification**

- Assumed product structure of a regular premium unit linked contract

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FMC</strong></td>
<td>1.35% p.a.</td>
</tr>
<tr>
<td><strong>Allocation charge</strong></td>
<td>Year 1-2: 6%</td>
</tr>
<tr>
<td></td>
<td>Year 3-5: 3%</td>
</tr>
<tr>
<td></td>
<td>&gt;Year 6: 0%</td>
</tr>
<tr>
<td><strong>Policy administration charge</strong></td>
<td>Rs. 400 p.a.</td>
</tr>
<tr>
<td><strong>Mortality charge</strong></td>
<td>105% of best estimate mortality assumptions</td>
</tr>
<tr>
<td><strong>Surrender and maturity benefit</strong></td>
<td>Fund value</td>
</tr>
<tr>
<td><strong>Death benefit</strong></td>
<td>Sum assured + Fund value</td>
</tr>
</tbody>
</table>
### Contract Specification

- **Policy Data for a regular premium unit linked contract**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Premium</strong></td>
<td>Rs. 50,000</td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
<td>Annual</td>
</tr>
<tr>
<td><strong>Sum Assured</strong></td>
<td>Rs. 500,000</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>Female</td>
</tr>
<tr>
<td><strong>Age at entry</strong></td>
<td>35 years</td>
</tr>
</tbody>
</table>
## Assumptions used (best estimate)

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortality</td>
<td>Proportion of standard table</td>
</tr>
<tr>
<td>Surrenders</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>Acquisition Expenses</td>
<td>Per premium: 10%</td>
</tr>
<tr>
<td></td>
<td>Per policy: Rs. 1000</td>
</tr>
<tr>
<td>Maintenance Expenses</td>
<td>Per premium: 0.5% p.a.</td>
</tr>
<tr>
<td></td>
<td>Per policy: Rs. 300 p.a.</td>
</tr>
<tr>
<td>Proportion of direct expenses</td>
<td>80% of total</td>
</tr>
<tr>
<td>Fund earning rate/Discount Rate</td>
<td>8% p.a.</td>
</tr>
</tbody>
</table>
Elements of balance sheet and total comprehensive income

- Cash flows under the contract
  - Charges
  - Direct Expenses
  - Indirect Expenses
  - Claims
**Elements of balance sheet**

- **FCF**
  
  \[ \text{FCF} = \text{NPV (Direct expenses +Claims – Charges)} + \text{RA}, \text{ where} \]
  
  \[ \text{RA(t)} = \sum a_i \times \text{Driver}_i(t) \]

- **CSM**

  \[ \text{CSM(0)} = \text{Max}\{-\{\text{FCF(0)}+\text{RM(0)}\},0\} \]

  \[ \text{CSM(t)} = \text{CSM(t-1)} \times \text{Run-off factor}, \text{ where} \]

  “Run-off factor” represents transfer of services in the “t”th period
# Total comprehensive income

<table>
<thead>
<tr>
<th>Description</th>
<th>Calculated as</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance contracts revenue (a)</td>
<td>Expected (Direct Expenses + Claims) + Release of RA+ Release of CSM in respect of services provided in the period</td>
</tr>
<tr>
<td>Incurred claims and expenses (b)</td>
<td>(Claims+Expenses)</td>
</tr>
<tr>
<td><strong>Operating result (c)</strong></td>
<td>= (a)-(b)</td>
</tr>
<tr>
<td>Investment income (d)</td>
<td>Investment income on assets</td>
</tr>
<tr>
<td>Interest on insurance liability (e)</td>
<td>Unwind of discount on opening liability</td>
</tr>
<tr>
<td><strong>Investment result (f)</strong></td>
<td>= (d) – (e)</td>
</tr>
<tr>
<td><strong>Profit or loss (g)</strong></td>
<td>= (c) + (f)</td>
</tr>
<tr>
<td>Effect of discount rate changes on insurance liability (h)</td>
<td>(X)</td>
</tr>
<tr>
<td><strong>Total comprehensive income (i)</strong></td>
<td>= (g) + (h)</td>
</tr>
</tbody>
</table>
## Components of profit and loss account

