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ANNIVERSARY

# 2020 ASIA-PACIFIC VIRTUAL SYMPOSIUM

**SOCK SUN ANG**

**S15 IFRS 17/APAC IFRS 17 Health Check**

29<sup>th</sup> September 2020



# SOCIETY OF ACTUARIES

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- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

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# 1 IFRS 17 Development

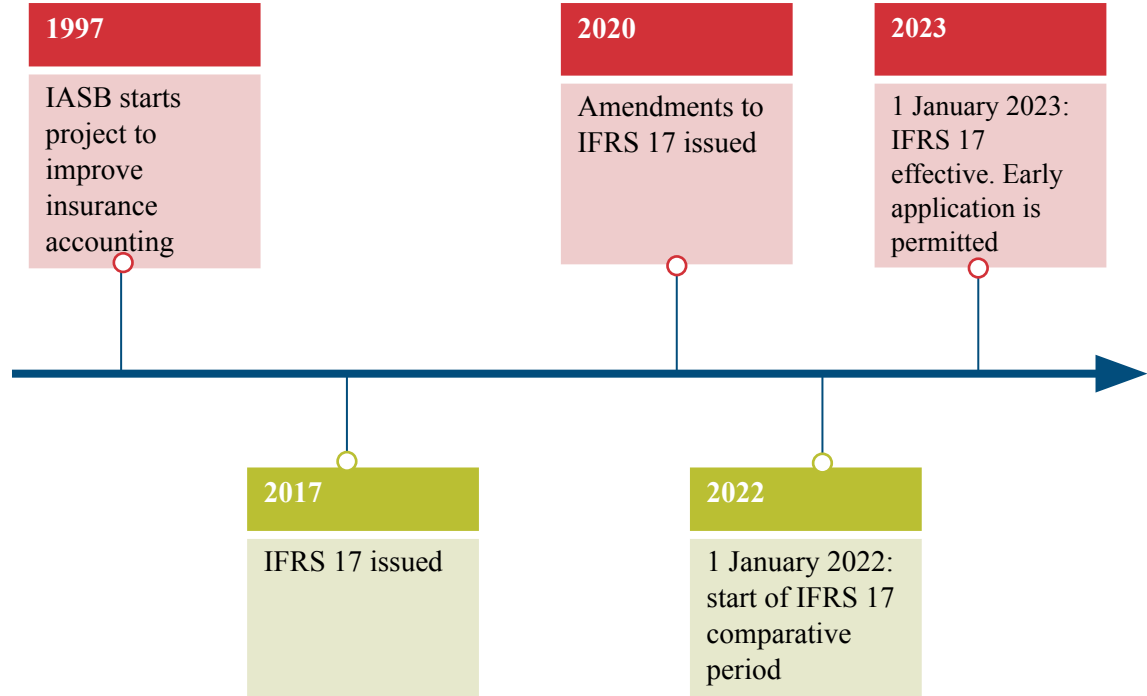


# Updated IFRS 17 Dates



## IFRS 17 Amended Timeline

Three years after IFRS 17 was originally issued and 23 years after the insurance contracts project started, IASB issued amendments to IFRS 17. The standard comes into effect for annual periods from 1 January 2023.



# Summary of amendments

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Deferral of effective date to 2023 and extension of IFRS 9 temporary exemption

Expected recovery of insurance acquisition cash flows

Contractual service margin attributable to investment services

Reinsurance contracts held – recovery of losses

Balance sheet presentation at portfolio level

Scope exclusion for some loans and some credit cards (and similar contracts)

Extension of risk mitigation option to reinsurance contracts held and financial instruments at FVTPL

Accounting policy choice to change estimates made in previous interim financial statements

Inclusion of income taxes specifically chargeable to policyholders in fulfilment cash flows

