# FINANCIAL STATEMENTS ANALYSIS OF INSURANCE COMPANIES

**By Donatien Hainaut**

Online – February 23, March 2 & 9, 2021

# DESCRIPTION

The purpose of this course is to help participants to get a deep understanding of financial statements disclosed by insurance companies and to value their activities. Participants will learn to break down the disclosed information into key performance indicators. All concepts are illustrated on a case study of a major insurer.

The first module reviews the main items of financial statements. We introduce the principles behind IFRS 9 (accounting of investments). IFRS 4 and 17 (insurance liabilities). We also explain the methods for the consolidation of subsidiaries.

The second part focuses on the analysis of financing structure and margins and profitability. We introduce the concepts of capital employed and working capital in order to get a better picture of the balance sheet. We also review market ratios which allows to compare the company market value to its accounting figures.

The third part is devoted to the valuation of insurance companies, exclusively based on public disclosed information. After a review of the costs of corporate funding, we present direct and indirect approaches based and we conclude with a peer-comparison methods (direct and indirect).

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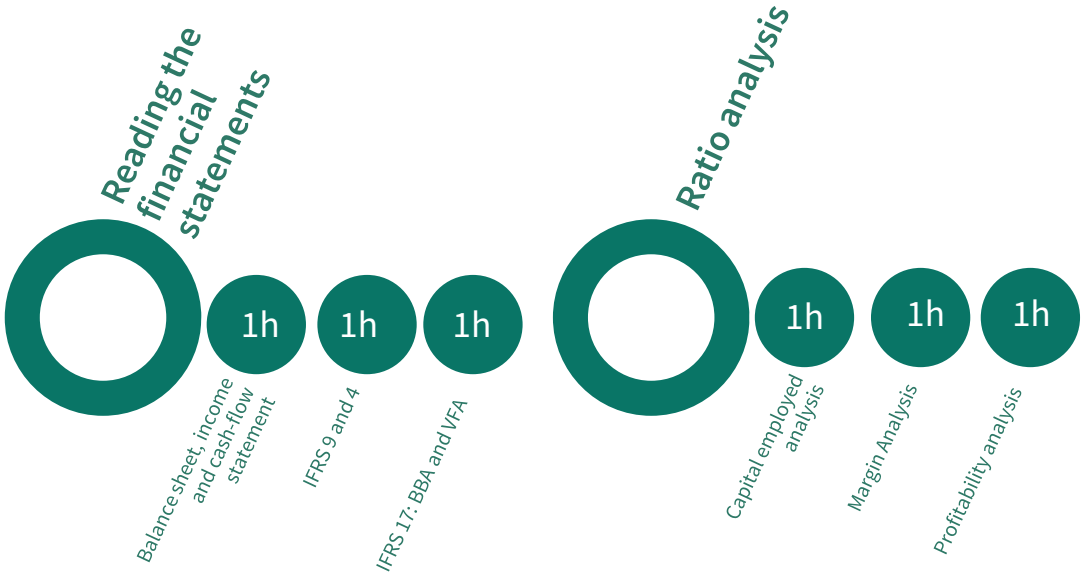
# AGENDA

Module 1 (February 9) & Module 2 (February 23)




- **Reading the financial statements in IFRS**
  - The balance sheet
  - The Income statement
  - Cash-flow statement
- **Introduction to IFRS 9, 4 and 17**
  - IFRS 9 : accounting of investments
  - IFRS 4 : principles of shadow accounting
  - IFRS 17 : Building Block Approach (BBA)
  - IFRS 17 : Variable Fee Approach (VFA)
- **Capital employed analysis**
  - Working capital & Capital employed analysis
  - Liquidity, leverage and debts ratios
- **Margin analysis**
  - Restructuring the income statement
  - Added value, EBIT, Net margins
  - Loss, combined ratios and reinsurance
- **Profitability analysis**
  - ROE, ROCE and ROA
  - Financial and insurance leverages
  - Costs of liabilities
  - Profitability and margins

# AGENDA

Module 3 (March 9)

