

Implementation for your Business

Prepared for CEO Focus Group 6th/2018
Demystifying IFRS 17 for General Insurers
Jointly Organized by TGIA & WTW

14 November 2018



Is it simple for a traditional P&C insurer?

Separation

Unbundling investment components – no longer optional – mandatory or prohibited. Unbundling insurance components within a single contract?

Aggregation

Aggregation of contracts into portfolios and disaggregation into groups core to all initial and subsequent measurement

Onerous contracts

Level of granularity required for assessment? Ability and effort required to identify “sets”. Impact on profit recognition

Contract boundaries

Different to Stat. Potentially significant impact on life contracts with riders.

PAA or not PAA?

Use is optional if conditions are met. How to assess contracts over one year? What is variability in cash flows?

Reinsurance contracts held

Explicit treatment of contracts, cash flows and liabilities. Potential mismatch issues?

Presentation

What will the P&L look like? What is the impact of excluding investment components? What is impact on KPIs?

CSM

Major area of complexity. Calculation, unlocking and amortisation. Where to perform calculations and track movements?

Discounting

Top down or bottom up? Need to update discount rates for each period. OCI or P&L for unwinding? Parallel use of historical and current

Interaction with IFRS 9

Potential mismatches? Option to defer adoption. Impact on results with/without OCI option?

Acquisition costs

Attributable acquisition costs may be different to current deferrable. Expense or not (PAA only)?

Risk adjustment

Determined at which level? Set by group? How to recognise diversification benefits? Not a “prudence buffer”!

Disclosures

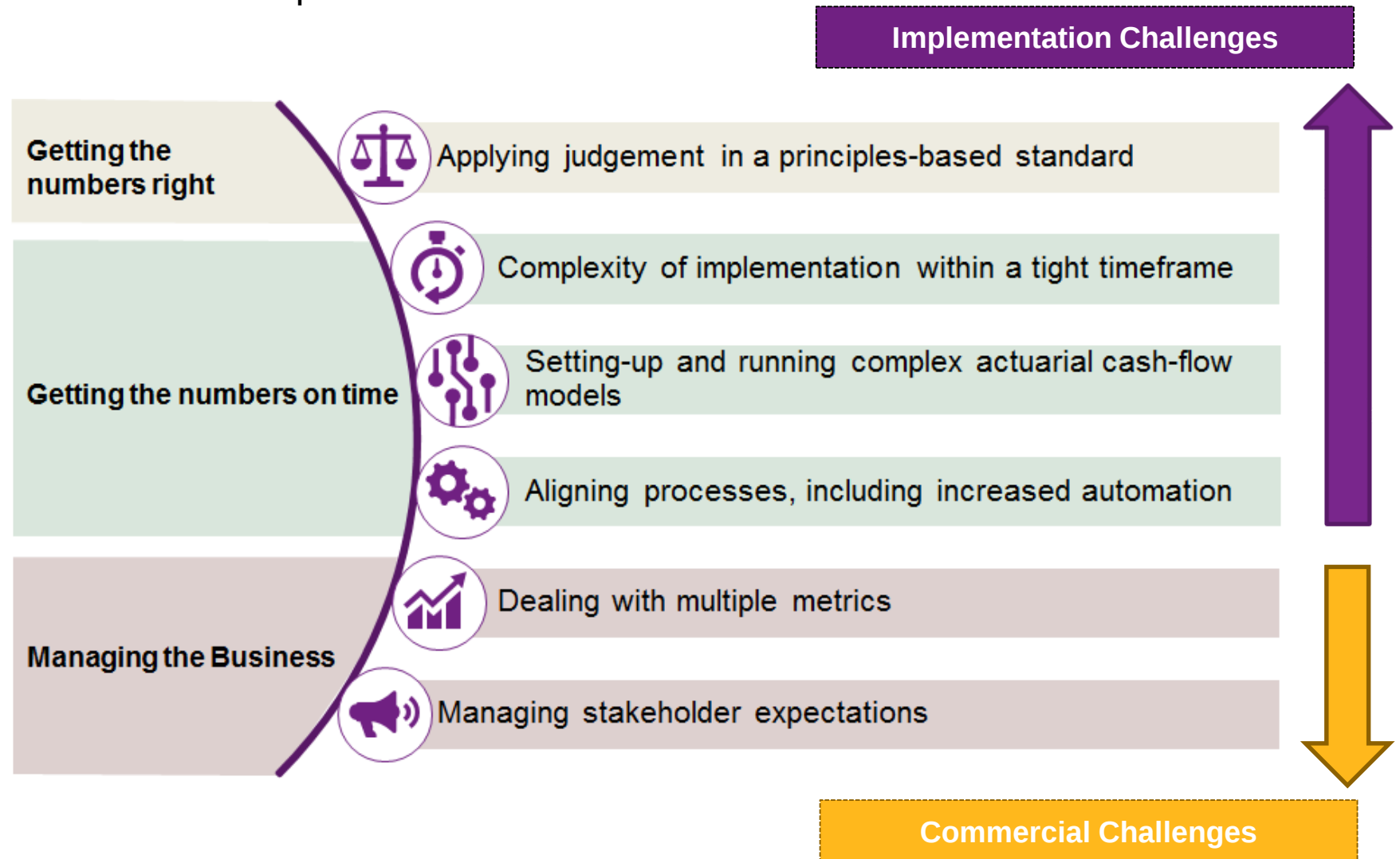
Onus on the entity to meet the overall requirements. Reconciliation tables more granular than current disclosures

Transition

Is a retrospective approach practicable? Which data do I need to collect and when? What are the alternatives?

