



# 2018 SOA Asia-Pacific Annual Symposium

## **Session 2B, Operationalizing IFRS 17**

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# The 8<sup>th</sup> SOA Asia Pacific Annual Symposium

24 May 2018



SOCIETY OF  
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# Operationalizing IFRS 17



# IFRS17 – Global Accounting Standard for Insurers

## IFRS 17 Background

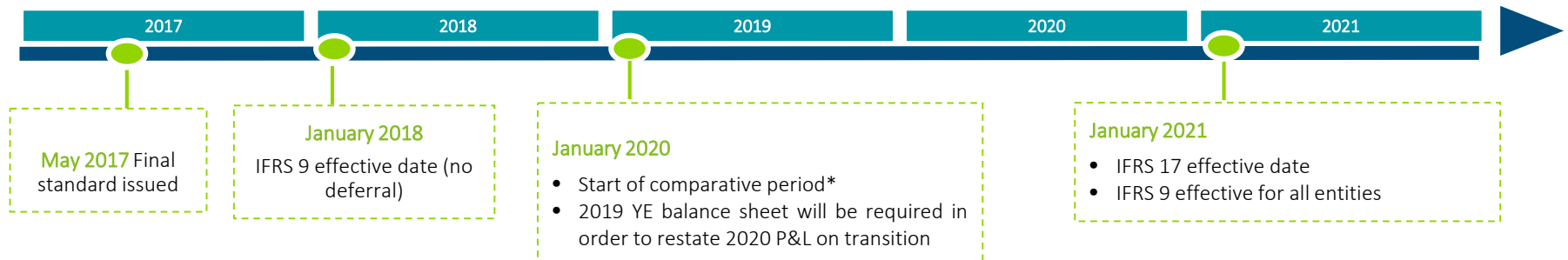
IFRS 17 is the first truly international, comprehensive accounting Standard for insurance, replacing IFRS 4 – an interim Standard that results in widely divergent practices. The main aim of IFRS 17 is to standardize insurance accounting globally to ensure that users of accounts are able to make more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



