



Operationalizing IFRS 17
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IFRS17 – Global Accounting Standard for Insurers

IFRS 17 Background

IFRS 17 is the first truly international, comprehensive accounting Standard for insurance, replacing IFRS 4 – an interim Standard that results in widely divergent practices. The main aim of IFRS 17 is to standardize insurance accounting globally to ensure that users of accounts are able to make more sensible comparisons between companies.

The new standard would improve financial reporting by providing **more transparent, comparable information** about:

- The effect of the insurance contracts that an entity issues on the entity's financial performance
- The way by which entities earn profits, or incur losses, through underwriting services and investing premiums from customers
- The nature and extent of risks that companies are exposed to as a result of issuing insurance contracts

IFRS 17 Timeline

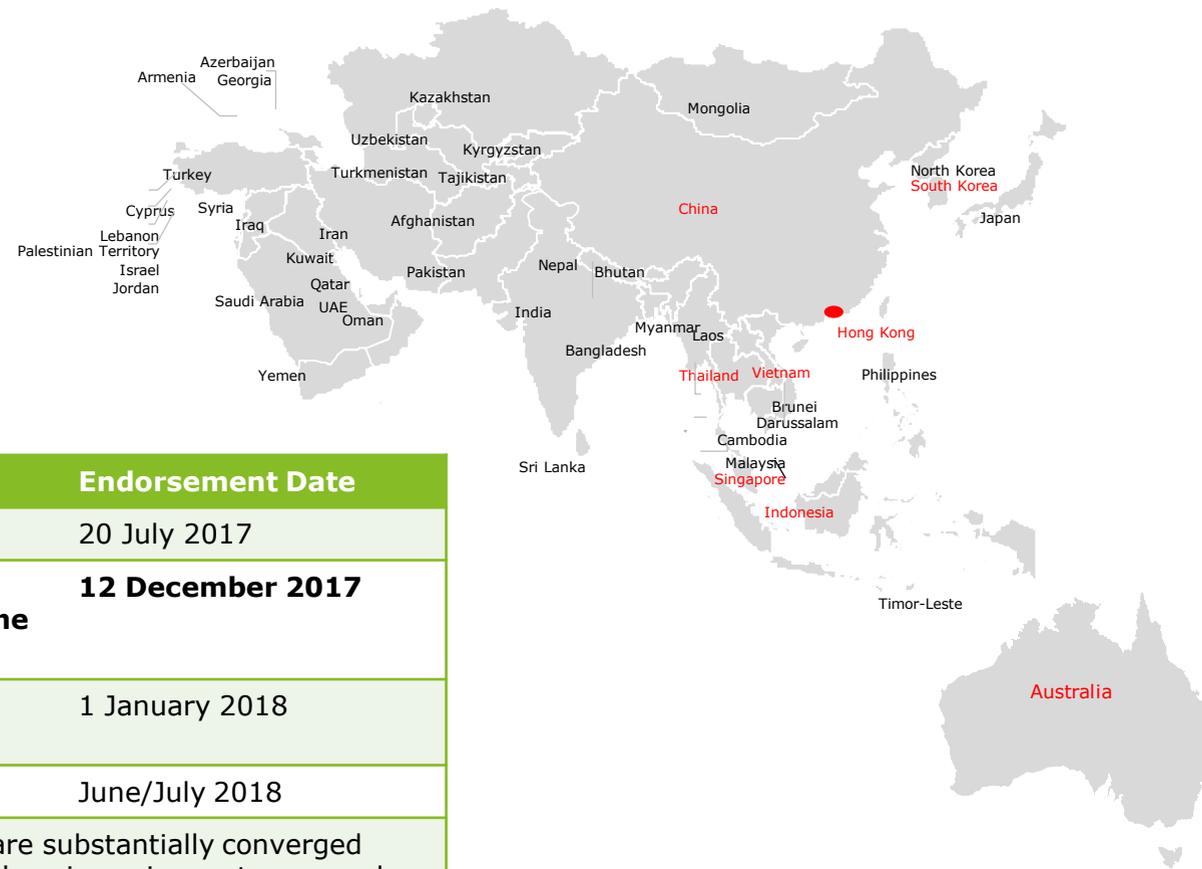
The standard was completed in May 2017 with an anticipated effective date of 1 January 2021



Latest situations in APAC

Several Asian nations have embraced IFRS to report to investors. Endorsement will take place in a fairly automatic way in most jurisdictions

- The adoption of IFRS across the world for the past several years has allowed many Asian companies to **expand their access to capital markets**
- Insurance IFRS has not yet provided the same benefits due to the **grandfathering of pre-IFRS practices for insurance contracts** leaving a material gap between investors and insurance companies
- Asian endorsement decisions to date:

