

A man in a dark suit and tie is holding a tablet. The background is a cityscape with a grid overlay. Overlaid on the image are several financial charts: a bar chart with blue bars, a line graph with white dots and lines, and a pie chart. The overall theme is financial reporting and data analysis.

Cognizant®

IFRS 17:
GLOBAL
FINANCIAL
REPORTING
STANDARD

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EXECUTIVE SUMMARY

The International Accounting Standards Board (IASB) published IFRS 17 Insurance Contracts on 18 May 2017, providing a single accounting model for all insurance contracts. With the new standard, investors from anywhere in the world are able to understand and compare the financial positions and performances of companies that issue insurance contracts in any country. IFRS 17 also makes accounting for insurance contracts comparable with other industries.

This new Standard, which replaces IFRS 4, has a mandatory effective date of annual periods beginning on or after 1 January 2022. Insurers may, however, choose to adopt the new Standard earlier (Refer to Figure 1 on the next page).

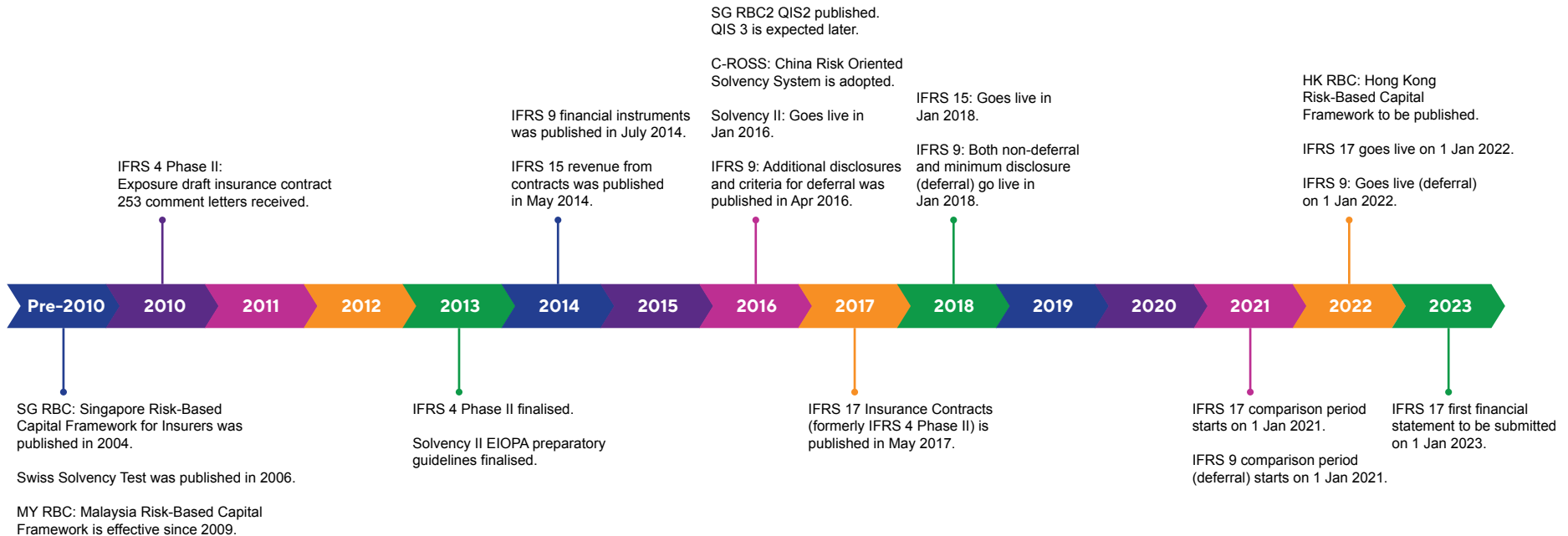
Although implementation is expected worldwide, IFRS 17 is unlikely to impact North America with the US Financial Accounting Standards Board (FASB) deciding not to follow IFRS. The FASB is working on a project to improve, simplify and enhance the financial reporting requirements for long-term insurance contracts issued by companies using US GAAP. Some of the proposed changes to US GAAP, if confirmed, are expected to reduce the differences between IFRS 17 and the existing US GAAP, including the use of current assumptions. However, the two sets of requirements will remain different.

In Europe, the European Commission is still considering the adoption of IFRS 17 by end of 2018, while many Asia Pacific regulatory bodies have already adopted it. Insurers in EU and Asia Pacific have either undergone or are still undergoing significant capital restructuring over the last few years to adopt Solvency regulations - Solvency II, SST, RBC, C-ROSS, etc. IFRS 17 is expected to add to the complexity of the regulations.

Insurers also have to consider the interaction with IFRS 9 which defines the recognition and measurement of financial instruments. Insurers have the option of either transitioning to IFRS 9 effective 1st Jan 2018 or deferring the implementation of IFRS 9 to combine it with IFRS 17. The combined implementation of IFRS 9 and IFRS 17 is complex and demands proper planning of resources. On the other hand, if IFRS 9 was implemented effective 1st Jan 2018, Insurers need to reassess and reclassify assets for IFRS 17, which can mean short term volatility in accounting and reporting.

This paper aims to identify the areas impacted by IFRS 17 across the Insurer's business and lay out a comprehensive implementation approach. In this light, the paper further discusses Cognizant's capabilities that Insurers can leverage for successful implementation.

Evolution of Insurance Regulations



Cognizant urges insurers to start a comprehensive financial transformation program early so as to achieve timely compliance, competitive advantage and future-proofing.

IFRS 17 DECODED

The complete requirements can be addressed in four steps:

01 Contract unbundling, recognition and portfolio creation – The first step is to unbundle the insurance components of a contract from its investment and service components, followed by defining the contract boundaries and recognizing the contracts based on their inception or payment date. These contracts need to be further segregated based on their policy types, risk categories, issue year, coverage, etc. and grouped into annual cohorts (i.e. all policies sold in a single year with similar characteristics). Additional grouping is further applied based on contractual cash projections at inception to determine their chances of becoming onerous.

02 Selecting the measurement approach – A lack of standard measurement metrics and comparability across Insurers' annual reports brought the need for a new measurement model. IFRS 17 prescribes three approaches to calculate liabilities for the groups of contracts. The building blocks approach (BBA) also known as the general model measures the fulfillment cash flows as present value estimates of future cash flows with risk adjustments. It also introduces a new

component called Contractual Service Margin (CSM) to represent unearned profits at initial and subsequent recognitions.

For groups of contracts with less than one-year coverage period, the premium allocation approach, which calculates liabilities by allocating the premium over a period, is a cost effective approach and is only allowed if the Insurer is able to prove that there will not be any significant difference in results with the BBA. Finally, a variable fee approach (VFA) is prescribed for policies with discretionary participating features to reflect the linkage between cash flows and underlying assets.

03 Transition planning – Insurers are expected to apply IFRS 17 retrospectively for all existing contracts up to their inception date, to the extent practicable. Wherever full retrospective approach is impracticable, insurers are given the option to choose between modified retrospective and fair value approach.

The modified retrospective approach is essentially a retrospective approach, but with certain relaxations to

cover the gaps in data from inception date and can be used only if reasonable and supportable information is available. The fair value approach is not a retrospective approach - it calculates Contractual Service Margin (CSM) at the transition date as a differential between the fair value and the present value of fulfillment cash flows. The fair value calculation takes certain additional factors into account such as non-performance risk, overhead expenses directly attributable to the contract, etc. which causes the differential CSM.

Insurers should carefully select the transition approach, taking into account the financials on the transition date as well as the expected composition of future earnings.

04 Reporting and disclosure – IFRS 17 reporting involves building the insurer's Profit & Loss (P&L) and income statements based on the measurement model output. The regulation requires the insurers to update the fulfillment cash flows at each reporting date based on current estimates. The expected profit from the insurance coverage would be recognized over the coverage term, with the gradual unlocking of the CSM.