# Different Interpretation of IFRS17 Requirements

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

## IFRS 17 Requirements

Combinations of Contracts

Unbundling

Investment component

Policy options

Measurement Model

Level of Aggregation

Contractual Service Margin

Reinsurance

Presentation and Disclosure

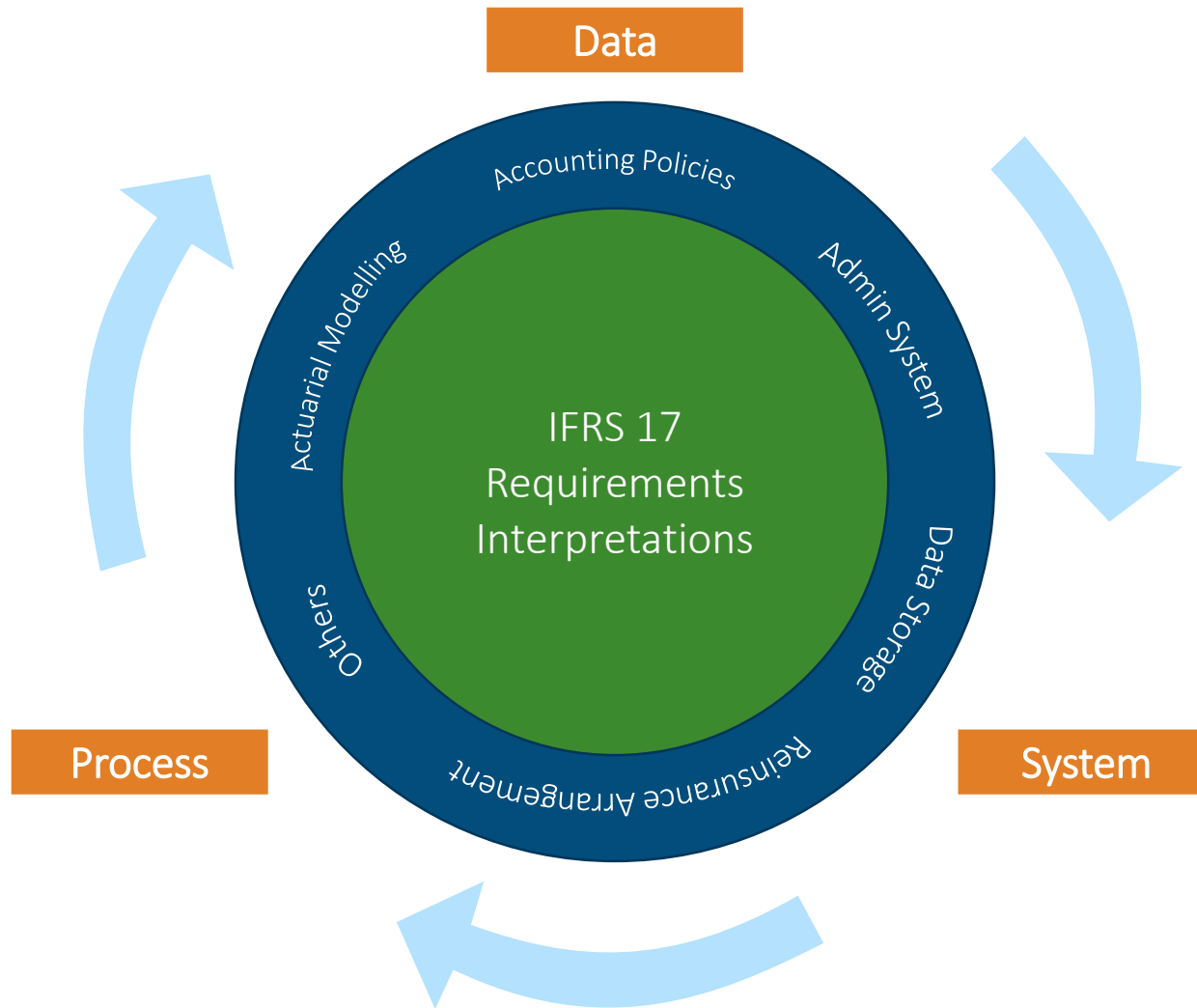
Transition

## Interpretation

- Grouping of Contracts
- Choice of measurement models
- Reinsurance Treatment
- Transition Approach
- Presentation of results
- Others

# From Interpretations to Implementations

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

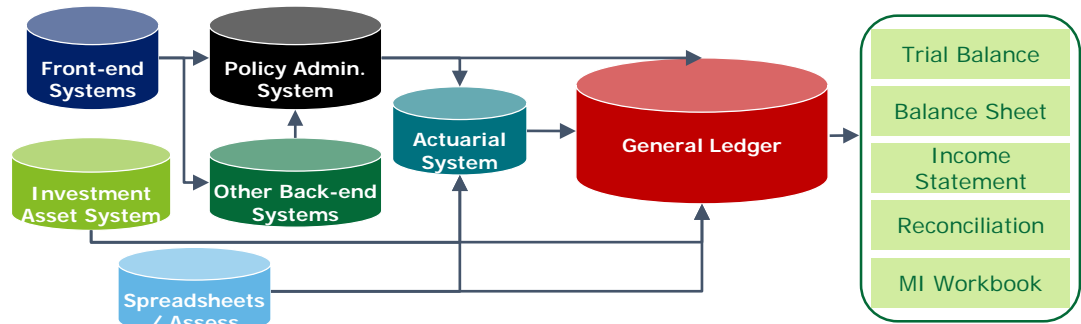


# From Interpretations to Implementations

Example on how system implementation differs

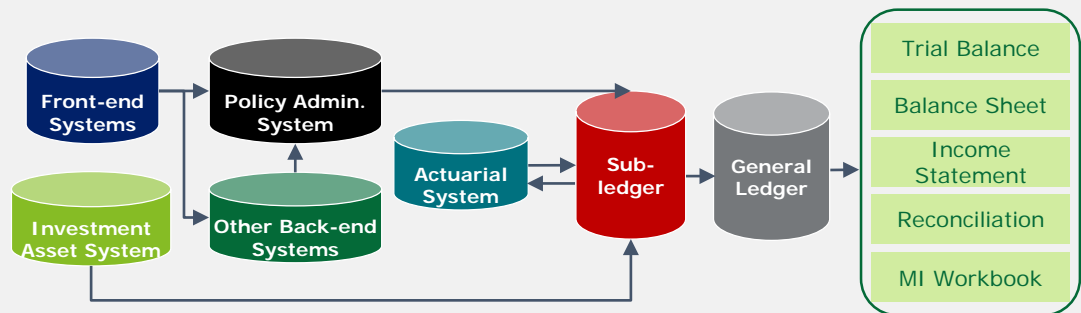
## Possible Option #1: Comprehensive GL

IFRS 17 new data items are calculated in the **existing actuarial system and spreadsheets**. Aggregation is done in GL for journal posting, resulting in a “thick” GL.