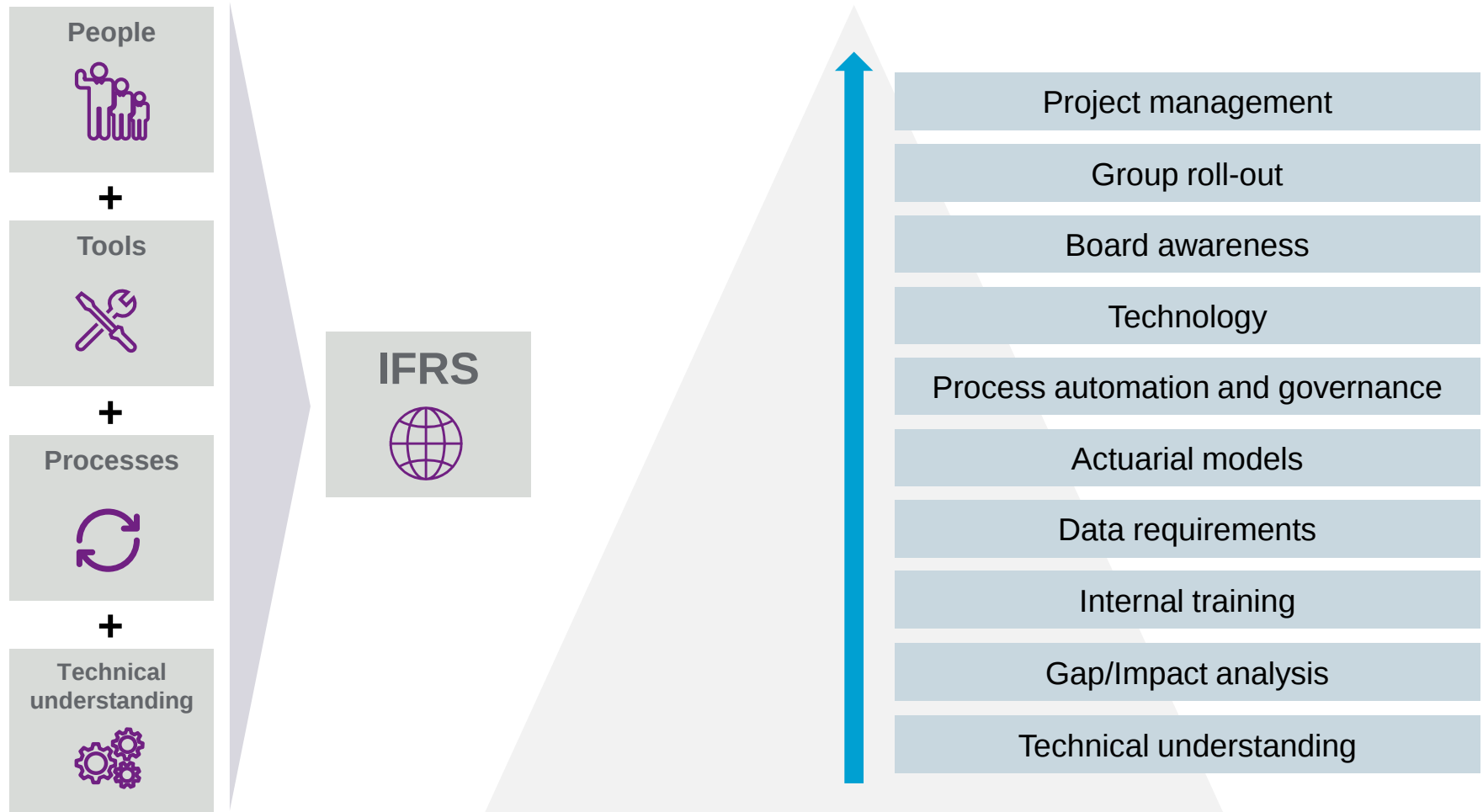
Key implementation challenges

More than a compliance exercise



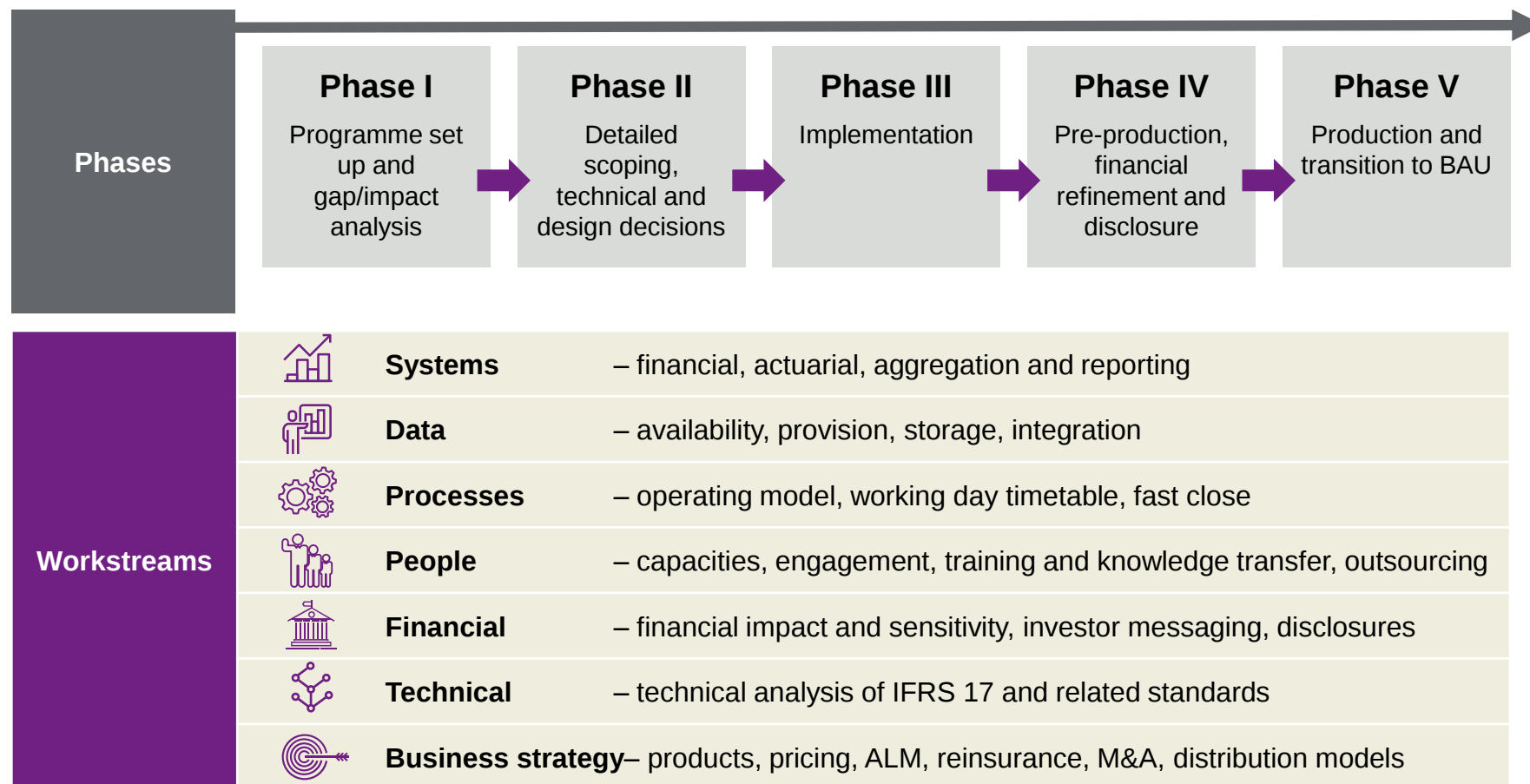
Implementing IFRS 17 requires a holistic approach

The technical understanding of complex issues underpins the processes, tools and people change requirements



