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Deloitte IFRS 17 digital training solution

**MAKING AN
IMPACT THAT
MATTERS**
Since 1845

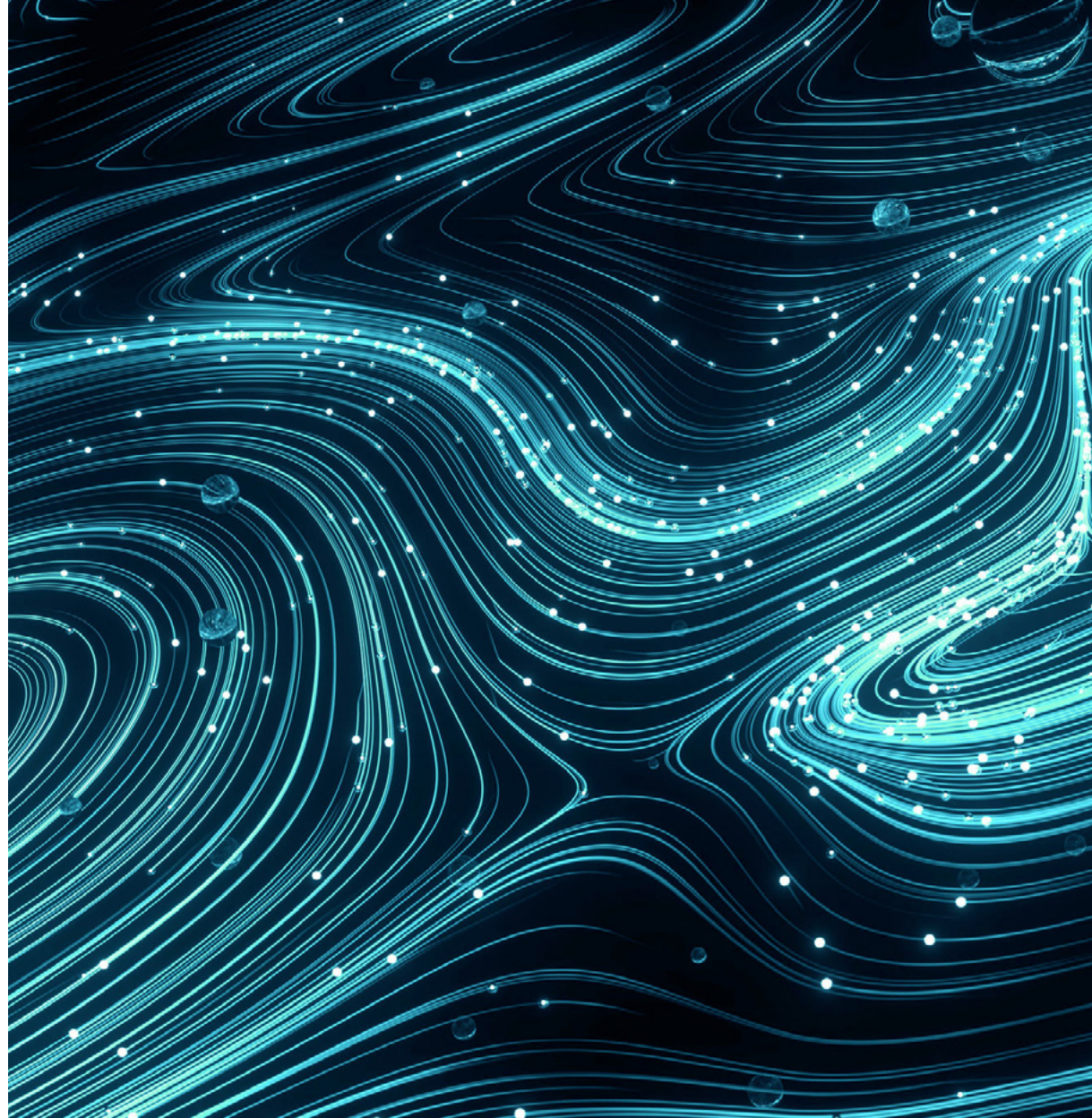
“As a NED for a listed insurer, the digital learning by Deloitte is a great way to demystify the complex technical requirements of IFRS17 and has enabled me to understand the practical implications of the requirements. This has been especially useful as we start to look at initial results coming from the financial reporting team”

Non Executive Director, Listed Insurer.

