IFRS 17

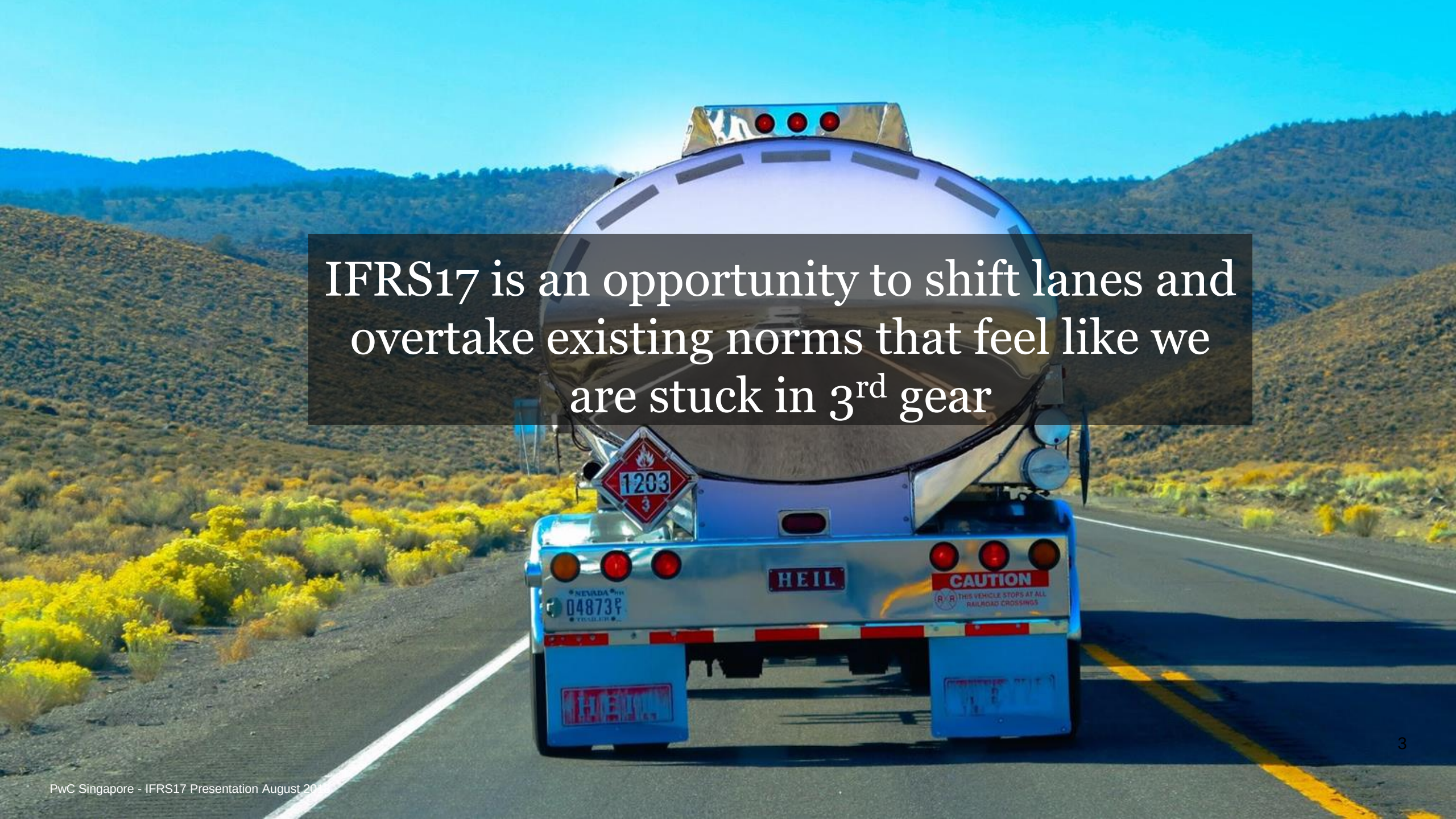
A catalyst to Takestock, Transform technology, systems and data….

Tips on where to begin

16TH AUGUST 2018

pwc

"Digital" is not just about the technologies.
It's about new ways of solving problems,
creating unique experiences and
accelerating business performance.
Reimagine Business in the Digital Age.
pwc



IFRS17 is an opportunity to shift lanes and overtake existing norms that feel like we are stuck in 3rd gear

What if we could use IFRS17 to reimagine how we use data?

What if we could use IFRS17 to redefine how our teams collaborate?

What if we could use IFRS17 to change how we develop and manage insurance products?

Welcome

IFRS17

1. Comply = Tactical Vs Strategic/Transform
2. Fundamentals for Preparation
3. What solutions?

IFRS17 will be a huge undertaking. The complex touch points with Data at the core, presents a transformational opportunity to get your technology and systems re-aligned.

Technology Landscape Impacted by IFRS17

1

Financial Systems

2

Actuarial Systems

3

Data Management, Reporting & Integration

4

Global, Regional & Local (support all program models)

5

Global Delivery Model (delivery centres of excellence)

6

Advance Technology (AI, RPA & Cloud)

7

Finance, Risk & Regulatory System Architecture (understanding operational and technology impacts)

IFRS 17 technology

A PwC point of view:

- Learning from Solvency II

- Take a ‘Soft Design’ Approach

Apply lessons from Solvency II – "SOFT DESIGN"

Consider the **technical papers alongside the operational impact**. Avoid focusing on systems too early, and instead focus on understanding the **process steps, data requirements and associated controls** with reference to a **working day timetable**. **Focus on a topic** what solution (process, data and control requirements) would best support the technical requirements CSM that doesn't compromise the WDT.

Technical papers

Inputs

- **Working assumptions** will be needed where technical papers remain outstanding.
- **Design principles** covering people, process, data, controls and systems (inc. infrastructure).
- **Operational working assumptions** should be used to guide designs and inform people, systems and infrastructure solutions.
- **Dependencies** should be considered such as IFRS 9 impacts.

'Soft design'

- **What are the key CSM processes** – 'Best case' processes i.e. order of roll forward, interest accretion, amortisation subsequent measurement – unlocking. 'Most likely' reconciliation to SII, statistically insignificance, data quality and remediation, new product launches?
- **What data do I need** – Data fields, granularity, frequency, actual, plan, budget, forecast etc. Where is the held data now, will new allocations be needed and where is new flagging needed.
- **What controls are required** – Are my existing controls adequate? What new controls are needed?
- **When does the process need to complete** – Start to finish view of the process with time for production and reconciliation and analysis and insight?

