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Beyond Compliance: Mastering IFRS 17

Challenges, solutions, and future directions
for insurance financial reporting

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Introductions

The global implementation of International Financial Reporting Standard 17 (IFRS 17) has brought about significantly transformed the financial reporting landscape for insurance contracts. This new Standard aims to enhance transparency and comparability across the global insurance industry. However, the transition to IFRS 17 has not been without its challenges. Insurers have had to grapple with the complex requirements of the Standard and make adjustments to their existing systems and processes. As a result, they have been operating in a demanding environment.

This article takes a dual perspective on the post-implementation environment of IFRS 17, highlighting issues auditors and advisors face, as well as efficiency concerns of insurance companies. Additionally, this article revisits some prior predictions of post-implementation enhancements and outlines the measures insurers are taking to remediate, modernize, and transform their financial reporting function. Through a comprehensive examination of these aspects, this article aims to shed light on the current state and future trajectory of the insurance industry in the post-IFRS 17 implementation era.

A perspective from auditors and advisors: governance and control

The adoption of IFRS 17, a new international financial reporting standard for insurance contracts, has posed significant challenges for the insurance industry. The intricacies of the Standard, coupled with the need for adjustments in existing systems and processes, have created a high-pressure environment for both insurers and auditors. Here are three thematic issues that we've seen in IFRS 17 financial reporting processes in our work supporting auditors and clients through IFRS 17 adoption. Three critical issues have been identified by auditors of IFRS 17 financial reporting process.

Issue 1. Support for methodologies through Accounting and Actuarial Standards

One of the primary difficulties during the auditing process is the insurers' struggle to substantiate their methodologies with a comprehensive interpretation of the Standard and its thorough application to specific contract situations. For instance, IFRS 17 mandates insurers to calculate insurance contract liabilities using current estimates of future cash flows, discount rates, and an explicit risk adjustment for non-financial risk. This necessitates a profound understanding of the Standard and its application to a variety of insurance products and contract terms.

Numerous insurers have found it challenging to prove that their methodologies for estimating these components fully comply with IFRS 17. The intricacy of the Standard's requirements, along with the diverse range of insurance contracts, often makes it difficult for insurers to apply a consistent and transparent approach. This lack of robust interpretative support leads to challenges during audits, as auditors require clear and justifiable methodologies to ensure the reliability and accuracy of financial statements.



Case Study 1

A multinational insurance group applied IFRS 17 adoption using a centralized approach. The accounting and reporting method, from key accounting policy decisions to reserving models were developed centrally in the Group office and rolled out to the all the worldwide business units. This method effectively controlled the cost and maintained consistency of financial reporting.

However, after years of consistent success, the team's go-to strategy suddenly faltered, revealing an unexpected issue. One of the business units encountered challenges from auditor when trying to adopt the Group's methodologies to measure the time value of options and guarantees (TVOG) for participating products. The initial methodology was developed based on assumptions and approximations generally accepted by the actuarial and accounting community in where Group operates. However, the local auditor of this business unit noted that the method might fall short of the industry standard in the market where the business unit operates.

Management of the business unit reviewed their TVOG methods against that of their local peers. Their peers generally use a more sophisticated approach to explicitly model the management of participating portfolio, including investments and dividend declaration, under a more realistic stochastic environment. The business unit identified 4 considerations to enhance the TVOG measurement to the standard of local peers.

1. Risk Neutral Economic Scenario Generators (ESG)

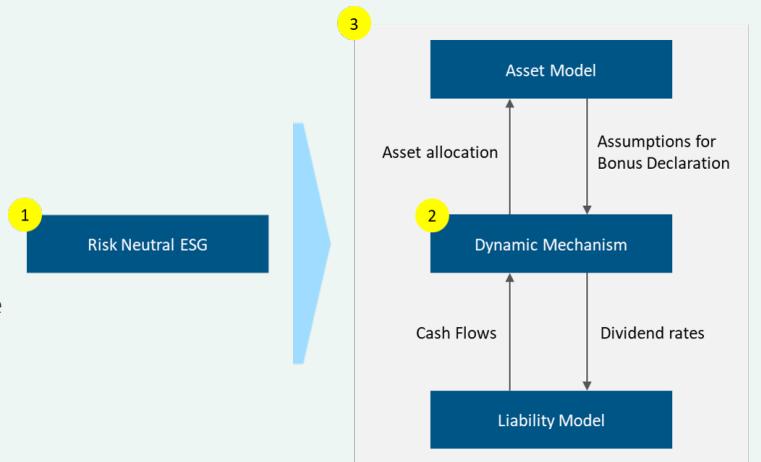
According to Paragraph B44, entities are required to maximize the use of observable inputs. This entails explicitly modeling credit spreads, inflation, and other relevant economic variables based on the underlying assets and guarantees.