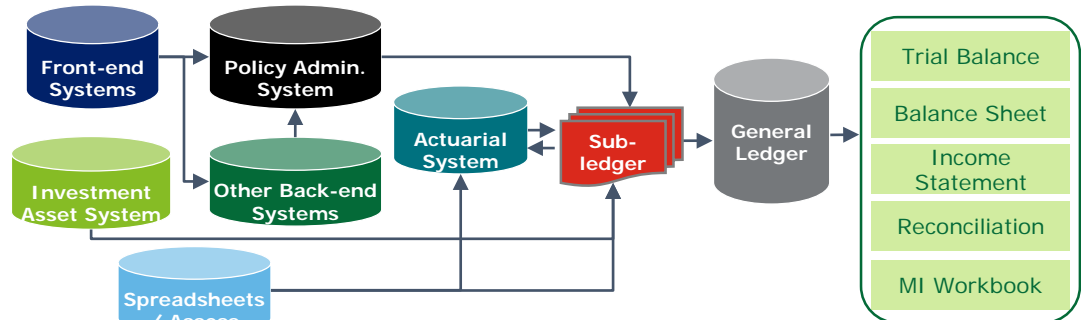
## Possible Option #2: Thin GL + System-based sub-ledger

Data is consolidated in an **intermediate sub-ledger system**. Only key items are passed to GL for the formation of financial statements and management information.



## Possible Option #3: Thin GL + Spreadsheet-based sub-ledger

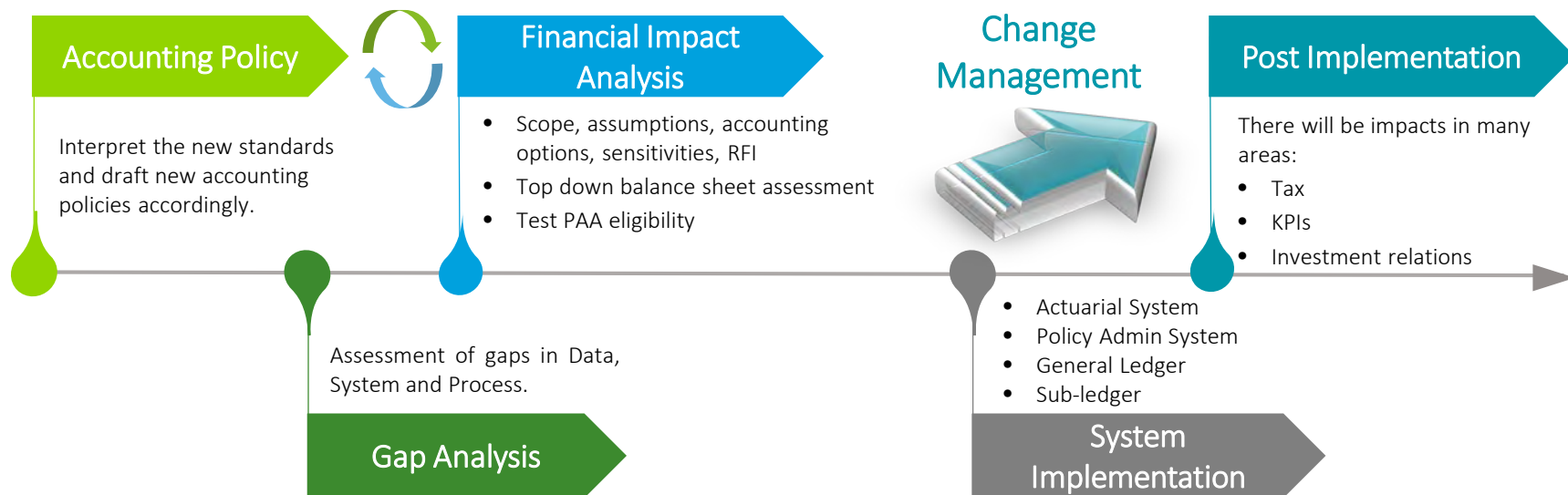
This is similar to Possible Solution #2, except that the sub-ledger would be a **set of new spreadsheets** instead of a system.



# IFRS17 Implementation is a large scale finance transformation

IFRS 17 is turning into a large finance transformation program for many insurers.