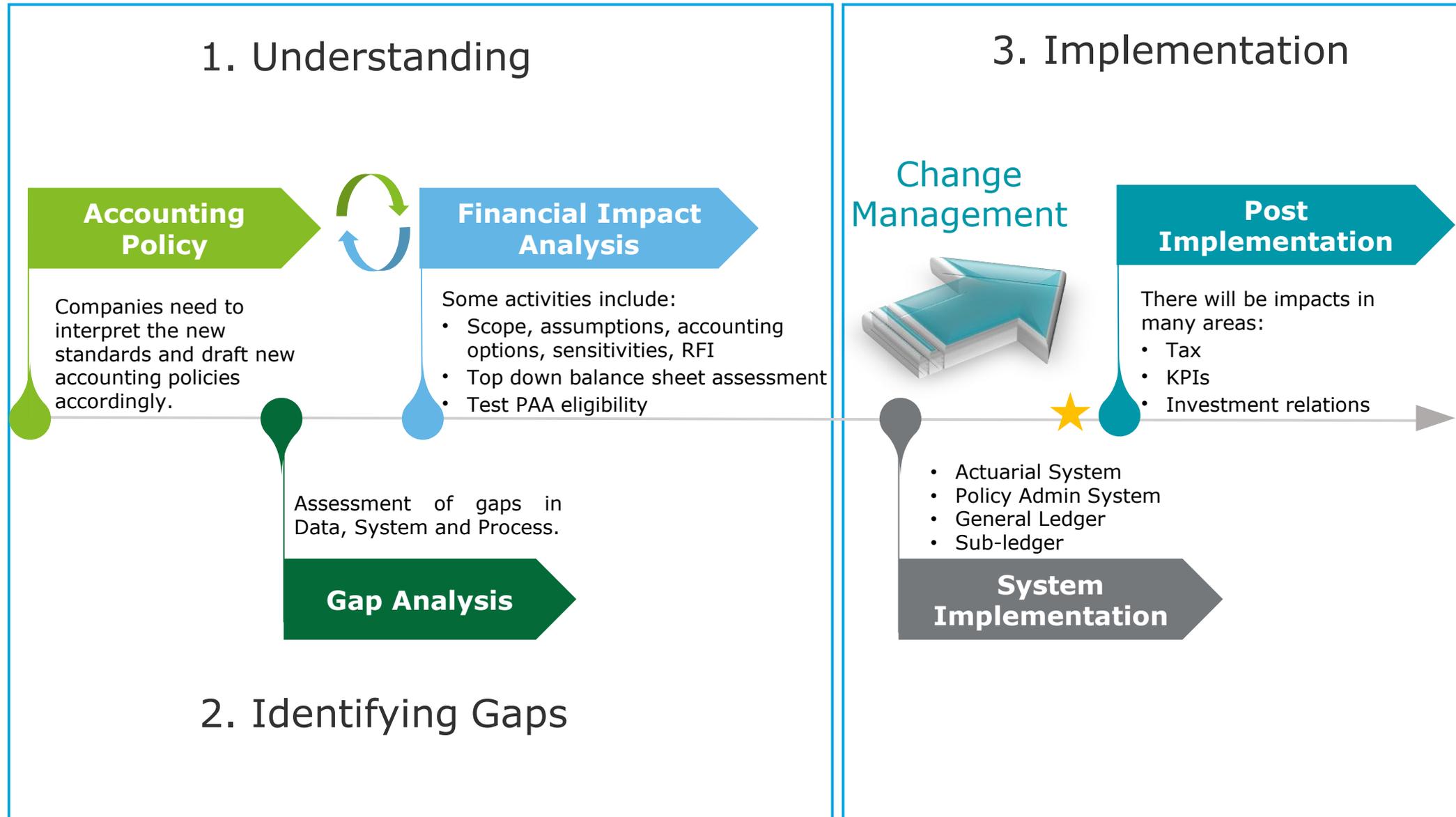


Country	Current Endorsement Status	Endorsement Date
Australia	Full IFRS 17 endorsement (AASB 17)	20 July 2017
Hong Kong	Full IFRS 17 endorsement. HKFRS 17 was released in January 2018 without any amendments and with the same effective date.	12 December 2017
Singapore	Will adopt "IFRS – Identical Financial Reporting Standards" including IFRS 17	1 January 2018
South Korea	Full adoption of IFRS 17 is expected to be endorsed (K-IFRS)	June/July 2018
China	Chinese Accounting Standards for Business Enterprises (CAS) are substantially converged with IFRSs, except for certain modifications which reflect China's unique circumstances and environment	
Indonesia	1 year typical delay from the effective date due to normal endorsement process	
Thailand	1 year typical delay from the effective date due to normal endorsement process	
Vietnam	Vietnam has not announced plans to align Vietnam GAAP to IFRS. AEC peer-pressure may change that policy	

Source: Esri, DeLorme Publishing Company, Inc.
Projection: GCS China Geodetic Coordinate System 2000