Deloitte IFRS 17 digital training solution

IFRS 17, the new international financial reporting standard for insurance contracts, is creating significant changes for insurers.

It is a highly technical standard which requires a wide and diverse group of disciplines within the organisation to acquire more about IFRS 17 and its practical implications on financial reporting processes.



In order to support IFRS 17 implementation programmes we have built a training solution with 4 pillars:



Training aligned to the finance reporting structure required by IFRS 17.



A simplified integrated accounting and actuarial model that translates the requirements of IFRS 17 into the financial postings.



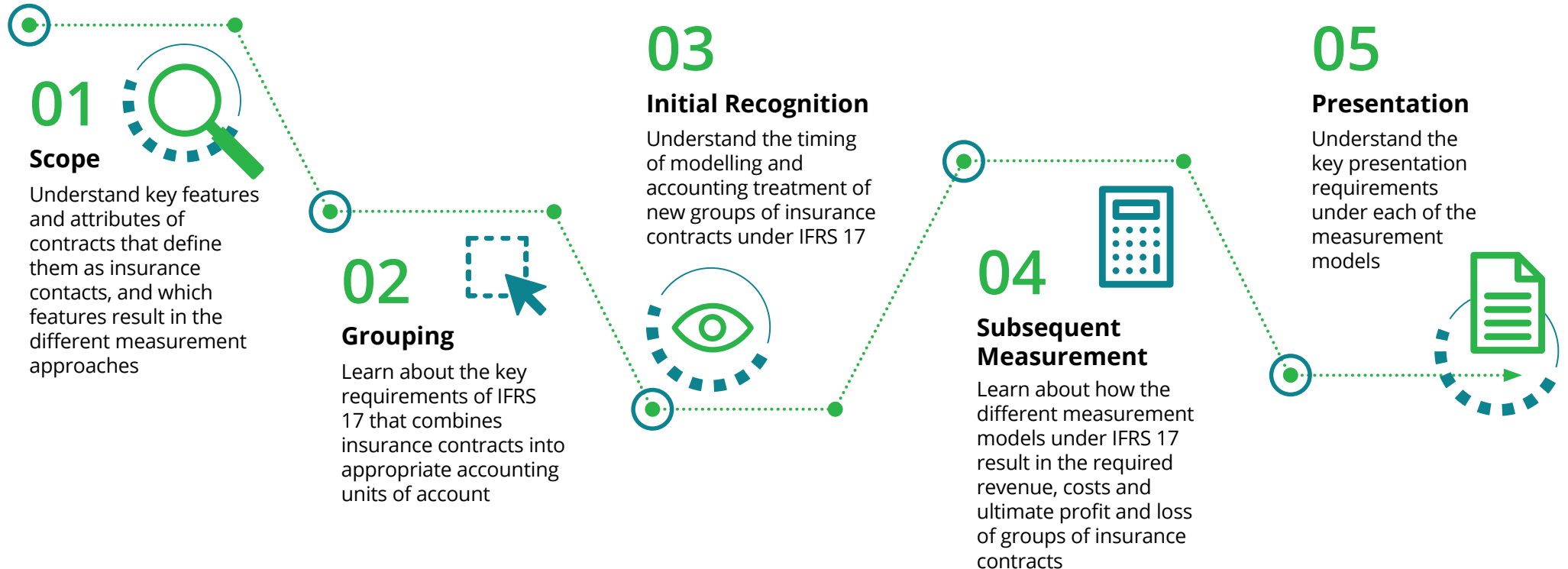
Address the different levels of knowledge required by the multiple audiences who have different training requirements.



A modular structure that is broken down into manageable sections and encourages the self-exploration of topics in an order and at a pace which best suits users.



Aligned to the finance reporting structure required by IFRS 17...





