

SAS® Regulatory Content for IFRS 17

A comprehensive, phased approach for generating regulation-compliant accounting entries and reporting



	31Dec2015	ex10_ifrs	ex10_ifrs_art_27	ex10_ifrs_art_59a	
	Value Am...	Value Am...	Value Amount	Value Amount	Val
Liability for incurred claims	-1,908.00	-636.00	-636.00	-636.00	
Liability for remaining insurance coverage	-1,436.13	-476.07	-476.07	-484.00	
1. PV of future insurance contract related...	-1,436.13	-476.07	-476.07	-484.00	
2. Risk Adjustment	0.00	0.00	0.00	0.00	
3. Service Margin	0.00	0.00	0.00	0.00	
Liability for remaining insurance coverage - Loss Component	0.00	0.00	0.00	0.00	
Reinsurance assets for remaining insurance coverage received	0.00	0.00	0.00	0.00	
Reinsurance share in incurred claims	0.00	0.00	0.00	0.00	

	31Dec2015	ex10_ifrs	ex10_ifrs_art_27	ex10_ifrs_art_59a	
	Value Am...	Value Am...	Value Amount	Value Amount	Val
Comprehensive Income	-240.87	-87.93	-72.93	-80.00	
1. Underwriting Margin	-240.87	-87.93	-72.93	-80.00	
1. Insurance Contract Rev...	-2,208.00	-736.00	-736.00	-736.00	
2. Insurance Expenses	1,967.13	648.07	663.07	656.00	
2. Investments Results	0.00	0.00	0.00	0.00	
3. Other comprehensive in...	0.00	0.00	0.00	0.00	

What does SAS® Regulatory Content for IFRS 17 do?

From data management to the required calculations and reporting, it's an integrated solution that supports all the required approaches you need to successfully implement IFRS 17, including the generation of postings, process management and governance.

Why is SAS® Regulatory Content for IFRS 17 important?

It facilitates the tracking of results and metrics in a timely manner, addresses regulatory requirements and enables collaboration among actuaries, risk managers and finance. It protects insurers' investments in actuarial, accounting and related solutions by integrating important IFRS 17 capabilities - from the orchestration of data and analytics to reporting of risk and profitability.

For whom is SAS® Regulatory Content for IFRS 17 designed?

SAS Regulatory Content for IFRS 17 provides a single, comprehensive compliance platform for users of all disciplines - accountants, actuaries and IT.

IFRS 17 is a principles-based accounting standard designed to increase financial transparency. When it goes into effect in 2021, IFRS 17 has the potential to unsettle the insurance industry.

The new regulation will result in significant change, not only in the calculations but also in the disclosed measures that describe the financial condition of the company. It requires insurers to report in greater detail how insurance and reinsurance contracts affect finances and risk.

The insurance market will need some time to get used to the new measures and to operate based on them. The sooner the new numbers are available, the better.

Benefits

- **Gain a single, comprehensive view.** With the integration of risk and finance calculations, you can streamline the flow of information and reporting of expected versus actual cash flows for all stakeholders. SAS

Regulatory Content for IFRS 17 facilitates the tracking of results and metrics in a timely manner, addresses regulatory requirements and enables collaboration.

- **Manage data collection and validation.** SAS collects actual baseline data directly from your policy administration, actuarial and accounting systems and supports data validation from multiple sources, including actuarial and production data required to calculate cash flows. Data quality, transparency and auditability enable you to get results you can trust while addressing regulatory and accounting requirements.
- **Manage workflows.** Workflow management, combined with our flexible rules engine, supports the orchestration of job flows to address current and future IFRS 17 accounting and reporting rules. This includes data validation at each stage, from discounted and undiscounted cash flows through report generation. Review and approval processes may be added to any stage of the workflow.

- **Apply the right methodology and measurement for each policy type.** Out-of-the-box capabilities include categorization of policy types and the ability to address grouping requirements. SAS supports all three IFRS 17 valuation approaches for insurance liabilities. This enables you to implement whichever calculation method you choose for insurance (as well as reinsurance) lines of business.
- **Stage validated results for posting into the accounting system.** SAS generates preposting reports, aligned with your firm's accounting system, in support of both multi-GAAP and multicurrency reporting. Reporting capabilities include the aggregation and disaggregation of results so that you can drill down to contract or analytical details. With currency and localization capabilities, insurance firms can also report on individual subsidiaries in local and headquarters' currencies, and aggregate firmwide results across geographies and lines of business.