The level of sophistication of ESG models varies widely among companies and countries. Some insurers have developed advanced ESG models that comprehensively reflect the characteristics of the underlying assets. In contrast, others continue to use less comprehensive models initially developed under IFRS 4, which may not fully capture these characteristics. As a result, insurers are actively seeking solutions to ensure full compliance with the updated standards.

2. Modelling of Dynamic Mechanisms / Management Actions

Low expected returns increase the probability weight assigned to adverse events, leading to volatile scenarios under risk-neutral measures, often featuring extreme conditions.

A significant challenge is the lack of comprehensive internal policies governing management actions during extreme events. This can result in CoG valuations that do not accurately reflect an insurer's ability to manage portfolios under such conditions. Companies which previously reported on market-consistent bases, such as Solvency II and Market Consistent Embedded Value (MCEV), are generally better prepared for modeling extreme scenarios. In contrast, other firms are actively revising their policies to address this issue.



3. Infrastructure

Limitations in computational power and software functionalities compel some companies to adopt simplifications, potentially at the expense of accuracy. For example, some insurers perform full stochastic runs annually and use sensitivity analyses for interim estimates. Conversely, other firms employ sophisticated solutions that can fully reflect asset-liability interactions and conduct full stochastic runs for each reporting period. Insurers are exploring advanced software and hardware solutions to enhance the accuracy and efficiency of their valuation processes.

4. Validation

Performing validation tests to ensure compliance with IFRS 17 can be challenging for some insurers. Auditors may require asset repricing tests to verify that the ESG aligns with market prices or leakage tests to confirm that the martingale property holds throughout the CoG process.

Insurers are refining and developing robust validation frameworks to meet these requirements and ensure the accuracy and reliability of their valuations.

The local business unit completed the development of a model that aligns with the practices of its peers locally and accepted by the local auditor. The model is not adopted by any other business unit.

During the IFRS 17 transition audit of the parent group, the two vastly different modelling methodologies were noted by the group auditor. It is generally expected that similar methods would be employed for similar type of accounting estimates. The sophisticated model created weakens the case of using a simplified model in other business units over the long term. Management was challenged to justify the difference through the circumstances of the business and to make enhancements over time to align the methods.

Issue 2. Delays due to rigidity of systems and processes

The implementation of IFRS 17 has been further complicated by the inflexibility of existing technological solutions, such as subledgers and Extract, Transform, Load (ETL) processes. These technologies often lack the adaptability required to accommodate new methodologies and perform timely and accurate analyses of results, such as drivers of earnings and sensitivities.

Subledgers, originally designed to manage detailed transaction data, often require substantial reconfiguration to perform detailed attribution analysis of IFRS 17 results for controls and results analytics. Similarly, ETL processes, which are used for transferring and transforming data between systems, can be rigid and slow to adapt to data requirements and 'partial' workflows involved in ad-hoc analysis. This lack of flexibility hinders insurers' ability to promptly analyze results and make necessary adjustments, leading to delays and potential inaccuracies in financial reporting.

Issue 3. Controllership of new processes and systems

The introduction of new processes and systems under IFRS 17 has brought to light weaknesses in controllership within insurers. The responsibility for processes, risk management, and internal audit and controls is sometimes ambiguous or inadequately defined. Additionally, the coverage of internal controls may not be comprehensive enough. Effective ownership and oversight are crucial for ensuring the integrity and reliability of financial reporting, especially under a complex Standard like IFRS 17.

From our experience, it's not uncommon for insurers to lack clearly defined responsibilities for the new processes and systems introduced by IFRS 17. This can lead to gaps in oversight and control, increasing the risk of errors and inconsistencies in financial reporting. Effective risk management and internal audit functions play a vital role in identifying and addressing these risks. However, for these functions to be effective, their roles and responsibilities must be clearly defined and communicated. This includes establishing clear lines of accountability, implementing robust risk management practices, and fostering a culture of internal control and compliance. Such measures will help strengthen the integrity and reliability of financial reporting and ensure compliance with the requirements of IFRS 17.



