S&P Global
Market Intelligence

For Insurance Companies

Essential components for IFRS 9 impairment

International Financial Reporting Standards 9 (IFRS 9) accounting standards require insurance organizations to factor in expected credit losses (ECLs) to calculate provisions for their investment portfolio and other financial assets. This change requires investment in forward-looking analytics. Although there is the option to defer until IFRS 17 comes into effect, acting sooner rather than later can give firms a head start in preparing for the transition.

An inadequate approach to these regulations could leave you with impairment provisions that are too high, impacting deployment of capital and solvency, or too low, exposing you to unexpected losses in a downturn. Critically, insurers will need to apply ECLs on their reinsurance assets and, potentially, on their life reserves in line with investment impairment requirements. Our suite of award-winning solutions* can help your company comply with the IFRS 9 standard during the transition period and beyond.

Approach:

Assess credit risk with confidence, consistency, and convenience.

- Establish consistency between regulatory capital calculation and provisioning with forward-looking probability of default (PD) and loss given default (LGD) assessments available for 60+ sector-specific credit risk and LGD Scorecards, including: 35+ Corporate sectors, Financial Institutions, Public Finance, Project Finance, Asset Finance, Real Estate, and small- and medium-sized enterprises (SMEs).
- Apply batch scoring to generate forward-looking PDs, incorporating a quantitative ratings transition model on the Credit Analytics platform across your credit portfolio for a holistic view of the credit risk.

Evaluate PD:

- One assessment generated by the credit risk Scorecard or Credit Analytics models is associated with a 12-month PD or lifetime PD, depending on requirement.
- PDs can be point-in-time adjusted using a macroeconomic model or Scorecard overlay, accounting for region, industry, and user-defined scenarios, including (but not limited to) the following factors:
  - GDP Growth (%)
  - Change in Unemployment (%)
  - Change in S&P 500 (%)
  - Change in FTSE 100 (%)
  - Change in Energy Index (%)
  - Change in Non-Energy Index (%)
  - Change in Treasury yield (%)

Calculate LGD:

- Employ our LGD solutions, a robust framework used by all types of credit sensitive institutions.
- Select among three possible macroeconomic scenarios ("positive", "neutral", "negative") to account for the current environment.

Data:

Expand the scope of your internal models for IFRS 9 compliance with our high-quality data.

- Derive adjustments for 12-month and lifetime PDs based on S&P Global Ratings default and ratings migration data for 15,000** companies, 175,000 securities, 250,000 structured finance issues, and 175+ sovereign ratings across the globe.
- Evaluate future default and ratings migration scenarios, adjust internal calibration of models, stress test assumptions, and benchmark internal performance as well as bridge gaps in internal ratings data.
- Access factors that can assist in determining a significant change in credit risk with 20+ years of historic credit ratings from S&P Global Ratings across all sectors, including over 9,000 global issuers, 600 government entities, 15,000 structured finance deals, and 850,000 securities.
- Build a competitive edge with data that spans 99% of the world's total market capitalization, including fundamental data for 700,000+ private companies and 60,000 public companies.

Technology & Delivery:

Whether you need to adjust inputs for your macroeconomic scenarios, apply probability weights to estimate expected values, or calculate ECL, our models can be easily implemented into your current systems through web- and Excel®-based solutions, alongside bulk feed and API channels.

Risk Technology Awards 2018 Winner
S&P Global Market Intelligence
IFRS 9 ECL modelling solution of the year

*S&P Global Market Intelligence Solution Wins IFRS 9 Expected Credit Loss Modelling Solution Of The Year Award, **www.spglobal.com/marketintelligence/en/media-center/press-release/sp-global-market-intelligence-solution-wins-ifrs-9-expected-credit-loss-modelling-solution-of-the-year-award**, October 31, 2018

**All data as of October 31, 2018.

About S&P Global Market Intelligence

At S&P Global Market Intelligence, we know that not all information is important—some of it is vital. Accurate, deep, and insightful. We integrate financial and industry data, research, and news into tools that help track performance, generate alpha, identify investment ideas, understand competitive and industry dynamics, perform valuation, and assess credit risk. Investment professionals, government agencies, corporations, and universities globally can gain the intelligence essential to making business and financial decisions with conviction.

S&P Global Market Intelligence is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies, and governments to make decisions with confidence. For more information, visit www.spglobal.com/marketintelligence.

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