Overview

To meet IFRS 17 requirements, decisions regarding the best approach will be needed for each insurers' product. Because detailed, accurate data will be required, improved quality rules and processes will need to be introduced. Various new models will have to be implemented. New validation and reconciliation rules will have to be defined, and new reports will have to be prepared and explained to all interested parties. Finally, all this will have to be implemented as a clearly structured process.

A comprehensive platform

SAS Regulatory Content for IFRS 17 enables you to meet all requirements of IFRS 17 – not only the key elements concerning the accounting of insurance contracts but also the workflow process, which needs to be structured. SAS provides a comprehensive approach that includes:

- A predefined insurance model.
- Data management and governance.
- Business rules management.
- Calculations for the three approaches.
- A set of predefined reports.
- Process management.

It provides business content for the three methods for calculations - the building block approach (BBA)/general measurement

model (GMM), the premium allocation approach (PAA) and the variable fee approach (VFA) – plus allocation methods and disclosure reports.

An analytical framework for risk and finance integration

SAS Regulatory Content for IFRS 17 has been developed so that content is separated from the underlying platform. A common framework integrates the underlying technological pieces with various business components that sit on top of them. These business components may share functional capabilities and data. It is very important to have a single source of data for calculations on both the risk and finance sides and for additional, more specific, calculations.

Gradual implementation options

SAS enables customers to gradually implement their IFRS 17 project. You can start gradually with less mature processes and move to more advanced processes that can be applied to the entire portfolio.

Process orchestration

Process orchestration provides an integrated environment for managing risk and financial data collection, aggregation and allocation; calculating IFRS 17 measures; and creating accounting entries and disclosures. It's a way to coordinate and perform all of these activities between IT, actuaries and finance.

A dashboard is created to monitor execution of the end-to-end process and for timely identification of problem areas. Activities include data management; calculation executions; scenario management; worksheets that provide data views; consolidation, planning and reporting that include the management of file packages for regulatory submissions; and process orchestration and auditing.

Subledger

A subsidiary ledger, or subledger, contains a detailed subset of transactions. Total transactions in the subledger roll up into the general ledger. Depending on the type of subledger, it might contain information about transaction dates and descriptions and amounts billed, paid or received.

The SAS subledger component offers a key control point in the SAS IFRS workflow process. It gives an insurer's finance team the opportunity to review transactions in greater detail and make amendments ahead of posting to the general ledger (using predefined rules).

One of the main challenges of IFRS 17 is the fragmented nature of existing actuarial systems. These systems produce individual cash flow analysis based on groups, which are then combined with accounting system analysis. If insurers follow this workflow at the group level, they lose the ability to analyze at the contract level.