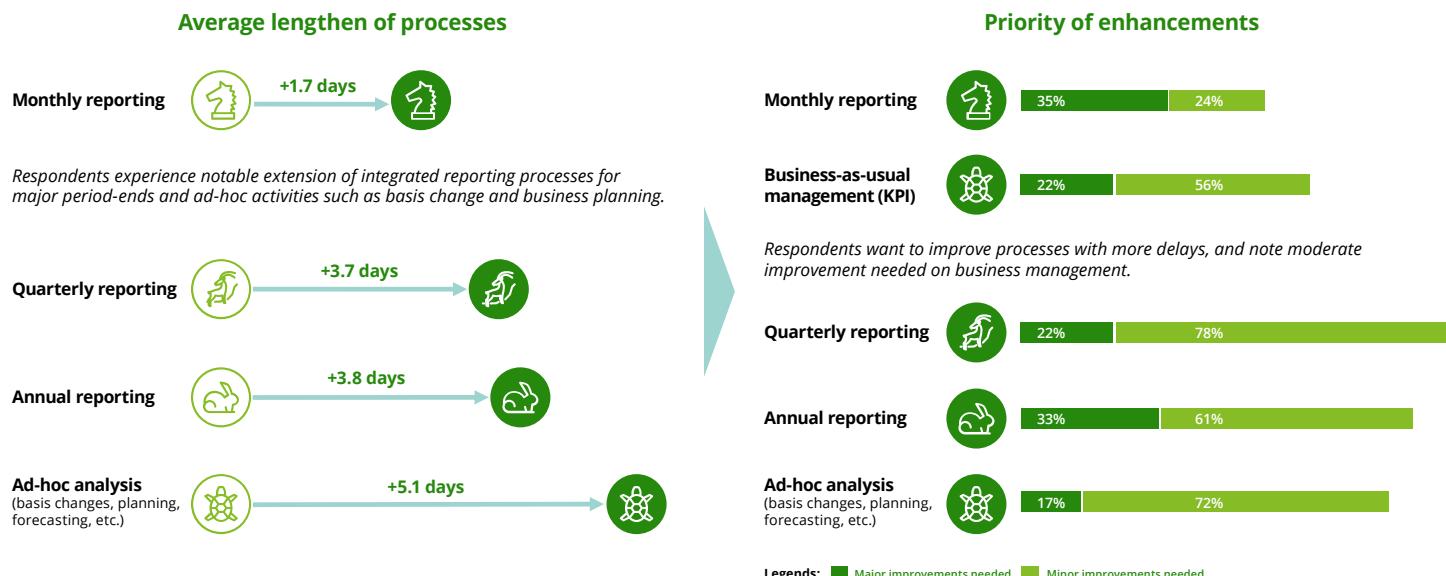
A perspective from insurance companies: efficiency-focused

In 2024, the Deloitte Canada team conducted a survey of 25 life, health and general insurers of varying scales and operational locations. The survey focused on post-implementation considerations such as technology, processes and resourcing for IFRS 17 financial reporting. Unlike auditors, whose focus is on accuracy, control, and financial results, insurers are generally also concerned with the time and cost efficiency of the financial reporting process.

Time efficiency

All 25 respondents of the Deloitte survey experienced different degrees of lengthening of their financial reporting and analysis processes after they adopted IFRS 17, which complicated the calculation and disclosure requirements. We asked respondents about their acceleration priorities, and they rated quarterly and annual reporting as top concerns given the extent deceleration of the process and the resulting shortened timeframes for analysis of the results. Specific complex analyses, such as earning analysis and business planning, were lower in priority as they were done off-cycle, as shown in Figure 1.

Figure 1: Delays and acceleration enhancements on financial reporting, Deloitte Canada Insurance IFRS 17 Day 2 Survey



Due to the complexity and interdependencies involved in the measurements required of IFRS 17, insurers—particularly life and health carriers with long-duration contracts—have experienced extended timelines across most financial reporting-related processes.

Given the lengthened working day timetable resulting from the increased workload and complexity associated with IFRS 17, insurers we spoke to often face challenges in meeting reporting deadlines and ensuring the completeness and accuracy of their financial statements. In addition, the importance of public disclosures further emphasizes the need for insurers to prioritize improvements that are more visible to both internal management and external stakeholders.

As a result, insurers are focusing their efforts on enhancing process and systems that directly impact financial reporting and public disclosures. For example, they may invest in:

- Improving data collection, consolidation, and validation processes.
- Implementing robust controls and review framework.
- Enhancing reporting tools to provide more transparent and comprehensive information to management and external stakeholders.

