

WORKSHOP : OTHER COMPREHENSIVE INCOME

2017 Insurance IFRS Seminar

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Session 13



Basic information

- 5 year non-par single premium endowment contract
 - 10,000 initial premium
 - 11,000 paid at end of year 5
 - Risk margin = 0
 - Assume the deposit element is not unbundled
 - The discount rate is flat and initially 2.5%
 - Besides the endowment amount, there are some insurance claims sufficient to classify it as insurance with expected values listed in the following table:

Year	1	2	3	4	5
Claim	10	15	25	40	50

- Other relevant cash flows (like commissions) are also listed in the spreadsheet

Change in assumptions

- Current discount rate is changed subsequently as below :

End of year	Level discount rate
At issue	2.5%
1	2.0%
2	2.0%

- Based the revised interest rates, expected persistency on year 3 and later change and increase claims by 30 for all years.

Year	1	2	3	4	5
Claim	10	15	55	70	80