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Draft Educational Note

Transition from CALM to IFRS 17 Valuation of Canadian Participating Insurance Contracts

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International Insurance Accounting Committee

March 2019

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MEMORANDUM

To: Members in the life and health insurance area

From: Faisal Siddiqi, Chair
Standards and Guidance Council

Les Rehbeli, Chair
International Insurance Accounting Committee

Date: March 27, 2019

Subject: **Draft Educational Note: Transition from CALM to IFRS 17 Valuation of Canadian Participating Insurance Contracts**

The International Insurance Accounting Committee (IIAC) has prepared this draft educational note to identify the key components involved in the valuation of participating contracts, and how those components might change under the IFRS 17 framework compared to the current Canadian Asset Liability Method (CALM) framework.

The information presented in this educational note is intended to alert Canadian valuation practitioners to key items that will affect their work. Additional information that provides more detail appears in International Actuarial Association (IAA) guidance or other CIA documents. This draft educational note is not intended to be a complete guide, but rather a comparison of key differences in treatment from the current CIA Standards of Practice. Further guidance is expected to be released by the Committee on Life Insurance Financial Reporting at a later date. This draft educational note is consistent with the exposure draft of International Actuarial Note (IAN) 100 which was published on January 17, 2019.

The actuary should be familiar with relevant educational notes. They do not constitute standards of practice and are, therefore, not binding. They are, however, intended to illustrate the application of the Standards of Practice, so there should be no conflict between them. The actuary should note however that a practice that the educational notes describe for a situation is not necessarily the only accepted practice for that situation and is not necessarily accepted actuarial practice for a different situation. Responsibility for the manner of application of standards of practice in specific circumstances remains that of the members.

In accordance with the Institute's Policy on Due Process for the Approval of Guidance Material other than Standards of Practice and Research Documents, this draft educational note has been prepared by the IIAC and received approval for distribution from the Standards and Guidance Council on March 22, 2019.

Questions or comments regarding this educational note may be directed to Les Rehbeli at les.rehbeli@oliverwyman.com or to Lesley Thomson at lesley.thomson@sunlife.com.

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There is debate about whether Canadian participating insurance contracts meet the IFRS 17 definition of insurance contracts with direct participating features, i.e., whether the general measurement approach or the variable fee approach applies. However, on the topic of valuation (measurement) of insurance contract liabilities, the difference between the general measurement approach and the variable fee approach lies solely in the subsequent measurement of the contractual service margin (CSM)—the initial measurement of the liability and the subsequent measurement of fulfilment cash flows (FCF) are the same. This paper covers these common elements of the IFRS 17 valuation of Canadian participating insurance contracts, as well as considerations on transition from Canadian asset liability method (CALM) to IFRS 17.

This paper starts from the current (CALM) valuation and identifies how the various components are treated under IFRS 17 and how they might need to be changed. The appendix includes a summary of this mapping.

There is also debate about how to account for the rights of participating policyholders to receive remaining property on dissolution of a mutual company in Canada—i.e., whether those rights would be treated as insurance contract cash flows. Any such rights and cash flows are not considered in this paper.

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1.0 Background

1.1 Separate participating accounts[1]

The Insurance Companies Act (Canada) (ICA) section 456 requires Canadian companies to maintain accounts in respect of participating policies separately from those maintained in respect of other policies. ICA sections 457–464 cover requirements for the fair and equitable allocation of investment income, expenses, and taxes to the participating accounts and limitations on amounts that can be transferred out of the participating accounts. Also, income (profit/loss) and equity (surplus) of the participating accounts is reported separately from the shareholder accounts in the financial statements. IFRS 17 has no effect on any ICA requirements, so this separate reporting will still be required. For example, any CSM associated with policies in the participating account will be reported in the participating account, and the amortization of that CSM will be part of participating account income.

Since it is applicable in all countries (regardless of the regulatory regime) that adopt it, IFRS 17 does not deal with the participating account separately. That is, “the entity” in IFRS 17 refers to the entire company (including the participating account), and terms such as “equity” and “profit and loss” and “liabilities” include amounts that (in Canada) would be reported both in the participating account and the shareholder account.

1.2 Demutualization[2]

In 1999 and 2000, four of Canada’s largest federally registered companies converted from mutual companies to stock companies. At demutualization, participating policyholders were compensated for their ownership rights being relinquished. Their contractual rights were

[1] Regulations applicable to provincially regulated insurers may differ.