## IFRS 17 Implementation Roadmap



Large amount of human resources investments are needed in both development phase and post implementation phase.

### Development Phase

System updates; Determination of new methodologies; Development of new chart of accounts, etc. requires **resources** across:

- IT
- Finance
- Actuarial

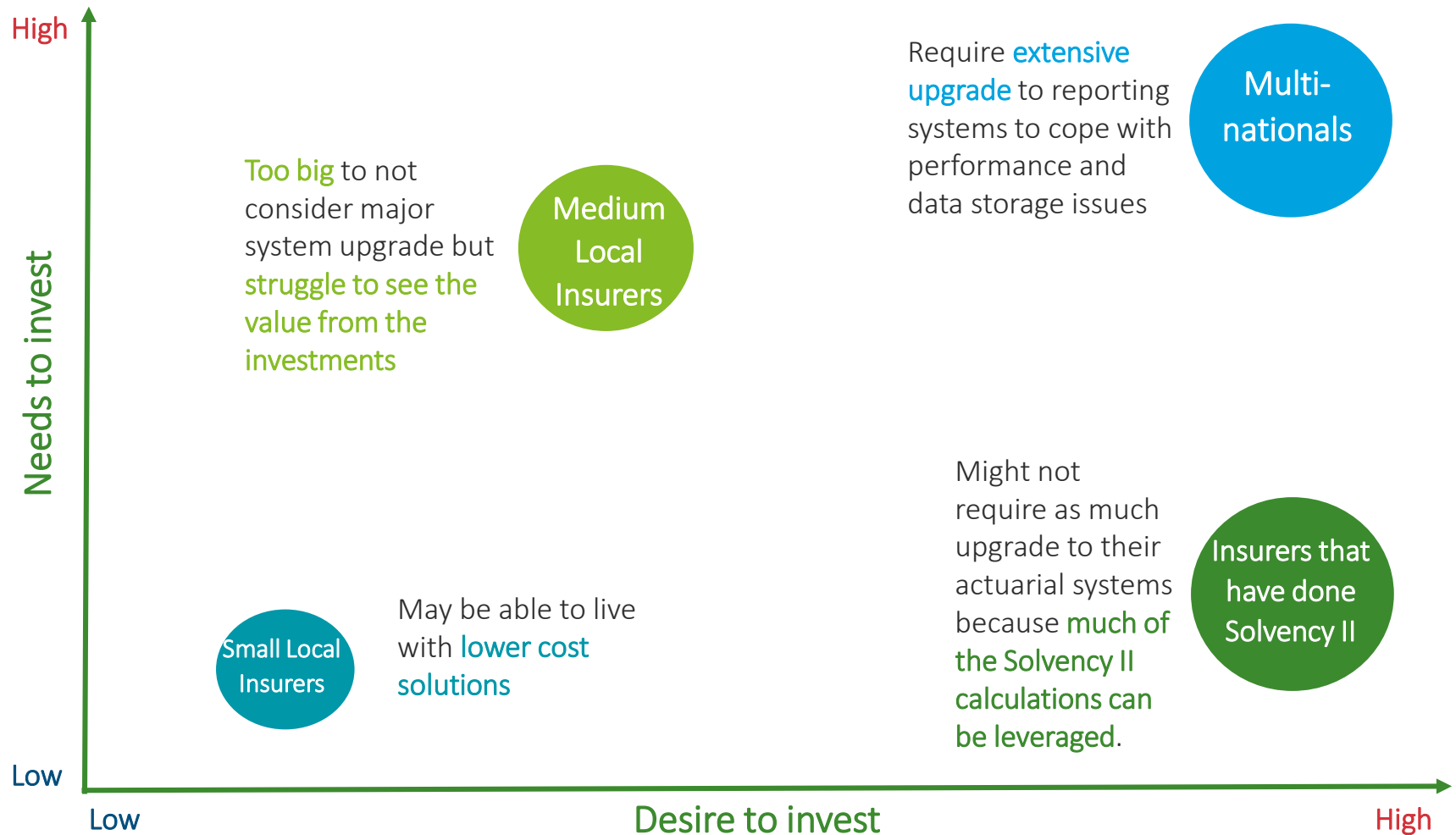
### Post Implementation

A more integrated reporting process and **blur the roles of accountants and actuaries**. Employers will need to **invest in training** and **eventually downsize their reporting team**.



