

IFRS 17 - Will you be ready?



With the release of the IFRS 17 insurance contracts standard, companies need to start planning for implementation

Now that the final IFRS 17 standard has been issued, the impetus is on companies to ready themselves for its implementation. As with any new standard, the introduction of IFRS 17 will pose a number of challenges and practical considerations:

IFRS 17 CHALLENGES AND PRACTICAL CONSIDERATIONS

VALUATION	GOVERNANCE AND PROCESSES	REPORTING AND ANALYSIS
<ul style="list-style-type: none"> ▪ Classification ▪ Unbundling ▪ Aggregation ▪ Contract boundaries ▪ Discount rate ▪ Assumptions and methodology ▪ Cash flows ▪ Risk adjustment ▪ Transition 	<ul style="list-style-type: none"> ▪ Data quality ▪ Model validation and governance ▪ Impact on ALM and risk management ▪ Business planning and strategic implications ▪ Training and education 	<ul style="list-style-type: none"> ▪ Fundamentally different income statement ▪ Significant changes to the balance sheet ▪ Additional disclosures and analysis of change ▪ Challenging reporting deadlines
ACTUARIAL AND ACCOUNTING SYSTEMS BUILD, MODELLING SPEED, DATA STORAGE		

To assist companies with implementation we have developed the **Milliman IFRS 17 Readiness Assessment Tool**, which companies and groups can use to prepare for implementation of the standard and prioritise areas within their implementation projects. This tool is **relevant for life/non-life/(re)insurance companies and groups**, and is ideal for carrying out a gap analysis, getting your implementation project up and running, and supporting it on an ongoing basis.

The Milliman IFRS 17 Readiness Assessment Tool:

- Provides companies and groups with a clear assessment of an organisation's readiness for, and compliance with, IFRS 17 across key areas
- Is an easy-to-use reference tool with automatic links to the IFRS 17 standard and guidance
- Identifies work remaining in key areas and assists with project planning

IFRS 17 implementation will be a cross-functional project that will require co-operation between actuarial, accounting and IT departments. Our tool is designed to aid this co-operation through the assignment of questions to key personal and by facilitating the allocation of resources across these different functions.

The tool builds on the principles of Milliman's very successful Solvency II Readiness Assessment Tool, first developed in 2013, which then evolved into the Solvency II Compliance Assessment Tool.

Key Features

DETAILED ASSESSMENT	Readiness benchmarked against IFRS 17 standard and guidance
EASY TO USE	Easy-to-use tool with simple questions that are accessible for all staff in relevant roles and departments
LINKS TO RELEVANT LEGISLATION	Tool includes hyperlinks to relevant sections of IFRS 17 standard, providing an invaluable reference tool, adding context to the inbuilt questions
CONSIDERATION OF OTHER BUSINESS AREAS	Assessment includes other factors such as readiness of systems and processes as well as strategic considerations such as product pricing
FLEXIBILITY	Requirements can be filtered by business profile whilst assessments can be completed via self-assessment or collaborative workshop approaches
REPORTING FUNCTIONALITY	Dashboards provide a summary of readiness and compliance in key areas, enabling IFRS 17 project planning
GROUP-LEVEL PERSPECTIVE	A group dashboard aggregates results across subsidiaries, allowing management to analyse readiness at a group level
PROJECT PLANNING	A planning dashboard provides users with a framework to address any outstanding issues prior to final implementation of standard
MILLIMAN EXPERTISE AND EXPERIENCE	Benefit from our expertise in IFRS 17 and our experience in implementing large scale projects such as Solvency II
ADDITIONAL CONSULTING	Assessment can also be supplemented with recommendations on next steps and benchmarking

Input interface

The easy-to-use interface allows users to assign a level of readiness to each IFRS 17 requirement at the click of a button. The requirements are clearly set out with links to the relevant sources to allow users to easily access the more detailed requirements if desired. The assigned scores can be supplemented by additional comments to facilitate a better understanding the company's level of readiness for each requirement. The tool also offers project planning functionality to allow users to allocate resources and timelines to any areas of outstanding work.