[2] Regulations applicable to provincially regulated insurers may differ.

protected through the establishment of "closed blocks", amounts in which are promised to be returned in full to the policyholders in the closed blocks. Any participating policies sold after demutualization are accounted for separately, in "open blocks" or "post-demutualization blocks".

Also at the time of demutualization, section 462 of the ICA was amended to allow for transfers from the participating accounts for amounts in respect of demutualization. Such amounts are accounted for separately in "ancillary blocks" or "transfer blocks", which contain amounts related to pre-demutualization policies that are outside the closed blocks, such as provisions for adverse deviations (PfADs) on pre-demutualization policies and sometimes (depending on the company's demutualization plan) amounts on deposit or supplementary benefits and riders for pre-demutualization policies. Income arising from the ancillary blocks is transferred from the participating account to the shareholder account each quarter, and thus is reported with shareholder income and shareholder equity rather than participating policyholder income and participating policyholder equity.

1.3 Current (CALM) valuation of participating insurance contracts

1.3.1 Policyholders' reasonable expectations (PRE)

Under CALM, the valuation of participating policy liabilities includes cash flows for projected policyholder dividend payments (and other non-guaranteed benefits) consistent with policyholders' reasonable expectations (PRE). The concept of PRE provides a framework for incorporating discretionary payments into the measurement of liabilities in a reasonable way. (In Canada, the board of directors has discretion over the amount of policy dividends declared each year.) A common expression of PRE in Canada is that policyholder dividend scales are adjusted to pass through the impact of changes in experience (e.g., mortality, lapse, investment, expense) to the extent dividend room is available (i.e., with minimum guarantees).

For closed blocks set up at demutualization, PRE includes all amounts in the closed block (because of the promise of full return), so the liabilities for pre-demutualization policies are at least as large as the amount of assets in the closed block. This would also be the case for any blocks (e.g., acquired in portfolio transfers or business combinations) where the full amount in the block is promised to be returned to the policyholders in the block.

There is no reason to think that PRE would be changed by IFRS 17. Also, per IFRS 17.B65(c), it will continue to be appropriate to include dividends consistent with PRE in the projected future cash flows under IFRS 17. If measured under the general model, IFRS 17.B98 would require an explicit articulation that PRE is the basis for determining discretionary cash flows (i.e., the commitment) so that any future changes in PRE can be reflected in the CSM (IFRS 17.B99).

Note that PRE in Canada today only includes obligations to *current* policyholders. For contracts where IFRS 17.B67 applies, IFRS 17.B68 also requires consideration of whether there are obligations to *future* policyholders, and if so, such amounts would be included in the present value of future cash flows under IFRS 17 (rather than in surplus). Consideration of whether there are obligations to future policyholders would take into account all legal and constructive obligations arising from applicable statutes, regulations, and guidelines as well as contractual terms and representations made to policyholders.

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1.3.2 Implicit valuation under CALM

For blocks of participating insurance contracts with significant dividend (pass-through) room, a common approach to the valuation of liabilities in Canada is to project future cash flows assuming current experience and current policyholder dividend scales persist into the future. This is called the implicit approach because it makes the implicit assumption that future changes in experience will be offset by future changes to policyholder dividend scales (i.e., perfect pass-through). A variation is to assume an immediate shock to experience and the consequent adjustment to dividend scales, with future cash flows projected assuming no further changes to experience or the adjusted dividend scales. This is also an implicit approach, as it makes the implicit assumption that any experience changes beyond the immediate shock will be offset by future changes to policyholder dividend scales.

The discount rate used in the implicit projection would normally be either the current portfolio yield or the portfolio yield underlying the policyholder dividend scales in the valuation (i.e., current or after immediate shock), with any timing differences reflected in a dividend stabilization reserve (DSR).

Under CALM, the initial liability from an implicit valuation (including DSR) is increased to provide for the risk that experience changes might not be passed through to policyholders, either because dividend room is limited or because management might delay dividend scale reductions (without later recouping the losses). When using an implicit approach, it is common to consider the initial liability (including DSR) the "best estimate" liability, with any additional amounts considered PfAD. This will change under IFRS 17, as discussed in section 3.2 below.

However, the initial liability from an implicit valuation (including DSR) can continue to be the foundation of the liability under IFRS 17 (see section 3). The projection of cash flows under various scenarios of future outcomes is covered under IFRS 17.B38–B39, and the discount rate is covered under IFRS 17.B74(b)(i) (cash flows that vary with returns on underlying items) or the concept of a replicating portfolio in IFRS 17.B46.

