



## **IFRS 17 – Data, Systems and Processes**

### **A discussion on what will be needed in the new world**

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# IFRS 17 Panel discussion

## 1. Introduction

*IFRS 17 Beyond the Modelling*

## 2. Learnings from IFRS 9/BCBS 239

*Catherine Stretton (Director, Deloitte Risk Advisory Practice)*

## 3. Modelling and financial systems

*Martin Sarjeant (Global Risk Solutions Leader, FIS)*

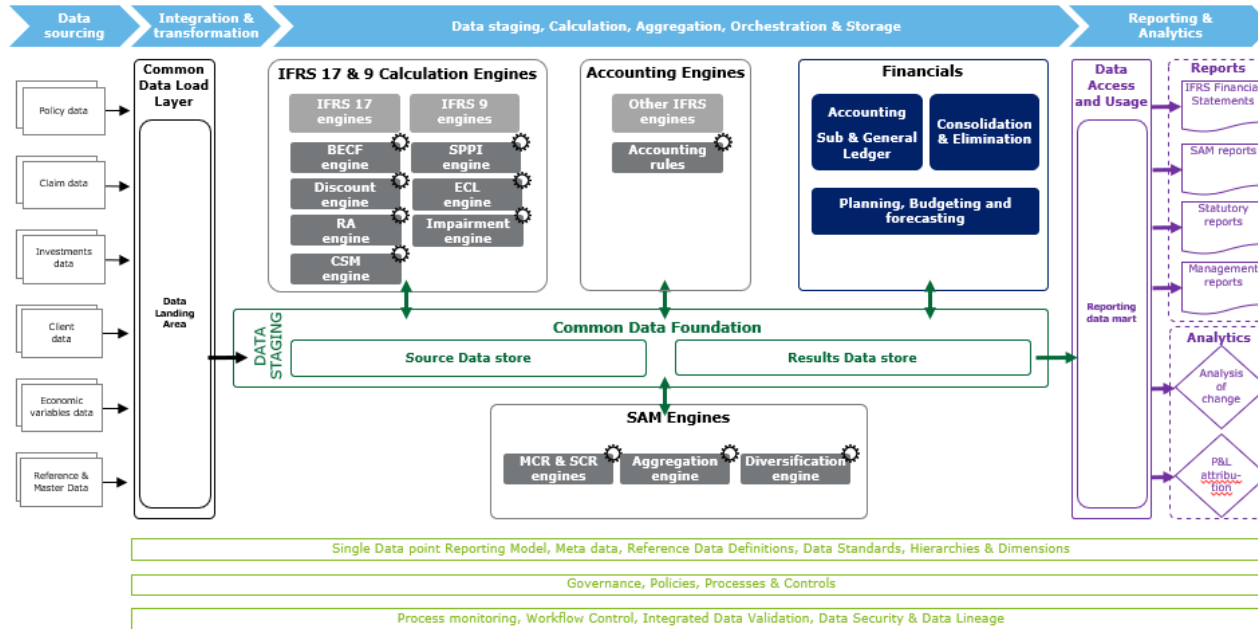
## 4. Audit Considerations

*Dewald van Den Berg (Partner, PWC Audit)*

## 5. Discussion

# IFRS 17 – Beyond the modelling

IFRS 17 will require a more data driven reporting chain than IFRS 4



# IFRS9/BCBS 239 – New Demands

- Regulation
  - Change is the new normal; point solutions are unsustainable
- Cost
  - Complexity costs; both systems, and manual human processes
- Business optimisation
  - Across multiple lenses: risk, capital, funding, operations, compliance
- New customer expectations
  - Requires thinking about data and systems in a new way
- New technology
  - Game-changing technologies shifts the architectural approach to risk technologies

# IFRS9/BCBS 239 - New Thinking Needed

- Blurred lines between the 1<sup>st</sup> and 2<sup>nd</sup> line functions
  - Leverage front office capabilities. Risk IT focused on aggregation and reporting
- Break down the siloes between risk types
  - Recognise the overlap in underlying event and reference data
- More, more, more. And Faster
  - Granular data from traditional and non-traditional sources to support business flexibility and agility
  - From periodic reporting to on-demand analysis
- Data as enterprise asset
  - A change in the hearts and minds of people who execute business processes.

# IFRS 17 – systems and technology

- Systems (incl modelling systems) will need to support new requirements under IFRS 17.
  - Actuarial models and cashflows become auditable reporting items
  - Increased standards of governance, control and connectivity of involved systems (data store, accounting, modeling)
  - Core data and actions must be traceable and reproducible
  - Able to support business management under the new accounting standard
- And the actuary's role in supporting systems changes?
  - Ensure systems meet the need of the model (both input and output)
  - Co-agree with Finance on the deployment of a data repository
  - Cross-functional working with Finance and Accounting functions
  - A wider role in business planning, assessment of IFRS17 balance sheet vs management accounting

# IFRS 17 – an auditor’s perspective

- Increased complexity of the income statement.
  - Auditors will need to step up their level of understanding of the actuarial function.
- Greater granularity and complexity in calculating the actuarial liability, specifically relating to the CSM and the unit of account.
  - Assumption change is effectively made at cohort level – significant increase in risk of error. Additional processes, controls and scrutiny.
- Increases in the complexity of the audit
  - Must ensure integrity of information between transactional information/cash and the rework of this information through complex models.
- Increase in the number of disclosures
  - Requires additional process and controls

## IFRS 17 – an auditor’s perspective (cont)

- Principle based
  - Companies need to demonstrate how they comply with the requirements. Disclosure of judgements made, methodologies etc.
- Risk Adjustment
  - Could be a much more complex item to audit.
  - Review of the confidence level at which the risk margin is calculated would be a new item.
- Importance of accountants skilling up in the area of actuarial valuations and closer interaction between the actuarial and accounting professions.



# Discussion