By striking a balance between visible improvements and addressing the underlying complexities of IFRS 17, insurers can enhance their financial reporting processes and maintain the confidence of both internal management and external stakeholders.



Case Study 2

After their IFRS 17 solution went live, a regional insurance group engaged us to improve their IFRS 17 reporting process. We performed a thorough study on their end-to-end process. Blending in the insights from our experts with the company's specific needs, we identified the following three key themes and recommendations that were collaborated and prioritized with the client for the implementation.

1. Too costly for any hiccups during a reporting process

- End-to-end process is complex and lengthy. Any unplanned issues a reporting cycle are very costly in money and time, which involves Investigation, Resolution Recommendation such as system re-run and manual off-system adjustment, Decision Making, eventually Execution and Review/Approval of Fix.
- This was more pronounced when new issues arose after the previous fix at later stage of the process, which meant iterations were often required for a cycle.
- From our experience in advising on many global IFRS 17 implementations, more than 80% of the time is data related issue.
- Data quality was critical for a smooth and efficient reporting cycle, especially for an insurance group with multiple entities and a centralized solution.

Recommendation: Deploying a Data Validation Tool before any system run could minimize the chances of running into errors during the process

- Aim to ensure the data preparation is accurate and aligned with company's guidance.
- Ideally performed by data preparer so they could identify issues before passing to system and rectify swiftly
- Data validation tools should be easy to execute, read and adjust as new products / data validation rules emerge
- Python was used at the end which is a good platform to begin with given its flexibility and scalability by migrating to cloud or server-like platform.

2. Sophisticated architecture with too many systems

- During IFRS 17 implementation, some legacy systems were retained to minimize changes, and different systems or platforms were chosen for various reasons such as functionality, compatibility, etc.

- As a result, this introduced unnecessary frictions and inefficiencies between systems e.g., data hand-shaking process, additional reconciliation to ensure no data leakage, greater effort for system integration test when any enhancement is made, higher maintenance cost, etc.
- Process might not be optimized and well-designed which created unwanted iterations.
- Inclusion of manual and unautomated processes will also slow down the whole execution

Recommendation: Consolidating process in fewer systems and migrating inefficient process to scalable and automated platform

- Goal was to achieve a fully automated process with robust control and governance
- Merging functionalities from different platforms led to improved efficiency, e.g., utilize general ledger on all accounting related process
- Minimizing manual processes by migrating them into an automated platform.

3. Lack of transparency in the results for end users to analyse and investigate

- Hard to analyse the results by end users by just looking at the numbers, as they have been aggregated at group of contracts level
- Requires ad-hoc investigation for any abnormalities, which wastes a lot of efforts e.g., communication between end users and system owners, ad-hoc run to obtain necessary granular information for analysis, etc.

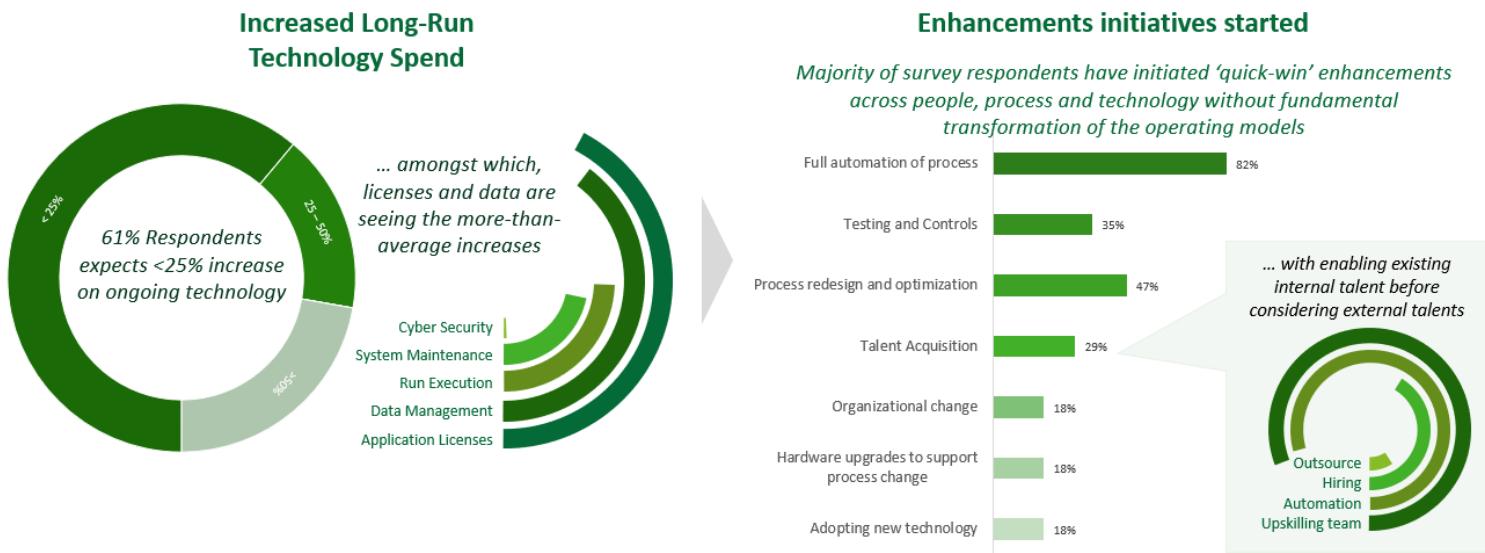
Recommendation: Leveraging Data Warehouse to expand analytical capability, e.g., adding Traceability function