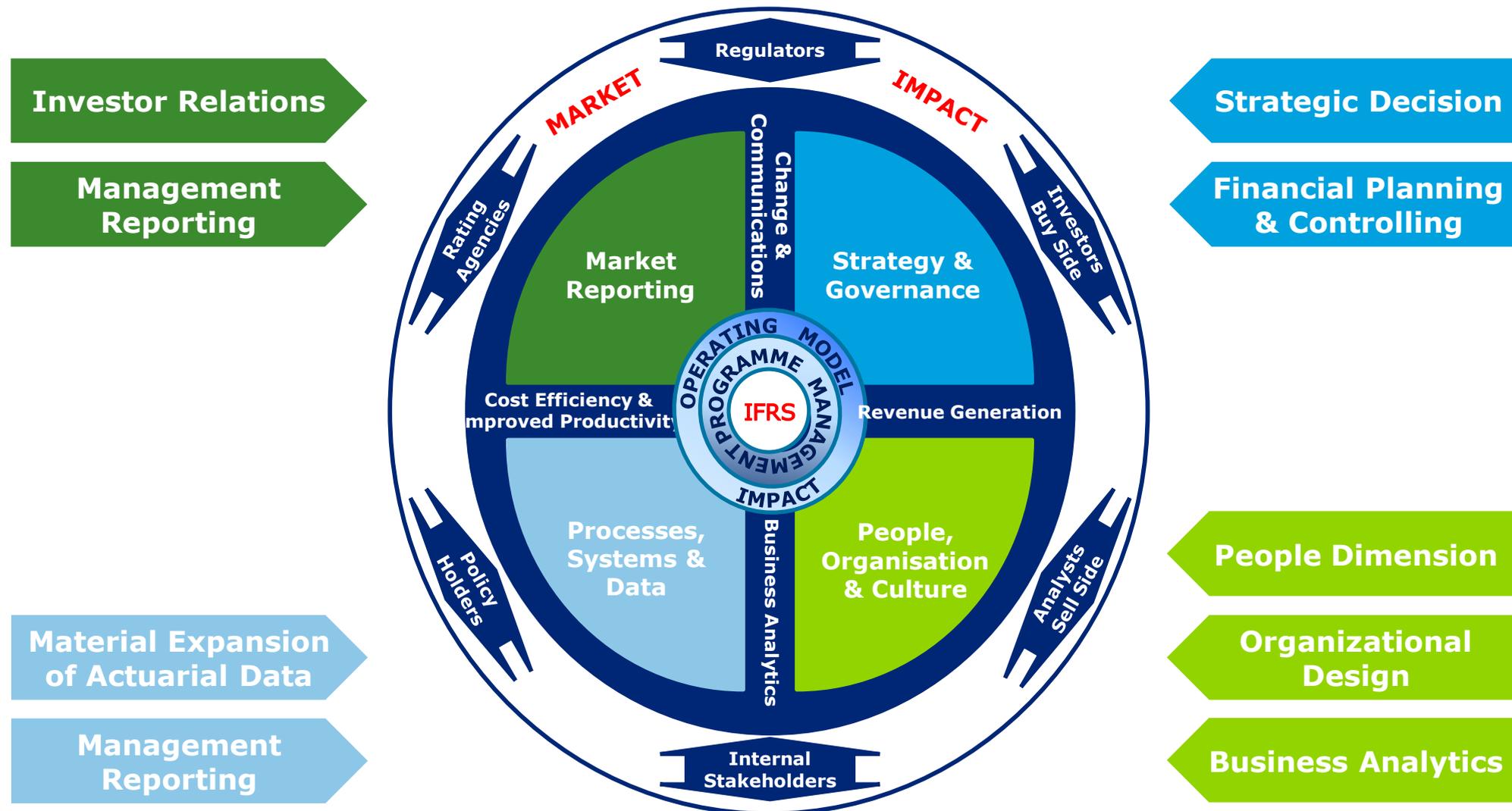
Journey to IFRS 17 compliance

What needs to happen before the standard goes live?



Considerations of large scale finance transformation

Multiple dimensions of IFRS 17 implementation



IFRS 17 Project Considerations

Cost

Costly and pervasive system implementation:

- Large data volume, complex calculations and cumbersome reporting requirements
- Insurers may need to upgrade their actuarial systems to perform market consistent valuation and stochastic calculations required by IFRS 17.
- Upgrades could include hardware, software and IT infrastructure and are expected to be extremely costly and pervasive to the company's reporting process.

Operational Complexity

- Data warehouse management issues, performance issues and control issues due to changes in data volume and flow
- Local insurers may lack know-how and data for complex calculations like stochastic modelling.
- Redefining reporting timelines or streamlining the reporting process may be needed.
- IFRS 17 might force some general insurance contracts to be valued as long-term products, where the valuation technique is vastly different and complicated.