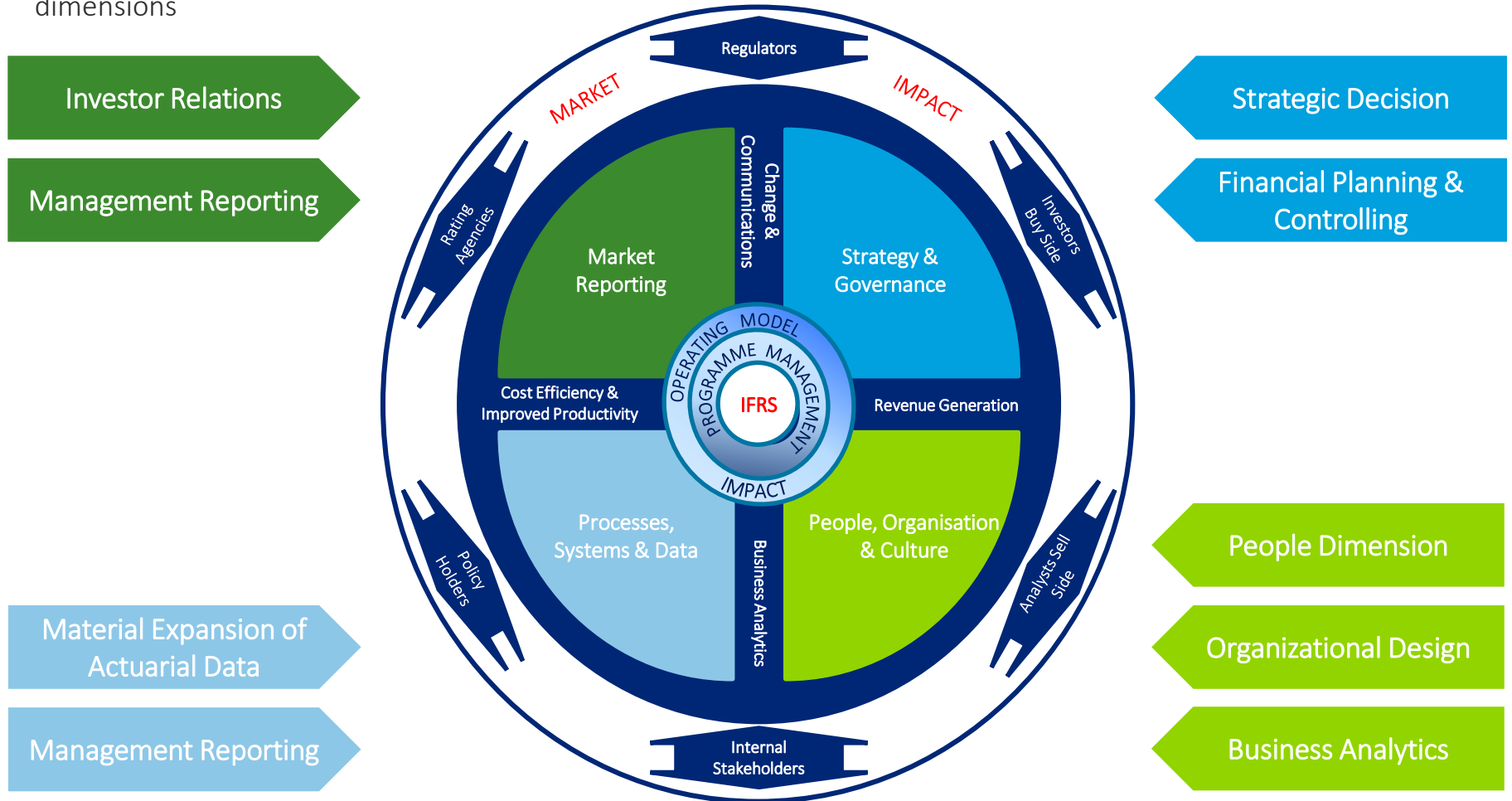
# IFRS17 Implementation is a large scale finance transformation

System upgrades are expected in almost all insurance companies due to the large data volume, complex calculations and cumbersome reporting requirements.



# Considerations of a large scale finance transformation

IFRS 17 implementation is more than an accounting policy change. There should be considerations in different dimensions



Investor Relations

Management Reporting

Material Expansion of Actuarial Data

Management Reporting

Strategic Decision

Financial Planning & Controlling

People Dimension

Organizational Design

Business Analytics

# Key Challenges to IFRS 17 Implementation