Outputs

- **A coherent deliverable 'Blueprint'** – Such as reporting strategy, end-to-end working day timetable, controls list, data flow diagram(s) and system architecture to bring the design together.
- **Design decisions** – Highlighting where multiple design options will be evaluated. Design decisions highlighting where a tactical solutions are proposed for the dry-runs and/or Day 1.
- **Requirements Traceability Matrix** – Which captures both functional and non-functional requirements arising during the sessions and maps those requirements to the assumed system components of the architecture

Proof of Concept, Prototype and Sandboxes

Establish IFRS 17 operating model design principles

Right to left: Drive the data model from the reporting and KPI requirements.

Finance operations

- **Compliance** – With IASB IFRS 17.
- **Compliance** – With good business practice.
- **Integration** – With all other relevant local and international regulations and standard (e.g. Solvency II, IFRS 9).

Data management

- **Data is an asset** – Data is managed to provide accurate, timely, high quality data to the business.
- **Data is mastered and shared** – All data consumers must work from the same single point of truth for reporting/actuarial data and therefore the origin must be known at all times.
- **Data is accessible** – Data and documents should be accessible in a standard and structured way to the business.

Application

- **Build for change** – Applications must be flexible to address a certain magnitude of change in regulatory requirements.
- **Meet user needs** – Applications must work with and for the users, based on clearly agreed and communicated processes.
- **Separation of concern** – There should be no overlap in the functionality of applications, enforcing loose coupling when feasible (e.g. by utilising services).

Technology

- **Exploit the cloud** – Investigate feasibility of and leverage cloud-based service models for infra, data and applications.
- **Requirements-based change** – (Regulatory) requirements should drive change, not technology.
- **Interoperability** – Should conform to widely accepted interoperability standards for data, applications, and technology.

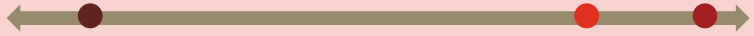
Fix at Source: data corrections should be made at (or as close as possible) to source.

Embed strong control: Target architecture must embed efficient and effective, prevent and detect, controls by design

Be pragmatic: Investments should avoid being unnecessarily technical or complex (apply 'Occam's razor')

Define the target and transition states

Insurers should **set a target state**. However these states are not binary, so insurers can decide on the appropriate level of **investment, effort** and risk to be borne by the IFRS 17 implementation program. There are a number of choices that will help define the target state.

Adopt modernised architecture		Leverage existing point solutions
Build solutions from scratch		Build upon/extend SII investment
Single Group data ask		Multiple data requests from Group
One Group Statutory, Regulatory and Mi system		Multiple Group Reporting tools
Common CSM solution		Decentralised implementation of CSM
Align local Consolidation and Ledger CoA		Align local Consolidation and Ledger CoA
Common Global sub-ledger and General Ledger		Best of breed building blocks
Rationalised models and parallel runs		Point solutions and sequential runs
Single source of input data		Multiple interfaces
Leverage 'Big data solutions'		Federated data storage in marts, ODS and warehouses

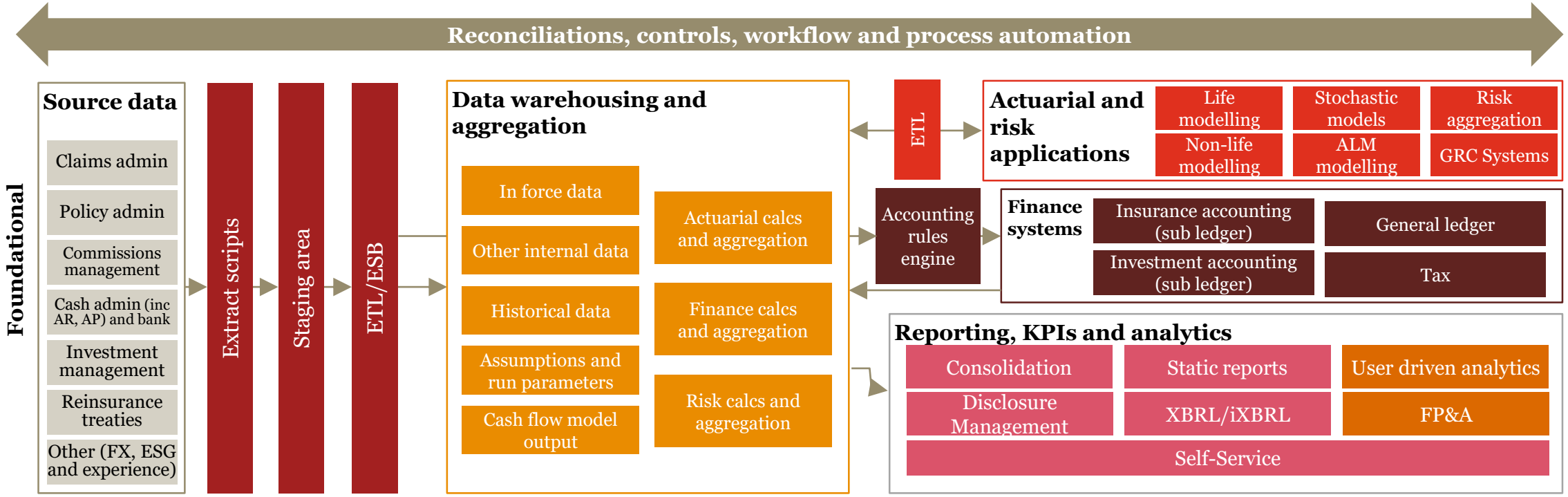
Be mindful of the following:

- Depending on an insurer's envisioned level of IFRS 17 **reporting capabilities** and **process automation**, there are certain key architectural decisions that need to be considered.
- The decision options presented do not inherently represent good or bad decisions, since it is mostly a matter of **fit for** a particular **context**.
- The decision options presented are not the only alternatives, as intermediate or **hybrid** options can be equally plausible.
- Also, for global insurers, work with your business units, there are **incremental opportunities** which will help with **future reuse of experience as well as systems**.