The IFRS 17 journey from start to finish

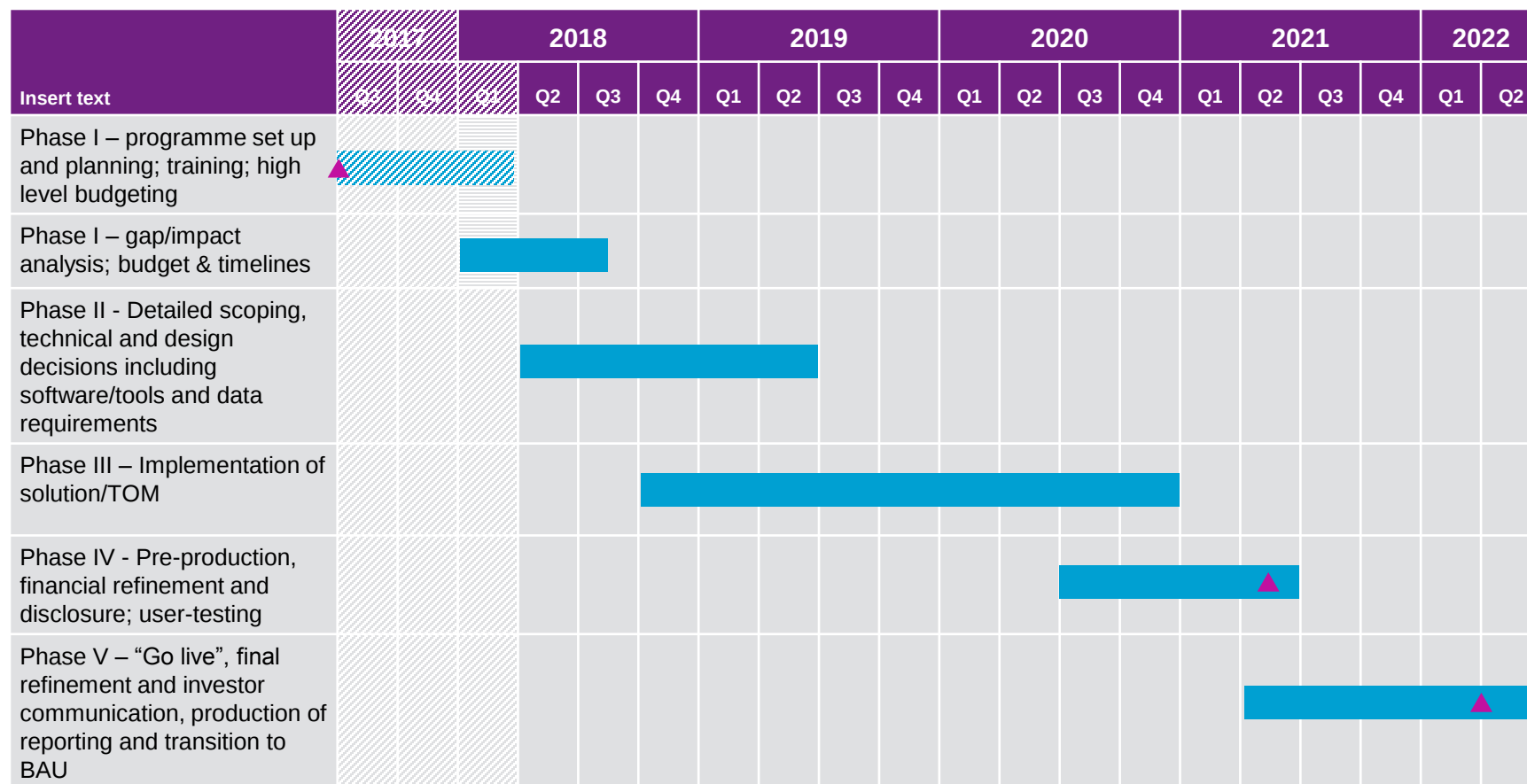
Managing the end-to-end process to deliver success



IFRS 17 covers more than just financial reporting. Early investment and a structured planning approach are key to managing a smooth implementation programme.

Illustrative IFRS 17 implementation timetable

For companies which have not yet fully started there is no time to lose...