Governance

- A clear project governance structure needs to be agreed.
- This governance structure needs to exist outside of the BAU reporting or there will be conflicts.

Project Team

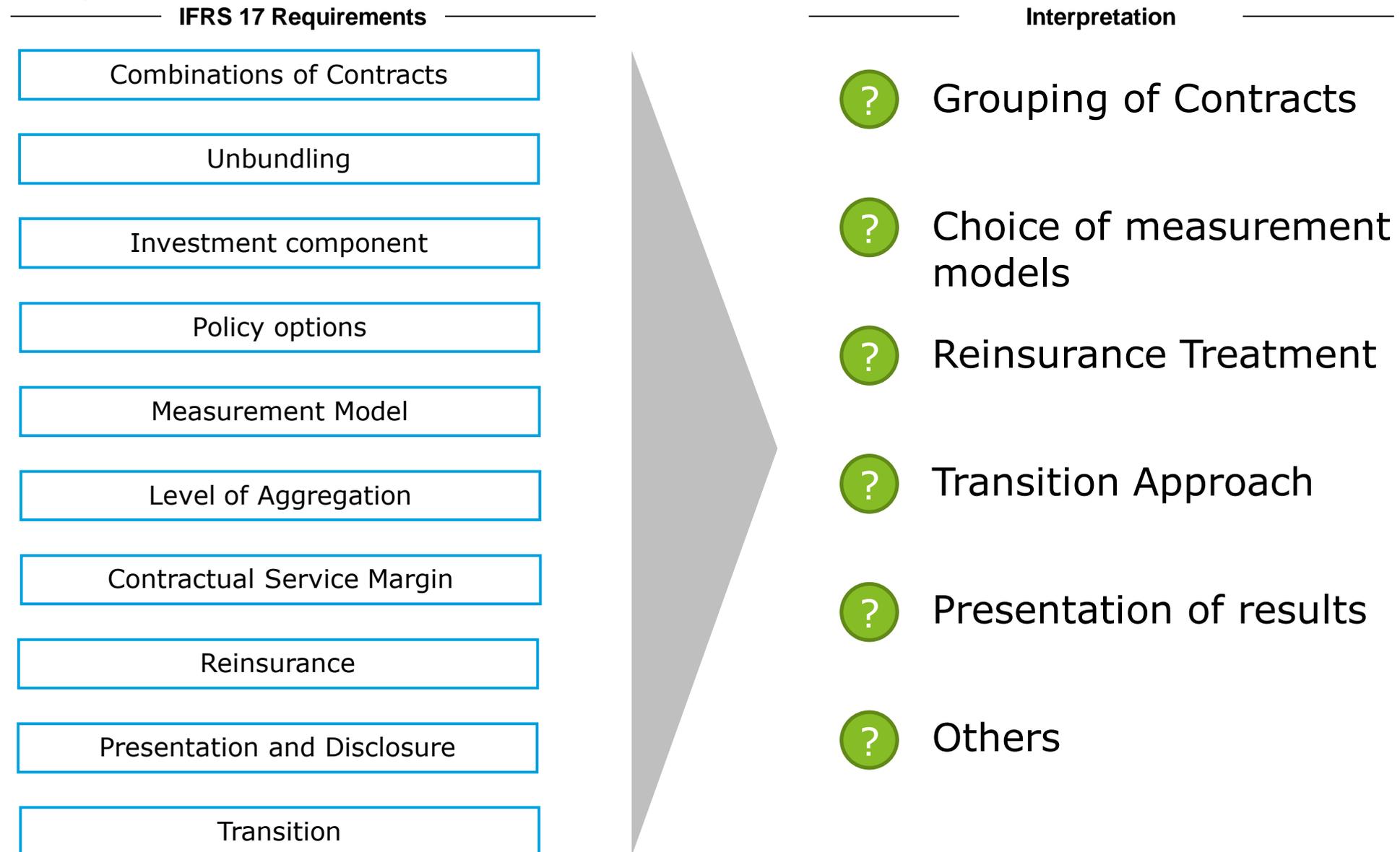
- Need a designated project team that is clearly separated from the BAU team.
- Clear scoping needs to be agreed up front:
 - What do we want the project to achieve?
 - Would it be to meet minimum compliance requirements or more than that?