- Build a data warehouse storing all the financial and non-financial data in one place at different levels of granularity (including necessary interim results)
- Implement analytical functions into the data warehouse based on the business need e.g., breakdown of results from aggregated to granular contract level
- Aim to facilitate end users to review the outcomes and minimize back-and-forth discussions and ad-hoc analysis

Cost efficiency

Despite the fact that the new IFRS 17 measurements resulted in increased license costs and data and computation infrastructure, our respondents are expecting the overall technology spend over time to be contained to less than 25%. So far, the enhancement initiatives focus on efficiency through automation and process streamlining. Technology changes are slightly far-fetched, according to our respondents, as there are no strong contenders in the market offering obvious savings, as shown in Figure 2.

Figure 2: Cost-efficiency enhancement of financial reporting processes, Deloitte Canada Insurance IFRS 17 Day 2 Survey



Technology and people, orchestrated by processes, form the foundation of financial reporting operations. The increasing granularity of data and analytical requirements necessitates a greater need for data storage and computational resources within the IT infrastructure. Some insurers have reported that their IT expenditure on financial reporting doubled in the first year of IFRS 17 reporting. In response, they have taken decisive measures to limit technology spending to an increase of 25-50% from the pre-IFRS 17 era. The following are potential enhancements to achieve that goal:

- **Implement a robust data management system**—This helps ensure the accuracy, completeness, and consistency of data and involves implementing data validation checks, data reconciliation processes, and data governance frameworks.
- **Improve documentation and implement strong internal controls**—This ensures transparency and auditability of the financial reporting processes.

- **Invest or consolidate technology**—Consider technology solutions that can streamline and automate financial reporting processes. This may include implementing or consolidating reporting software, data analytics tools, and cloud-based solutions. Automation can reduce manual errors, improve efficiency, and provide real time insights into financial performance.

- **Provide training and education**—Conduct regular training and education programs for employees involved in financial reporting process. This will help them understand the requirements, enhance their technical skills and ensure consistent interpretation and application of the Standard.

Furthermore, the stabilization of methodologies, production procedures, analysis, and controls also provide opportunities for automation and help reduce the skill gap needed for IFRS 17 reporting and improve overall efficiency.

What we predicted would happen

In 2022, we made predictions of post-implementation activities. Our recent discussions with industry actuarial and finance leaders have revealed that their ongoing enhancement initiatives align with the themes predicted, yet with some surprising aspects in their approach and progress, which we will elaborate on below.

Remediation

What we predicted:

Immediately following the implementation of IFRS 17, companies will shift their attention towards addressing any shortcomings and refining their systems. The focus will be on ensuring the accuracy of financial statements and identifying crucial Key Performance Indicators (KPIs). These KPIs will play a pivotal role in managing performance and augmenting communication with stakeholders.

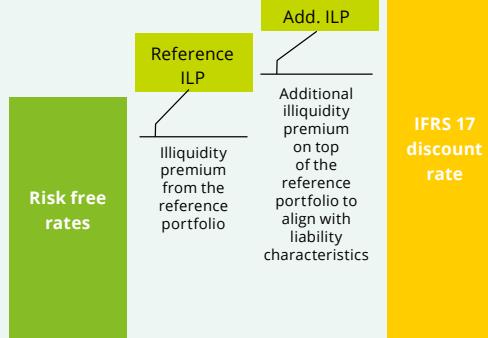
What surprised us: The scale of remediation

The inaugural year of IFRS 17 implementation has yielded invaluable data and insights, enabling insurers to revisit and refine their methodologies. By benchmarking against their peers, insurers can identify best practices and areas for potential improvement. This entails analyzing both the financial and operational results obtained during the first year, comparing them with those of other insurers, and adjusting methodologies to ensure compliance, enhance results, and increase accuracy.