Key:

- Current state
- IFRS 17 Transition state
- Future state

Form a clear view on minimum compliance – Investment/change



Current view

- Financial and operational implications of adoption will vary by insurer and operations within.
- Ultimately, it will represent a fundamental change in most insurers' accounting practices and provide a major challenge for large parts of the industry.
- There are, however, opportunities to leverage recent effort and expenditure in finance processes and systems and also, tailor your approach to adoption, both operationally and in terms of financial performance, starting with minimum compliance.

What minimum compliance looks like …

- High-end level of aggregation.
- 'Spreadsheets as a system' – to a point.
- Develop bespoke CSM solutions outside of the current systems landscape.
- Focused on auditable results, rely on current narrative.
- There is a difference between what you need to do vs how you need to do it?

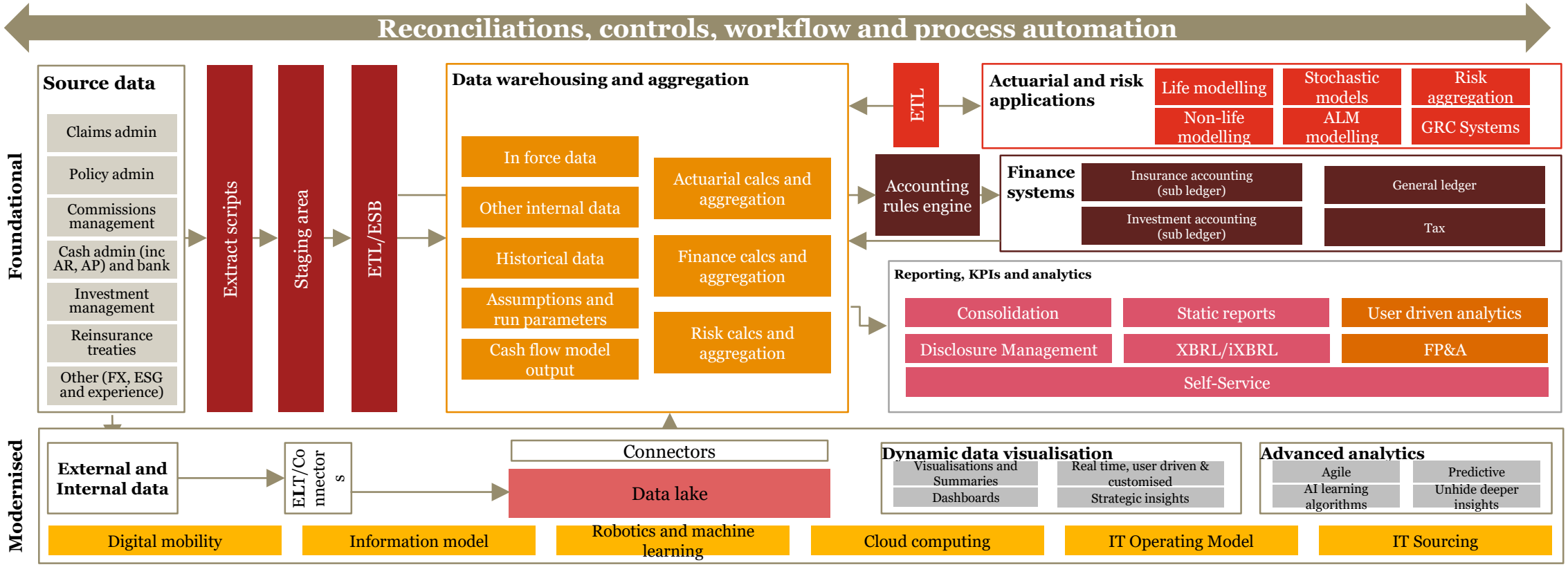
Key impact areas

- Additional data requirements (collection and storage)
- Cash flows
- Risk adjustment
- CSM calculation
- Reporting – Disclosure and presentation
- Working day timetable
- Systems integration