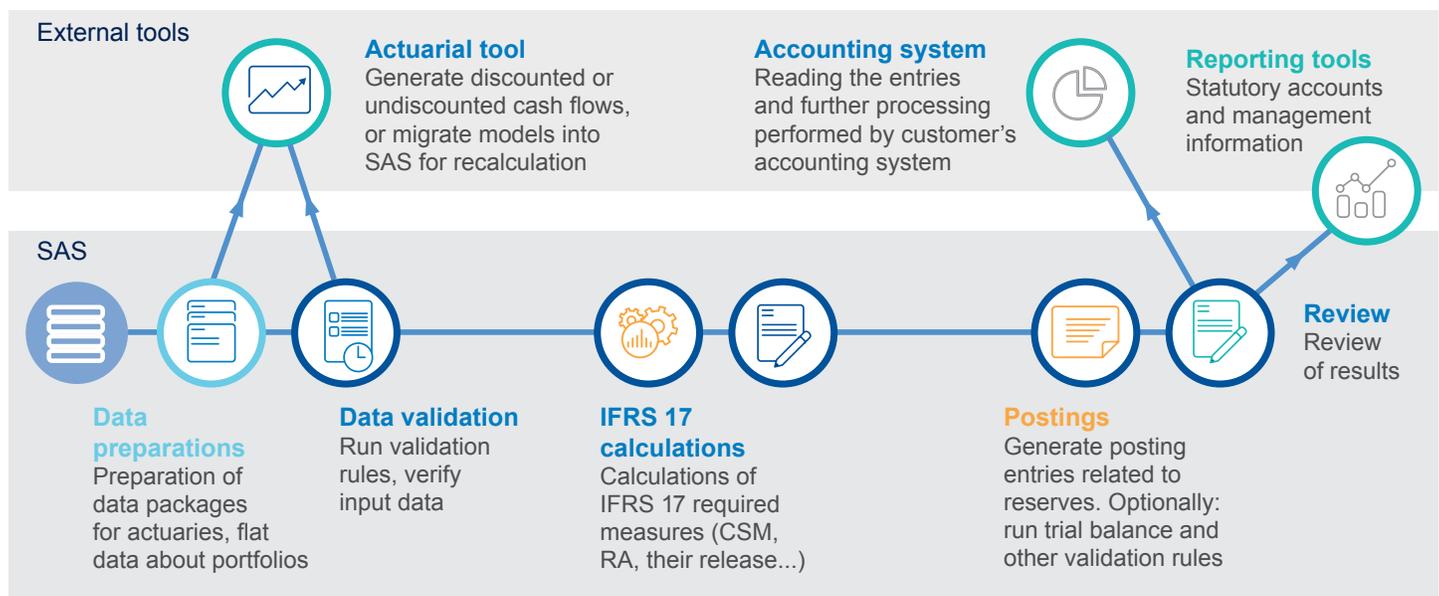


Figure 1: IFRS 17 calculations and reporting process.

Key Features

To provide more unified analyses, SAS collects, stores and combines data in a SAS data store outside of the actuarial and accounting systems. All key contract details are collected and stored in the SAS subledger. This provides the opportunity to gain further analytical insights, including “what if” analysis. A summary-level entry is periodically recorded in the general ledger. If insurers are researching information in a general ledger account that contains this summarized information, they can access the SAS subledger to review transaction-specific information. With the SAS subledger component, you can:

- Store and manage accounting events.
- Store and manage a ledger with a chart of accounts.
- Define mapping rules.
- Generate, reverse, repeat and manually update postings.
- Provide administration of accounting definitions, account details, mapping rules and postings (review, update, revert or redo).

Data management

Data management enables you to derive value from your data - including connectivity and centralized metadata, data cleansing, ETL, data migration and synchronization, data federation and master data management. Built with IT and business collaboration in mind, SAS data management improves productivity and user insights.

For data access and delivery:

- SAS Data Surveyor for SAP provides access to SAP B/W metadata, which increases productivity and decreases time and costs for SAP integration.
- SAS Federation Server provides dynamic data masking of secure, cached data from multiple traditional and big data sources on demand through integrated virtual views without physically moving the data.
- SAS/ACCESS® software provides seamless and transparent read, write and update access to more than 60 data sources, including relational databases, big data technologies such as Hadoop and Impala, nonrelational databases, PC files and data warehouse appliances.

IFRS 17 platform

- Templates for data quality controls, contract grouping and CSM calculation for direct insurance and re-insurance contract groups (BBA/GMM, PAA and VFA).
- High-performance and in-memory calculations.
- Calculations transparency and auditability.

IFRS 17 reporting

- Detailed historical financial reports down to the unit of measurement, applied in calculations and postings.
- Drill-down reports to the details of the measures (movements) that affected a given item in the structure of accounts with information on credits and debits.
- Reports on data completeness (delivery of all required data packages and all needed cross-sections), accuracy of data (invalid values, confidence in data) and appropriateness of data.
- Process quality reports on the advancement of all the processes by entities (and whether the steps were finished in required time and which users are falling behind).
- Internal reports, including controlling and management reports. Additional reports may be added during the implementation project based on customer requirements.
- Drill-back to data sources.
- Reports in multiple formats (XLS, XBRL, XML and CSV files).
- Possible integration with regulator infrastructure (i.e., e-filing).
- Database with security, audit trails and versioning.

Phased implementation

- A gradual implementation based on industry best practices.
- A definition template of the process (i.e., preparing data, validations, calculations, allocations and reporting) and ability to run calculations as instances of this template.

Process orchestration

- Data collection includes data extraction, data quality checks, data enrichment and final validations.
- Review input data and make needed adjustments.
- Calculate with discounted or undiscounted cash flows over the three approaches.
- Calculation results may be viewed by the user; additional validation rules at this stage may be involved.
- Generate postings based on predefined account hierarchy; manual adjustments are possible at this stage.
- A trial balance sheet report is prepared for additional analysis of results before they are pushed down to the general ledger.
- Data packages are sent to other systems (to the general ledger and reporting area).
- Most of the steps in this process require sign-off by identified users.
- Alerts-driven review and approval process.
- Collaboration and workflow definition.