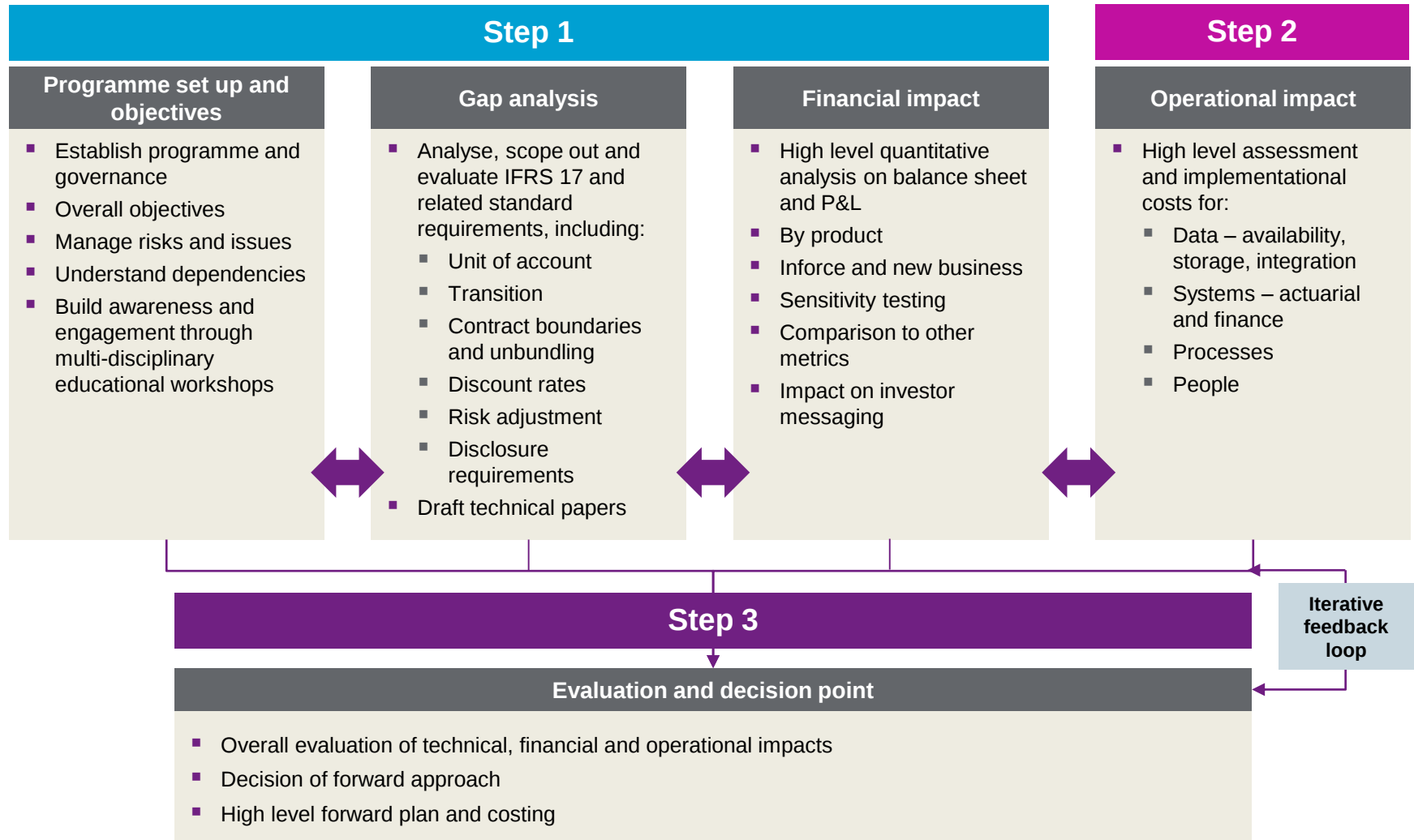
IFRS 17
issued by
IASB

Potential dry
run on 2020
numbers

Publication of
2021 f/s under
IFRS 17/9

Impact analysis

Evaluate IFRS 17 choices and agree the way forward



Mapping of scope to project phases

We have split the analysis into three phases to clearly divide the portfolio analysis from the rather technical assessment and the subsequent planning of the implementation.



Step 1

Gap and financial impact analysis

Scope:

- Initial product classification analysis
 - Recognition of products/contracts within the scope of IFRS 17 or other standards
 - Choosing of measurement methods
 - Level of aggregation
 - Approach to identification of onerous contracts
- Identification and clarification of areas of difficulties in interpretation of IFRS 17, including risk appetite, transition and discount rate



Step 2

Operational impact analysis

Scope:

- Initial analysis of IFRS 17 impact on IT systems, data and processes:
 - Initial analysis of data sufficiency and adequacy in your systems
 - Draft recommendation of scope of development of actuarial tools
 - Draft recommendation of scope of development in reinsurance tools
 - Initial gap analysis of other relevant IT systems / tools
- Initial gap analysis of existing processes



Step 3

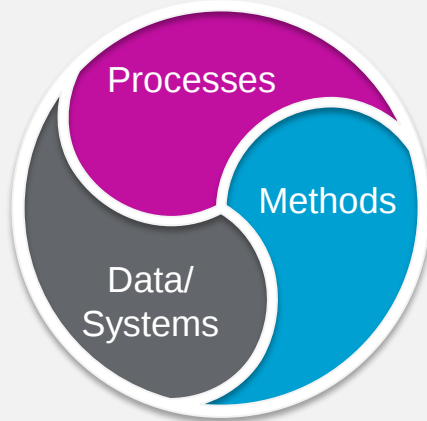
Implementation approach and effort estimation

Scope:

- Draft recommendations of approach to transition
- Time schedule for IFRS 17 implementation phase

Integrating your design workstreams

We have a tried and tested methodology of implementing actuarial processes



Processes

- Key goal: Increase coverage and output without compromising quality and speed
- Focus on data-driven processes and automation
- Work closely with pilot entities

Methods

- Minimise deviation from current methodology
- Establish per-portfolio view on best approach (PAA, GMM)
- Align with industry best practice and external auditors
- Regular impact analyses and feedback

Data/Systems

- Prioritise requirement documentation and gap analysis
- Adopt approach and implementation to group IT and tool strategy
- Centralise, where efficiently possible



Team

- Consistency and continuity through all phases
- Experienced multi-disciplinary setup
- Supported by specialists where helpful
- International advisors where relevant

Approach

- Highly collaborative and communicative
- Governance and automation as core design principles
- Minimally invasive during peak times

Tools

- Unify is the leading process design and automation tool designed for insurers
- If applied, can help through all five phases
- Works with key systems already in use
- Seamless BAU transition