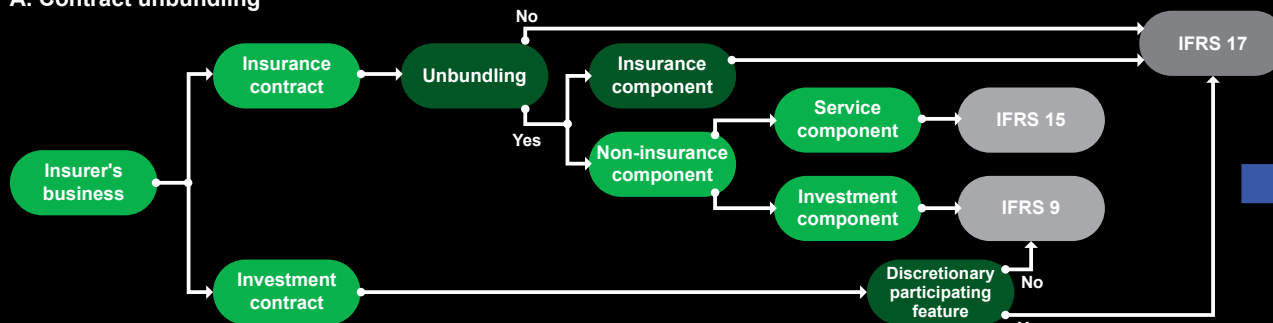
Onerous contracts, which are loss making, are to be recognized in the P&L as soon as the insurer determines that losses are expected. In addition, transition related disclosures are required to clearly identify the contracts treated under different transitional approaches.

Quick Take

IFRS 17 Decoded: A Four-Step Process

STEP 1: Contract unbundling, recognition and portfolio creation

A. Contract unbundling

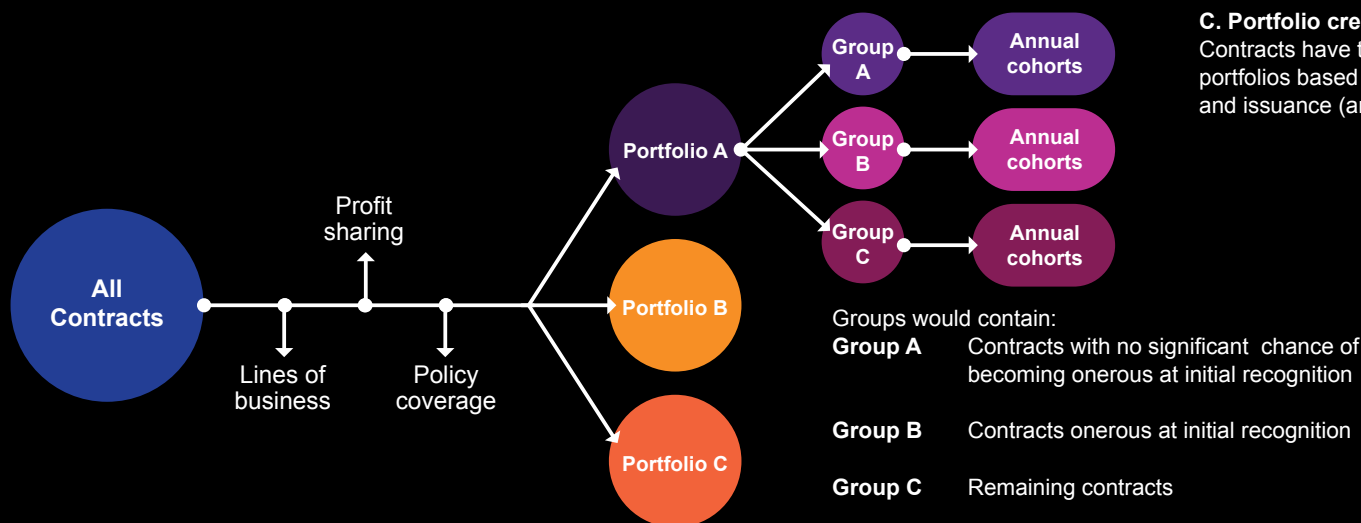


B. Recognition and derecognition

- Typical - Earlier of (coverage start date, premium due date)
- Early - Determined as onerous at any point before the above mentioned dates

C. Portfolio creation

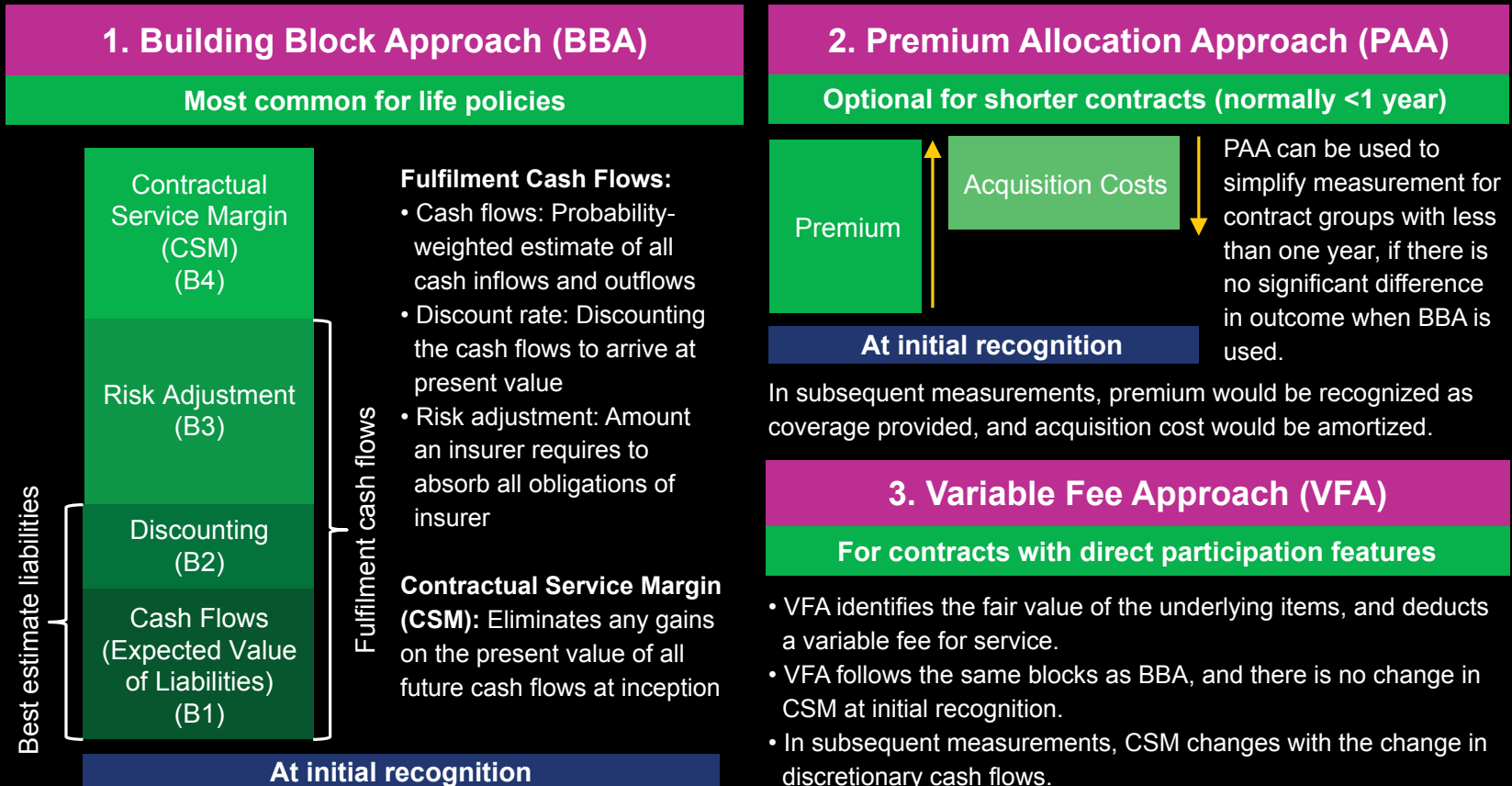
Contracts have to be segregated into portfolios based on similar risk categories and issuance (annual cohorts)



