



# Sava Insurance Group

## IFRS 17 & IFRS 9: Introduction to First-time Adoption

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### Presenting

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# CONTENTS

- 01 | Key messages
- 02 | IFRS 17 main changes
- 03 | IFRS 9 main changes
- 04 | Transition
- 05 | KPI



KEY MESSAGES

01

## Key messages – in line with prior guidance

- No impact on strategy or business model
- Cash flows and capitalisation remain strong
- Earnings remain mostly unaffected
- Dividend capacity remains unchanged
- Better reflection of value and earnings of life business

IFRS 17  
MAIN CHANGES

02



# PAA for 62% of Group business volume

## PAA / simplified model

Very similar to previous practice

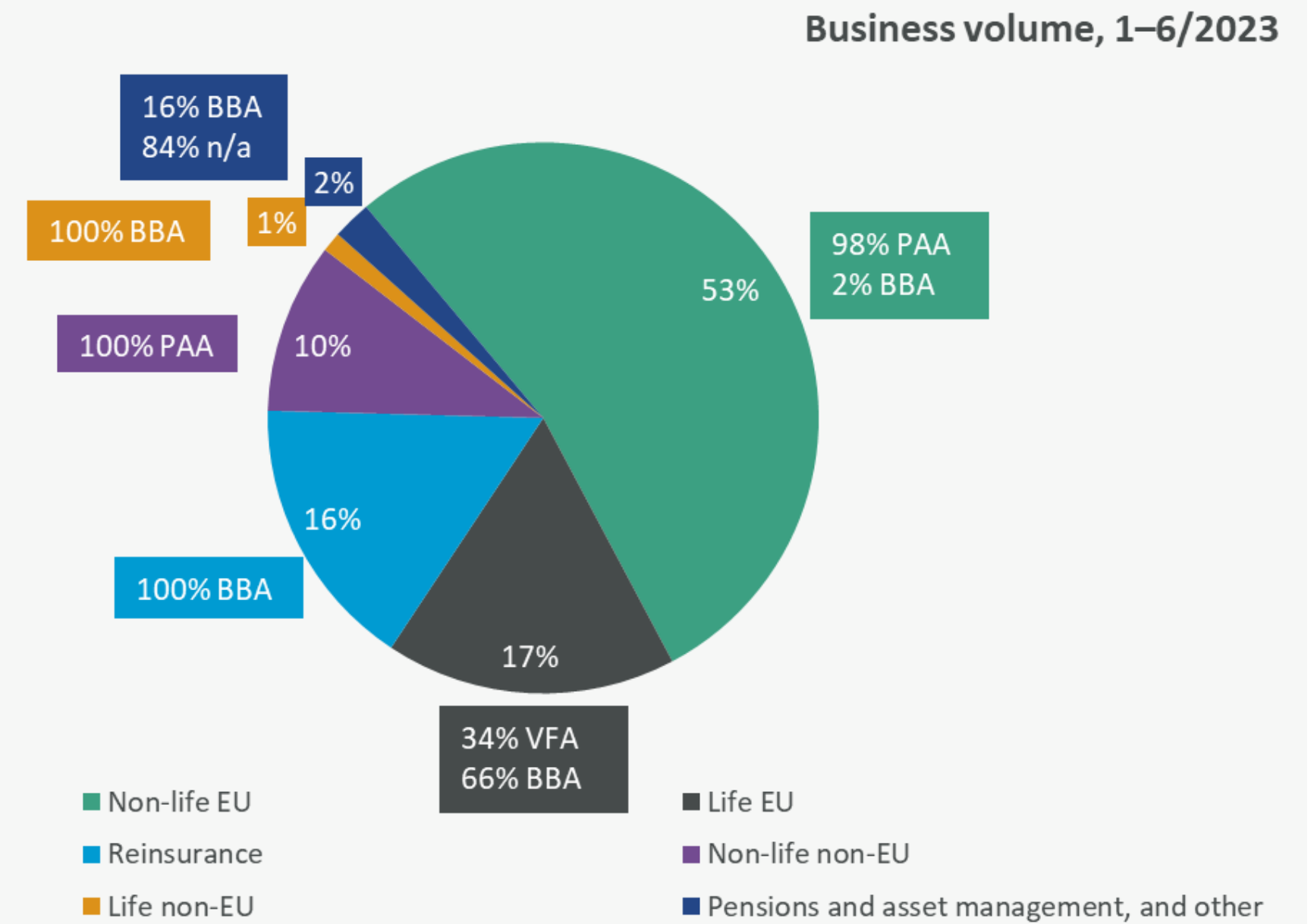
- Non-life products

## BBA / general model

- Life savings and protection products, reinsurance

## VFA model

- Unit-linked products



Business volume = GWP and operating revenue of non-insurance companies.  
n/a = not applicable (IFRS 17 does not affect this part of the segment)