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1.3.3 Explicit valuation under CALM

In general, an explicit analysis of projected future experience changes and corresponding changes to policyholder dividend scales is too complex and time consuming for quarterly reporting purposes, but testing would be performed off-cycle to provide evidence that the liability measured using the implicit approach (with PfAD) is appropriate.

However, if an explicit valuation approach is used, it will include provision for the risk that experience changes might not be passed through to policyholders, and so can be used as the foundation of the IFRS 17 liability (see section 3).

For blocks of participating insurance contracts without significant dividend (pass-through) room, a common approach to the valuation of liabilities in Canada is to project future cash flows as if the contracts were non-participating and the current dividend scale guaranteed, with a downwards adjustment—if significant—to recognize the dividend room available. Alternatively, the future dividend payments could be ignored in the cash flow projections, with

an upwards adjustment—if significant—to recognize the dividend payments expected to be made.

2.0 Investment Components (IFRS 17.11(b))

IFRS 17 requires the identification of investment components in insurance contracts. Investment components are defined in appendix A as "The amounts that an insurance contract requires the entity to repay to a policyholder even if an insured event does not occur." If distinct (per IFRS 17.B31–B32), the investment components are separately reported and measured under IFRS 9. If not distinct, the investment components are measured together with the insurance components under IFRS 17. Identification of a non-distinct investment component affects presentation, disclosure, and amortization of the CSM, but has no impact on the measurement of the FCF.

The following are potential investment components of participating insurance contracts in Canada:

- Amounts (mainly dividends) on deposit (AoD) – AoD are clearly investment components, but may or may not be distinct. The conditions in IFRS 17.B31(a) (contracts with equivalent terms could be sold separately) and IFRS 17.B32(a) (able to measure the component separately) would sometimes be met, but the condition in IFRS 17.B32(b) (lapse or maturity of the base policy causes lapse or maturity of AoD) would often cause the AoD to be non-distinct. If AoDs affect policyholder dividend scales, the AoD would be non-distinct.

  If the AoD is distinct, the liability would be included with other investment contract liabilities in the financial statements. If non-distinct, the liability would be included with insurance contract liabilities.

- Cash surrender value (CSV) – The CSV is also clearly an investment component, but would always be non-distinct because the conditions in IFRS 17.B31 would not be met. Cash flows related to payments of surrender values would be projected as they are under CALM.

  The presentation requirements for non-distinct investment components mean that the CSV would be subtracted from claims reported in insurance service expenses. The repayment of CSV is not considered an insurance service expense. Similarly, the portion of premium included in insurance revenue excludes the portion related to the CSV.

- Policy loans – IFRS 17.BC114 indicates that policy loans are non-distinct investment components. Practically speaking, policy loans could be included in the valuation in the same manner as they are under CALM, but the balance would be reported with insurance contract liabilities (negative) rather than as a separate asset.

- Policyholder dividends – Policyholder dividend payments do not meet the definition of investment components because they might never be paid (e.g., if experience deteriorates) and the amount and timing of payment are discretionary.

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3.0 Mapping Components of CALM Liabilities to Components of IFRS 17 Liabilities[3]

3.1 CALM best estimate liabilities

As noted above, the reported best estimate liability under CALM is commonly the initial liability from the implicit valuation (including DSR). This amount would be included in the IFRS 17 present value of future cash flows (which is sometimes called the IFRS 17 "best estimate liability", but not in this chapter to avoid confusion).

For closed blocks and other blocks where all amounts are promised to be returned to participating policyholders, the entire amount in the block would be included in the IFRS 17 present value of future cash flows.

For blocks where an explicit (rather than implicit) approach has been used to value CALM liabilities (e.g., blocks of participating policies with no significant dividend (pass-through) room), the reported best estimate liability would be included in the IFRS 17 present value of future cash flows.

Note that IFRS 17 limits the expenses included in cash flow projections to those "directly attributable" to the portfolio. However, this will make no difference if expense experience is passed through to policyholders via policyholder dividend scales, because the difference in expense cash flows would be offset by a change in policyholder dividend cash flows. Section 3.4 covers the situation where expense experience is not passed through to policyholders.

3.2 CALM PfADs

Under CALM, PfADs include PfADs for financial risk and PfADs for non-financial risk (often called economic PfADs and non-economic PfADs, respectively).