Transform

Changing your game

Identify options for optimisation and modernisation



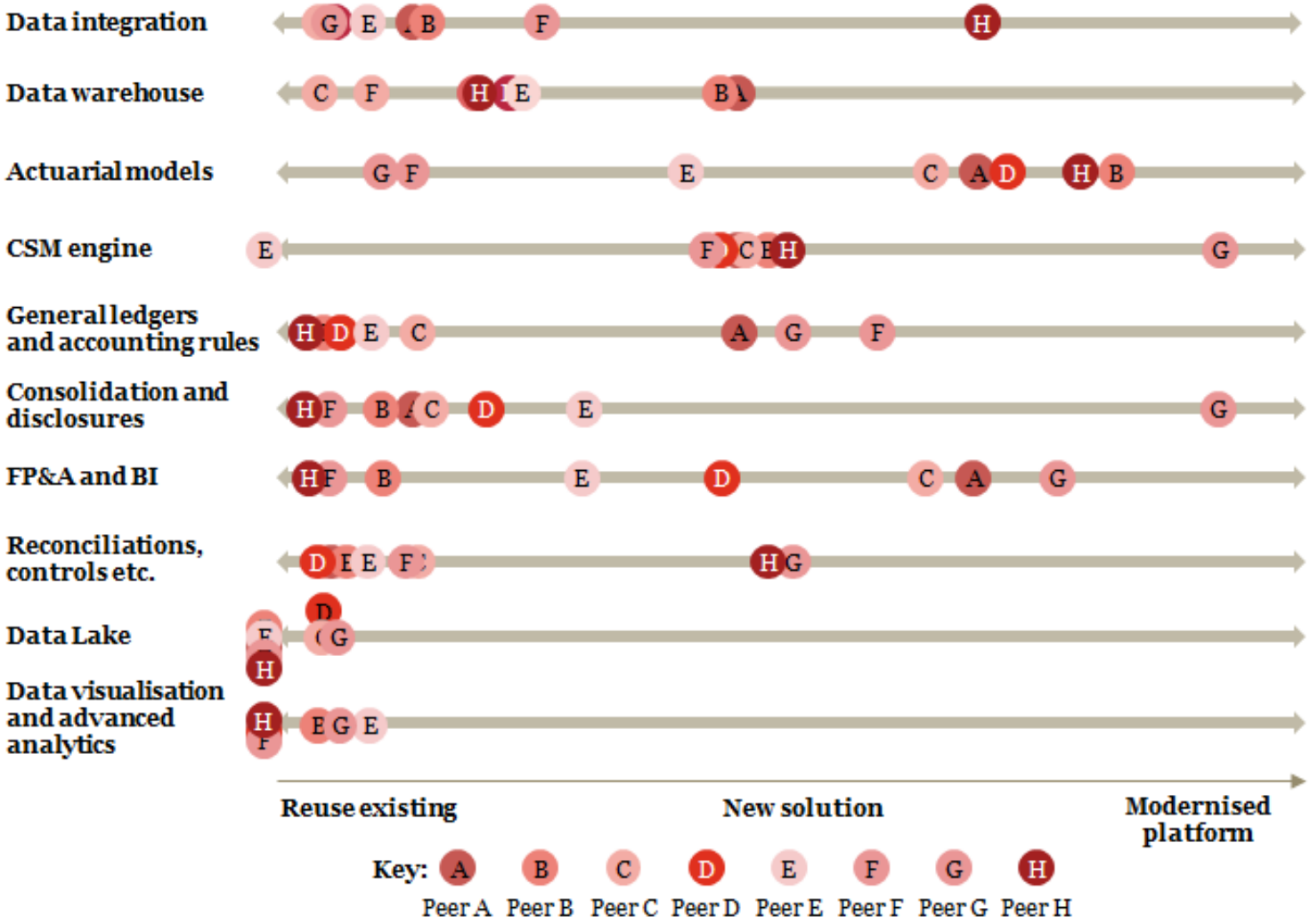
Current view

- Financial and operational impacts of IFRS 17 are considered alongside strategic direction.
- Insurers are aligning investments to avoid 'digging up the road twice' and are seeking use investments to bring about more standardisation and streamlining as well as compliance.
- Finance is repositioning itself to steer the business by harnessing new data storage capabilities, reporting and analytics tools.

What maximum benefits looks like ...

- Consistent data model and use of data across finance, risk and actuarial focuses the business on decision making vs reconciling data.
- Streamlined operations with a focus on insight and analysis as manual activities are reduced or delivered by automated.
- Data available real time, interactive and across multiple devices.
- Finance drive greater business profitability leveraging internal and external data to improve pricing and reserving.