Management Difficulties

- Strains in IT, finance and actuarial resources during the IFRS 17 implementation phase
- The talent in the market will start to run out as all companies are pushing to implement the standard.
- Actuaries and accountants have to work together more closely after implementation, leading to training needs for both roles.
- Communication with senior management

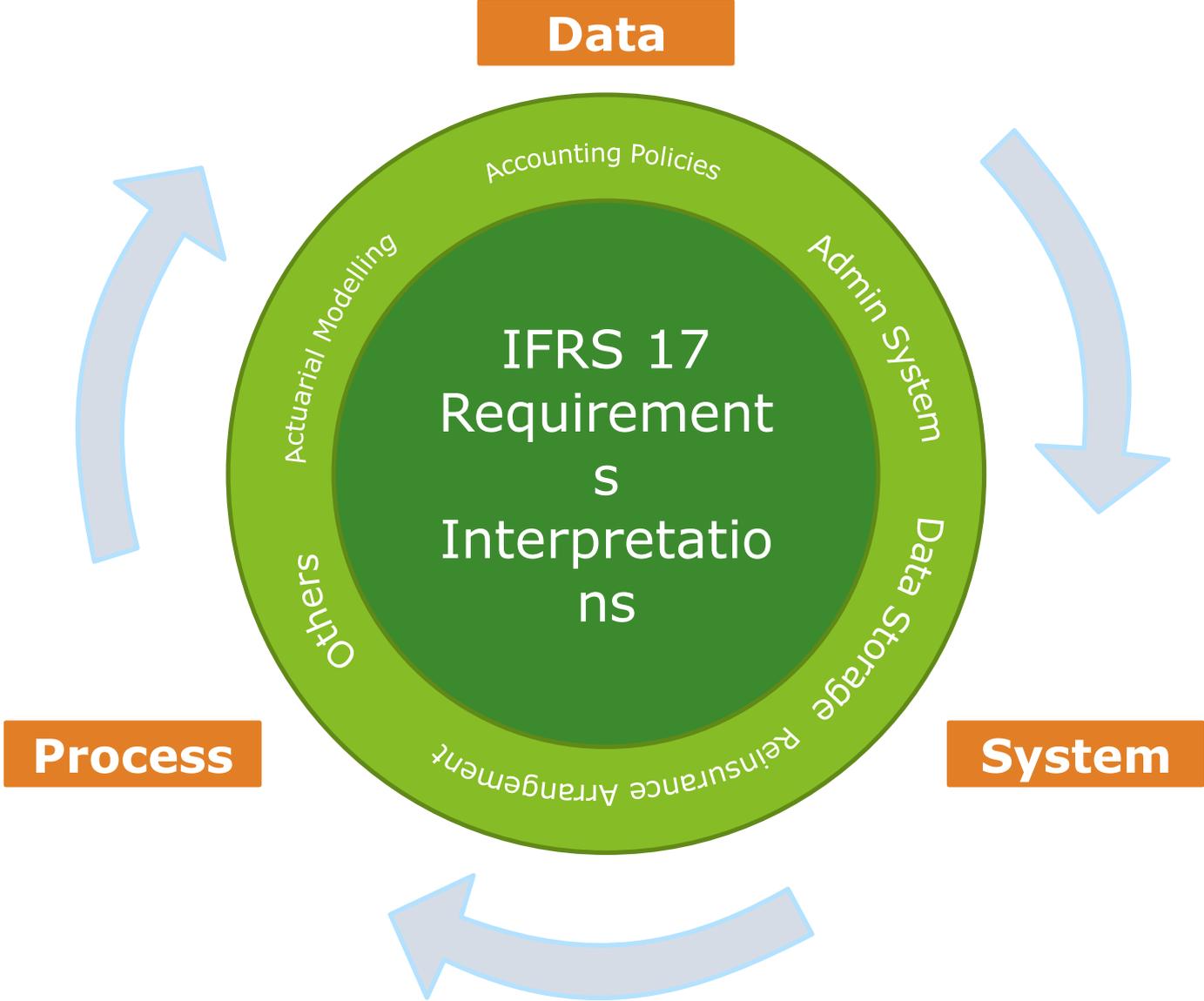
Different Interpretation of IFRS17 Requirements

Below listed the selected IFRS 17 Requirements that could be subject to different interpretations