3.2.1 Economic PfADs

Under IFRS 17, there is no separate risk adjustment for financial risk, as all provisions for financial risk (on a basis consistent with observable market prices) are included in the present value of future cash flows, either by increasing the cash flows or reducing the discount rate (IFRS 17.B86). One way to think of this is that the CALM economic PfADs represent the cost of providing financial guarantees, and therefore would be added to the IFRS 17 present value of future cash flows. The question is whether we can measure the cost of these financial guarantees under IFRS 17 in the same manner as CALM economic PfADs are set today. IFRS 17.B44 requires estimates to be consistent with observable market prices; however, there would be no directly relevant observable inputs in Canada. CALM economic PfADs might be a reasonable proxy for the market price of financial guarantees (depending on how they were determined); however, the actuary would need to consider whether the level of economic PfADs is reasonable in light of the objectives of IFRS 17. Considerations include the following:

- Provisions for asset-liability mismatch risk are included in CALM economic PfADs but not IFRS 17 liabilities;

[3] IFRS 17 liabilities = (present value of future cash flows) + (risk adjustment for non-financial risk) + CSM
= FCF + CSM

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- CALM valuation of financial risk is entity-specific (e.g., takes into account hedging strategies) while IFRS 17 valuation is not; and
- CALM valuation would be based on real-world scenarios of future economic variables (e.g., returns on non-fixed income assets) rather than scenarios consistent with observable market prices (e.g., risk-neutral scenarios).

A possible (explicit) approach to measuring the present value of future cash flows including the cost of financial guarantees under IFRS 17 would be to project cash flows (including changes to policyholder dividend scales) under risk-neutral economic scenarios and take CTE(0) of the present value (at scenario-specific discount rates) of the cost under each scenario. In these projections, non-economic assumptions would be best estimate assumptions, with the risk adjustment for non-financial risk providing for any additional cost related to the uncertainty of those assumptions. Care would be taken not to double count sources of policyholder dividend room. For example, if all dividend pass-through room is used up in measuring the cost of financial guarantees, the risk adjustment for non-financial risk would be determined ignoring pass through.

3.2.2 Non-economic PfADs

A portion of CALM non-economic PfADs might also be part of the IFRS 17 present value of future cash flows. This would happen to the extent that a best estimate projected deterioration in experience would not be offset by a reduction in policyholder dividends, either because the policy has run out of dividend room or because management is expected to delay the required dividend scale reduction (without later recouping the losses from that delay). This would only need to be considered if an implicit valuation approach is used; explicit valuation would include this risk in the initial liability.

Other than the above, the CALM non-economic PfADs correspond to the IFRS 17 risk adjustment for non-financial risk. These amounts provide for uncertainty (related to non-financial risk only) in the present value of future cash flows, reflecting the risk that policyholder dividend scales will be unable to absorb the impact of adverse non-economic experience. All else being equal, the IFRS 17 risk adjustment for non-financial risk would be higher for policies with less pass-through room available in the policyholder dividend scales and lower for policies with more pass-through room available.

Another consideration in determining the IFRS 17 risk adjustment for non-financial risk is that it reflects the entity's view of the compensation required to bear uncertainty (i.e., the entity's view of the required confidence level), which could be higher or lower than the level implied by the CALM non-economic PfADs.

3.3 Amounts on deposit

If a distinct investment component, the AoD liability would be the account value (if credited a fixed or floating rate of interest) or the fair value of the underlying assets (if linked), plus a provision for the cost of any minimum guaranteed returns.

If a non-distinct investment component, it might be a reasonable approximation to measure the AoD separately from the base policy as if it were a distinct investment component (see

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above), but reported as part of the present value of future cash flows in the insurance contract liabilities. However, the actuary would need to consider whether an explicit projection of AoD cash flows would be materially different from the account value and if so, adjust the present value of cash flows accordingly.

If all or a portion of the spread earned on AoD contributes to (current *or future*) policyholder dividends, the actuary would take care to avoid double counting or omission in cash flow projections.

3.4 Expenses (or other experience factors) not shared

For some blocks of participating insurance, expense experience is not passed through to policyholders, though some level of expenses may be “charged” to policyholders via reducing the policyholder dividend scales. If so, there will be a component of the CALM liability equal to the present value of the difference between the projected expenses allocated to the participating account and the projected expenses charged to policyholders through the dividend scales.

