

IFRS 17: Turning Compliance Into an Opportunity



Business Impact

"Today, the accounting for insurance contracts does not provide users with the information they need to meaningfully understand the insurer's financial position, performance and risk exposure. In addition, IFRS does not address specific insurance issues ..."

Source: IFRS Foundation & IASB¹

Challenges

- **Expectations for greater collaboration.** IFRS 17 requires closer collaboration of actuaries, risk managers and finance, as calculations must be based on a comparison of expected and actual cash flows.
- **Multiple compliance requirements.** Many insurance firms need to comply simultaneously with Solvency regulation² and IFRS 17 requirements in a synergistic, efficient manner.
- **Limited solution functionality.** Most vendors only support part of the compliance process, requiring heavy investment and integration of multiple solutions.
- **Investor expectations.** Increasingly, investors expect insurance firms to present the information required by Solvency regulation and IFRS 17, regardless of whether they are mandated to do so.

The Issue

IFRS 17 (previously known as IFRS 4 phase II) – part of the International Financial Reporting Standards issued by the International Accounting Standards Board – will improve financial reporting by providing more transparent, comparable information about:

- The effect of issued insurance contracts on financial performance.
- How entities earn profits or incur losses through underwriting services and investment of premiums.
- The nature and extent of risks created when issuing insurance contracts.

Compliance will require insurers to calculate totally new measures when presenting their financial position. They also need to manage the increasing granularity and complexity around accounting for insurance contracts, as well as the preparation of the underlying models, the monthly run, the consolidation and the reporting.

Meeting these requirements by 2021 will overlap with Solvency compliance for many companies and make things even more difficult. Ideally, they need to find implementation synergies to minimize rework and costs.

Our Approach

We approach the problem by providing software and services to help you:

- **Meet all IFRS 17 requirements:** SAS takes a comprehensive approach to accounting for insurance contracts – from data sources to reporting. Predefined data models, data and business rule management, calculations based on the Building Block Approach and the Premium Allocation Approach, generation of postings, process management and governance, help ensure success.
- **Implement risk and finance calculations and reporting on one platform:** The platform ensures consistency in common data, enables comparability of data, and eases reconciliation of results. The result is closer collaboration among actuaries, risk managers and accounting staff around reporting of expected and actual cash flows and metrics.
- **Implement gradually:** Start with a less mature process and model set, and evolve to an advanced process and model set that applies to the whole portfolio of insurance liabilities.
- **Accelerate required calculations:** Run processes and calculations faster by orders of magnitude thanks to the parallel execution and in-memory architecture.

¹ <http://www.ifrs.org/Current-Projects/IASB-Projects/Insurance-Contracts/Pages/Insurance-Contracts.aspx>

² An example of Solvency Regulation is the Solvency II Directive (2009/138/EC), a directive in European Union (EU) law that codifies and harmonizes the EU insurance regulation. It focuses on the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

SAS allows you to meet all of the requirements of IFRS 17 using a single, integrated, comprehensive platform. You benefit from:

- **Traceability and auditability of processes:** Design repeatable custom processes that are fully transparent and auditable.
- **What-if capabilities:** Define and run processes based on several configurations, each representing a different set of assumptions. Use them to verify how various scenarios would influence the financial condition of the company.
- **Flexible definitions of the structure of accounts and measures disclosed:** Define various sets of rules, allocating the results of calculations to different elements in the structure of accounts disclosed in the final reports.
- **Data quality and process quality management:** Define data quality rules and the data packages required for various process steps and monitor the delivery, completeness and quality of this data.
- **Advanced reporting:** Access a set of properly designed, maximally informative, predefined financial reports that include drill-down capabilities for accessing details and source data behind the final values.

Insurance companies, which adopted (or plan to adopt) IFRS

Real-World Scenario

Many insurance companies need to create and publish sets of reports covering both their local or regional Solvency regime (i.e., Solvency II in the EU) and IFRS requirements, including IFRS 17. To meet these requirements, they need a solution that delivers strong analytical, data management and reporting capabilities.

Solution

As illustrated in **Figure 1**, SAS offers a solution that addresses data collection and storage, handling of data quality and business rules, preparation of reporting data and execution of required IFRS 17 calculations. In addition, it provides an interface to SAP FI for efficient postings of the results back to the accounting systems.

A single platform

What if you could run the entire process for IFRS 17 – from data sources to reporting – within one integrated, centrally managed, traceable platform?

Consistent data

What if you could ensure consistency of data presented in new financial and risk reports and ease collaboration between actuaries and finance using a common platform?

A gradual implementation

What if you could start the implementation with a temporary architecture, get familiar with the new reports, and gradually add target elements based on your priorities?

You can. SAS gives you THE POWER TO KNOW®.

SAS Facts

- SAS has extensive experience in implementing regulatory requirements such as Solvency II, IFRS 9, BCBS 239 and all Basel-issued requirements.
- Since 2013, SAS has established a global strategic partnership with SAP. The partnership’s main focus is on data integration and handling of large data volumes.
- SAS risk solutions are used by more than 1,400 institutions worldwide.

Learn more at: sas.com/risk

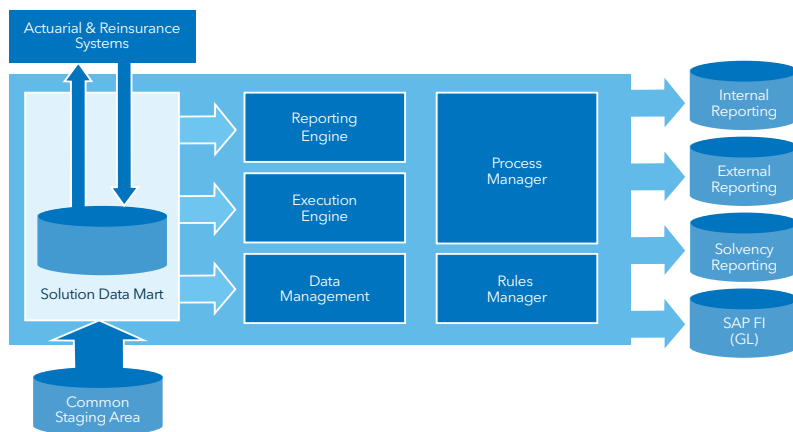


Figure 1: SAS Risk and Accounting for IFRS 17 – High-Level Solution Overview

To contact your local SAS office, please visit: sas.com/offices