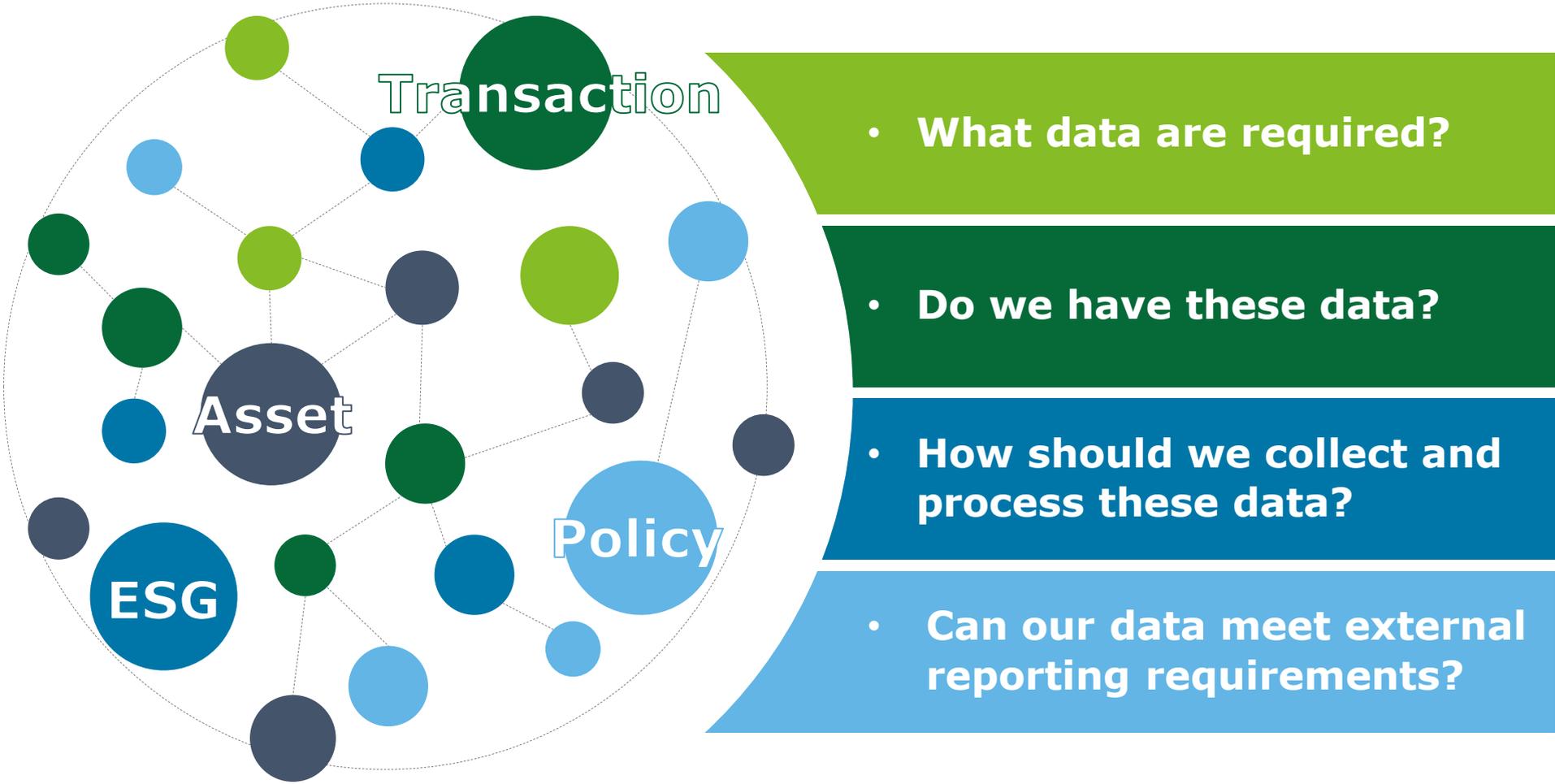


From Interpretations to Implementations

Different interpretations of new requirements affect an insurer's target business operational model.