Selected transition reliefs and other minor amendments

# 2 Asia Pacific IFRS 17 Health

## Check Survey





# PwC's Asia Pacific IFRS 17 Health Check Survey

External survey to gain insights into IFRS 17

Strategy

Progress

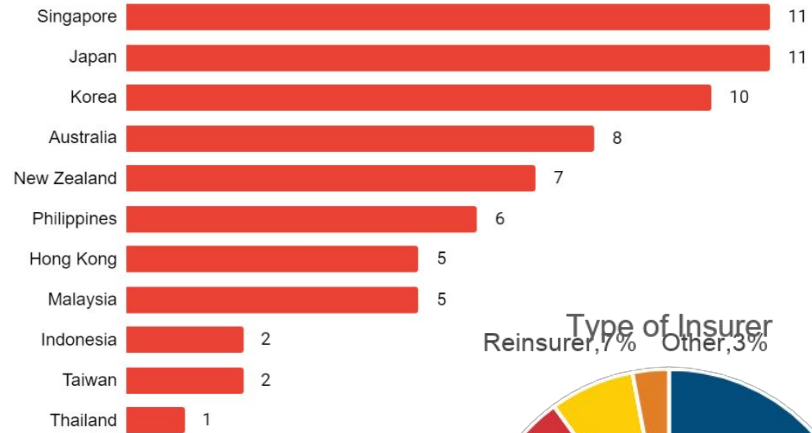
Challenges

68 respondents

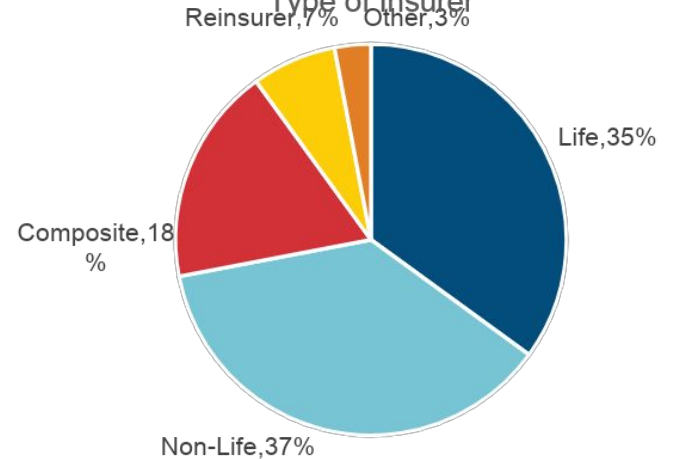
11 territories

Source: PwC APAC IFRS 17 Health Check Survey

Number of responses by country



Type of Insurer



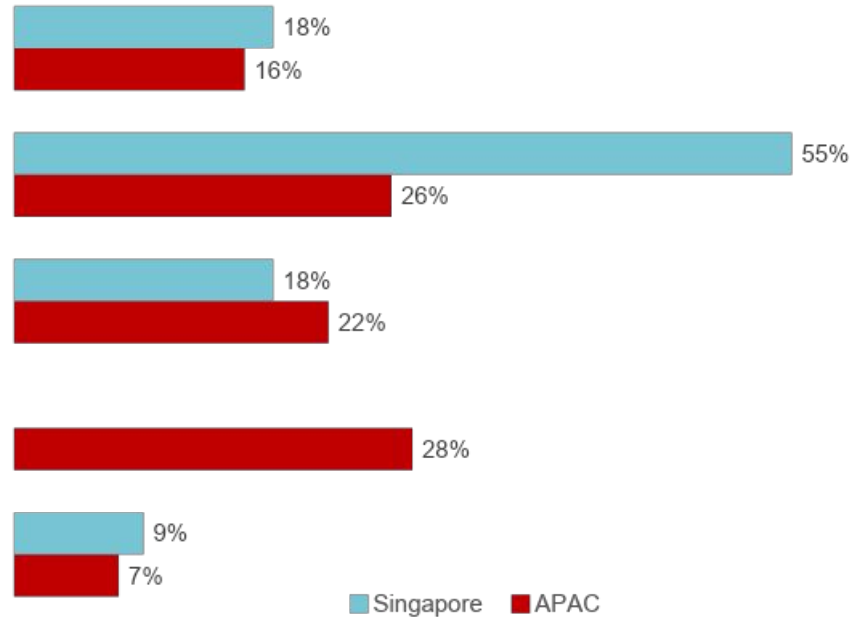
# Key Findings



## Focus on finance transformation

More than half of insurance executives across Asia Pacific see IFRS 17 as a catalyst for finance transformation. The effective date delay gives insurers more time to optimise their business intelligence and reporting capabilities.