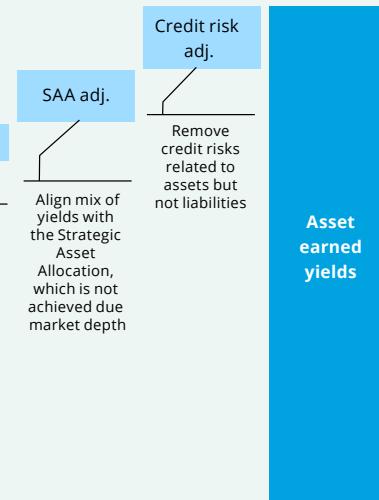
Case Study 3—Discount Rate Methodology Review

IFRS 17 provides general principles instead of specific rules for discounting, allowing insurers to have flexibility in their approach. While the theory behind setting a discount curve to account for the time value of money is straightforward, its practical development involves various complexities. In terms of determining the discount curve, IFRS 17 offers the choice between the bottom-up or top-down approach. However, beyond this, insurers have adopted different practices and parameters to shape their own discount curves. Below are two possible adaptions of the approaches to construct a compliant IFRS 17 discount rate curves.

Bottom-up approach



Top-down approach



Given the recent increase in interest rates, insurers are now reevaluating their discount rate methodologies and addressing any challenges that may arise with their chosen approach.

We are currently assisting a Canadian insurer in reviewing and evaluating its current discount rate assumption. Our goal is to suggest recommendations that will help mitigate the Company's current earnings volatility challenge. To achieve this, we have conducted a detailed analysis comparing all of the client's underlying discount rate parameters to its industry peers. This analysis has provided management with insights into whether any of their parameters are outliers compared to their peers.

As next steps, the recommendations would be put through validation and assessment on how they can address the quarter-to-quarter earnings volatility that the Company has been experiencing for the past six quarters. The recommendations are expected to stabilize the Company's earnings and provide a more stable financial performance.

The first wave of IFRS 17 reporting surprised both the insurance industry and the investment world, revealing significant diversity in positions, methodologies, practices and results, despite the uniformity expected from adherence to a common Standard.

One of the primary objectives of IFRS 17 is to standardize the measurement of insurance operations globally. As a result, multinational insurance companies now find themselves needing to justify their IFRS 17 methods in comparison to global peers rather than solely those operating within the same market. This shift also exposes the accounting and actuarial practices each market inherited from its previous reporting Standard. For example, the market-consistent measurements of insurance contracts with embedded options and guarantees exhibited a range of practices, ranging from differences in methodologies to the use of simplifying proxy models. During discussions with auditors and investment analysts, we learnt that the investment community and financial statement users are urging companies that adopted significant simplifications to refine their practices to achieve the comparability promised by the Standard.

On the other hand, life and health companies which began working on IFRS 17 between 2017 and 2020 likely could not have anticipated the post-pandemic economic environment. Accounting policies and actuarial methods determined during that time may no longer be applicable in the face of rising interest rates. In recent survey result debriefs with our clients and some companies revisiting their policy and methodology decisions to recalibrate for market comparability.

Lastly, the complexity of the reporting and disclosure landscape for insurance companies was underestimated. Determining the appropriate set of Key Performance Indicators (KPIs) and the right language to communicate them has proven to be a challenging task, given the diverse audiences that include management, investors, regulators, rating agencies and other users of financial reporting and disclosures.

Modernization

What we predicted: *Insurers were poised to enhance efficiency through process automation and integration of the broader reporting and disclosure function. Cross-collaboration among actuarial, finance, and information system teams would continue, with investments in advanced analytics and reporting tools.*