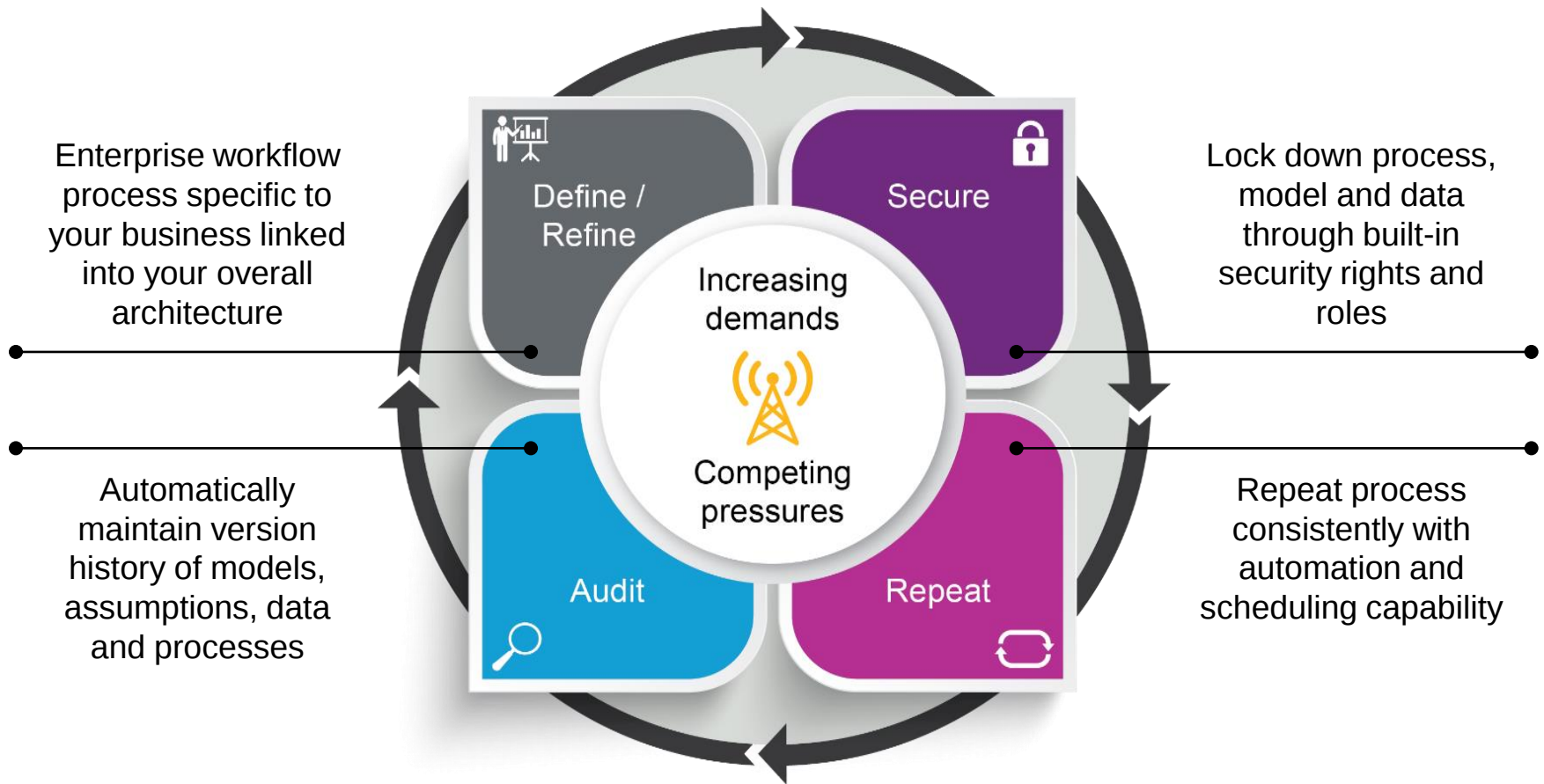
Implementation: critical success factors

Steering a course through the storm



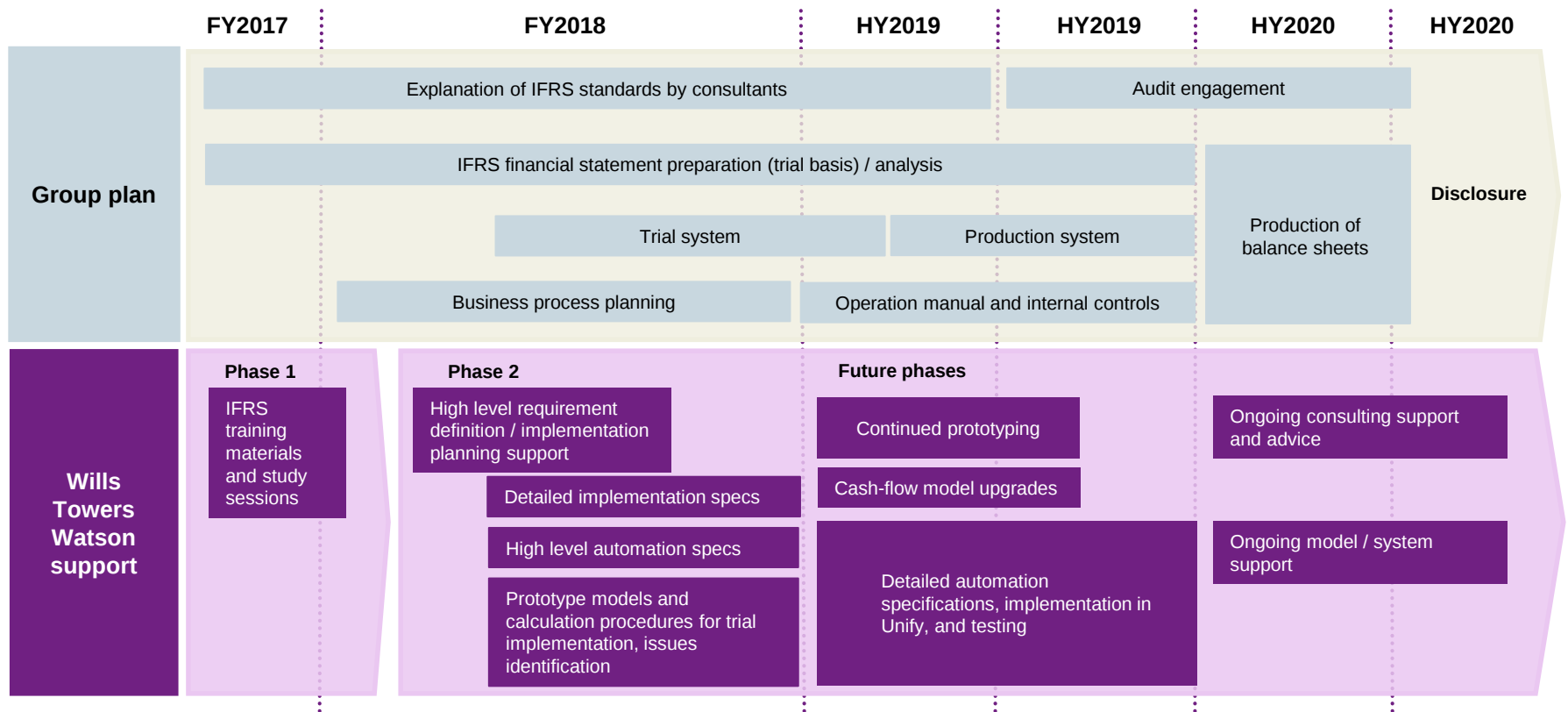
You will need a team that has the expertise and reach to captain, navigate, pilot, crew and power your journey to implementation