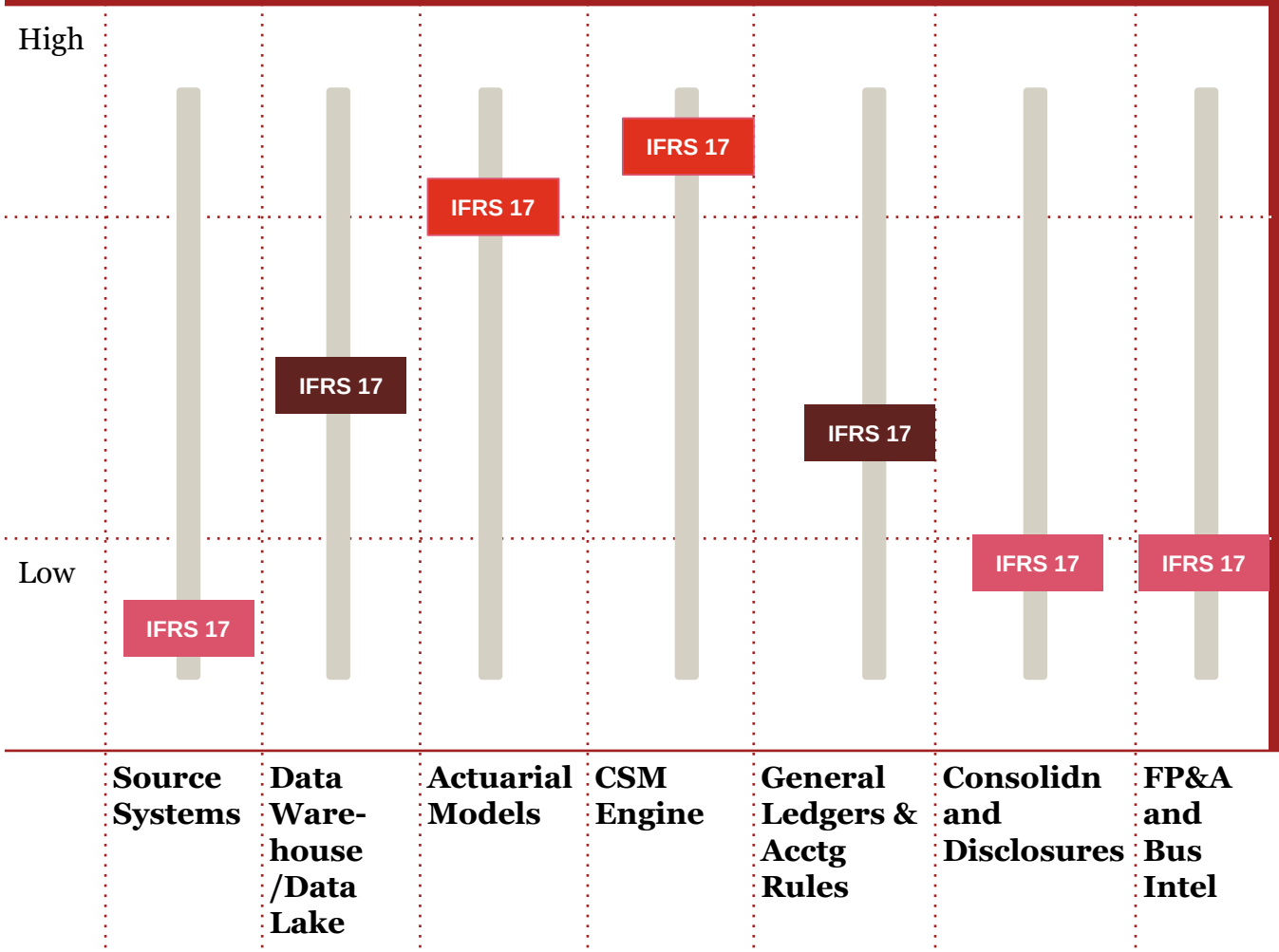
Learn from your peers



Selected insights

- **Data integration** – Existing technologies are being reused to support IFRS 17. It is unclear which tools will be taken for legacy data and closed and run-off books of business.
- **Data warehouse** – Existing technologies are being reused to support IFRS 17. Several peers are implementing new actuarially-focussed solutions to capture assumptions, cash flows, risk adjustment and yield curves.
- **Actuarial models** – Many peers have moved to cloud-based solutions and will leverage these for IFRS 17.
- **CSM** – Market appears to be split between using a finance based (e.g. Insurance sub-ledger) solution vs. an actuarial solution with associated database capabilities. Both may be needed in practice.
- **General ledger** – A number of insurers are leveraging existing GL platforms on day 1, but are mobilising transformational GL programmes in parallel (peers A & G), others are already on this journey (peer F).
- **Consolidation and disclosures** – Peer G has already implemented an integrated consolation, FP&A and Tax reporting cloud-based solution and intend to extend this for IFRS 17.
- **FP&A and BI** – Peer C has implemented a cloud-based FP&A and BI capability and a global Brokerage (not shown) have implemented the same.
- **Reconciliations and controls** – Many peers are reusing existing solutions to support IFRS 17.
- **Data Lake** – Peer C have a 'Big Data' capability in-house and are considering how to leverage this for Actuarial and Risk purposes. A global North American based insurer and a domestic South African insurer (not shown as peers) are planning to utilise data lake capability as part of their finance actuarial and risk landscape.
- **Data visualisation and advanced analytics** – Several insurers have established this capability. It is not presently clear how this will be leveraged for IFRS 17.

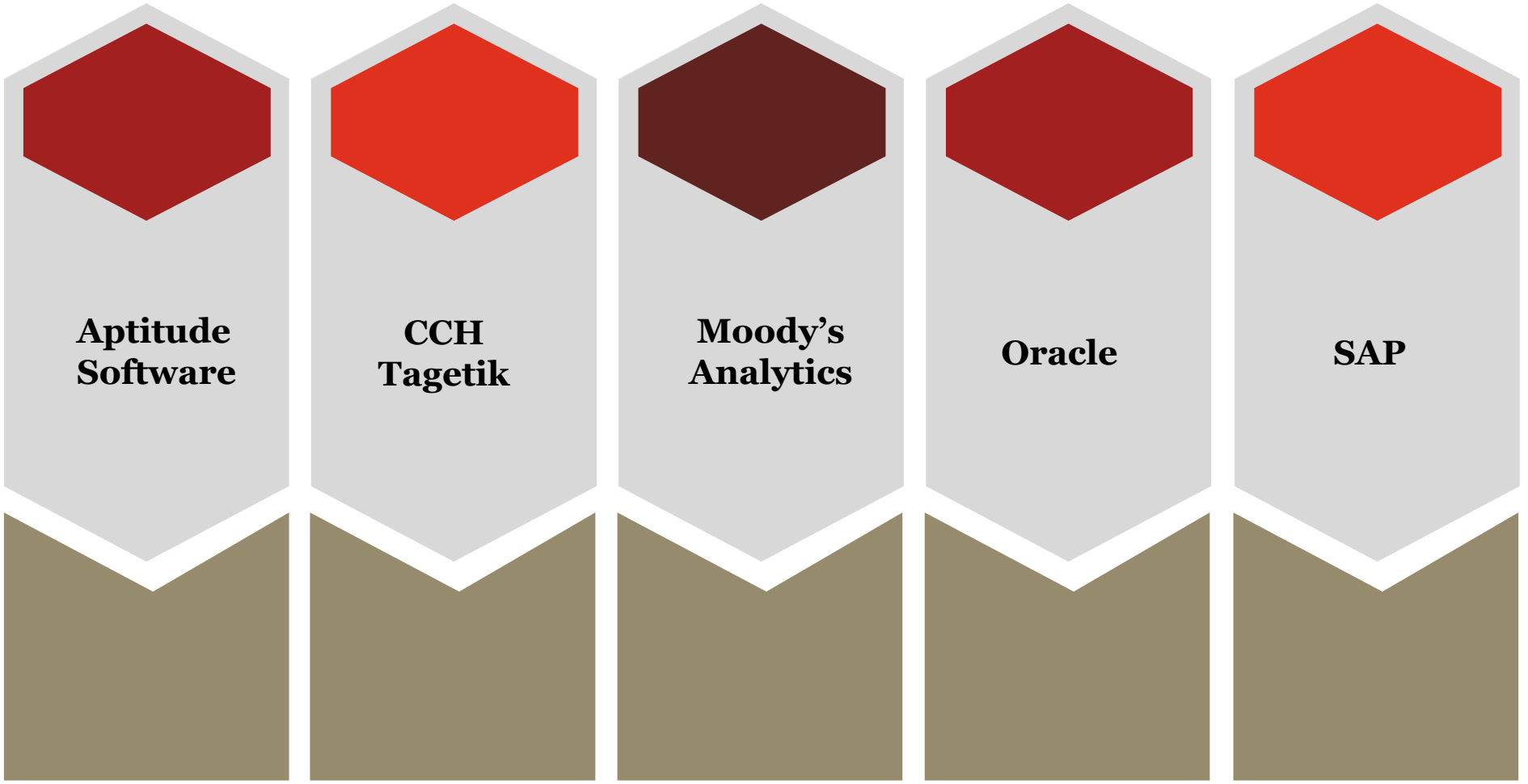
Phase the mobilisation of your systems and infrastructure activity



Strategy	Context	What to do now
Wait for maturity	From our analysis, certain capabilities such as changes to model libraries and CSM engines are being developed by many vendors. These capabilities are not yet mature however it is likely that several viable options will become available.	Assess organisational design options (i.e. process ownership), determine close implications (WDT) and assess critical business and data requirements.
Optimise and align to strategy	Several critical capabilities are unlikely to be developed by vendors. Reuse of existing systems (ie accounting rules or General Ledger) may yield a compliant solution but ultimately cause rework and raise TCO. Other capabilities, such as data robotics, big data and advanced analytics could be a significant enabler for IFRS 17 while also offering the long-term strategic value.	Assess organisational appetite to move beyond minimum compliance. Identify potential areas of optimisation and/or strategic enablement and undertake targeted analysis of options including costs, benefits and risks.
Start early	A number of critical capabilities are unlikely to be developed by vendors and/or any development is unlikely to be fit for purpose. Insurers need to start defining these requirements early in order to select, develop and test an appropriate system.	Determine target organisational design (ie process ownership), and assess close implications (WDT). Accelerate data model development, business requirements, target data flows and controls.