Subledger function

- Dedicated data model for storing data on granular level.
- Support for multiple accounting standards.
- Support for multicurrency.
- Definition of structure of accounts for IFRS 17.
- Definition of IFRS 17 specific posting rules.
- Calculation and storage of initial CSM, CSM amortization, risk adjustment and present value movement analysis.
- Generation of posting entries for balance sheet (including detailed disclosure) and statement of comprehensive income.

Key Features (continued)

For integrating and transforming data:

- SAS Data Loader for Hadoop enables self-service big data access to profile, transform and prepare Hadoop data for visualization or analytics.
- SAS Data Management enables you to join, transform, cleanse and govern your data for the purposes of creating reports, populating a data warehouse via ETL, modernizing legacy applications and databases, or performing analytics.

For data quality and governance:

- SAS Data Quality enables you to cleanse, standardize and transform your data, driving more accurate reporting and analytics and better business decisions.
- SAS Data Governance puts the policies, processes and rules in place to manage data with consistency and transparency and better align business and IT.

Business rules

SAS business rules make the accounting process transparent and adaptable, allowing insurers to quick-start their IFRS 17 process. A database of IFRS 17 posting rules connects rules together into rules flows. The published flows can be used by other applications.

Reporting

IFRS 17 internal reports and disclosure statements are available as SAS Visual Analytics reports, enabling you to identify patterns and relationships in data that weren't initially evident. Interactive, self-service BI and reporting capabilities are combined with out-of-the-box advanced analytics, so everyone can discover insights. It's an easy-to-use, self-service environment that can scale on an enterprise level.

TO LEARN MORE »

To learn more about SAS Regulatory Content for IFRS 17 and see other related material, please visit sas.com/ifrs17.

Data management

- A predefined, but extensible, data model.
- A landing area with configuration, mapping and fact tables.
- A results data area with measurement and posting tables.
- Data archival.
- Data quality rules to check volumes, completeness and accuracy of the inputs.
- Data governance business glossary and metadata manager, lineage visualizer and reference data manager.

Business rules

- Posting rules that define how the results of calculations should be assigned to accounts.
- Manage your lists of data tables from within the application.
- A business vocabulary defines entities and terms (the building blocks used to construct business rules).
- Equation editor for defining conditions and actions for each business rule.
- Rule sets are displayed in decision tables with each row of the decision table defining the conditions and actions for a single rule.
- Rule set versioning creates a static version to help enforce integrity and governance of rule sets and flows that are put into production.
- Rule flow authoring and publishing.

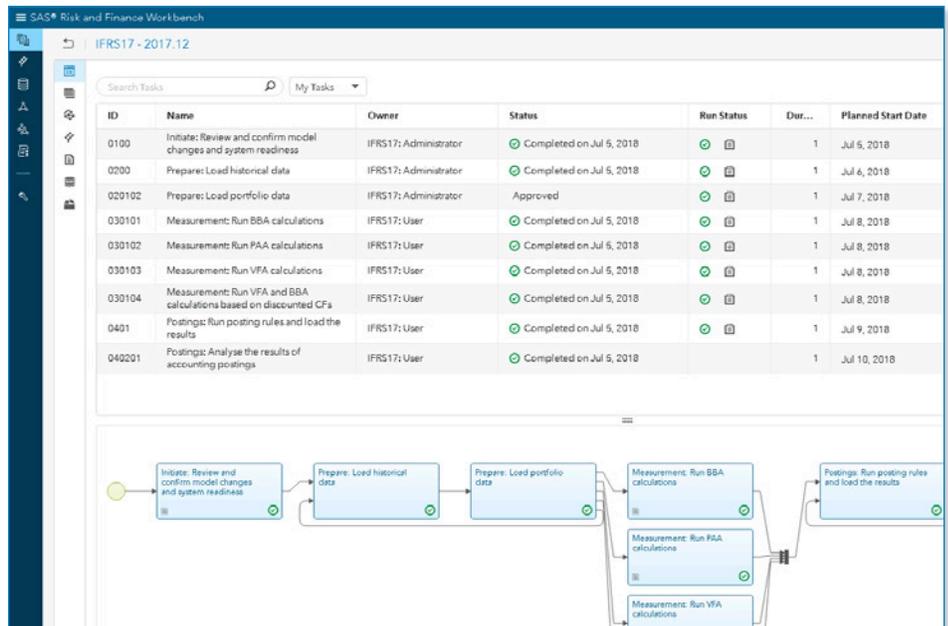


Figure 2: IFRS 17 process flow and tasks.

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