# Accounting closer to economic view, more transparent presentation

BBA,  
VFA

## Balance sheet

### Liability for remaining coverage (LRC)

- Best estimate of expected cash flows
- Discounting
- Risk adjustment for uncertainty
- CSM (deferred future profits)
- LRC for PAA: not discounted (unearned premium provision decreased for receivables & DAC)

### Liability for incurred claims (LIC)

- Best estimate of expected cash flows
- Risk adjustment for uncertainty
- Discounting

**Liability/asset position** for the portfolios of contracts

## Income statement

- No GWP but insurance revenue
- Premium is spread over lifetime of contracts
- Investment component is excluded from revenue and expenses
- Immediate recognition of onerous contracts
- Source of profit – insurance service result and finance results
- Separate results for insurance and reinsurance
- Finance result (net investment income and unwinding of insurance liabilities)

## Disclosures

Movements analyses of liabilities showing

- Income statement (revenue and expenses)
- CSM movements
  - Value of new business
  - Change in assumptions
  - Release to P&L

# Insurance liabilities remain prudent, non-life mostly under PAA

	30/6/2023		
Insurance contracts issued*	Non-life (mostly PAA)	Life and reinsurance (BBA/VFA)	Total
<b>Liabilities for remaining coverage (LRC)</b>	<b>147.8</b>	<b>838.1</b>	<b>985.8</b>
- PAA	146.9	0.0	146.9
- Present value of future cash flows	-6.0	654.1	648.0
- Risk adjustment	1.3	38.2	39.6
- CSM	5.6	145.7	151.3
<b>Liabilities for incurred claims (LIC)</b>	<b>334.4</b>	<b>229.6</b>	<b>564.0</b>
- Present value of future cash flows	296.4	205.6	502.0
- Risk adjustment	38.0	24.0	62.0
<b>Insurance liabilities</b>	<b>482.2</b>	<b>1,067.7</b>	<b>1,549.8</b>

\* Insurance liabilities are presented net of asset positions.

Balance sheet categories	
IFRS 4	IFRS 17
Unearned premiums	LRC
Mathematical provisions	LRC
Claims provisions	LIC

Measurement similar to Solvency 2, but:

- Different methodologies (contract boundaries, expenses, discount rates, risk adjustment)
- CSM in liabilities



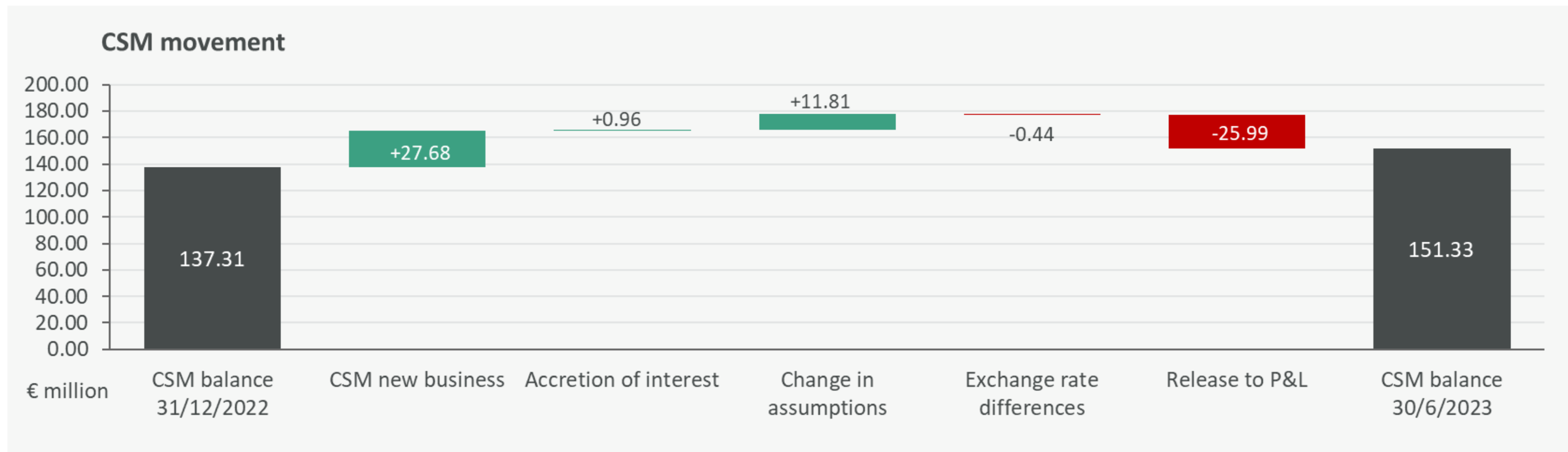
# Income statement more transparent under IFRS 17

