

Case Study 5- Non-Life US insurer

Overview of the Company

- US based insurance company engaged in the non-life insurance sector.
- Products include fire, marine, automobile, personal pension, long-term insurance, etc.

1. Road map of IFRS 17 implementation project

- Project planning: Understand IFRS 17 requirements and develop IT master plan.
- System implementation: Build actuarial sys., financial reporting sys., and information sys.
- Dry-run & Go-live: Perform dry-runs after completion of the systems.

2. Implementation steps and the progress of the project

- Performed gap analysis between "As-is" and "To-be" system.
- Recognized items to be implemented according to the degree of complexity, financial impact, and clarity of IFRS 17 requirement.
- Identified core systems to implement for step 1.
Step 1: Build core systems to comply with IFRS 17 requirements- Legacy system (transaction system), Information system (Actual data, Experience statistics & Best estimates assumptions), Actuarial system (Future cash flows), SAS (insurance sub-ledger and integrated reporting system)
Step 2: Upgrade core systems and build IFRS 17 related systems
- Have a time schedule in place for all the system implementations.
- System implementation is done according to the scope of the project.

IFRS 17 Methodology- Journal entry rule, accounting policy

Cash flows- Liability model, FRS 17 Liability

SAS system- Data Mart, IFRS 17 closing (sub-ledger), CoA, G

General ledger, financial statement

3.The challenges faced during the project

3.1 Industry situation

- The lack of professionals who understand IFRS 17 and insurance business.
- Gap between IFRS 17 and the practice in the industry.

- Some IFRS 17 requirements made current practice of industry change.

3.2 New IT systems

- Constraints to implement IFRS 17 system,
- Need an actuarial system for IFRS 17
- Need an IFRS 17 sub-ledger.
- Need to buy a new solution, use current solution or develop it in-house?

3.3 Lack of human resources to work on the IFRS 17 systems implementation

- Modeling
- preparing assumptions for IFRS 17 valuation
- professional (accountant, consultant, and IT specialist)
- building IFRS 17 systems

3.4 Constraints on principle-based standards

- Need to interpret principle-based standards to establish guidelines for practical application.
- Awaiting or reliance on interpretation and application method from supervisory authority
- Too many pending issues (IFRS 17 insurance contracts is waiting for amendments)

What we did

We couldn't wait too long so we have decided on our own best choice among the alternatives and applied it to the IFRS 17 system.

3.5 Constraints on implementation method

- Need to complete the IFRS 17 project until the end of 2019 (before 1 year deferral is decided)
- Need for an actual closing with IFRS 17 for the year of 2022 for comparative disclosure.
- Need time for pilot testing and dry runs.

What we did

We decided that we would not be able to meet the time schedule in the traditional development approach and decided to proceed in parallel

3.6 Increased burden due to “flexible system”

- Flexible system” is required due to changes in interpretation of the standards.
- Additional time and costs can be incurred when building systems with multiple alternatives.
- Redevelopment may be required according to the changes in interpretation of the standards.

What we did

Flexible system is good but costly, so we have decided on which alternative to take.

3.7 Needed an actuarial modeling solution and IFRS 17 sub-ledger

Use a current solution?

- Modeling is not completed for all the insurance products.
- Not able to calculate CSM and CSM movement (interest accretion and amortization)
- Not able to comply with all the IFRS 17 requirements.

Buy a new solution?

- Need modeling for all the in-force products.
- May not find good modelers in US.
- Need to upgrade the current system to comply with IFRS 17 requirements anyway.

In-house development

- Lack of professionals who can develop actuarial systems.
- Difficult to secure suitability of the system.
- Difficult to find professionals.

What we did...

Demonstrated a proof of concept to determine which solution is best for our client and chose the best one out of 4 different software.

4. Success factor of the IFRS 17 implementation project:

- Infogis leads the project, not like consulting firms.
- Minimize changes to legacy system.

- System implementation was carried out in parallel: all improvements and changes are applied simultaneously.
- Reduce the burden of integrated testing by enhancing each unit test.
- Much time spent in the Standards study: group study, all team members join issue meetings.
- Minimize formal reporting to the management to save time: communicate with the management by email or verbally.
- Efficient communication system with project team members: use media wiki to communicate, discuss, and share.
- Quick decision making: didn't waste time to make a tentative decision on outstanding issue