## What approach are you taking to achieve IFRS 17 compliance?



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020: base of 68

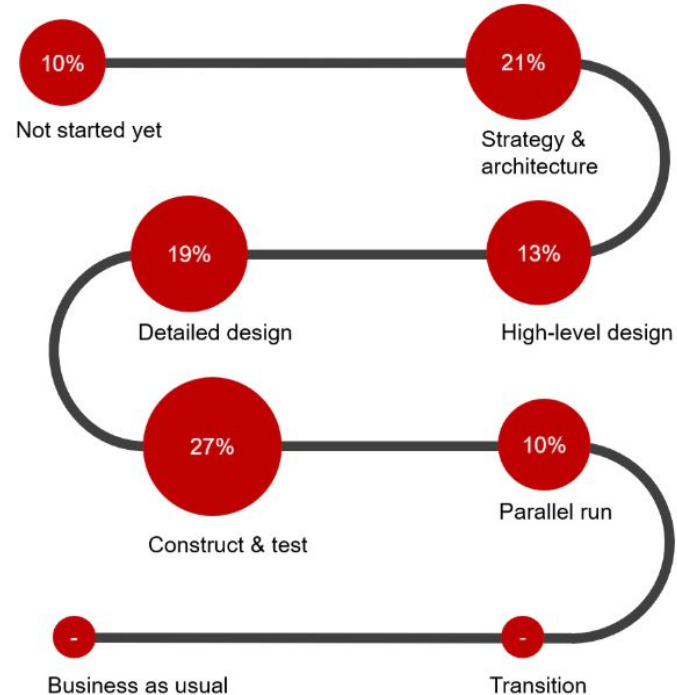
# Key Findings



## IFRS 17 implementation is a long and challenging journey

44% of respondents have not started with detailed design activities. These respondents are particularly worried about time, budget and skill constraints and technical challenges they will face.

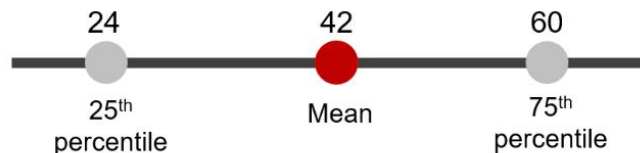
### How far have you progressed through your IFRS 17 programme?



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020: base of 68

# Key Findings

What is the expected duration of your end-to-end IFRS 17 programme? (months)



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020; base of 68

Do you expect the COVID-19 pandemic to have a detrimental impact on your IFRS 17 project timelines?

Significant impact



Marginal impact



No



No clear view yet



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020; base of 68



## COVID-19 is impacting project timelines

Insurers that have implemented the necessary technology to allow their workforce to work remotely are able to continue with their IFRS 17 programmes without much disruption. Insurers that don't have the technology in place are increasing their focus on digital transformation to limit disruption to their business.

# Other Takeaways

**93%** in favour of the IFRS 17 effective date delay

**1/2** of insurers with GWP above USD1bn will spend more than USD25m on IFRS 17 implementation

**29%** of insurers plan to purchase a sub-ledger solution from a vendor

**48%** believe they have technology in place for all staff to resume IFRS 17-related activities from home

**25%** say their IFRS 17 spend will exceed budgeted spend

**1/2** say they have selected their IFRS 17 vendor(s)

**44%** of insurers will increase headcount as a result of IFRS 17 implementation

Only **2%** of respondents believe their staff have an advanced understanding of IFRS 17