PAA accounts for more than 50% of Group's profit

				1–6/2023			
IFRS 4 & IAS 39	Key components		IFRS 17 & IFRS 9	Key components	Non-life (mostly PAA)	Life and reinsurance (BBA/VFA)	Other
Revenue	Premiums earned		Insurance service result	Insurance revenue	245.0	83.2	0.2
	- premiums earned ceded to Re			Insurance service expenses	-208.8	-68.6	-0.1
	Investment income			Reinsurance result	-6.0	3.3	0.0
Expenses	Other income		Finance result	Investment result	4.9	3.7	2.4
	Claims paid + change in technical provisions	Insurance finance result		-2.2	1.6	-0.3	
	- claims + change in TP Re		Other result	Other income and expenses	-7.7	-4.6	2.6
	Expenses						
	Investment expenses						
Other expenses							
Profit before tax			Profit before tax		25.3	18.7	4.7

## CSM is the source of future profits (BBA, VFA)

- Relates primarily to life insurance, partly to reinsurance and to a small extent to non-life
- Will be released into revenue during the lifetime of the contracts
- Will avoid volatility in earnings, absorbing changes in technical assumptions and financial assumptions in VFA model



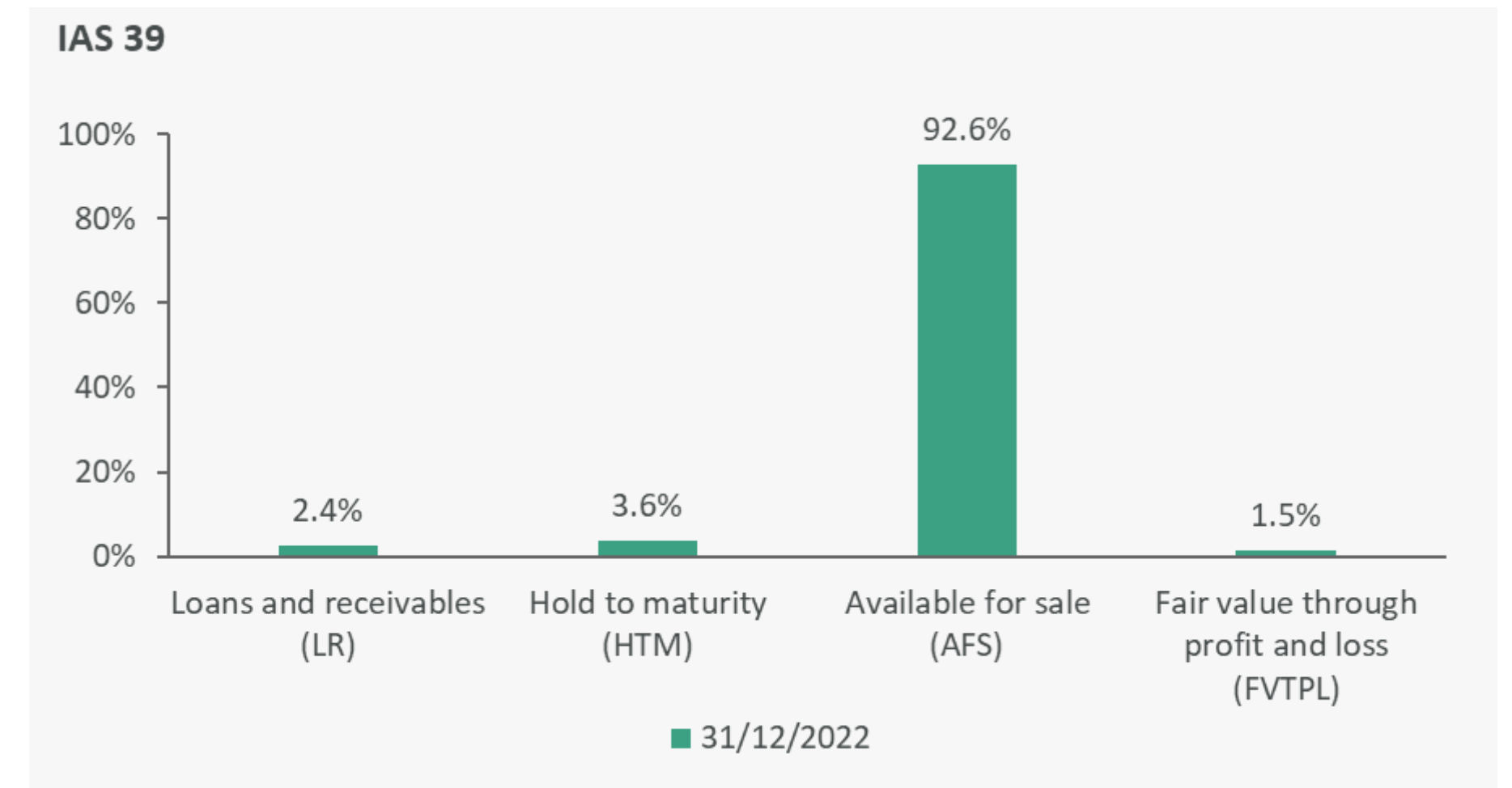
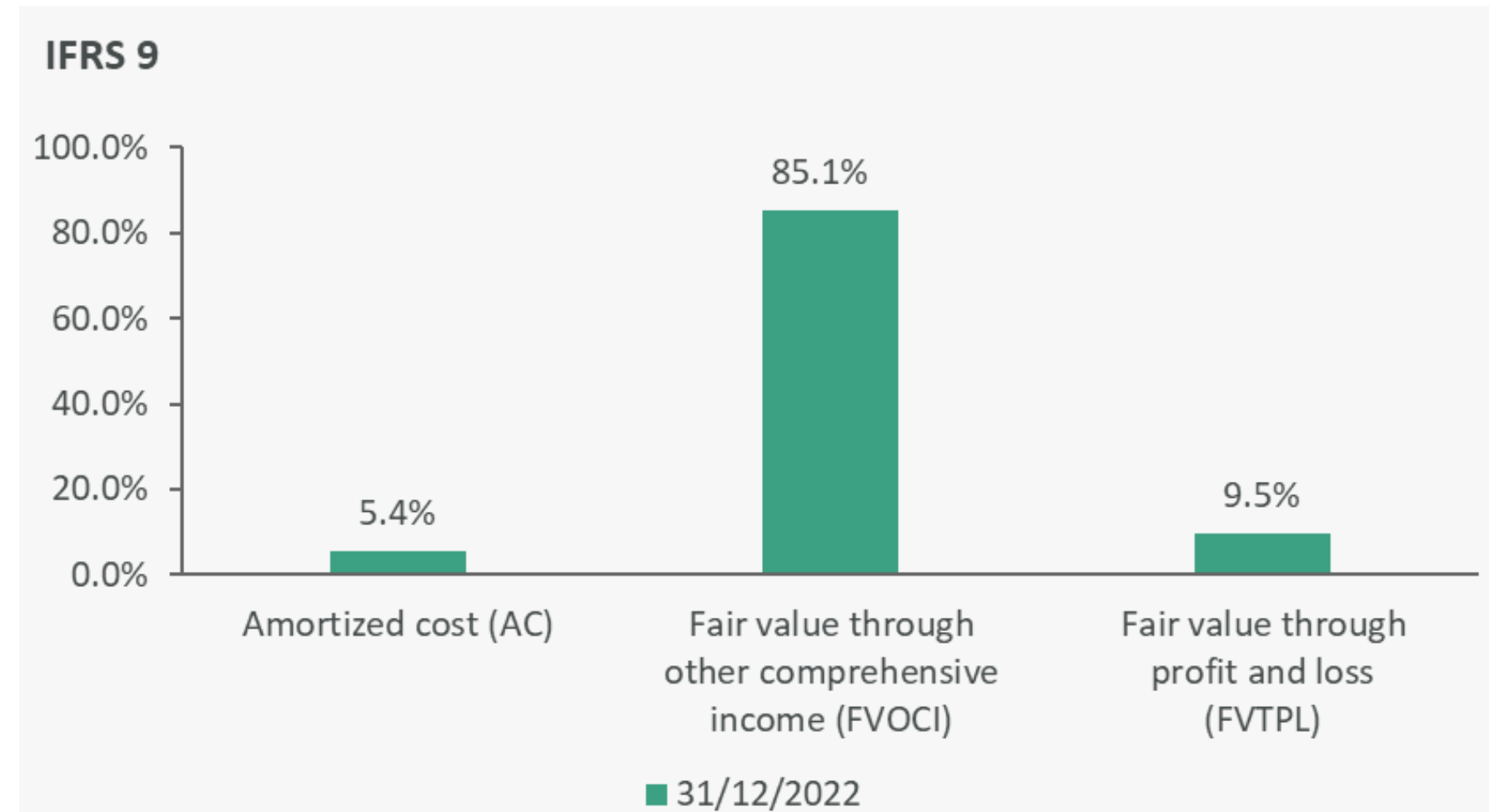
IFRS 9  
MAIN CHANGES