The higher the granularity insurers opt for, the greater the risk of contracts becoming onerous (Group B)

IFRS 17 Decoded: A Four-Step Process

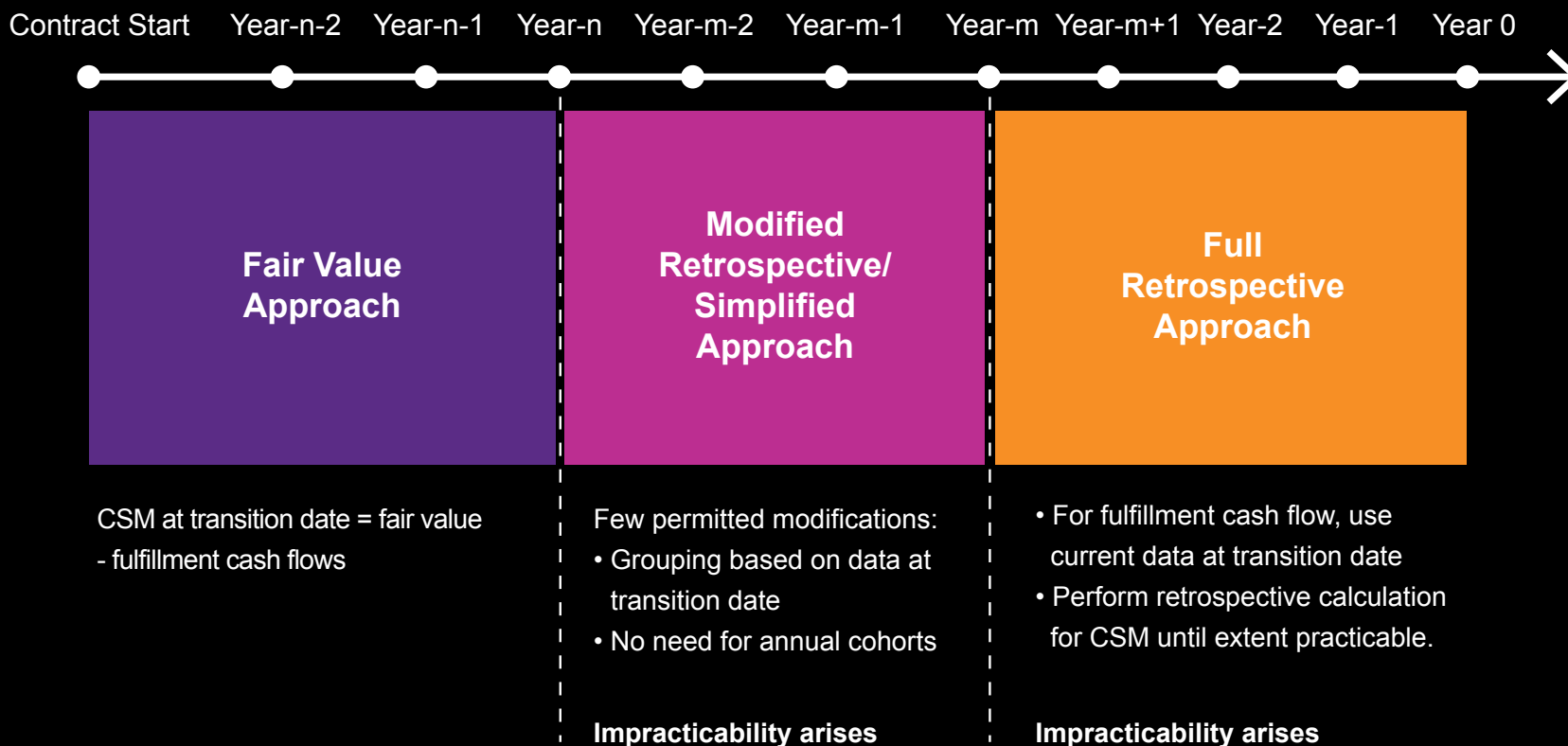
STEP 2: Selecting the measurement approach



Quick Take

IFRS 17 Decoded: A Four-Step Process

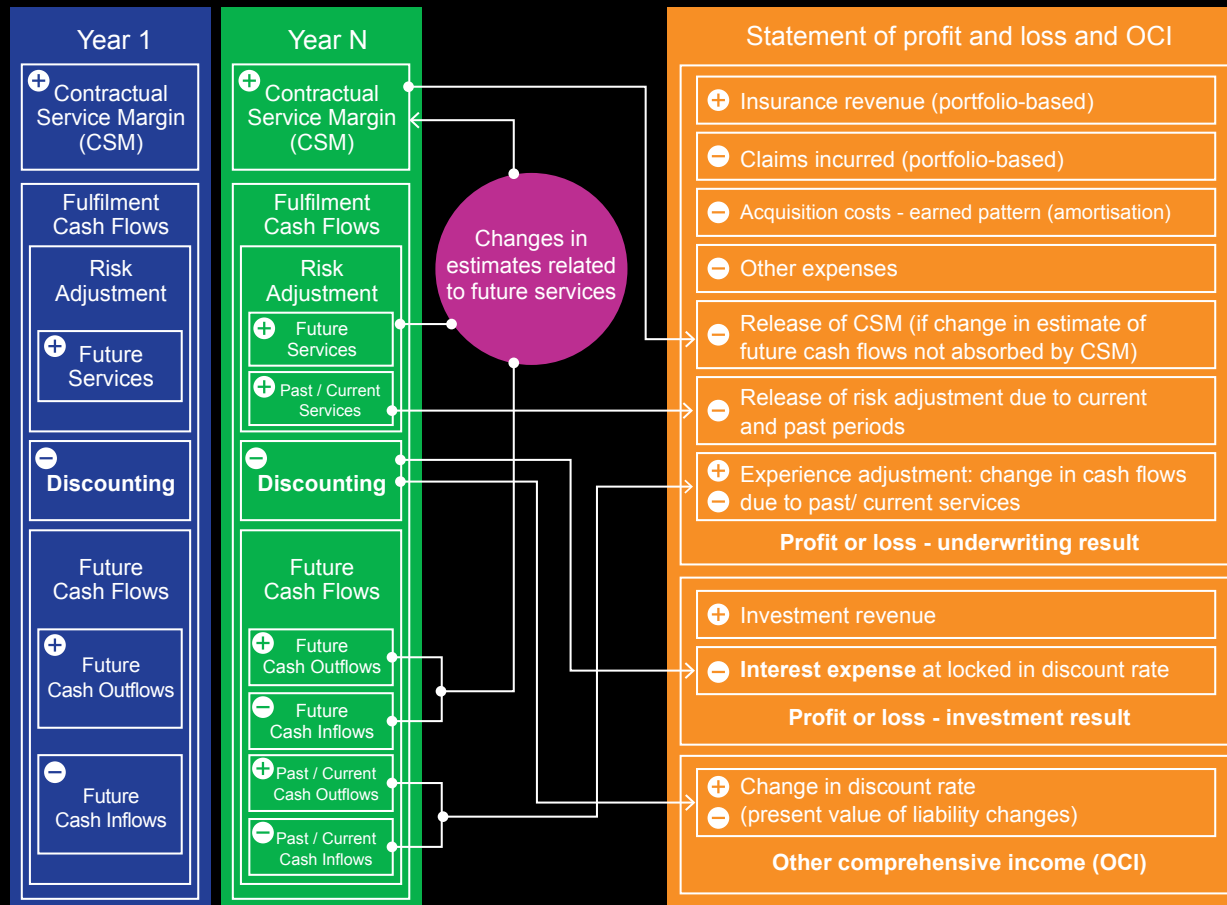
STEP 3: Planning measurement for transition