What IFRS17 CSM solutions are in the market?

*Sample of IFRS17 solution vendors**



** This is not an exhaustive list of IFRS17 system vendors*

Sample Vendors

Company	Solution (s)
Aptitude	Accounting Hub, Calculation Engine
Moody's	GGY Axis
Oracle	OFSSA, FAH, FusionGL, HFM, DM
SAP	Insurance Analyser, FI, PBC, DM
Tagetik	APM, CPM

What is Aptitude's IFRS 17 Solution?

Aptitude SOFTWARE
A microgen plc company

DATA Component

- Extensive data standardization, consolidation and management
- Proven integration

ANALYSIS Component

- CSM Movement analysis
- Granular level data for reporting

Aptitude SOFTWARE

Aptitude Insurance Calculation Engine
* IFRS 17 specific
* Q1 2018 Release

+

Aptitude Accounting Hub
* Mature and proven
* Global Insurers

CSM Engine (GMM, PAA and VFA)

- CSM at inception
- CSM re-measurement
- Loss components
- Interest accretion on the CSM
- CSM adjustment, CSM Release

SUB-LEDGER

- Posting engine for B/S and P&L
- Transparent and audited environment
- Adjustments
- Pre-configured IFRS 17 rules
- Multi-GAAP and multi-currency

SCHEDULER and WORKFLOW

- Overall process orchestration
- Dashboards
- Status monitoring
- Notifications

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CCH Tagetik – a Wolters Kluwer Company

Wolters Kluwer

€4B global company
Publically traded
Focused on Finance, Legal
And Healthcare professionals

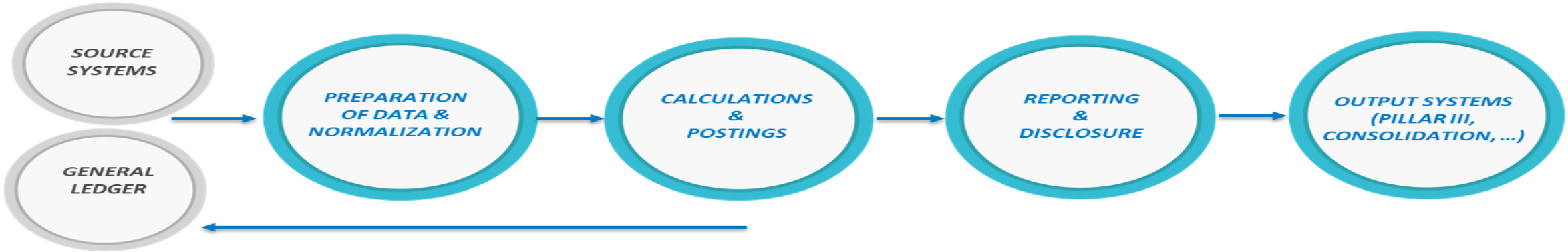
BETTER

TOGETHER

Tagetik

Profitable, global company focusing on the office of Finance through its CPM solution

The CCH Tagetik Process flow for IFRS17



CCH Tagetik IFRS 17 Differentiators

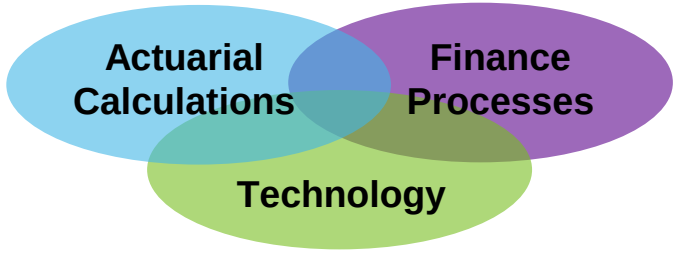
- ✓ A solution that ensures the auditability of the information
- ✓ Impact analysis with drill down to contract level and scenarios
- ✓ Regulatory solutions for IFRS 9, IFRS 15, IFRS 16, IFRS 17
- ✓ Integrated solution with Solvency II

Moody's Analytics | IFRS 17 Insurance Contracts Solution

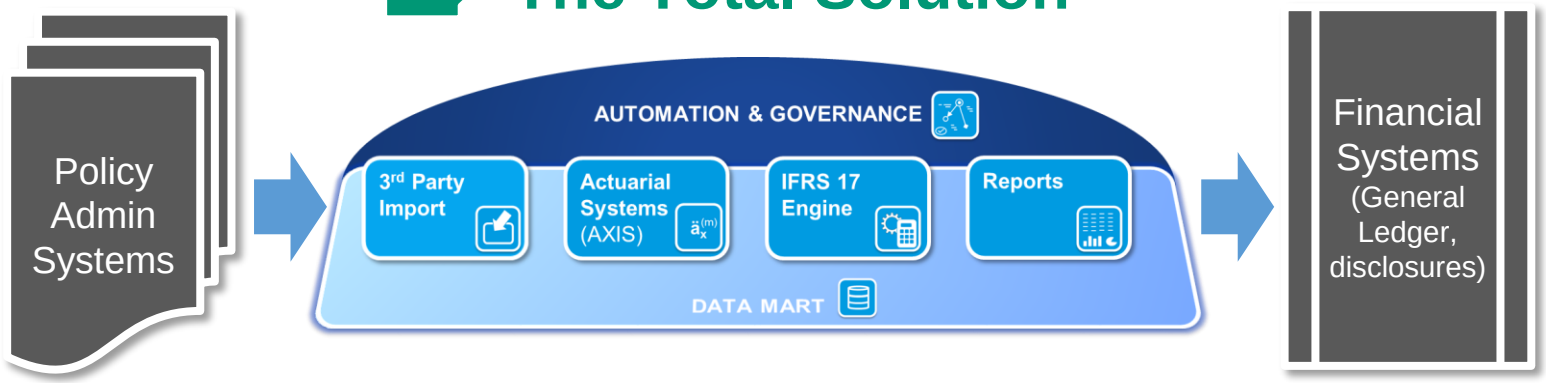
The Company

Risk Awards 2018 Winner — Moody's Analytics Technology vendor of the year

The Strategy



The Total Solution



Modular IFRS 17 framework

- IFRS 17 Engine
  - CSM roll forward
  - Supplementary calcs
- Agnostic import platform/datamart
- Sub-ledger reporting