Under IFRS 17, the cash flows for this component of the liability would be adjusted to reflect that only directly attributable expenses (perhaps adjusted for the impact of inflation (IFRS 17.B59)) can be included in IFRS 17 projected cash flows, and a different discount rate might apply. Also, IFRS 17.B67–B68 could affect the cash flows if experience would be passed through to *future* policyholders.

If the present value is negative (i.e., expenses charged to policyholders in the dividend scale are higher than the expenses in projected cash flows), the amount of negative FCF would be offset by CSM. Each year, the change in FCF would offset the difference between expenses allocated to the participating account and the expenses included in the IFRS 17 projected cash flows, and the release of the CSM would provide current period income reflecting the difference, though it is unlikely there would be a perfect match with the actual expense difference.

The analogous treatment would apply to any other experience factors not shared with policyholders.

In practice, the IFRS 17 liability for experience factors not shared might be determined separately in the same manner as if non-participating, adding the result to the insurance contract liabilities. However, IFRS 17 does not require non-variable cash flows to be separated, so another approach would be to combine the non-variable cash flows with the variable cash flows and modify the discount rate accordingly.

3.5 Supplementary benefits and riders

For some blocks of participating insurance, experience on supplementary benefits and riders is not shared with policyholders. If so, the IFRS 17 present value of future cash flows would be measured as the best estimate liability is measured under CALM, but adding provision for any financial risk by adjusting cash flows and/or the discount rate. The IFRS 17 risk adjustment for non-financial risk would be analogous to the CALM non-economic PfADs, perhaps adjusted for the entity’s view of the compensation required to bear uncertainty.

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In practice, the IFRS 17 liability for benefits and riders not shared might be determined separately in the same manner as if non-participating, adding the result to the pass-through portion of the liabilities. However, IFRS 17 does not require non-variable cash flows to be separated, so another approach would be to combine the non-variable cash flows with the variable cash flows and modify the discount rate accordingly.

3.6 Market conduct provisions

For some blocks of participating insurance, CALM liabilities have been established to provide for the cost of market conduct settlements (not shared with policyholders). If so, the IFRS 17 present value of future cash flows would be measured as the best estimate liability is measured under CALM, but adding provision for any financial risk by adjusting cash flows and/or the discount rate. The IFRS 17 risk adjustment for non-financial risk would be analogous to the CALM non-economic PfADs, perhaps adjusted for the entity's view of the compensation required to bear uncertainty.

In practice, the IFRS 17 liability for these costs might be determined separately in the same manner as if non-participating, adding the result to the pass-through portion of the liabilities. However, IFRS 17 does not require non-variable cash flows to be separated, so another approach would be to combine the non-variable cash flows with the variable cash flows and modify the discount rate accordingly.

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4.0 Participating account surplus

It is common for participating policies in Canada to be designed to provide a contribution to participating account surplus, e.g., by holding back a portion of investment returns. Also, in stock companies, a portion (between 2.5 percent and 10 percent depending on the size of the participating account) of distributable surplus (on non-closed blocks) can be (and normally is) transferred to the shareholder account under ICA section 461 rather than being paid as policyholder dividends.

Note that any obligations to current policyholders would be part of PRE and thus included in the liability for both CALM and IFRS 17. However, for contracts where IFRS 17.B67 applies, IFRS 17.B68 also requires consideration of whether there are obligations to *future* policyholders, and if so, such amounts would be included in the present value of future cash flows rather than surplus under IFRS 17. Consideration of whether there are obligations to future policyholders would take into account all legal and constructive obligations arising from applicable statutes, regulations, and guidelines as well as contractual terms and representations made to policyholders.

Under CALM, at policy issue, the present value of expected future contributions to surplus (including expected transfers to the shareholder account) is reported as participating account surplus[4]. Under IFRS 17, this amount would be included with insurance contract liabilities in the present value of future cash flows for the portion captured under IFRS 17.B67–B68, and in CSM (unearned profit) for the remainder.

[4] Sometimes the contribution to surplus is expressed gross of PfAD rather than net of PfAD. In this paper, "contribution to surplus" implies "in excess of PfAD".

As time goes by, contributions to surplus are collected, and expected future contributions to surplus reduce. At any point in time, one can think of participating account surplus under CALM as being the accumulation of past contributions to surplus collected (less amounts transferred to the shareholder account), plus the present value of expected future contributions to surplus (including expected transfers to the shareholder account). This will be useful for the transition discussion (see section 5.2 below).