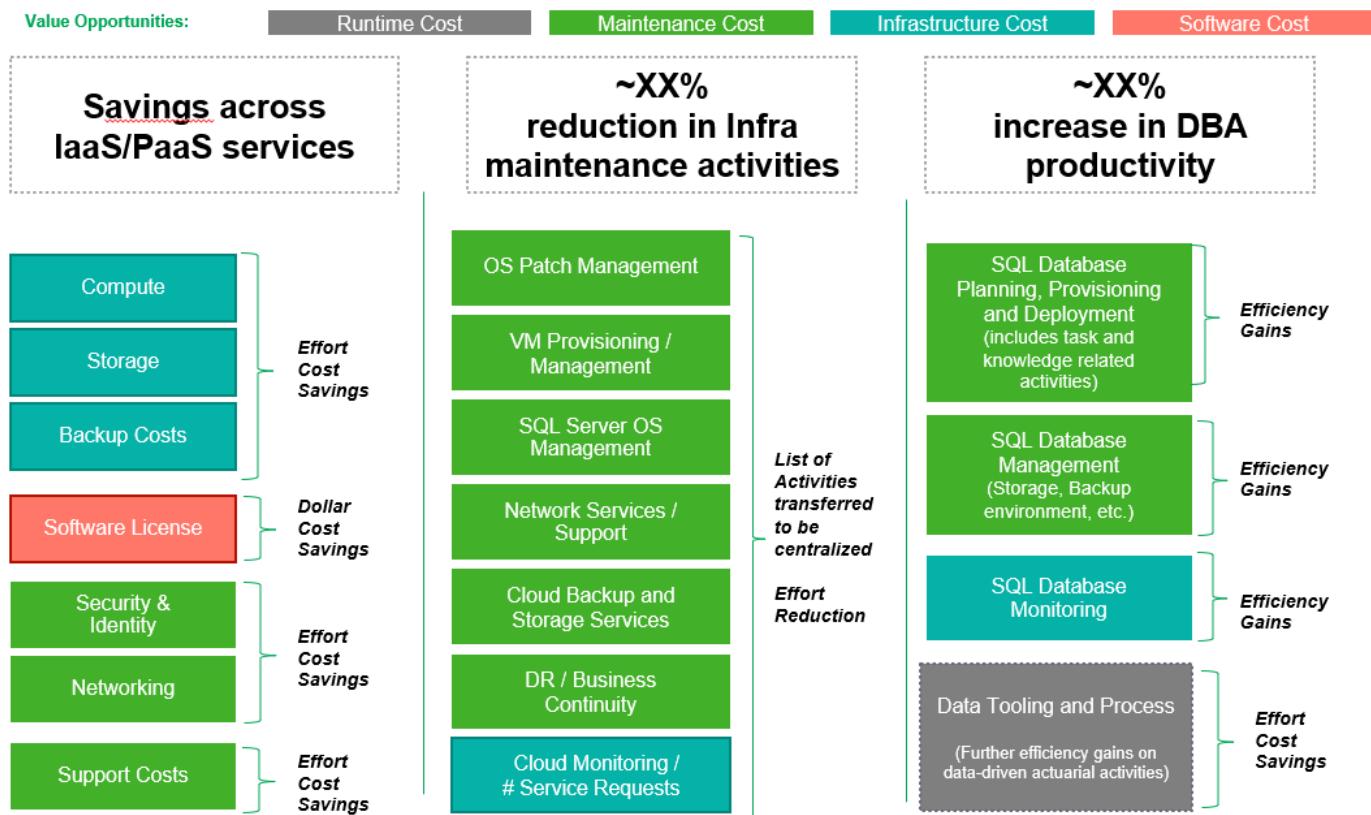
What surprised us: The 'divide-and-conquer' approach

To expedite and enhance cost-effectiveness in integrated reporting, insurers prioritized piecemeal quick-wins rather than making substantial changes to their software and system connections. These quick wins came in the form of visible value generated through streamlining existing processes, augmenting data quality and bolstering collaboration among different departments.

Integrated reporting requires flawless coordination among various functions, including finance, actuarial, and IT. By implementing incremental enhancements, insurers can gradually improve their reporting processes without the need for extensive system overhauls. These improvements can facilitate more prompt and precise financial reporting, which is critical for compliance and decision-making.

Following the implementation of IFRS 17, insurers are now focusing on cost rationalization during the business-as-usual phase. Maintaining data and computational infrastructure can be costly, especially considering the increased data requirements and complex calculations mandated by IFRS 17. The key areas for cost rationalization include expenses related to data and computational infrastructure and maintenance personnel costs. Figure 3 contains a brief list of some of the costs related to maintaining actuarial data and systems.

Figure 3: Cost categories of maintaining and operating a set of data infrastructure



Maintaining data and computational infrastructure can be costly, especially considering the increased data requirements and complex calculations mandated by IFRS 17. Management was surprised to realize the cumulative cost of maintaining and utilizing data. As a result, insurers are now investigating opportunities to optimize their infrastructure, such as adopting cloud-based solutions or outsourcing certain functions. Similarly, the cost associated with maintenance personnel can be reduced by automating routine tasks and investing in training to improve efficiency.