**3/4** have not identified and specified IFRS 17 KPIs

Source: PwC APAC IFRS 17 Health Check Survey

# 3

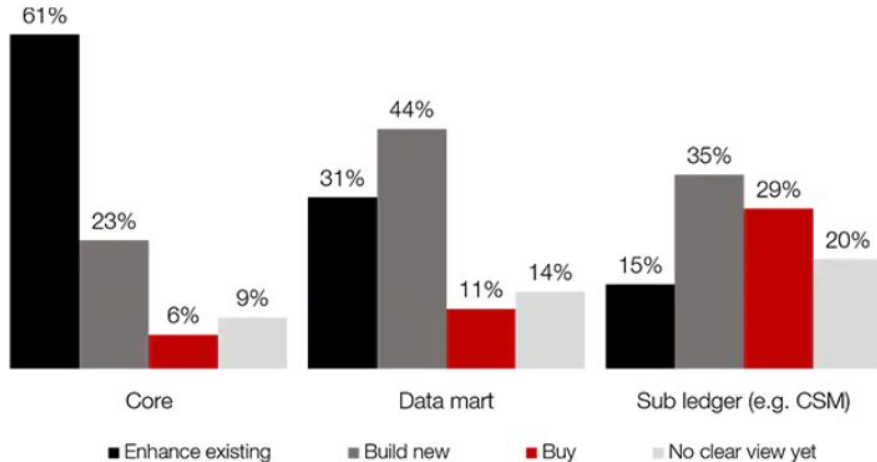
## Additional Market Insights



# IT Approach – To enhance, to build or to buy

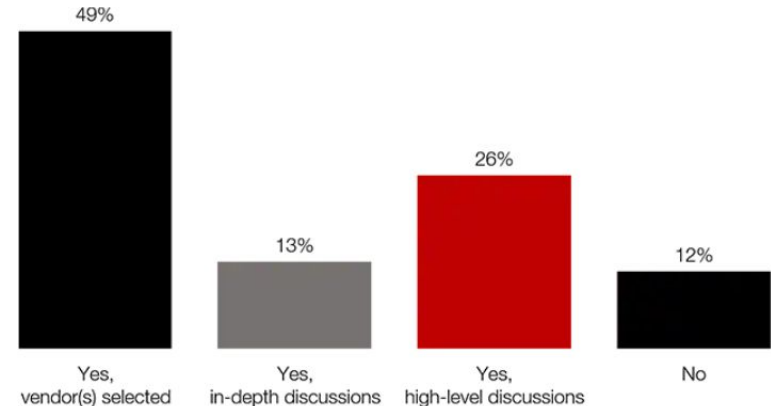
We find that life insurers are more likely to build or buy new systems than non-life insurers. For example, 41% of life insurers say they will build or buy new core systems, compared to 9% of non-life insurers. Only 20% of Singaporean non-life insurers indicated that they will buy an Actuarial and/or sub-ledger solution.

## What is your IT approach to the following systems?



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020: base of 68

## Have you engaged with software vendors to gain an understanding of their IFRS 17 software solutions?



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020: base of 68

# Accounting, data and technology challenges

## How challenging do you find the following aspects of your IFRS 17 programme?

(0 = not challenging; 100 = extremely challenging)

Setting accounting policy



Setting actuarial modelling methodology



Data constraints



Technology constraints



Time constraints



Skill/talent constraints



Budget constraints



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020; base of 68

58/100 Level of difficulty experienced by life insurers in setting accounting policy and methodology for reinsurance

76/100 Level of difficulty experienced by non-life insurers in setting accounting policy and methodology for reinsurance

74/100 Level of difficulty experienced by reinsurers in setting accounting policy and methodology for estimation of cashflows

## How much difficulty are you experiencing in setting accounting policy and/or estimates with regard to the following?

(top 4 selected; 0 = not challenging; 100 = extremely challenging)

Transition



Accounting for reinsurance



Setting and releasing CSM



Disclosure



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020; base of 68



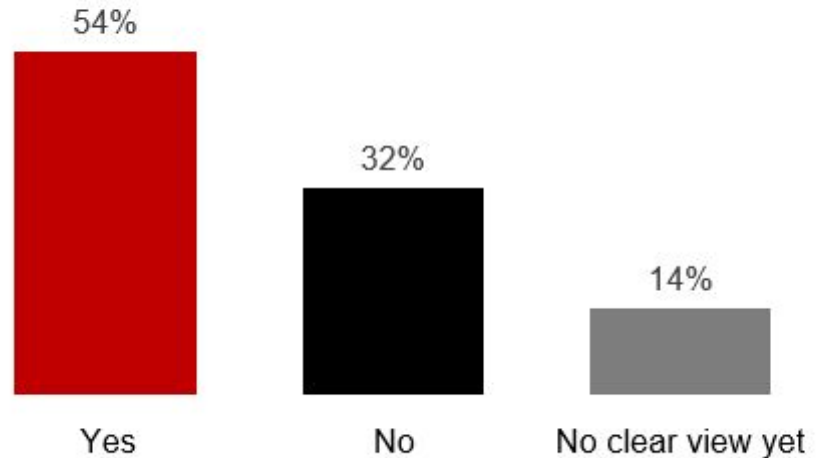
# Accounting, data and technology challenges

Finance leaders are aware that their accounting policies and actuarial assumptions and estimates can have a significant impact on their financial reporting and KPIs.

Insurers often have to make these decisions (and build the necessary data and technology solutions for these requirements) without the luxury of market consensus and industry best practice.

**3/4** of respondents indicated that they have not started work on identifying and specifying IFRS 17 KPIs

**For Property and Casualty business, do you expect all groups of contracts to be PAA eligible?**



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020: base of 68

# Workforce readiness for IFRS 17

**44%** of insurers will increase headcount as a result of IFRS 17 implementation

Insurers have to consider the wider impacts of the standard on their business and their people.

The executive team has to consider how they prepare their workforce for IFRS 17, while considering how their reporting and messaging to the market will change in an IFRS 17 world.

Insurers need to combine multiple avenues of training to prepare their workforce for successful IFRS 17 implementation and business as usual reporting.