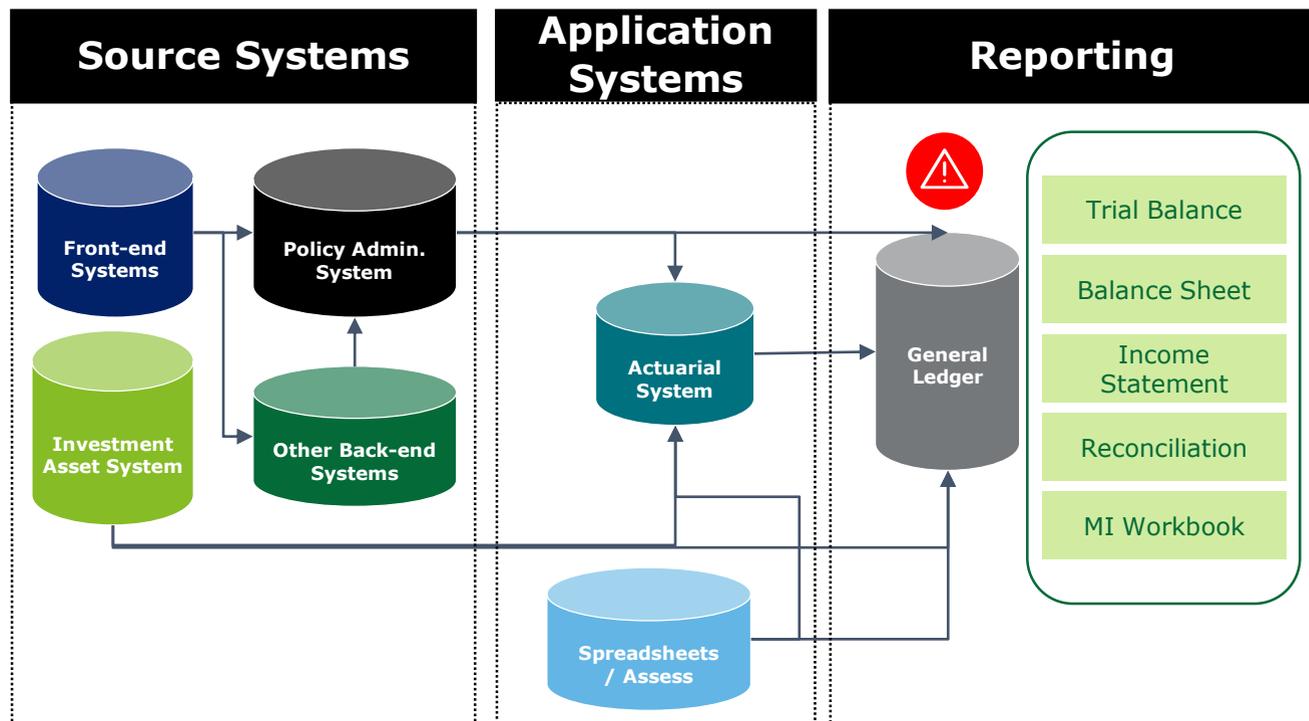


Identify Data Gaps



Identify System Gaps

As-is system infrastructure (an illustrative example)



Issues with current infrastructure

- 1) Larger amount of data** because reserves are broken down into more granular components
- 2) More complicated accounting rules** for journal postings that could significantly strain the speed and capacity of the General Ledger

Future System

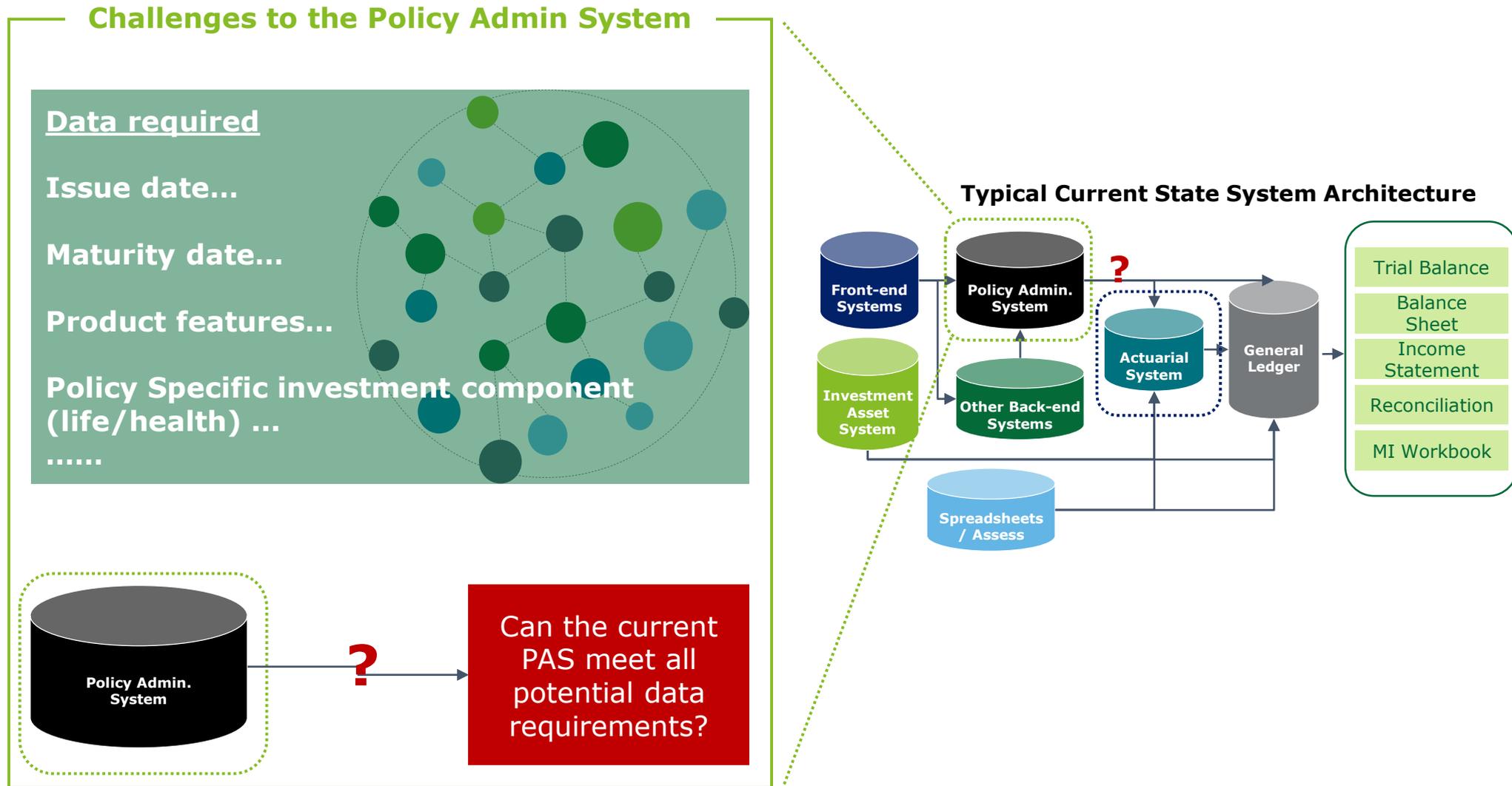
Companies will need a system to perform two main functions before entries are posted in the General Ledger:

- 1. Data management** – More efficiently manage finance and actuarial data and improve auditability.
- 2. General ledger posting** – perform sophisticated calculations and reduce the number of entries to be posted to the general ledger.

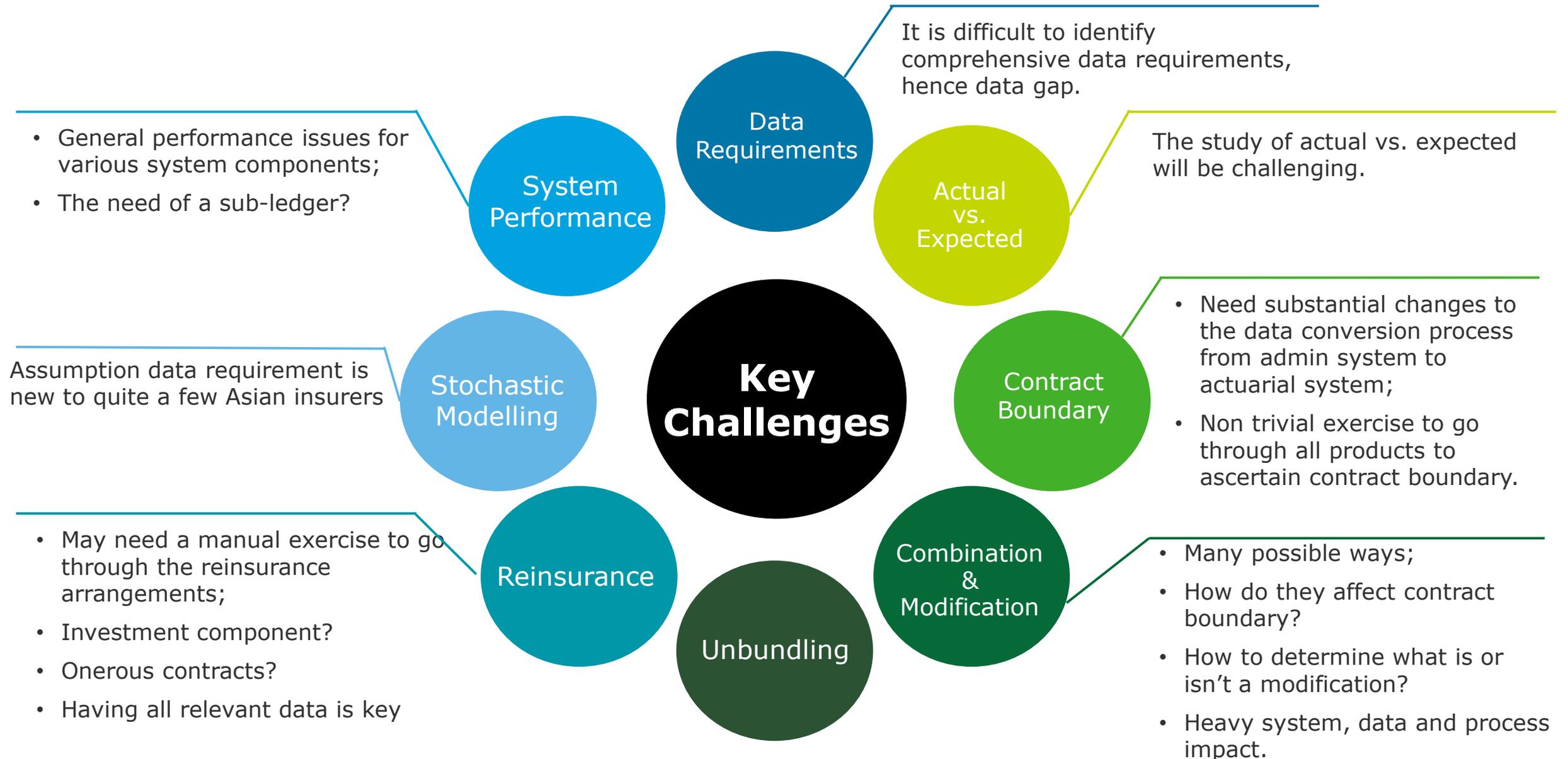
What would it look like?

Challenges to Data & System

Example: Policy Admin System



Finishing with some details



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