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>60(a)</td>
<td>Losses, if any, at initial recognition of insurance contracts</td>
</tr>
<tr>
<td>60(b)</td>
<td>Change in the risk adjustment</td>
</tr>
<tr>
<td>60(c)</td>
<td>Change in the contractual service margin that reflects the transfer of services in the period</td>
</tr>
<tr>
<td>60(d)</td>
<td>Change in estimates of future cash flows that do not adjust the contractual service margin</td>
</tr>
</tbody>
</table>
## Components of profit and loss account

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>60(e)</td>
<td>Differences between actual cash flows that occurred during the period and previous estimates of those cash flows (experience adjustments)</td>
</tr>
<tr>
<td>60(f)</td>
<td>Change in the carrying amount of onerous contracts</td>
</tr>
<tr>
<td>60(g)</td>
<td>Effect of changes in the credit standing of the issuer of reinsurance contracts held</td>
</tr>
<tr>
<td>60(h)</td>
<td>Interest expense on insurance contract liabilities determined using the discount rates that applied at the date that the contract was initially recognised.</td>
</tr>
<tr>
<td>60(i)</td>
<td>Gains or losses other than those recognised in other comprehensive income</td>
</tr>
</tbody>
</table>
## Other comprehensive income

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The difference between:</td>
</tr>
<tr>
<td>64(a)</td>
<td>the carrying amount of the insurance contract measured using the discount rates that applied at the reporting date, and</td>
</tr>
<tr>
<td>64(b)</td>
<td>the carrying amount of the insurance contract measured using the discount rates specified in paragraph 60(h)</td>
</tr>
</tbody>
</table>
Comparison of profit signatures

![Graph showing comparison of profit signatures between IGAAP and IFRS Phase 2. The graph plots Thousands of dollars on the y-axis and Years on the x-axis. The red line represents IGAAP, and the blue line represents IFRS Phase 2. The graph shows a comparison of profit signatures over the years, with the IGAAP line starting significantly lower than the IFRS Phase 2 line before showing a significant increase around year 2. Subsequently, the IGAAP line levels off while the IFRS Phase 2 line continues to increase gently.]
Comparison of projected liabilities

Projected liabilities per policy in-force

Policy Year

Indian GAAP | IFRS Phase 2

Thousands
Comparison of projected liabilities

![Graph showing projected liabilities per policy sold]

- **Projected liabilities per policy sold**
  - **Thousands**
  - **Policy Year**
    - 1, 2, 3, 4, 5, 6, 7, 8, 9, 10

- **Comparison**:
  - **Indian GAAP**
  - **IFRS Phase 2**
Components of projected liabilities

Projected liabilities per policy issued

Policy Year

Thousands

FCF  RA  CSM  Total

1  2  3  4  5  6  7  8  9  10
Scenario 1: Description

- Surrender experience in line with assumed up to policy year 4
- Experience in policy year 5 higher than assumed rates by 20% (multiplicative),
- Increase in assumed decrement rates at the end of policy year 5 by 20% (multiplicative)
- Impact of change in assumptions fully absorbed by CSM
Scenario 1: Impact on CSM – year 5

Impact on CSM in year 5

- CSM: Base
- Assumption change impact absorbed by CSM
- CSM: Scenario 1

- Decrease in liability
- Increase in liability
Scenario 1: Impact on components of liability – year 5

Impact on liability in year 5

<table>
<thead>
<tr>
<th>Liability</th>
<th>Change in FCF</th>
<th>Change in RA</th>
<th>Change in CSM</th>
<th>Liability: Scenario 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease</td>
<td>(6,600.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase</td>
<td>(7,100.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Chart showing impact on liability with bars representing decrease and increase in liability.
Scenario 1: Projected liabilities

