

Spotlight on IFRS 17

Insurance providers across the world continue to build momentum around IFRS 17. As the 1st January 2021 'go-live' date for the new accounting standards draws closer, Legerity's CEO Jeremy Wood provides a snapshot of industry readiness, and explores what lessons can be learnt from previous IFRS roll-outs. Legerity is pleased to provide this insight – the benefit of being at the forefront of accounting technology change over the last 30 years.



Jeremy Wood
CEO & Founder

Insurance Industry Readiness for IFRS 17

The Insurance industry has started to realise the challenges and opportunities of IFRS 17. We are seeing firms complete their Impact Assessments and look for their 'next step'. Legerity has engaged with many firms over the last 12 months progressing through our IFRS 17 workshops, 'Proof of Concept' programme and into the implementation phases. Our PoC is proving extremely successful in helping firms take that next step along the IFRS 17 journey towards compliance. However, there is still much to do, and timelines are short.

New compliance initiatives can lead to a level of market confusion, with Technology providers claiming that their solutions offer an IFRS 17 'silver bullet'. That's simply not the case: no two Insurers are alike, and one size does not fit all. To address the new accounting change, firms must look inwards as well as to the future: where was historic investment directed – are there gaps in Actuarial or Finance systems due to these decisions, or is their system landscape fragmented due to tactical deliveries or M&A activity? This is where resource will be required – as well as in addressing industry-wide business challenges. Insurance providers require experienced, honest technology partners to meet obligations and deliver business benefits – an approach that Legerity was founded to fulfil.

Lessons to be Learned from Previous IFRS Change Programs

Legerity's FastPost accounting rules and calculation engine together with our team of specialist practitioners places us in an advantageous and differentiated position from many firms in the market – we have already successfully delivered this type of change in other recent, large scale IFRS accounting programs. The lessons we learned, and the challenges overcome make us uniquely placed to help reduce risk and ensure success for insurance providers' IFRS 17 programmes.

Interpretation & Definition:

IASB accounting policy documents are typically large and highly specialised. The IFRS 17 document is no different. This raises two questions for Insurers:

- how can we best interpret these accounting standards?
- how will we implement that interpretation, into policies for our systems and business processes?

Fortunately, Legerity's team of Accounting Change specialists have already performed the interpretation and pre-configured this into our rules-based engine.

“Legerity's Accounting Change specialists have already interpreted the IFRS 17 requirements and fed this into our rules-based engine, FastPost.”

“CTOs & CIOs who do not embrace Cloud, SaaS & Open Source as part of IFRS 17 will miss a massive opportunity in steering their firms towards the future.”

Data:

Insurance firms are massive data repositories. Preparing that data for IFRS 17 and the processing it requires is a significant challenge. Long-term, multi-year, contracts and policies combined with risk based actuarial data are the fuel for IFRS 17 calculations. Similarities exist in many other IFRS standards and financial instrument accounting.

Executive Sponsorship:

IFRS accounting change programmes are large projects that demand significant coordination within an enterprise. Team leads will need to engage and work with senior stakeholders across the organisation – some of whom may underestimate the complexity and resources required. In an industry that has historically under-invested in Finance and Actuarial systems, getting Executives on-board and behind these change programmes will play a real factor in each project’s success.

How Can Technology Help?

Insurance firms must recognise the opportunity of new technologies that are already being adopted in other industries, such as Cloud, Software as a Service, and Open Source infrastructure. CTOs and CIOs who do not embrace these innovations will miss a massive opportunity in steering their firms towards the future – and forgo the significant efficiency gains, business improvements and cost savings these new models and delivery methods can generate.

Innovation in Insurance technology has largely been focussed on the front-end – convenient mobile apps, slick User Interface design, and ‘coverage-at-a-click’ are still supported by inefficiencies and manual processes in the back-end. The time has come to improve the back-office experience for customers and the business.

What Is Next For Accounting Rules Engines?

IFRS 17 represents a step-change moment of opportunity for the Insurance industry. Firms have the chance to select and implement technologies to meet these new requirements –business-critical compliance systems that can also generate massive efficiency gains and business intelligence – through the cloud.

Enterprise Cloud has developed significantly in recent years – growing into a secure, resilient and highly-available alternative to expensive and ‘clunky’ legacy approaches. Additionally, Cloud will future proof your business with on demand scalability to support innovation through new and complex insurance products, reduced purchasing cycle times, more sophisticated and granular risk models allowing a new wave of mass market instant issue offerings and new technology adoption including the Internet of Things (IoT), Blockchain and Crypto Currencies.

Legerity’s FastPost platform can enable this step change with the ability to deliver exceptional end to end processing improvements, meet new regulatory requirements, and drive significant business benefits across cost, efficiency and user experience. This is the opportunity of technology in the IFRS 17 world: one where we can serve the business not simply as actuaries and accountants, but as technologists keeping our firms ahead of the curve.

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