IFRS 17 Decoded: A Four-Step Process

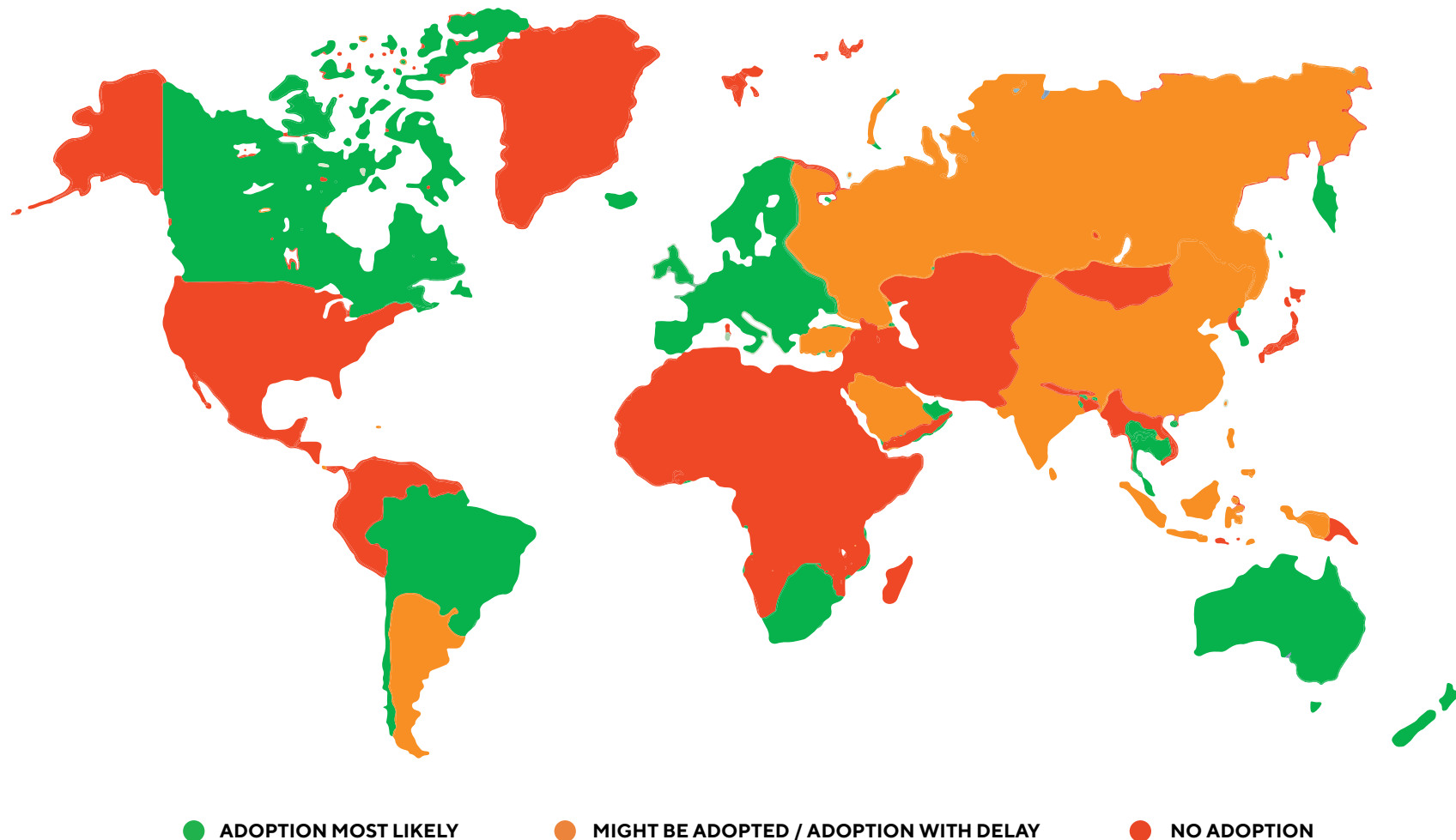
STEP 4: Measurement to reporting and disclosure

Building Blocks - P&L Relationship



Adoption of IFRS 17 Across the Continents

Based on the current implementation of IFRS 4 across the continents and the stance taken by national statutory bodies, the following is a prediction of the likelihood of IFRS 17 adoption across the globe.



AFRICA & EUROPE

- **Angola, Morocco, Namibia, Nigeria, etc.:** Adopted Phase I; no information on IFRS 17
- **European Union:** All states follow IFRS as adopted by European Commission. IFRS 17 is not likely to start officially in Europe before Q3 2018. EFRAG (European Financial Reporting Advisory Group) has held consultations with interest groups and is currently gathering response from Insurers on case studies.
- **South Africa:** Likely adoption of IFRS 17

AMERICA

- **Brazil, Chile:** IFRS 17 to be adopted
- **Canada:** IFRS 17 being added in CPA Handbook, to be adopted
- **Columbia:** IFRS 9 planned, no plans for IFRS 17
- **Mexico:** Converging, however timelines not finalized
- **US:** FASB decided not to converge with IFRS
- **Venezuela:** IFRS adopted as per 2014 state; Phase II unlikely

APAC & MIDDLE EAST

- **Australia:** AASB 17 likely to replace AASB 4
- **Cambodia:** Full adoption
- **China:** C-Ross and PRC GAAP (CAS) are adopted in China. Adoption of IFRS 17 is expected
 - **Hong Kong:** HK RBC is still being discussed. IFRS 17 will be implemented. HKFRS 17 to be implemented

- **Taiwan:** Financial Supervisory Commission (FSC) has planned for IFRS 9 compliance with global timelines; no information on IFRS 17 but IFRS 4 to be adopted
- **India:** To adopt IFRS 17 as ED/Ind AS/2018/03 'Insurance Contracts'; delay is expected
- **Indonesia:** IFAS is partially based on IFRS 4; IFRS 9 adopted; IFRS 17 yet to be adopted
- **Japan:** Financial Services Agency (FSA) of Japan has allowed optional adoption of IFRS 17; however, JGAAP is still not converged with IFRS
- **Malaysia:** MFRS 17, full adoption
- **Myanmar:** MFRS 4 adopted; however, no information on IFRS 17 adoption
- **New Zealand:** NZ IFRS 4 to be implemented by 1 Jan 2019; IFRS 4 will be superseded by IFRS 17
- **Philippines:** PFRS 17 - full adoption
- **Saudi Arabia:** Adopted IFRS 9 and 15; IFRS 17 can be adopted in near future
- **Singapore:** RBC 2, IFRS 17 - full adoption
- **South Korea:** IFRS 17 to be adopted
- **Thailand:** Thai FRS adoption with one-year delay; IFRS 9 adoption is deferred to 2020
- **UAE:** IFRS 17 adoption likely
- **Vietnam:** Partial alignment with IFRS by 2018, no timeline for IFRS 17 adoption
- **Other ME Countries:** No information on IFRS 17 adoption

● ADOPTION MOST LIKELY

● MIGHT BE ADOPTED / ADOPTION WITH DELAY

● NO ADOPTION

IFRS 17 IMPACT AREAS AND THE NEED FOR A TARGET OPERATING MODEL

Although finance and actuary are the two most obvious areas affected by IFRS 17, they are not the only ones. Due to the fundamental changes introduced, insurers will also see impacts across people, processes and technology.