Projected liabilities per policy issued

Policy Year

Thousands

Base Scenario 1

-14 -12 -10 -8 -6 -4 -2 0 2 4 6 8 10

1 2 3 4 5 6 7 8 9 10
Scenario 1: Impact on profits

Impact on profits

Thousands

Policy Year

-0.5
0
0.5
1
1.5
2
1 2 3 4 5 6 7 8 9 10

Base
Scenario 1
Scenario 1: Impact on profits: Year 5

Impact on components of total comprehensive income

- Increase in profits
- Decrease in profits

Profit: Base

Profit: Scenario 1

Decrease in profits
Increase in profits
Scenario 1: Impact on profits: Year 6

Impact on components of total comprehensive income

- **Profit:**
  - **Base**
  - 60(a)
  - 60(b)
  - 60(c)
  - 60(d)
  - 60(e)
  - 60(f)
  - 60(g)
  - 60(h)
  - 60(i)
  - OCI

**Scenarios:**
- 1

**Colors:**
- **Decrease in profits**
- **Increase in profits**
Scenario 2: Description

- Surrender experience in line with assumptions up to policy year 4
- Experience in policy year 5 higher than assumed rates by 70% (multiplicative),
- Increase in assumed decrement rates at the end of policy year 5 by 70% (multiplicative)
- Impact of change in assumptions not fully absorbed by CSM
Scenario 2: Impact on CSM – year 5

Impact on CSM in year 5

- CSM: Base
- Assumption change impact absorbed by CSM
- CSM: Scenario 2

- Decrease in liability
- Increase in liability
Scenario 2: Impact on components of liability – year 5

Impact on liability in year 5

<table>
<thead>
<tr>
<th>Liability: Scenario 2</th>
<th>Change in Base</th>
<th>Change in FCF</th>
<th>Change in RA</th>
<th>Change in CSM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(7,100.00)</td>
<td>(6,600.00)</td>
<td>(6,100.00)</td>
<td>(5,600.00)</td>
</tr>
<tr>
<td></td>
<td>(4,100.00)</td>
<td>(4,600.00)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(5,100.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(5,600.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(6,100.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(6,600.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(7,100.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Increase in liability**
- **Decrease in liability**
Scenario 2: Projected liabilities

Projected liabilities per policy issued

Policy Year

Thousands

Base  Scenario 2
Scenario 2: Impact on profits

Impact on profits

Policy Year

Thousands

Base
Scenario 2
Scenario 2: Impact on profits: Year 5

Impact on components of total comprehensive income

- **Profit:**
  - Base: 60
  - 60(a): 1,200
  - 60(b): 1,150
  - 60(c): 1,100
  - 60(d): 1,050
  - 60(e): 1,000
  - 60(f): 950
  - 60(g): 900
  - 60(h): 850
  - 60(i): 800
  - OCI: 750

**Legend:**
- Light yellow: Decrease in profits
- Orange: Increase in profits
Scenario 2: Impact on profits: Year 6

Impact on components of total comprehensive income

<table>
<thead>
<tr>
<th>Component</th>
<th>Profit: Base</th>
<th>60(a)</th>
<th>60(b)</th>
<th>60(c)</th>
<th>60(d)</th>
<th>60(e)</th>
<th>60(f)</th>
<th>60(g)</th>
<th>60(h)</th>
<th>60(i)</th>
<th>OCI</th>
<th>Profit: Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>300.00</td>
<td>400.00</td>
<td>500.00</td>
<td>600.00</td>
<td>700.00</td>
<td>800.00</td>
<td>900.00</td>
<td>1,000.00</td>
<td>1,100.00</td>
<td>1,200.00</td>
<td>1,300.00</td>
<td>1,400.00</td>
</tr>
</tbody>
</table>

- Decrease in profits
- Increase in profits
Scenario 3: Description

• Fund earning rates higher than expected by 20% (multiplicative) in policy year 5
• No change in assumptions
Scenario 3: Impact on CSM – year 5

Impact on CSM in year 5

- **Increase in liability**
- **Decrease in liability**

### CSM: Base
- Impact on CSM
- Absorbed by CSM

### CSM: Scenario 3
- Impact on CSM
- Absorbed by CSM

Legend:
- Light yellow: Decrease in liability
- Orange: Increase in liability
Scenario 3: Impact on components of liability – year 5

