



IFRS 17

THE SHARD

Expanding The Horizon of Professional Advisory Services

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01 | IFRS 17 IMPLEMENTATION SUMMARY



WHAT IS IFRS 17?

IFRS 17 is the new accounting standard for insurance contracts within the scope.

The focus is on change in market value of assets and liabilities by considering future probability-weighted cashflows.

It is different from “traditional” accounting where the focus is on looking at the past.

The standard was established for uniformity in accounting for insurance contracts



WHERE DOES IT APPLY?

Across most countries globally and to all insurance companies and all insurance contracts.

IFRS 17 will have the biggest impact in the insurance industry, however it might also affect companies outside the insurance industry that have insurance contracts.



WHAT IS THE TIMELINE?

Standard effective for all periods beginning on or after 1 January 2023 .

IFRS 17 provides transition reliefs where entities may transition using the fair value approach or the modified retrospective approach should retrospective application be impracticable.



IS IT NOT JUST A COMPLIANCE EXERCISE?

Potential to effect companies from a strategic perspective:

- > Changes in opening equity.
- > Changes to timing of future profits.
- Changes to volatility of future earnings.
- Changes to performance metrics

IFRS 17 replaces the interim IFRS 4 standard, and it will ensure that there is transparency and consistent accounting for all insurance contracts. This will enhance comparability.



WHAT'S DRIVING THE IMPACT ON BUSINESS MODELS?

Underlying drivers are complex:

- > Increased data granularity.
- > Higher level of integration between Actuarial, Finance and Risk Functions.
- > High level of systems integration between Finance and Actuarial.
- > Modelling requirements.
- > Detailed methodology specifications.
- > Legal & contractual items.

02 | THE SHARD'S APPROACH TO IFRS 17 IMPLEMENTATION

STEP 1



GAP ANALYSIS

ACTUARIAL ACTIVITIES

Actuarial Model Gap Analysis

Date and Systems Gap Analysis

Identification of Insurance Contracts

Separation of Components

Determination of Recognition Date for Each Group

Determine the Appropriate Measurement Approach for Each Group

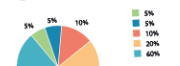
Modification & Derecognition of Insurance Contracts

Date and Systems Gap Analysis

Reinsurance Contracts Held

Transition Choice

Gap Analysis Report



STEP 1



GAP ANALYSIS

ACCOUNTING ACTIVITIES

Presentation in
the Financial
Statements
Including
Accounting
Policies

Determination
of Recognition
Date for Each
Group

Accounting
Policy Choice

Cost Allocation
Choice

Transition
Choice

Governance
and Controls

Accounting IT
Considerations



STEP 2



DESIGN PHASE

ACTUARIAL ACTIVITIES

Drafting of Technical
Papers on Key
Design and
Modelling Decisions:

LRC and LIC
Modelling

Onerousness
Testing

Risk
Adjustment
Methodology

Discounting
Methodology
and Curves

CSM and DAC
Engine Designs

Market and
Non-Market
Assumptions

Special
Features
Modelling
E.g. Cashbacks

Actuarial
Disclosures and
Reconciliations

IFRS 17
Sensitivities and
Stresses

IFRS 17 Tool
Vendor
Assessment

Discussion of
Model with
Actuarial
Committee

Data Dictionary
Design (Policy
Administration
System, Finance,
Actuarial &
IFRS 17 Tool)

STEP 2



DESIGN
PHASE

ACCOUNTING
ACTIVITIES

Develop The
IFRS 17 AFS
Template

Expense
Allocation
Methodology

Acquisition
Costs
Assessment

Expense Chart
of Accounts
Analysis

Mapping Chart
of Accounts to
The IFRS 17 AFS

Assessment of
Remaining
Chart of
Accounts and
Repurposing or
Deletion

Consideration
of Industry
Best Practice

Transition

Discussion with
Auditors



STEP 3



BUILDING PHASE

ACTUARIAL ACTIVITIES

Implementing
design phase
decisions

Building,
testing and
validation of
models

Define,
implement and
test process
flows

End to end
demonstration
of the process
flow using
simplified
examples

Dry run parallel
accounts (IFRS
17 vs IFRS 4)

Demonstrate
IFRS 17 and
IFRS 4
reconciliation

Analysis of
movements



STEP 3



BUILDING
PHASE

ACCOUNTING
ACTIVITIES

Testing of new
chart of
accounts
configuration

Testing
interface results

Testing of chart
of accounts
mapping to
financial
statements

Consideration
of industry best
practice

Obtaining final
sign off



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