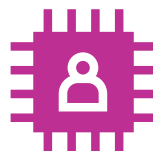
Insurers will need to develop a target operating model to look at the impact holistically and address the gaps between the current and target state. This approach will help them to leverage existing architecture like Solvency II, overcome significant challenges due to the complexity of IFRS 17 and convert this into an opportunity to gain competitive advantage.

Key Impact Areas



People

- Organization strategy
- Training needs to address skill gaps
- New roles and responsibilities
- Strong collaboration between teams



Process

- Update KPI changes in public and management reporting
- Impact on product development and pricing
- New accounting guidelines
- Additional internal process controls



Systems and Technology

- Impact on data
 - Volume
 - Granularity
- Impact on systems
 - Actuarial
 - IFRS calculation engine
 - Finance and accounting
 - Reporting tools



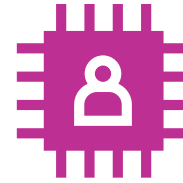
Impact on Organization, People & Culture

Considering that IFRS 17, combined with IFRS 9, brings significant changes in insurance accounting and reporting, a major challenge for insurers will be to address the knowledge gap and ensure smooth transitioning.

Internal communications will be needed to create awareness for the new changes and a structured training plan will have to be in place to impart the required knowledge and skills for IFRS 17 implementation. Thus the need for partnering with industry professionals who can lead the transformation effectively and ensure that business disruptions are minimized and properly managed.

The implementation of IFRS 17 will break the traditional boundaries between financial, actuarial, and risk teams as the underlying systems will become integrated. Management should therefore review and redefine roles and responsibilities to encourage strong collaboration amongst the teams.

As IFRS 17 impacts insurers at an organization level, the management should decide if the implementation is to be done at a global or regional level.



Impact on Processes

Implementation of IFRS 17 will result in changes in management and public reporting in terms of the key performance indicators associated with the current business. Hence, KPI re-alignment is required at an organizational strategy level.

With the policy data being grouped based on annual cohorts, product sales and profit figures will have to be evaluated based on cohorts. This can lead to a change in the decision-making parameters for product development, pricing and investments. Associated policy changes will also need to be made to incorporate the new accounting guidelines, investment policies, calculation methodologies, actuarial models, general ledger chart of accounts and account mapping.

Key processes that will need to be updated include planning, forecasting, closing, financial reporting, management reporting, actuarial processes, risk management and more. Additional audits will also be required because of the new stringent disclosure rules. All of this will require additional internal process controls.



Impact on Systems and Technology

A typical IFRS 17 solution will impact both data and systems. Traditionally, data collected from transactional and non-transactional systems would be fed into IT systems with minimal grouping and transformation. IFRS 17 will need this data to be segmented based on data types and grouped by line of business, policy types, policy year and contract profit projections to reflect annual cohorts and portfolios.

Transitioning to IFRS 17 will mean additional data complexity, as historical data will need to be processed from transactional systems depending on the extent of the chosen retrospective approach. This data will then need to be fed into the existing and new systems through Extraction-Transformation-Loading (ETL) capabilities.

IFRS specific rules such as the measurement approach and CSM will need to be incorporated in actuarial, accounting and reporting systems. As for the specific system changes needed, the final solution approach taken by the insurer will determine in which system data transformation needs to take place.

Insurers will also need to consider the IFRS 9 and 15 changes in parallel, to ensure minimum deviation in asset allocation, reclassification, and measurement models. With limited end-to-end solutions available today, insurers will need to invest time and effort to identify the solution which best complements their current systems and is scalable for future-proofing.

An exponential increase in data volume is to be expected due to the level of portfolio granularity that IFRS 17 requires.

Impact on Systems

Source Systems

Data derived from transactional systems, e.g. policy administration, claims, application lifecycle management (ALM) and product specific systems should have:

- Policy types and features (insurance, investment)
- Policy inception date, coverage start and end dates, premium due dates
- Present cash flows (premiums and expenses)

- Assess required enhancements to legacy systems
- Data segmentation and grouping
- Data feed to warehouse for portfolio aggregation

Actuarial & Risk Systems

- Define portfolios, groups and cohorts
- Calculate fulfillment cash flows, risk adjustments, CSM built into actuarial models
- Calculation engine to incorporate adjustment in cash flows, discounting, risk adjustments and CSMs
- Cost allocation to include incremental expenses in earned pattern

- Build an integrated system covering actuarial, allocation and calculation engines
- Data feed to accounting systems and data warehouse

Accounting Systems

- Cash flows data from new actuarial models
- Structure data as per measurement approach
- Subledger and general ledger chart of accounts to incorporate CSM in balance sheet and CSM adjustments in insurance service result
- Accounting systems to facilitate multiple regulation calculations

- Build separate subledger and general ledger or a common system to cater to IFRS 17 requirements
- Data feed to reporting systems and data warehouse

Reporting Systems

- Build IFRS specific reporting frameworks – insurance service result, net financial result, etc.
- Capture change in reports owing to adjustment in CSM, risk, cash flows, discounting
- Retain IFRS 4 reporting for the parallel run
- Ability to prepare reports for multiple purposes – management and public reporting

- Build a new IFRS 17 reporting layer to cater to required standards
- Sunset legacy reporting tools post parallel run
- Data feed from warehouse and accounting systems

Technical Recommendations

IFRS 17 Implementation Options

Insurers are divided in their opinion on IFRS 17 adoption, with many fearing that costs will increase significantly at the onset. However, a wait-and-watch stance will result in delays in finalizing the operating model and implementation plan, thereby running the risk of incurring even further costs associated with timeliness, manpower and quality of work.

Three broad approaches have emerged within the industry with regards to IFRS 17 implementation. Each has its own merits – from quick gains to realizing value over the long run; from a standardized solution with an IFRS 17 focus to a flexible multi regulatory approach; from local control to central management.

01 Build a separate IFRS module (tactical)

- Build a separate IFRS module (calculation engine and subledger) to fit IFRS 9 and 17 compliance requirements; can be different across geographical entities
- Enhance existing data warehouse or prepare a new data mart exclusively for IFRS 9 and 17
- Separate reporting module for IFRS 17

02 Enhance existing systems (tactical)

- Assess existing accounting, actuarial and reporting systems used for other regulations (IFRS 4, Solvency II, etc.) and enhance them for IFRS 17
- Any future changes would need to be incorporated again as per requirement, e.g. building portfolios to the granularity level as stipulated for IFRS 17

03 Interpret and transform (strategic)

- Interpret all existing regulations and break the components down to the most granular level possible
- Prepare a central data model with information captured as defined
- Build new systems for the policies from scratch on top of the existing central model

PROS

- Low impact on existing systems, leading to lower risk of failure
- Low initial cost to implement in terms of time and effort

PROS

- Better use of existing systems as the IFRS 17 solution would be enhanced on top of the existing one

PROS

- Building from the ground-up, making the system completely compatible with existing regulations
- Future regulations can be incorporated easily

CONS

- Low scalability owing to one more disparate system
- Low reusability as the new module is IFRS 17 and 9 specific
- No changes can be incorporated in future – leading to high effort duplicity

CONS

- Higher risk of failure if a problem is identified at later stage of assessment that the existing systems are not compatible
- Risk of system incompatibility for future regulation requirements as it becomes more complex with further modifications

CONS

- Initial assessment and solution design stages might stretch the budget, but higher benefits are expected in the long run
- More time consuming, hence the risk of failure if unable to start the approach on time

Insurers will reap maximum benefits from the 'interpret and transform' approach by starting early and allocating adequate resources accordingly

At Cognizant, we have been actively tracking the development of IFRS 17 across insurers. Indulging in a siloed compliance approach can be tempting at first as it seems to be able to fulfill the requirements in the fastest or easiest way. By taking a step back, we will see vast duplication of processes and efforts with limited future scalability. Taking into consideration the lack of sustainability of the solution, the optimal approach is to develop a comprehensive transformation strategy that will ultimately bring maximum benefits to the insurer.