...backed with a simplified integrated accounting and actuarial model

IFRS17 | Premium Allocation Approach



EXAMPLE | Presentation

CONSOLIDATED SOCI / INCOME STATEMENT	I1	Y1	Y2
Insurance contract revenue	60 000	120 000	-
Insurance service and expenses incurred	(49 304)	(84 024)	2400
<i>Incurred claims and insurance contact expenses</i>	37 304	73 158	2 400
<i>Allocated recovery of insurance acquisition cash flows</i>	12 000	24 000	-
<i>Change in fulfilment cash flows relating to the LIC</i>	-	(13 134)	-
<i>Losses in onerous groups and loss reversals</i>	-	-	-
Insurance service result	10 696	35 976	2400
Investment return	(951)	(2 245)	(132)
Net finance expenses from insurance contracts held	951	2 245	132
Net investment result	-	-	-
Other operating expenses	-	-	-
Profit before tax	9 745	33 732	2 268



INSURANCE SERVICE EXPENSES		
I1 LRC – Acquisition costs	12 000	
I1 ISE – Claims & claims expenses	28 458	
I1 LIC – RA raised on LIC	2 846	
I2 Cash – Maintenance expenses	6 000	
I1 TOTAL FOR THE YEAR	49 304	
<hr/>		
I2 LRC – Acquisition costs	12 000	I2 LIC – Re-estimation of PVFCF 11 940
I2 LIC PVFCF – Claims & expenses incurred	29 322	I2 LIC RA – Claims release 2 400
I2 LIC RA – Claims & expenses incurred	2 932	I2 LIC RA – Re-estimation of RA 1194
I2 Cash – Maintenance expenses	6 000	
Y1 TOTAL FOR THE YEAR	84 024	
<hr/>		
		I2 LIC RA – Claims release 2 400
		Y2 TOTAL FOR THE YEAR 2 400





...addressing the different levels of knowledge required by multiple audiences

The Deloitte platform provides a single and flexible structure that is targeted to specific roles:

MODULE	ALL FUNCTIONS	UNDERWRITING	ACTUARIAL VALUATION	ACTUARIAL PRICING	FINANCIAL REPORTING	FINANCIAL OPERATIONS	FINANCIAL MI AND PLANNING	TECHNICAL ACCOUNTING	IT, DATA & TESTING
Introduction to IFRS 17	✓	✓	✓	✓	✓	✓	✓	✓	✓
GMM: Theory and practical			✓		✓	✓		✓	✓
PAA: Theory and practical			✓		✓	✓			✓
VFA: Theory and practical			✓		✓	✓			✓
Reinsurance: Theory and practical			✓		✓	✓			✓
Transition			✓					✓	
Disclosures					✓			✓	

Principles we have followed to build an engaging, impactful and flexible digital learning solution:



Use of **mixed media** (videos, written, animated and spoken) content to engage the audience



Interactive elements to retain the audiences attention and reinforce the learnings with knowledge checks and test



Short modules to use time efficiently and segmented content to target various audience groups



Segmented content to target various audience groups



Classroom material in video














Includes self-assessments and knowledge checks. Provides learners with a certificate of completion at the end of each module



...in a modular syllabus structure (core modules)

Our training both recognises the nuances of the IFRS 17 measurement models and the different principles imposed by IFRS 17 on the treatment of direct and reinsurance contracts.