5.0 CSM – Transition

5.1 Participating account liabilities

In theory, the CSM reported in the participating account at transition would be the unearned profit in the participating account. For participating account liabilities, this would be the amount related to expense charges in excess of actual expenses (see section 3.4) or similar balances on other experience factors not shared (with current *or future* policyholders), and any unrecognized embedded profits (not shared with current *or future* policyholders) on AoD, supplementary benefits and riders, and market conduct provisions.

However, if related to a closed block, some or all of these amounts may already have been transferred to the shareholder account through the ancillary block, leaving little or no surplus (or unearned profit embedded in the CALM liabilities) in the participating account. That does not imply there is no CSM related to these policies, but it does mean that the IFRS 17 liability including CSM might exceed the related participating account assets at transition. In other words, IFRS 17 might require deferral of profits previously recognized under CALM. If so, the deficiency would be transferred from the shareholder account to the ancillary block at transition as an opening balance sheet adjustment[5]. After transition, release of CSM would be treated the same as other income in the ancillary block.

5.2 Participating Account Surplus

For participating account surplus, the unearned profit in the participating account would be the portion equal to the present value of expected future contributions to surplus (including expected transfers to the shareholder account) minus amounts captured in liabilities under IFRS 17.B67–B68. This would become CSM, leaving only the accumulated value of past contributions to surplus (less amounts transferred to the shareholder account) as participating account surplus.

The application of a retrospective approach at transition might produce a slightly different CSM because the metric for amortizing CSM might not exactly match the metric by which contributions to surplus are collected. Nevertheless, the present value of future contributions to surplus (not including amounts captured under IFRS 17.B67–B68) might be a reasonable starting point for estimating the CSM at transition.

Under the fair value approach, it would be reasonable to assume that a third party would require future contributions to surplus to take over the obligations in the same way that the entity requires future contributions to surplus to write the contracts. Therefore, the present value of future contributions to surplus (not including amounts captured under IFRS 17.B67–

[5] To be confirmed.

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B68) at the rate the entity includes in pricing would be a reasonable starting point for determining the portion of participating account surplus that is CSM at transition.

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Appendix

CALM Component		Possible Adjustments	IFRS 17 Component
Best estimate	Initial liability from implicit valuation (including DSR)		Present value (PV) of future cash flows
PfADs	Economic (mismatch)		N/A
	Economic (other)	Consistent with market prices	PV of future cash flows
	Non-economic (if best estimate cannot be passed through)		PV of future cash flows
	Non-economic (other)	Entity's view of cost of risk (vs. CALM)	Risk adjustment for non-financial risk
AoD	Account balance		PV of future cash flows
	CALM liability minus account balance (positive)	IFRS 17 (vs. CALM) cash flow projections	PV of future cash flows
	CALM liability minus account balance (negative)	IFRS 17 (vs. CALM) cash flow projections[6]	CSM
Expenses (or other experience factors) not shared	CALM liability (positive) – best estimate (+ PfAD if non-shared experience factor is economic)	IFRS 17 (vs. CALM) cash flow projections[6]	PV of future cash flows
	CALM liability (positive) – PfAD for non-economic non-shared experience factor	Entity's view of cost of risk (vs. CALM)	Risk adjustment for non-financial risk
	CALM liability (negative)	IFRS 17 (vs. CALM) cash flow projections[6]	CSM
Supplementary benefits and riders and market conduct provisions (not shared)	Best estimate (positive)	IFRS 17 (vs. CALM) cash flow projections[6]	PV of future cash flows
	Best estimate (negative)	IFRS 17 (vs. CALM) cash flow projections[6]	CSM
	Economic PfAD	Remove mismatch PfAD	PV of future cash flows
	Non-Economic PfAD	Entity's view of cost of risk (vs. CALM)	Risk adjustment for non-financial risk
	Amounts captured under IFRS 17.B67–B68		PV of future cash flows

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[6] Including adjustment for any amounts captured under IFRS 17.B67–B68.

Participating account surplus			
	Past accumulation of contributions to surplus (minus amounts transferred to shareholder (s/h) account)		Surplus
	Present value of future contributions to surplus (including expected transfers to the s/h account and excluding amounts captured under IFRS 17.B67–B68)		CSM
Shareholder account	Amounts previously transferred to s/h account (through ancillary block)	As needed to support CSM (see section 5.1)	Included in CSM above

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