As with any massive transformation, upfront investments tend to be higher in terms of time and resources, which may increase the level of resistance to these changes. However, the later the company embarks on its transformation, the greater the risk of failure. With different insurers being at different stages of the IFRS 17 adoption journey, there is no one-size-fits-all solution. Insurers therefore need to assess their current state and plan for implementation accordingly.

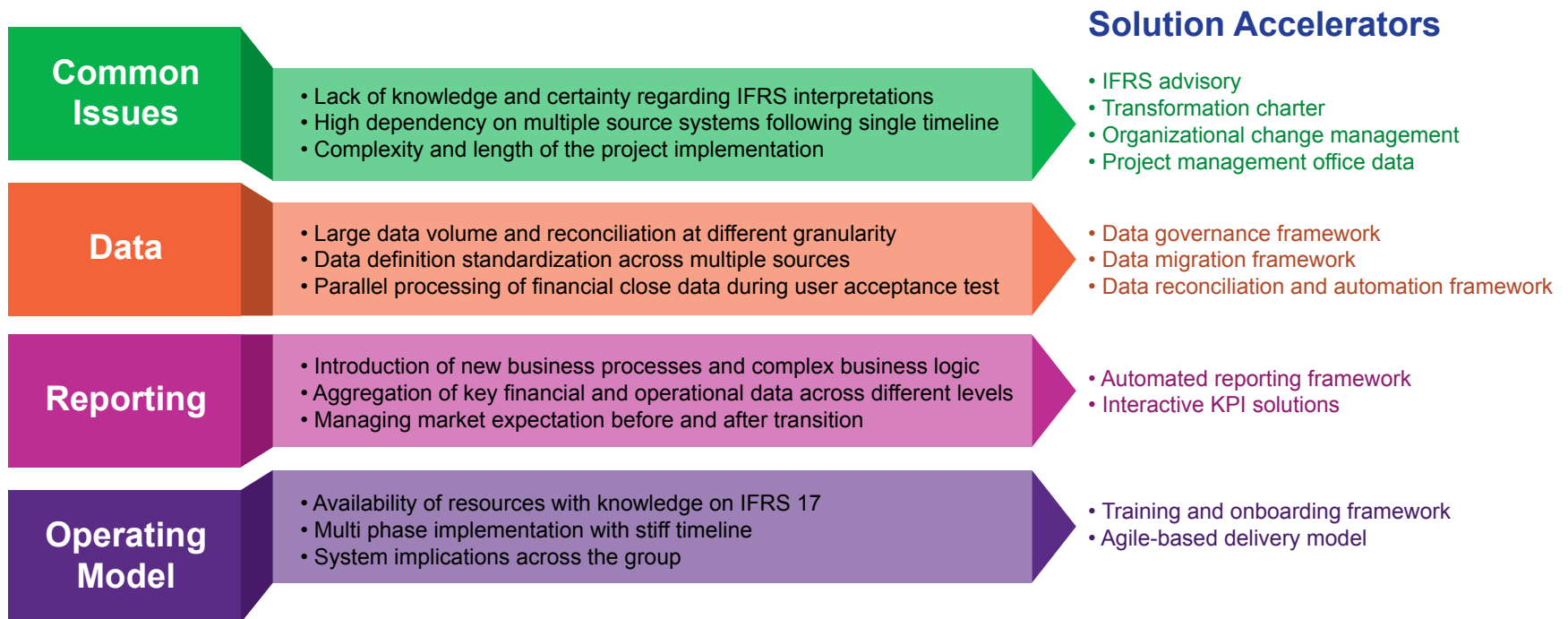
THE 'STRIDE' APPROACH TO IFRS 17 IMPLEMENTATION

Cognizant has the relevant knowledge and experience from many similar regulatory and transformation projects globally. This is supported by a domain-centric focus along with technology levers to solve complex business problems across CXO offices.

Our optimized onshore-offshore delivery model brings cost efficiency and delivery effectiveness, augmented by proven tools

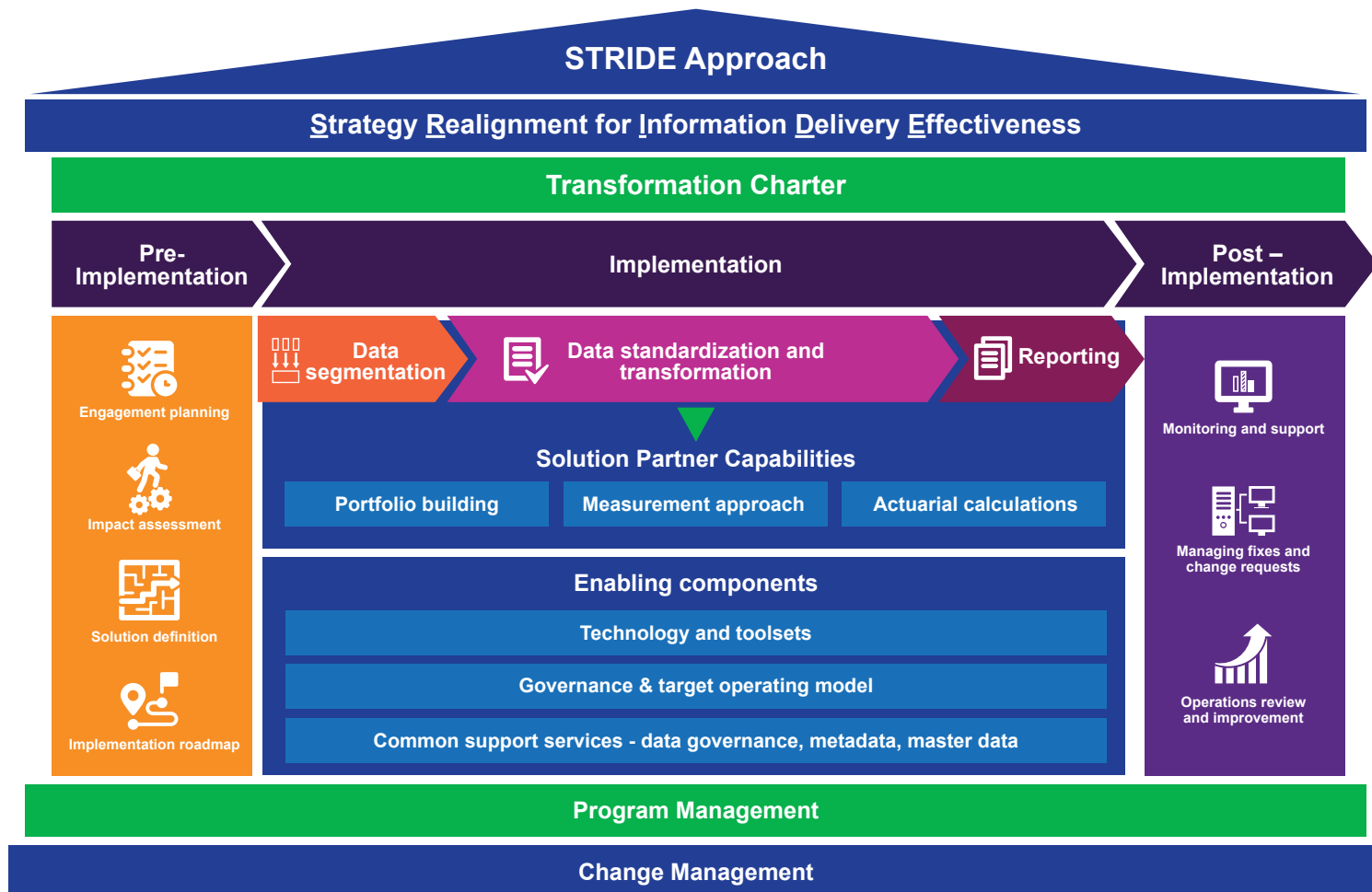
and solution accelerators. Cognizant's capabilities and offerings can help to facilitate every stage of your transformation journey.