<p> eLearning 30min</p> <p>Introduction to IFRS 17 Introduces the new IFRS 17 Standard and its purposes and objectives, as well as the financial reporting process that insurers need to follow under checks and a summative assessment.</p>	<p> eLearning 30min</p> <p>Premium Allocation Approach (Theory) Introduces the simplified approach to measuring the LRC, and explains how this approach will be applied in accordance with IFRS 17. Includes formative knowledge checks and a summative assessment.</p>	<p> eLearning 45min</p> <p>General Measurement Model (Theory) Introduces the standard approach to reporting the financial performance and position of insurance contracts, and explains how it will be applied in accordance with IFRS 17. Includes formative knowledge checks and a summative assessment.</p>	<p> eLearning 45min</p> <p>Reinsurance Contracts Held (Theory) Introduces the approaches that IFRS 17 permits for reporting the financial performance and financial position of reinsurance contracts held and explores how these approaches will be applied in accordance with IFRS 17. Includes formative knowledge checks and a summative assessment.</p>	<p> eLearning 45min</p> <p>Variable Fee Approach (Theory) Introduces the VFA, a modification of the GMM, used to report the financial performance and position of insurance contracts and investment contracts with direct participation features. Includes formative knowledge checks and a summative assessment.</p>	<p> eLearning 30min</p> <p>Disclosure Covers the disclosure requirements as set out in IFRS 17. Includes formative knowledge checks and a summative assessment.</p>
<p>Timings are approximate</p>	<p> eLearning 45min</p> <p>Premium Allocation Approach (Practical) Explores practical examples to gain a greater understanding of the PAA. Users can apply theory to practical scenarios that are linked to simplified insurance products, with actuarial models and related accounting entries. No assessment.</p>	<p> eLearning 45min</p> <p>General Measurement Model (Practical) Explores practical examples to gain a greater understanding of the GMM. Users can apply theory to practical scenarios that are linked to simplified insurance products, with actuarial models and related accounting entries. No assessment.</p>	<p> eLearning 45min</p> <p>Reinsurance Contracts Held (Practical) Explores practical examples to gain a greater understanding of Reinsurance. Users can apply theory to practical scenarios that are linked to simplified insurance products, with actuarial models and related accounting entries. No assessment.</p>	<p> eLearning 45min</p> <p>Variable Fee Approach (Practical) Explores practical examples to gain a greater understanding of the VFA. Users can apply theory to practical scenarios that are linked to simplified insurance products, with actuarial models and related accounting entries. No assessment.</p>	<p> eLearning 20min</p> <p>Transition Explores an insurer's transition from IFRS 4 to IFRS 17 according to specific requirements. Includes formative knowledge checks and a summative assessment.</p>



...in a modular syllabus structure (short burst modules)

There are also short burst modules available (in addition to the core modules) that dive into some more detail on a specific topic.

 eLearning | 20min

Discount Rates

Explores discount rates and how they are derived and applied in accordance with IFRS 17. No knowledge checks/assessment.

 eLearning | 20min

Risk Adjustment

Explores the principles and requirements of IFRS 17 as they relate to the risk adjustment for non-financial risk, often referred to as the risk adjustment, or RA. No knowledge checks/assessment.

 eLearning | 25min

Attributable Cash Flows

Explores the IFRS 17 requirements to measure and report on acquisition and cost cash flows attributable to insurance contracts. No knowledge checks/assessment.

Timings are approximate

 eLearning | 20min

The OCI Election

Explores the IFRS 17 accounting policy choice that allows insurers to disaggregate IFIE between P&L and other comprehensive income (or OCI). No knowledge checks/assessment.

 eLearning | 20min

Coverage Units

Explores the purpose, principles and requirements of IFRS 17 as they relate to the determination and use of coverage units for insurance contracts. No knowledge checks/assessment.

 eLearning | 30min

The Risk Mitigation Option

Explores the purpose, eligibility criteria and requirements of IFRS 17 as they relate to the determination and use of the risk mitigation option under the VFA. No knowledge checks/assessment.

User Experience

To ensure an interactive and meaningful training experience, the IFRS 17 training solution makes use of:

- 1 **Mixed media**, including diagrams, graphs, financial statements, and animations.

IFRS 17 | Introduction to IFRS 17

Why IFRS 17?

The implications of this IFRS transformation initiative are not just in the technical calculations, but are affecting...

Actuarial (Reserving)

Finance (General ledger and reporting processes)

Tax (Treatment)

...just to name a few.