**Notice that all concepts are illustrated with a case study of a major international insurer and excel workbooks used during the lecture will be distributed to participants.**

**Enterprise valuation:**

- **Shares & market ratios**
  - Shares
  - MBR, PER, PEG
  - Payout ratio & dividends analysis
- **Cost of corporate financing**
  - Capital Asset Pricing Model, CAPM
  - Cost of debts
  - The Weighted Average Cost of Capital WACC
- **Insurance enterprise valuation**
  - Sum of the parts
  - Discounted dividends approach
  - Discounted cash-flows
  - Peer comparison method

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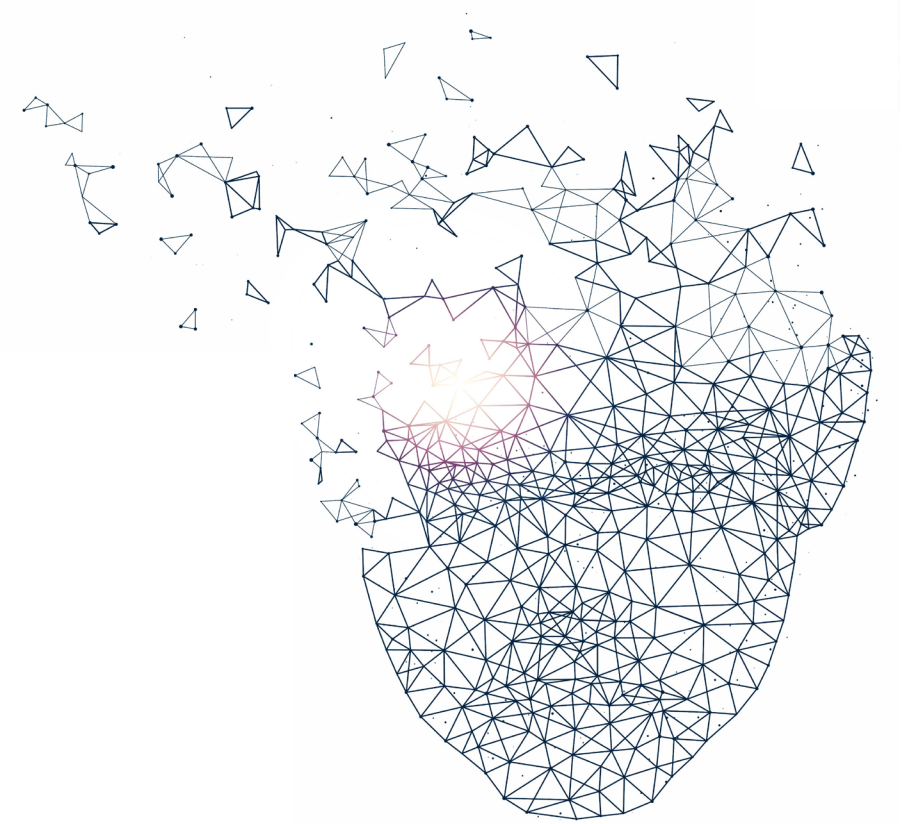
# SPEAKER

**Donatien Hainaut** is Scientific Director at Detralytics and professor at UCLouvain where he is Director of the new Master program in Data Science, statistical orientation.

Prior to this, he held several positions as associate professor at Rennes School of Business and the ENSAE in Paris. He also has several field experiences having worked as Risk Officer, trading room quantitative Analyst and ALM Officer.

Donatien is civil engineer in applied mathematics, Qualified Actuary, holds a master in financial risk management and a PhD in actuarial sciences. His current research ranges from data sciences applied to insurance to stochastic processes for finance & insurance.



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# PRACTICAL INFORMATION

The training will be given online via Teams (All level)

900€ excl. VAT for 9 hours (3 x 3h from 14h to 17h30 with 2 breaks of 15min.)

The training will be given in English

A computer with Excel is needed for the practical parts

9 CPD points and 54 PPC points are attributed to participants

For subscription, as any other questions: learning@detralytics.eu