03





# No material impact on investment portfolio



## Comparison between standards

- IFRS 9 AC portfolio combines IAS 39 LR and HTM portfolios
- The AC bond investment balance is reduced by ECL
- Shares and funds (including alternative) classified as AFS under IAS 39 are classified as at FVTPL under IFRS 9 – greater impact on the income statement
- FVTPL investments also include bond investments that do not pass the SPPI test

TRANSITION

04



# Increase in equity on transition

	31/12/2021 (published)	1/1/2022 (restated)	Restatement effect
<b>Equity</b>	<b>504.1</b>	<b>540.4</b>	<b>36.3</b>
Share capital	71.9	71.9	0.0
Capital reserves	42.7	42.7	0.0
Profit reserves	229.0	229.0	0.0
Own shares	-24.9	-24.9	0.0
Accumulated other comprehensive income	22.5	-1.2	-23.7
- (re)insurance contracts		-13.7	-13.7
- financial investments	21.2	11.2	-10.1
- other	1.3	1.3	0.0
<b>Retained earnings</b>	<b>116.2</b>	<b>176.2</b>	<b>60.0</b>
- retained earnings	116.2	116.2	0.0
- change due to IFRS 17		48.0	48.0
- change due to IFRS 9		12.0	12.0
<b>Net profit for the period</b>	<b>49.6</b>	<b>49.6</b>	<b>0.0</b>
Translation reserve	-3.3	-3.2	0.0

	31/12/2022 (published)	31/12/2022 (restated)	Restatement effect
<b>Equity</b>	<b>412.0</b>	<b>524.8</b>	<b>112.9</b>
Share capital	71.9	71.9	0.0
Capital reserves	42.7	42.7	0.0
Profit reserves	256.9	256.9	0.0
Own shares	-24.9	-24.9	0.0
Accumulated other comprehensive income	-114.5	-45.9	68.6
- (re)insurance contracts		71.5	71.5
- financial investments	-116.5	-119.5	-3.0
- other	2.1	2.1	0.0
<b>Retained earnings</b>	<b>142.6</b>	<b>203.6</b>	<b>61.0</b>
- retained earnings	142.6	143.6	1.0
- change due to IFRS 17		48.0	48.0
- change due to IFRS 9		12.0	12.0
<b>Net profit for the period</b>	<b>40.0</b>	<b>23.2</b>	<b>-16.8</b>
Translation reserve	-3.3	-3.3	0.0





KPI 05

# CSM – new KPI for life profitability

Volume	
Business volume	GWP + non-insurance revenue
Insurance revenue	IFRS 17 revenue

Profitability	
Combined ratio	IFRS 17 inputs including non-attributable expenses, net/net calculation
CSM	Deferred profits, mostly related to life business, partly to reinsurance





# Thank you.

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# List of abbreviations used

BBA	Building block approach
CSM	Contractual service margin
DAC	Deferred acquisition costs
FVTPL	Fair value through profit or loss
FVOCI	Fair value through other comprehensive income
GWP	Gross written premiums
IFRS	International financial reporting standard(s)
KPI	Key performance indicator
LIC	Liabilities for incurred claims
LRC	Liabilities for remaining coverage
OCI	Other comprehensive income
PAA	Premium allocation approach
P&L	Profit and loss statement
SPPI test	Solely payments of principal and interest test
VFA	Variable fee approach
VaR	Value at risk
TVaR	Tail value at risk