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IFRS 17 | Premium Allocation Approach

EXAMPLE 1 | Subsequent Measurement
Determine Insurance revenue & re-measure LRC

Once the revenue for the period is determined, we need to re-measure the LRC. In order to calculate the LRC at the Interim reporting period:

LRC measured under PAA	
Opening balance	96 000
Insurance Revenue for coverage provided during the period	(60 000)
Amortisation of acquisition cash flows	12 000
New premium received	0
New acquisition cash flows	0
Effect of time value of money	0
Investment components	0
LRC at subsequent measurement, i.e. reporting period end	48 000

CU 120 000 x 50%

CU 24 000 x 50%

No further transactions

No further transactions

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Click on >> to continue

User Experience (continued)

To ensure an interactive and meaningful training experience, the IFRS 17 training solution makes use of:

- 2 **Interactive elements** that provide the opportunity for learners to deep dive into additional information, as well as apply the theory in practical scenarios.

Why IFRS 17? | IFRS 4 Challenges

In order to understand the key features of IFRS 17, it is useful to consider some of the challenges of IFRS 4, IFRS 17's predecessor.

- More focused on Statement of Financial Position
- Disparity in the measurement of insurance contract provisions
- Inconsistencies carry through to Statement of Financial Performance
- Inconsistencies between reported revenue and costs of services rendered
- Insufficient disclosure of information

Insurers need to raise provisions to ensure they meet their future insurance contract obligations. These provisions are also referred to as policyholder or actuarial liabilities. IFRS 4 allowed insurance entities to define the way they estimate these provisions in the Statement of Financial Position.

The methods applied under IFRS 4 are normally aligned to insurers' regulatory reporting regimes, which allows for a high degree of conservatism and creates disparity from country to country, and Insurer to Insurer.

Statement of Financial Position	
Assets	
Fixed Assets	X
Cash and Cash Equivalents	X
Total Assets	X
Equity and Liabilities	
Equity	
Accumulated Profits/Losses	X
Total Equity	X
Liabilities	
Insurance Contracts Provisions	X
Other Liabilities	X
Total Liabilities	X
Total Equity and Liabilities	(X)

03 | Initial Recognition | The Building Block Approach

The **Building Block Approach (BBA)** is used to determine the carrying value of a group of insurance contracts.

Asset

Carrying Value of Insurance Contracts

Block 2: Time value of money

Block 1: Expected future cash flows

Present Value of Future Cash Flows (PVFCF)

Block 3: Risk adjustment for non-financial risk

Block 4: Contractual Service Margin (CSM)

Liability

Fulfillment Cash Flows

Net carrying value is 0 at Initial Recognition

User Experience (continued)

To ensure an interactive and meaningful training experience, the IFRS 17 training solution makes use of:

- 3 **Formative knowledge checks** to encourage pause and reflect points, and formal summative assessments to validate knowledge gained and prove competency.

The left screenshot displays 'Question 3' with the instruction 'Drag and drop each item to its matching description.' It features two draggable items: 'Liability for Remaining Coverage' and 'Liability for Incurred Claims'. Below are two text boxes with descriptions and empty input fields for matching. A large blue 'SUBMIT' button is on the right.

The right screenshot displays 'EXAMPLE 1 | KNOWLEDGE CHECK' with the instruction 'Think about the previous step and try and complete the following journal entries...'. It asks for journal entries at initial recognition (Y0) and provides a table of values.

LRC at Initial Recognition	Present value of cash flows
Premium receipts	120 000
Insurance acquisition costs deferred	(24 000)
De-recognition of previously recognised acquisition cash flows assets or liabilities	0
LRC	96 000

Below the table is a T-account diagram for 'CASH AND CASH EQUIVALENTS' with two columns: 'SOFP' and 'LRC'. The 'SOFP' column has a debit entry 'Y0 Cash - Acquisition CFs' and a credit entry 'Y0 Cash - Premium receipt'. The 'LRC' column has a debit entry 'Y0 Cash - Premium receipt' and a credit entry 'Y0 Cash - Acquisition CFs'. A 'Submit' button is at the bottom.

Getting Access

Hosting has been designed to respond to different training platform needs. On selecting the unlimited user access option, the digital training can be:

- deployed into client learning management systems as part of staff training requirements; or
- hosted on the Deloitte learning platform where Deloitte will support user rights management and administration.

Pricing structure

Pricing can be structured to allow for unlimited user access or on a per user basis, depending on clients' needs.



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