

## Actuarial & Insurance Solutions

### IFRS 17 KPIs

#### IFRS 17 services

Now, more than ever, reinsurance leaders have the tools to understand, explain, predict and optimize their financial results. A significant development leading to this advancement is the implementation of IFRS 17, the largest change in an IFRS standard in decades. (Re)insurers have now worked through transition and the first couple of waves of financial reporting. The additional granularity of calculations, standardized buffers for smoothing of results and enhanced disclosure requirements led to a flurry of discussions, deliberations and actions to optimize accounting policies, processes and reports. As the dust settles, many (re)insurers are now looking to further improve their processes, as well as align the production and communication of results under different bases. The ability to better communicate and compare results was the driving force behind IFRS 17. The most positive feedback on the value IFRS 17 has brought has been for Life (re)insurers, who can now align their performance story directly to the IFRS 17 income statement and balance sheet. Looking at each of these in-turn:

#### Insurance result

Insurance revenue is a much better reflection of revenue earned, rather than premium received. When paired up with insurance service expenses, which brings through actual cashflows, the insurance result represents the true profit/loss from key reinsurance operations. There are several mechanisms to get this insightful result, including the non-distinct investment component, risk adjustment and loss component.

#### Finance results (liability side, asset side)

The liability-side finance result is derived by considering the interest unwind of the carrying value of General Measurement Model (GMM) liabilities, as well as the effect of achieved return on the value of underlying items (plus any adjustments for the risk mitigation option application). These amounts can be compared to movements in asset values to determine the effectiveness of hedging and ALM.

#### Accounting policies

The communication of results can be blurred by certain accounting policy elections, and some insurers are revisiting these elections. For example:

- The application of the OCI option, both considering assets and liabilities to provide a consistent and quality finance result
- The use of the risk mitigation option
- Methods for determining the risk adjustment
- The level of aggregation and the ability to smooth results between groups

Other insurers are addressing topics they might not have fully considered given the changing nature of their business. For example, driven by:

- The methodology, design, build and test of new measurement models
- Moving into new territories, currencies and redefining their processes to better align capital and reporting efforts
- The use of internal reinsurance or operational improvements through increased use of reinsurance
- The application of the business combination requirements”

#### Putting it all together

One of the challenges presented by IFRS 17 is the development and deployment of new systems, levels of granularity and pipeline of results production. When addressed, (re)insurers can see tremendous gains in efficiency, insight and control around their results.



## What Deloitte can provide your business

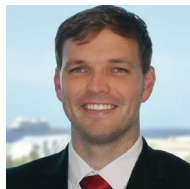
Our AIS team has deep industry expertise in the end-to-end of IFRS 17 for Life, Health and P&C (re)insurers, having held lead roles in the reporting function for small, mid-size and large multi-national insurance companies as well as played leading roles in global working groups and actuarial society thought-leadership. Through this hands-on experience, we are well-placed to support you design and move to your IFRS 17 strategic solution considering all affected stakeholders, communicate results considering other perspectives, make IFRS 17 optimization decisions, train staff to be IFRS 17 SMEs, provide a high-quality audit and support your model development needs.

- 1. KPIs and management reporting.** Since IFRS 17 has impacted profitability, the interpretation of IFRS 4 metrics has changed. There is also a need for new metrics to better reflect performance. Our team's experience with implementation projects and external audits provide us with a solid understanding of industry best practice.
- 2. Regulatory reporting and financial resilience.** Our team works on several regulatory engagements in the Bermuda and Caribbean region and is well-placed to advise you on the interplay between IFRS reporting and capital requirements.
- 3. Pricing and underwriting.** From our experience on IFRS 17 implementations and market reinsurance transactions, we can leverage our industry insights to advise you on the impact of IFRS 17 on pricing and underwriting.
- 4. Business intelligence.** Increased data requirements under IFRS 17 are an opportunity to streamline your data flows and create centralized data environments. IFRS 17 can act as the catalyst for a full finance transformation to improve current processes, data and systems.

## Our Contacts



**Alistair Lynch**  
Director  
Caribbean & Bermuda Region  
+1 441 299 1351  
[Alistair.Lynch@Deloitte.com](mailto:Alistair.Lynch@Deloitte.com)



**Lloyd Balshaw**  
Director  
Caribbean & Bermuda Region  
+1 345 743 6448  
[lbshaw@deloitte.com](mailto:lbshaw@deloitte.com)