**How is your organisation planning to improve operational IFRS 17 capability? Select all options that apply.**

Vendor Training



In-house Training (specific modular e-Learning)



External Training (facilitated by external consultants)



On the job as part of the implementation



No clear view yet



Source: PwC APAC IFRS 17 Health Check Survey  
May 21, 2020: base of 68

# 4 Vendor solutions and readiness



# Our perspective of the market and vendor capabilities



To date, none of the vendors surveyed could be classed as presenting a fully compliant minimum viable product for IFRS 17 compliance.

Source: PwC's Vendor 4.0 publications

Increased number of insurers who are including a general ledger, consolidation and/or financial planning & analysis systems replacement as part of their implementation

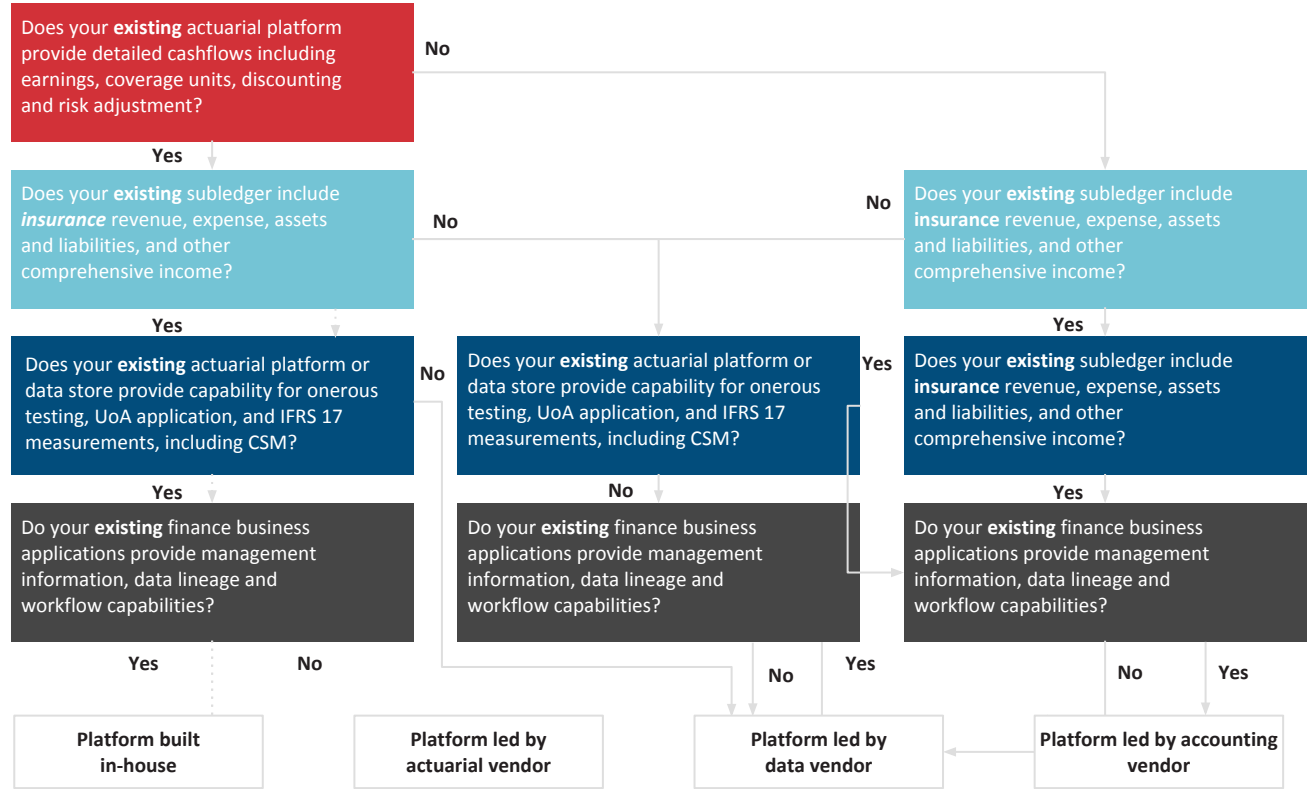
Insurers are facing internal and external pressure to reduce costs, drive harmonisation, streamline the close process, replace legacy technology and address complex data models

Ongoing interpretative nature of the Standard with limited market consensus on important measurement topics (e.g. Mutualisation under VFA)

A number of clients and vendors have started to look at alliances and multi-vendor solutions, including bespoke builds using rapid development tools

# Snapshot on IFRS 17 vendor short-list

Understanding your existing architecture and the capabilities its provides (or the gaps that exist) can help you select potential solutions options and provide focus for running a pilot, a proof-of-concept, making a buy or a build decision. The decision tree on the right provides a simple method to evaluate current systems capabilities and therefore, the type of solution you should consider.