The diagram below shows how Cognizant's solution accelerators can help address the key challenges faced by insurers during their IFRS 17 journey.



Our proprietary STRIDE approach (Strategy Realignment for Information Delivery Effectiveness) is a holistic methodology that ensures effective stakeholder involvement, leverages quantitative analysis and provides the opportunity to build consensus on critical strategies and the roadmap to change. It is designed

to empower managers and executives with the information they need to make quicker, smarter decisions. This approach, complemented by our strategic partnerships, will not only drive the complex transformation journey for IFRS 17, but also ensure the organization is future-ready.



Over the years, insurers have implemented multiple accounting and reporting systems to conform to different regulations, resulting in a complex technology ecosystem that lacks scalability. IFRS 17 marks an inflection point, where a similar piecemeal approach might be detrimental to insurers as its implementation could ultimately take up even more resources. Insurers therefore need to assess their current system landscape for the optimum solution – a complete transformation vs. enhancement of existing systems.

Cognizant's STRIDE approach starts with this assessment in its pre-implementation phase to adequately prepare the insurer for the complex implementation in a timely manner.

Pre-Implementation

A steering committee with leadership involvement is essential at this stage. Cognizant can act as a strategic partner by working with the leadership to help construct a governance model. Based on our experience with similar transformation journeys, awareness of the overall situation often poses a challenge in decision making. Cognizant can help finalize the implementation goals through workshops, interviews and future state mapping exercises.

At this stage, knowledge about the current systems and processes is essential in order to arrive at the right decision.

Cognizant's insurance consultants, IFRS experts and product consultants can help perform an Impact Assessment, along with their counterparts from the insurer's actuarial and IT teams to collaboratively identify the impacted systems. This team can further define the target state solution in consensus with the steering committee. Cognizant will work with its IFRS 17 partners to recommend the best fit solution to its customers and build the solution architecture.

As a final deliverable for the pre-implementation stage, Cognizant can provide an estimate of project timelines and resources for the decided solution, to facilitate the steering committee on program budgeting. Cognizant's program management team can further help to define the implementation methodology and set the relevant milestones.

Pre-Implementation Activities



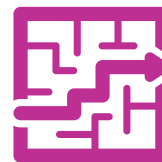
ENGAGEMENT PLANNING

- Form a steering committee with business stakeholders and help define the overall strategy
- Provide 'pre-read' materials, questionnaires, interview guides for kick-off



IMPACT ASSESSMENT

- Assist in deciding the transformation approach
- Build the solution architecture
- Leverage industry best practices and proven methodologies



SOLUTION DEFINITION

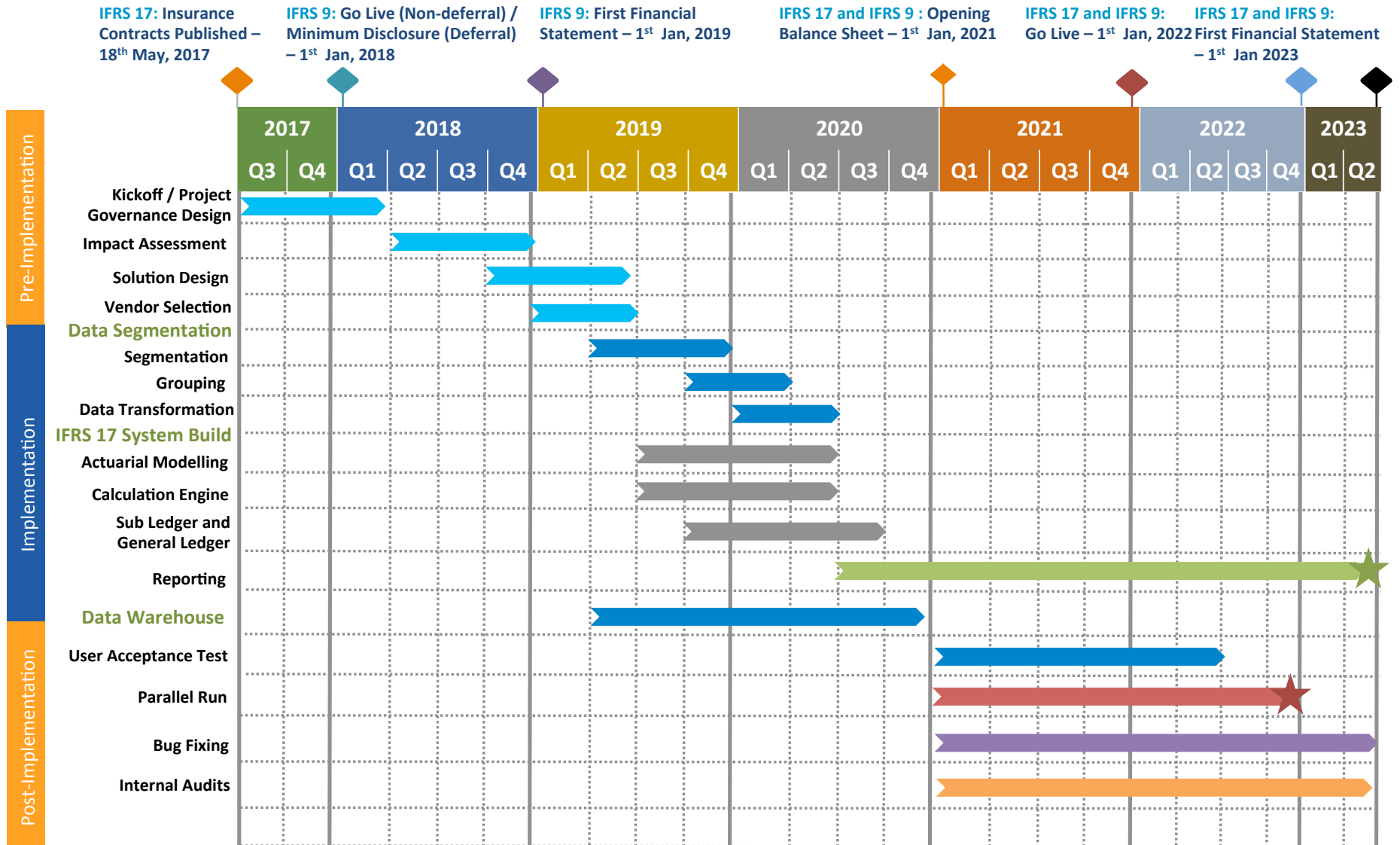
- Conduct financial, operational and technical analysis of Insurer's systems
- Perform fit-gap assessment



IMPLEMENTATION ROADMAP

- Leverage Cognizant's evaluation framework to build the implementation roadmap and project charter

An illustration of a typical IFRS 17 implementation roadmap:



Implementation

Data and systems now need to be transformed as per the solution architecture. The implementation will first focus on segmenting the data from different transactional and non-transaction systems right down to the cohort level. This granular data will then need to be transformed as per target system format for loading. Cognizant's strong data analytics practice has the resources and database management capabilities to analyze the data across existing systems and also perform the necessary ETL (Extraction-Transformation-Loading) activities.

Cognizant's partnership with product companies brings the necessary system capabilities for IFRS 17. Through these strategic alliances, the Cognizant team will work in close collaboration with the product company teams to provide a seamless flow of data from the insurer's transactional systems, actuarial, and asset liability management systems onto the product platforms. Post IFRS 17 transformation, data can be fed into any data warehouse or the insurer's general ledger and reporting tools.

While the warehouse and data marts can be designed and managed by the data analytics team, Cognizant's IFRS experts can help insurers adopt IFRS 17 reporting as per industry practices through standardized reporting frameworks.