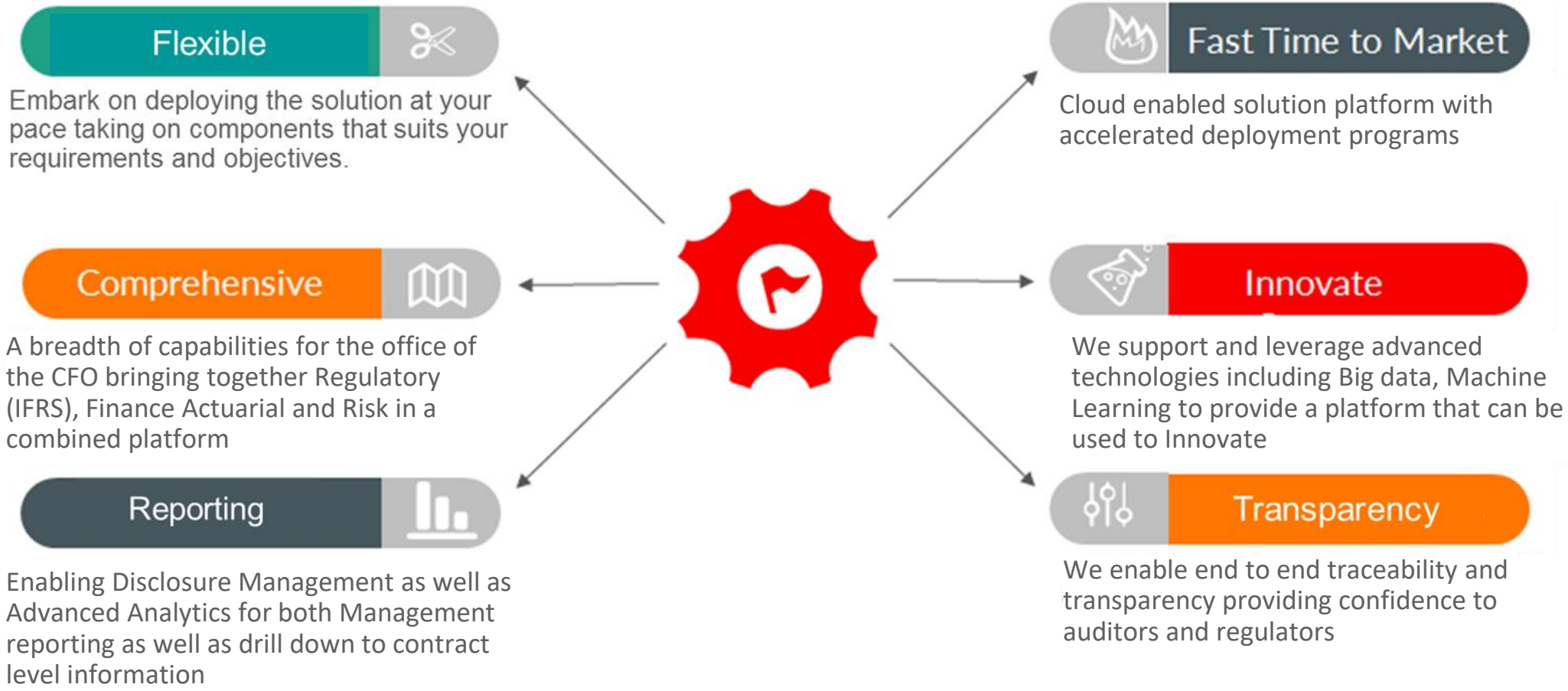
- AXIS™
  - PV CF
  - CSM
  - RA
  - Rev, Exp

The Benefits

- Integrated data model and operational platform for Actuarial & Finance
- Good governance enabled through enterprise software
- Ease of implementation and ongoing maintenance

Key Differentiators – Oracle Solution

Comprehensive IFRS17, Actuarial & Finance Modernization Offering in the Market



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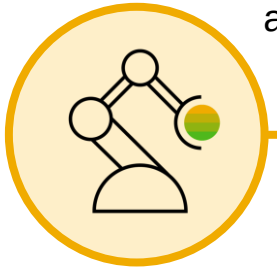
SAP Accounting for Insurance Contracts for IFRS17…

…is a Software Framework

SAPs 40+ years experience in Insurance Accounting. Be audit proof and flexible

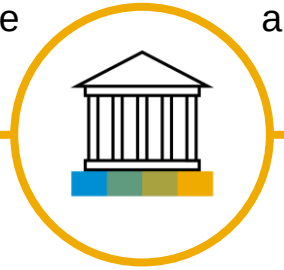


Adapts to Insurers Processes

Different scenarios possible between the actuarial and finance domain. Different granularities possible (single-contract vs. portfolio)

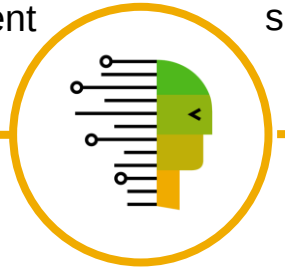
…that includes business content

Pre-configured Contract Templates, Posting Rules and other IFRS17 content



Adapts to Group Structures

SAPs Multi-Entity, Multi-Language and Multi- currency infrastructure allows to run IFRS17 in a centralized or de-centralized architecture



Adapts to existing Landscapes

SAP can interface existing SAP or NON-SAP General Ledgers, Warehouses and Actuarial Tools. Deploy via Cloud or on-premise

…modern data platform that supports

Real time insights available on the fly to support IFRS 17 analysis

Delivers business insight

State of the art user interface and user generated visualizations and disclosures from the sub ledger or data warehouse

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Summary

- Take away points
- Q&A

“Do we want to be digging up the road twice?”.