Source: PwC's Vendor 4.0 publications

# Overview of IFRS 17 vendor capabilities

	Data Integration (Life / Non-life)	MDM	Calculation Measurements	Cashflows	Sub-ledger	Workflow Orchestration	Disclosures Analytics	Allocations & Amortisations	Support Model
Accounting Led Platforms									
Data Led Platforms									
Actuarial Led Platforms: Life					-				
					-				
					-				
					-				
	-	-			-	-			
Actuarial Led Platforms: Non-Life									
	-	-				-	-		
					-				
					-				

\*Notes: None of the vendors have been scored a full score as all are yet to be demonstrated "live" in multiple clients and tested for performance.  
Content is based on internal assessment as at June 2020.

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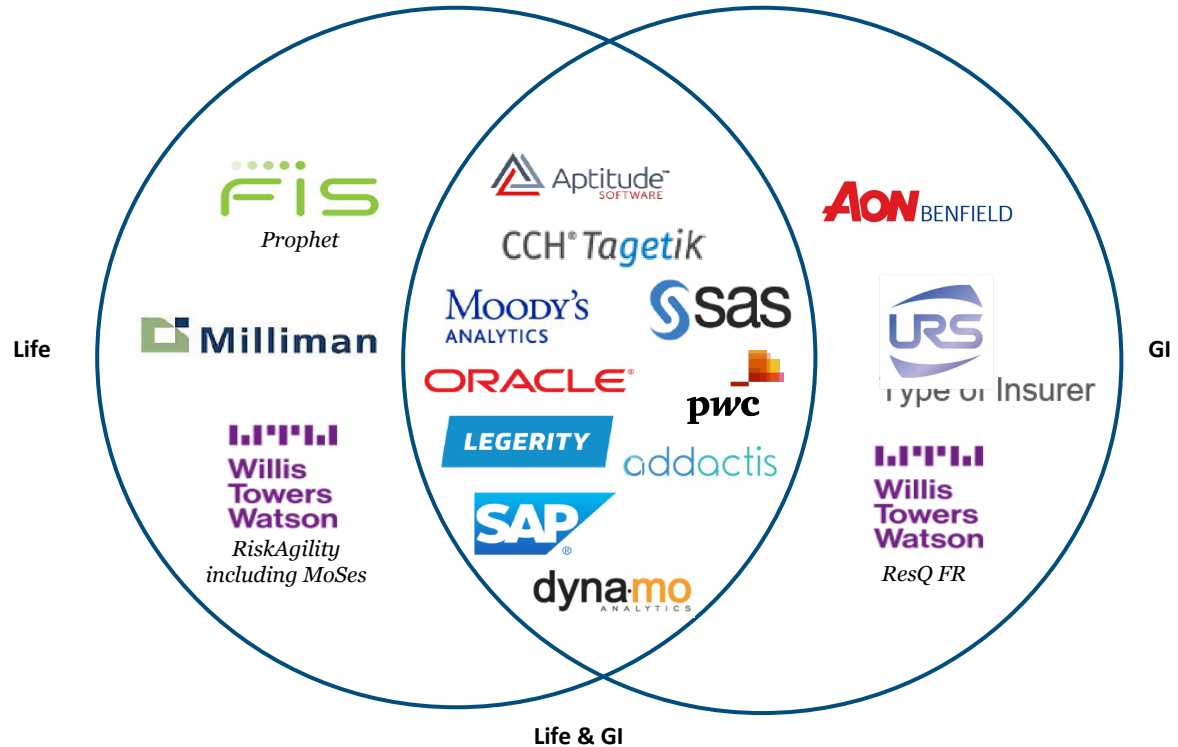
No capability	Low capability with limited support	Basic and developing capability			Adequate Capability		Strong capability with further development needed	Market Leading - Strong capability with no further development needed
-								

Source: PwC's Vendor 4.0 publications

# Overview of the vendors – Focus on Life / Non-Life



This summary is an overview of the vendor focus between life / non-life capabilities. Many vendors have differing degrees of capabilities in the different areas and this is reflected in how the tools have been developed.



Source: PwC's Vendor 4.0 publications

# Q&A







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