Impact on liability in year 5

<table>
<thead>
<tr>
<th>Liability:</th>
<th>Change in FCF</th>
<th>Change in RA</th>
<th>Change in CSM</th>
<th>Liability: Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **(7,000.00)**
- **(6,800.00)**
- **(6,600.00)**
- **(6,400.00)**
- **(6,200.00)**
- **(6,000.00)**
- **(5,800.00)**
- **(5,600.00)**
- **(5,400.00)**
- **(5,200.00)**
- **(5,000.00)**

Legend:
- Light yellow: Decrease in liability
- Orange: Increase in liability
Scenario 3: Projected liabilities

Projected liabilities per policy issued

Thousand

Policy Year

Base  Scenario 3
Scenario 3: Impact on profits

Impact on profits

Thousands

Policy Year

-0.5
0
0.5
1
1.5
2

1 2 3 4 5 6 7 8 9 10

Base
Scenario 3
Scenario 3: Impact on profits: Year 5

Impact on components of total comprehensive income

Profit: Base
Profit: Scenario 3

Decrease in profits
Increase in profits
Scenario 3: Impact on profits: Year 6

Impact on components of total comprehensive income

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Impact on profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>Decrease in profits</td>
</tr>
<tr>
<td>60(a)</td>
<td>Increase in profits</td>
</tr>
<tr>
<td>60(b)</td>
<td></td>
</tr>
<tr>
<td>60(c)</td>
<td></td>
</tr>
<tr>
<td>60(d)</td>
<td></td>
</tr>
<tr>
<td>60(e)</td>
<td></td>
</tr>
<tr>
<td>60(f)</td>
<td></td>
</tr>
<tr>
<td>60(g)</td>
<td></td>
</tr>
<tr>
<td>60(h)</td>
<td></td>
</tr>
<tr>
<td>60(i)</td>
<td></td>
</tr>
<tr>
<td>OCI</td>
<td></td>
</tr>
<tr>
<td>Profit: Scenario 3</td>
<td>Increase in profits</td>
</tr>
</tbody>
</table>
Scenario 4: Description

- Increase in assumption in respect of fund earning rates and discount rates by 20% (multiplicative) at the end of policy year 5
Scenario 4: Impact on CSM – year 5

Impact on CSM in year 5

- **CSM: Base**: Impact on CSM
- **Assumption change impact absorbed by CSM**: Impact on CSM due to assumption change
- **CSM: Scenario 4**: Impact on CSM for Scenario 4

**Legend**:
- Decrease in liability
- Increase in liability
Scenario 4: Impact on components of liability – year 5

Impact on liability in year 5

<table>
<thead>
<tr>
<th>Liability:</th>
<th>Change in FCF</th>
<th>Change in RA</th>
<th>Change in CSM</th>
<th>Scenario 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6,900.00)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- **Decrease in liability**
- **Increase in liability**
Scenario 4: Projected liabilities

Projected liabilities per policy issued

Policy Year

Thousands

Base  Scenario 4
Scenario 4: Impact on profits

Impact on profits

Thousands

Policy Year

Base  Scenario 4
Scenario 4: Impact on profits: Year 5

Impact on components of total comprehensive income

<table>
<thead>
<tr>
<th>Profit: Base</th>
<th>60(a)</th>
<th>60(b)</th>
<th>60(c)</th>
<th>60(d)</th>
<th>60(e)</th>
<th>60(f)</th>
<th>60(g)</th>
<th>60(h)</th>
<th>60(i)</th>
<th>OCI</th>
<th>Profit: Scenario 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>700.00</td>
<td>800.00</td>
<td>900.00</td>
<td>1,000.00</td>
<td>1,100.00</td>
<td>1,200.00</td>
<td>1,300.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Decrease in profits
- Increase in profits
### Scenario 4: Impact on profits: Year 6

#### Impact on components of total comprehensive income

<table>
<thead>
<tr>
<th>Component</th>
<th>Profit: Base</th>
<th>60(a)</th>
<th>60(b)</th>
<th>60(c)</th>
<th>60(d)</th>
<th>60(e)</th>
<th>60(f)</th>
<th>60(g)</th>
<th>60(h)</th>
<th>60(i)</th>
<th>OCI</th>
<th>Profit: Scenario 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit:</strong></td>
<td></td>
<td>475.00</td>
<td>575.00</td>
<td>675.00</td>
<td>775.00</td>
<td>875.00</td>
<td>975.00</td>
<td>1,075.00</td>
<td>1,175.00</td>
<td>1,075.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OCI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Increase in profits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Decrease in profits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- Decrease in profits
- Increase in profits
Agenda part 2: Immediate annuity