Methodology	Score 1-5	Score	Assigned to	Supporting comments	Relevant Links		Project planning		
					Standard	Application Guidance	Completion Target	Estimated Days	Responsibility for Completion
General	1.	2	Person A		Paragraph 2	Paragraph 5	Q1 2019	10.0	Person A
	2.	3	Person B		Paragraph 4	Paragraph 8	Q4 2018	5.0	Person B
	3.	4	Person B		Paragraph 7	Paragraph 9	Q4 2018	5.0	Person B

Questions based on a thorough analysis of the IFRS 17 standard	Shows readiness score and percentage of questions completed	Assessment score on a scale of 1-5, representing level of readiness	Comments can be included to supplement the scores given or work remaining	Hyperlinks to relevant paragraphs in standard and guidance	Information to facilitate project planning
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Summary dashboard

The summary dashboard provides a clear visual overview. At a glance, users can gauge the level of readiness and compliance with the various IFRS 17 requirements. Progress bars highlight any questions that have not been completed while embedded links allow users to easily navigate between sections to review the requirements and answers provided in greater detail.

Summary		% of questions completed	IFRS 17 Score
General	Background	80%	Not applicable
	Project management	75%	Not applicable
Valuation	Methodology	72%	4.6
	Assumptions	84%	3.2
	Transition	78%	2.8
Governance and Strategy	Governance	84%	2.4
	Data Quality	52%	1.2
	Strategic Impacts	81%	4.1
Reporting and Analysis	Presentation	75%	1.7
	Disclosure	82%	4.4
Systems and Modelling	Actuarial Modelling	62%	3.3
	IT and Systems	45%	2.7

Group tool and dashboard

Senior management can use group dashboards to provide an aggregate summary of readiness and compliance across their subsidiaries. Groups can allocate a weighting to each subsidiary to determine the average level of readiness across subsidiaries.

Summary	Group Level	Average Solo Requirements	Company 1	Company 2
	Weighting		50%	50%
Valuation	Methodology	3.9	4.6	3.2
	Assumptions	2.9	3.2	2.5
	Transition	2.1	2.8	1.3
Governance and Strategy	Governance	2.6	2.4	2.8
	Data Quality	2.3	1.2	3.4
	Strategic Impacts	3.0	4.1	1.9
Reporting and Analysis	Presentation	2.9	1.7	4.0
	Disclosure	4.4	2.2	2.3
Systems and Modelling	Actuarial Modelling	3.6	3.3	3.9
	IT and Systems	3.3	2.7	3.8

Project planning dashboard

Given the cross-functional nature of IFRS 17 implementation, the project planning dashboard provides users with a high-level project plan setting out the amount of work needed to address the remaining issues in each area of IFRS 17. This work can be allocated to different individuals in different departments right across the interim period in advance of full implementation.

Project Planning		Assigned Person Days						
	Person Responsible	Not Assigned	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Total
Summary of planned days								
Methodology		0.0	10.0	10.0	5.0	2.0	2.0	29.0
Assumptions		0.0	10.0	5.0	5.0	2.0	2.0	24.0
Transition		0.0	5.0	5.0	5.0	2.0	2.0	19.0

Project Planning		Assigned Person Days						
	Person Responsible	Not Assigned	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Total
Summary of planned days								
Methodology		0.0	10.0	10.0	5.0	2.0	2.0	29.0
1	Person A		5.0	4.0	2.0	1.0	1.0	13.0
2	Person B		5.0	2.0	1.0	1.0	1.0	10.0
3	Person C		0.0	2.0	1.0	0.0	0.0	3.0
4	Person D		0.0	2.0	1.0	0.0	0.0	3.0

How Milliman can help

An IFRS 17 implementation project should be on the agenda now for insurance companies reporting under IFRS. With our global exposure and financial reporting experience, Milliman is well placed to accompany you along your IFRS 17 implementation journey. We can assist you across the following areas:

CONSULTING

- Planning for IFRS 17 implementation
- Development of IFRS 17 methodologies and internal standards
- Advice relative to international best practice
- Gap analysis and readiness monitoring
- Assumption and methodology setting
- Development of performance measures
- Financial impact analysis
- Analysis of interaction between IFRS 17 and IFRS 9

MODELLING

- Development of projection/valuation models and tools
- Development of run schedules to generate the inputs for the income statement, balance sheet and disclosures
- Model testing and documentation
- Data validations
- Development of data interface to projection software

REPORTING

- Assistance with data warehouse solutions and reporting engines
- Reconciliation of IFRS, EV and Solvency II to IFRS 17
- Workflow management
- Validation of outputs
- Assessing the impact of the standard on profitability and opening equity
- Development of dashboards and RAG tables for high-level monitoring
- Assistance with disclosures and stakeholder communication



Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

Milliman maintains a strong and growing presence in Europe with more than 250 professional consultants serving clients from offices in Amsterdam, Brussels, Bucharest, Dublin, Dusseldorf, London, Madrid, Milan, Munich, Paris, Stockholm, Warsaw and Zurich.

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