One essential aspect of a complex program like IFRS 17 implementation is its management. Considering the continuous discovery and learning phases associated with such a complex project, Cognizant believes the Agile project management methodology is ideal for running such an engagement efficiently. Hence, early Agile adoption is another key to project success.

Agile at Cognizant

While many IT organizations have adopted the Agile development methodologies, very few have the confidence of setting up a Centre of Excellence for Agile and build the expertise within. Cognizant is one of the very first companies to establish an in-house Agile Centre of Excellence, as early as 2009. The Agile CoE has formed premium partnership with major Agile vendors and constantly developed in-house contemporary accelerators and tools that meet the current and future ever-changing needs of disparate businesses. The Agile CoE within Cognizant is executed by a strong Agile pragmatist group of 3000+ Scrum Masters, 120+ Agile Coaches, who have set up 20+ Agile CoEs of varying sizes, also having delivered over 2000+ projects using Agile development models. This is backed by a strong group of Agile practitioners (coaches, scrum masters, hyper performing Agile teams), a wide array of tools and frameworks and strong partnerships with all major Agile vendors.

Post-Implementation

Post implementation, Cognizant can further ensure seamless operations for the insurer via our comprehensive post deployment support. Continuous data availability and retention is even more critical for IFRS 17, as multiple projection models will be running on the aggregated data.

Summary of the activities typically covered in the post deployment stage:

Warranty

- Post deployment monitoring events and batches
- Refine operational readiness strategy
- Lean triage and resolution process for reported issues

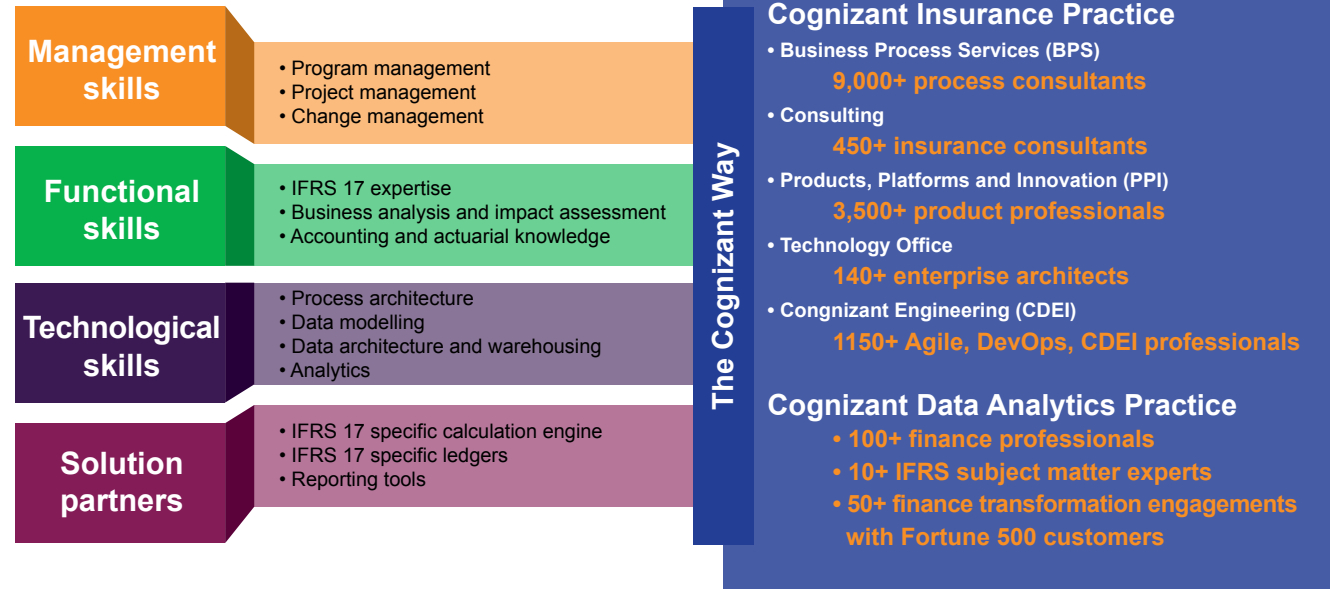
Maintenance

- Batch monitoring
- Availability monitoring
- Follow up/ triage on different failures
- Monitoring log files in prod
- Ad hoc data preparation - for business/ testing/ defects/ additions
- Preparing weekly/ monthly status reports with statistics

TEAM COMPOSITION

IFRS 17 implementation requires a dedicated project team with the right blend of skills.

Skillsets required for IFRS 17 implementation



Cognizant helps insurers right from the assessment stage. With our rich base of insurance consultants, regulations experts and data management practitioners, complemented by the IFRS calculation capabilities of our strategic solution partners, we can tailor solutions and services that meets the insurer’s needs.

To augment this, the Insurer will be required to provide SMEs and resources for user testing. Cognizant will set up a robust governance structure involving the management team of the

insurer as well to actively manage the risks and dependencies and ensure successful delivery within timelines and program budget.

Our insurance specialists have supported Fortune 500 financial companies in their transformation programs worldwide. We have started engaging with several insurers in APAC for IFRS implementation.

Case Study – Cognizant capabilities in Solvency II implementation

CLIENT PROFILE

Client is a solution-oriented underwriter offering a wide range of insurance products supporting clients in various lines of business around the world. In the UK, client operates two underwriting platforms: a limited company and a syndicate.

PROJECT BACKGROUND

- Solvency II application catered to the regulatory requirements set by EIOPA and fulfilled the reporting requirements for London Market Unit.
- Data from various sources was fed into the application. It was stored in the data mart layer to be picked up by the reporting tool at the end of each quarter and annum.

CLIENT REQUIREMENTS

- Perform assessment of the existing systems
- Support the design of enhanced replacement systems
- Support implementation of the enhanced systems by setting up a testing center.

COGNIZANT SOLUTION

- Gathered requirements from multiple stakeholders including actuaries
- Updated existing artifacts to make them Solvency II compliant
- Performed complete gap analysis
- Supported internal model validation
- Supported the re-designing of the enhanced process.
- Streamlined the testing process and provided extensive support to the client in overall project governance

CLIENT BENEFITS

- Impact assessment completed
- To-be state defined
- High level of quality ensured as an outcome of rigorous tests delivered.

LOOKING FORWARD

It's been over a year since the IFRS 17 requirements were announced, but the progress of adoption is still slow. While insurers in Europe are waiting for the adoption by the European Commission, some Asian insurers are facing the lack of direction from global headquarters, which are mostly based in the US or Europe. This delay may lead to insurers choosing to opt for a sub-optimal solution rather than a complete transformation, due to lack of time.

Even with ample time, issues such as data management, availability of knowledge/ resources, lack of comprehensive solutions in the market, building systems for multi-entity, multi-

regulation and managing market expectations are expected to pose major challenges to insurers. Starting without further delay will allow insurers to properly assess their options and transform their systems to be future ready, rather than merely complying with the current requirements.

Different actuarial and finance vendors are expanding their offerings to provide a complete solution, while consulting and audit firms are partnering with these vendors to support insurers right from business assessment to implementation. Insurers should start planning immediately if they haven't already done so, to avoid falling behind in this complex implementation.

Although IFRS 17 poses its set of challenges, by implementing IFRS 17 effectively using a transformation approach, these challenges can be converted into an opportunity for competitive advantage.

FOOTNOTES

1. IFRS 17 Insurance Contracts, <http://www.ifrs.org/-/media/project/insurance-contracts/ifrs-standard/ifrs-17-effects-analysis.pdf/>
 2. KPMG IFRS Peer Analysis, https://assets.kpmg.com/content/dam/kpmg/nl/pdf/2017/sector/verzekeraars/IFRS_Peer_Analysis_2017.pdf
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