- Contract specification
- Assumptions used
- Elements of IFRS Total Comprehensive Income (TCI)
- Projected balance sheets and profit signatures—IFRS vs IGAAP
- Effect of variances and assumption changes on IFRS profit signature
## Contract Specification

- Assumed product structure

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period of annuity payment</td>
<td>For lifetime of annuitant</td>
</tr>
<tr>
<td>Guarantee period</td>
<td>Nil</td>
</tr>
<tr>
<td>Lives covered</td>
<td>Single life</td>
</tr>
<tr>
<td>Death Benefit</td>
<td>Nil</td>
</tr>
</tbody>
</table>
**Contract Specification**

- Policy Data for an immediate annuity contract

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single premium</td>
<td>Rs. 70,000</td>
</tr>
<tr>
<td>Annuity payable</td>
<td>Rs. 4,500 p.a.</td>
</tr>
<tr>
<td>Annuity frequency</td>
<td>Annual</td>
</tr>
<tr>
<td>Gender</td>
<td>Male</td>
</tr>
<tr>
<td>Age at entry</td>
<td>31 years</td>
</tr>
</tbody>
</table>
# Assumptions used (best estimate)

<table>
<thead>
<tr>
<th></th>
<th>Proportion of standard table</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortality</td>
<td></td>
</tr>
<tr>
<td>Surrenders (by policy year)</td>
<td>NA</td>
</tr>
<tr>
<td>Acquisition expenses</td>
<td>Per premium: 5%</td>
</tr>
<tr>
<td></td>
<td>Per policy: Rs. 300</td>
</tr>
<tr>
<td>Maintenance expenses</td>
<td>Per policy: Rs. 50 p.a.</td>
</tr>
<tr>
<td>Proportion of direct expenses</td>
<td>80% of total</td>
</tr>
<tr>
<td>Investment return, discount rate</td>
<td>8% p.a.</td>
</tr>
</tbody>
</table>
Assumptions used (IGAAP reserving)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortality</td>
<td>90% of best estimate</td>
</tr>
<tr>
<td>Maintenance Expenses</td>
<td>Per policy: Rs. 60 p.a.</td>
</tr>
<tr>
<td>Investment return, discount rate</td>
<td>6% p.a.</td>
</tr>
</tbody>
</table>
Comparison of profit signatures
Comparison of projected liabilities

Projected liabilities per policy issued

Thousands

Policy Year

Indian GAAP

IFRS Phase 2
Components of projected liabilities

Thousands

Policy Year

FCF  RA  CSM  Total
Scenario 1: Description

- Mortality experience in line with assumptions up to policy year 4
- Experience in policy year 5 lower than assumed rates by 20% (multiplicative),
- Decrease in assumed decrement rates at the end of policy year 5 by 20% (multiplicative)
- Impact of change in assumptions fully absorbed by CSM
Scenario 1: Impact on CSM – year 5

Impact on CSM in year 5

- CSM: Base
- Assumption change impact absorbed by CSM
- CSM: Scenario 1

- Decrease in liability
- Increase in liability
Scenario 1: Impact on components of liability – year 5

### Impact on liability in year 5

<table>
<thead>
<tr>
<th>Liability: Scenario 1</th>
<th>Liability: Base</th>
<th>Change in FCF</th>
<th>Change in RA</th>
<th>Change in CSM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

- Liability: Base: 55,000.00
- Change in FCF: 56,000.00
- Change in RA: 57,000.00
- Change in CSM: 58,000.00
- Liability: Scenario 1: 59,000.00
- Decrease in liability: 56,000.00
- Increase in liability: 60,000.00
Scenario 1: Projected liabilities

![Projected liabilities per policy issued](chart.png)