Opportunity to update practices



Detailed Case Study

Illustrative timeline, showing project scope and Willis Towers Watson's role



How We Can Help

We are prepared to support you turning IFRS into a success story

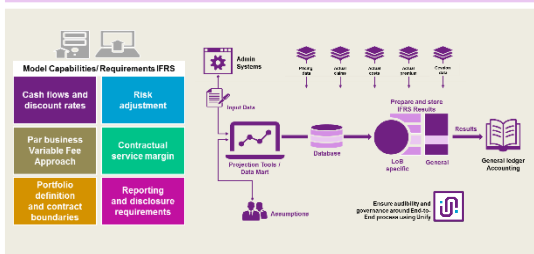
The Willis Towers Watson toolkit for IFRS offers a broad range of solutions



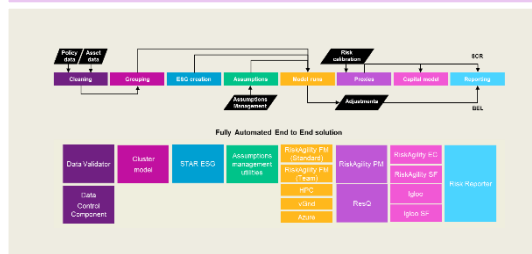
— IFRS 17 Insurance Contracts —

Willis Towers Watson Toolkit

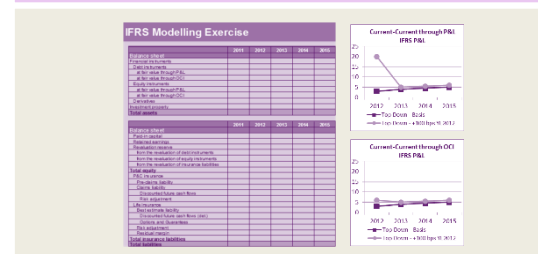
Execute a study to discover gaps and impacts



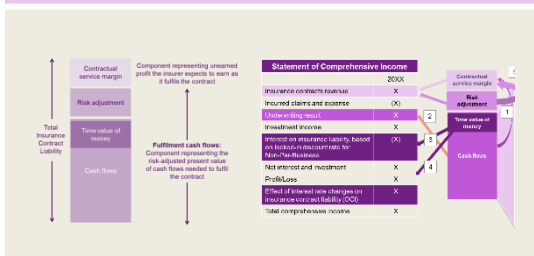
Preparation of actuarial reporting systems



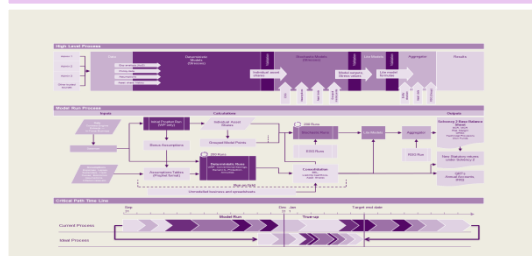
Analyse financial / IFRS P&L and further business implications