Establish a Q1/Q2-2018/19 checklist

Area of focus	Key Activities	Checklist
Programme	Programme management design Change Management approach	✓
Financial and operational design governance	Vision and design principles Working assumptions Key design decisions agreed Design Authority established	✓
Technical assessment	Group Policy Application Technical Papers Broader financial modelling Recalculate an opening Balance Sheet Assess impacts of SII assumption reuse	✓
Reporting strategy	Reporting Strategy (IFRS 17 Impacts on Report & Accounts, Analyst Packs, MI, FP&A and other KPIs) Data Directory	✓
Business requirements	Requirements traceability matrix	✓
Extended impact assessment	Country X, Y Z • Assess PAA/VFA Eligibility • Test operational hypothesis • Perform modelling over classes • Update overall approach, requirements	✓

Area of focus	Key Activities	Checklist
Blueprint	New hand-offs, skills and transitional TOM Group Reporting Requirements Data Blueprint	✓
	IFRS 17 impacts on WDT and CSM process taxonomy Controls blueprint	✓
	New Financial and Operational Controls and Reconciliations	✓
	Target Data flows, Charts of Account, Data Models, Report mock-up	✓
	Systems blueprint for actuarial Models, GL, consolidation & data warehouse Vendor engagement/shortlist Infrastructure heat map	✓
Road map and business case	Initiative Dependencies Project Briefs Roadmap and Business Case	✓

BUSINESS

The knowledge to transform…

B

Business Case
Strategic Plan
Current State Assessment
Operating Model
Risk Mitigation Plan
Transformation Roadmap

EXPERIENCE

…the imagination to create…

X

Experience Assessment
Touchpoint Mapping
Voice of the Customer
User Experience

TECHNOLOGY

…and the trust to deliver

T

Emerging Tech Evaluation
Technical Architecture
Integration Architecture
Data Model / Visualization
Security and Privacy Plan

Strategic Foresight

• Helps us understand what's possible, and what may be changing across a range of perspectives (STEEPV)

• Create future-focused scenarios to help frame possible opportunities and drive innovation

Experience Design

• Helps us put ourselves in our customer / employee's shoes to understand their behaviours, experiences, and needs

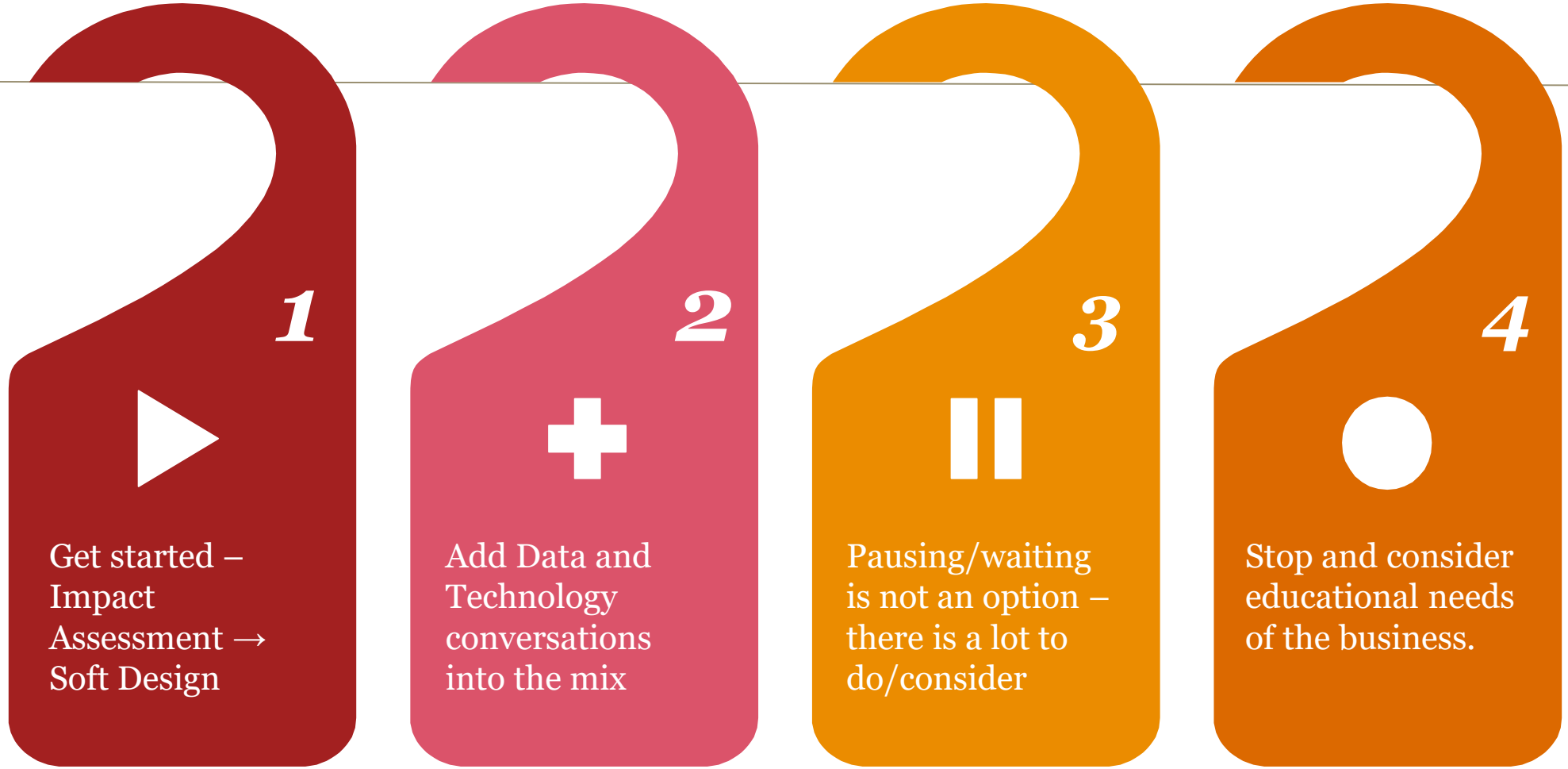
• Create current and future assets to describe the problems / opportunities of today, and what the desired future looks like

Prototyping

• Helps us bring concepts to life with visual aids, storytelling tools, and interactive proof-of-concepts

• Validate concepts before launch by testing with real customer groups, iterating and improving them before going to market.

Key takeaways



Thank you