- **Base**
- **Scenario 1**
Scenario 1: Impact on profits

Impact on profits

Policy Year

- Base
- Scenario 1
Scenario 1: Impact on profits: Year 5

Increase in profits
Decrease in profits

Impact on components of total comprehensive income

Profit: Base
Profit: Scenario 1
Scenario 1: Impact on profits: Year 6

Impact on components of total comprehensive income

Profit: Base
- Scenario 1

Decrease in profits
Increase in profits
Scenario 2: Description

- Investment returns lower than expected by 20% (multiplicative) in policy year 5
- No change in assumptions
Scenario 2: Impact on CSM – year 5

Impact on CSM in year 5

- CSM: Base
- Assumption change
- Impact absorbed by CSM
- CSM: Scenario 2

Legend:
- Decrease in liability
- Increase in liability
Scenario 2: Impact on components of liability – year 5

<table>
<thead>
<tr>
<th>Liability:</th>
<th>Change in FCF</th>
<th>Change in RA</th>
<th>Change in CSM</th>
<th>Liability:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td></td>
<td></td>
<td></td>
<td>Scenario 2</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
<td>10,000.00</td>
<td>20,000.00</td>
<td>30,000.00</td>
</tr>
<tr>
<td></td>
<td>40,000.00</td>
<td>50,000.00</td>
<td>60,000.00</td>
<td></td>
</tr>
</tbody>
</table>

**Impact on liability in year 5**

- Increase in liability
- Decrease in liability

![Bar Chart](image)
Scenario 2: Projected liabilities

Projected liabilities per policy issued

Policy Year

0 10 20 30 40 50 60 70

Base  Scenario 2
Scenario 2: Impact on profits

Impact on profits

Policy Year

-600
-400
-200
0
200
400
600

1  13  19  25  31  37  43  49  55  61  67  73  79  85

Base  Scenario 2
Scenario 2: Impact on profits: Year 5

Impact on components of total comprehensive income

- **Profit: Base**
  - 60(a) 60(b) 60(c) 60(d) 60(e) 60(f) 60(g) 60(h) 60(i) OCI

- **Profit: Scenario 2**
  - (600.00) (400.00) (200.00) 0.00 200.00 400.00 600.00

Legend:
- **Decrease in profits**
- **Increase in profits**
Scenario 3: Description

- Decrease in assumption in respect of investment returns and discount rates by 20% (multiplicative) at the end of policy year 5
Scenario 3: Impact on CSM – year 5

Impact on CSM in year 5

- CSM: Base
- Assumption change impact absorbed by CSM
- CSM: Scenario 3

![Graph showing impact on CSM in year 5 with bars for decrease and increase in liability.](image-url)
Scenario 3: Impact on components of liability – year 5

Impact on liability in year 5

Liability: Change in FCF Change in RA Change in CSM Liability: Scenario
Base decrease in liability 80,000.00
Increase in liability 60,000.00

Scenario 3: Projected liabilities

Projected liabilities per policy issued

Policy Year

Base   Scenario 3
Scenario 3: Impact on profits

Impact on profits

Policy Year

- Base
- Scenario 3
Scenario 3: Impact on profits: Year 5

Impact on components of total comprehensive income

<table>
<thead>
<tr>
<th>Profit: Base</th>
<th>60(a)</th>
<th>60(b)</th>
<th>60(c)</th>
<th>60(d)</th>
<th>60(e)</th>
<th>60(f)</th>
<th>60(g)</th>
<th>60(h)</th>
<th>60(i)</th>
<th>OCI</th>
<th>Profit: Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>(14,000.00)</td>
<td>(12,000.00)</td>
<td>(10,000.00)</td>
<td>(8,000.00)</td>
<td>(6,000.00)</td>
<td>(4,000.00)</td>
<td>(2,000.00)</td>
<td>0.00</td>
<td>2,000.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Decrease in profits
Increase in profits
Scenario 3: Impact on profits: Year 6

Impact on components of total comprehensive income

- Base
- 60(a)
- 60(b)
- 60(c)
- 60(d)
- 60(e)
- 60(f)
- 60(g)
- 60(h)
- 60(i)
- OCI
- Profit: Scenario 3

Decrease in profits
Increase in profits
Thank you