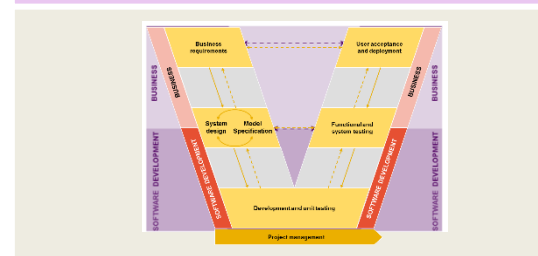
Train employees and management



Design reporting processes, IT-platform and detailed actuarial specifications



Actuarial / IT implementation, rollout and testing



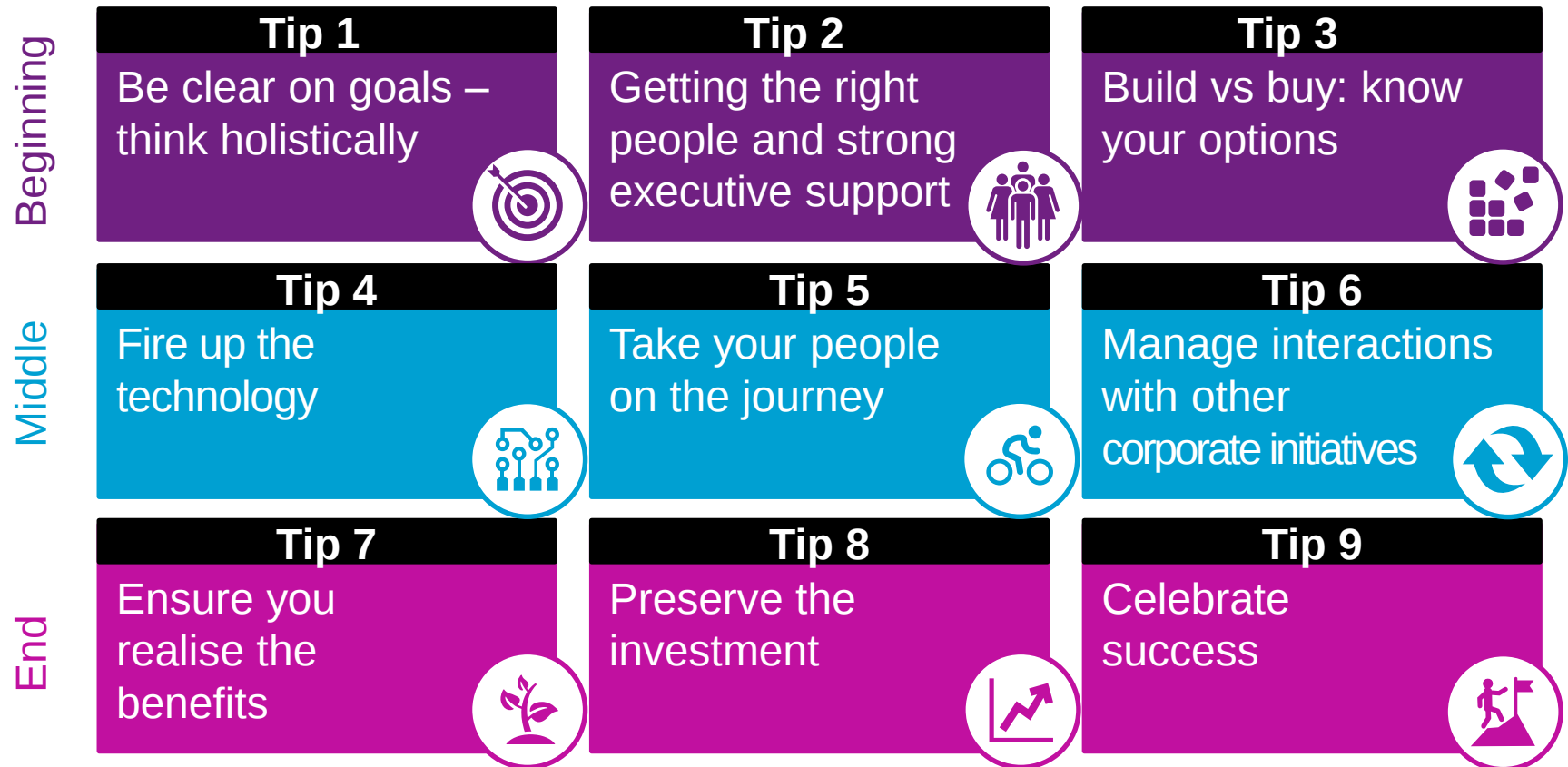
What we have at Willis Towers Watson

Our profound skills and software solutions

 IFRS17 Expertise	• Actuaries with deep understanding of the calculation and process needs of IFRS 17
 Technology	• Powerful calculation engines for Life and P&C businesses • PAA, GMM, VFA, CSM, RA calculations, grouping of results by cohorts  Star ESG  ResQ FR  Risk AgilityFM
 Automation Governance	• End to end integration and automation • Workflow and governance • Data management and processes  Unify  Data Validator
 Industry Recognition Awards	 Insurance Awards  Unify  ResQ  vGrid  ACTUARIAL POST FOR THE MODERN ACTUARY RiskAgility Suite Software of the Year 2017

We Have Learned Many Valuable Lessons

Our practical experiences give us the know-how to be successful



Summary: Key factors for a successful IFRS 17 implementation

- Clear objectives
- Informed, efficient and effective governance
- Understand the business impact
- Stakeholder buy in to the programme
- Appropriate prioritisation and allocation of resources
- Accurate information and work quality
- Clear and state process, and roadmap to achieve
- Align to and complement other business objectives
- Consider early the business implications



What is your view of IFRS 17? How and when will you form one?



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