By rationalizing costs in these areas, insurers can achieve greater efficiency and cost-effectiveness in their financial reporting processes. This not only helps ensure the long-term sustainability of these processes but also contributes to the overall business profitability and competitiveness.

Case Study 4

A multinational insurer is examining ways to enhance their data transformation journey by broadening their focus beyond the actuarial space. Over the years, the company has undergone multiple changes in its end-to-end reporting processes, which, while operational, have gradually become maintenance challenges.

The company's large size and segregation of duties have resulted in information silos, keeping different functions within their respective knowledge domains. Data transformation processes are separated and replicated across functions (finance, actuarial, analytics) and business units (product lines and geographic regions), despite overlaps in data sources and upstream processes. These overlapping areas were never reviewed holistically across the corporate hierarchy. This situation existed before but worsened as IFRS 17 processes were built independently of each other.

The impacts on IT costs are significant: duplication in processes and data leads to higher maintenance costs. With IFRS 17's more granular data requirements, the need for expanded storage and data transformation processes resulted in longer closing times, higher storage costs, and increased server runtime costs. The separate data infrastructure also prevented the company from benefiting from economies of scale. Separate technical teams were required for different data warehouses and servers, with software updates and environment setups done independently.

In response to these challenges, a feasibility study on data synergy

across functions and business units was performed by the company with Deloitte's assistance. This identified considerable overlap among the systems; for example, many processes were sourced from administrative policy information and event records, which then diverged into actuarial valuation extracts, accounting journal entries, and experience study exposure records, each with slightly different data processing methods. The company is performing a cost benefit analysis to assess the cost of consolidating processes aims to consolidate these processes into a single instance and harmonize data transformation scripts, with the expected savings in IT and operations .

While the business case for hard cost savings is being developed, additional potential benefits are being explored in terms of enabling more advanced analytics and insights through an integrated data solution. The insurer has been seeking ways to harness its large data inventory but has been hindered by a decentralized data structure. Proposed use cases include live experience tracking enabled by on-the-fly comparison of actuarial expectations and actual financial data, where a single data definition reduces the need for reconciliations among sources. With the advent of AI and the deployment of smarter data models, the data could potentially be utilized with less inconsistency, paving the way for more robust machine learning algorithms.

The project is ongoing, and the company continues to evaluate and refine its approach to achieve a more streamlined and efficient data transformation process.

of their forecasts and construct more strategic business plans. Simultaneously, they are implementing operational changes in areas such as investments, asset-liability management, and participating management to optimize their financial outcomes.

The complexities of actuarial modeling and multi-structured data analysis are stretching the boundaries of traditional computational capabilities. In response, innovative solutions are emerging from the computer science realm to fulfill the actuarial and analytical needs of insurance companies. These advanced solutions range from NoSQL databases, which facilitate complex real-time data analysis, to GPU-computing that accelerates stochastic modeling and machine learning algorithms.

Generative AI (GenAI) is also making significant strides across the commercial sector. To us, its primary role in actuarial and finance processes appears to be reducing the technical hurdles associated with complex analysis, programming, information processing and generation. Several proof-of-concepts (PoCs) have been carried out using GenAI prototypes, which are designed to assist with actuarial report drafting, legal contract comprehension, and

Transformation

What we predicted: *Within two to five years following the effective date, once companies have rectified and modernized their processes, they would reassigned resources to more expansive objectives. This transition would involve a shift towards the automation of manual tasks and the application of predictive modeling, machine learning, and artificial intelligence (AI). In this transformed landscape, actuarial and finance functions would be pivotal in delivering actionable insights and bolstering strategies that promote sustainable business growth.*

What surprised us: The race has already begun

Contrary to our initial expectations of insurers solely focusing on remediating and modernizing their financial reporting processes, we discovered that companies are already implementing a variety of transformation initiatives.

Insurance companies have started leveraging the power of IFRS 17 financials to guide their strategic decisions. For example, these firms are utilizing IFRS 17 metrics to improve the accuracy

Case Study 5

Generative AI has become a hot topic in the commercial world where all business functions are searching for applications to transform and enhance their operation. An insurer invited us for a brainstorming session with the finance and actuarial teams to elaborate on GenAI use cases and explore and plan their pursuits of this technology..

The use cases

Through our conversations with finance and actuarial professionals, we have identified areas where GenAI can add value, such as the ability to process and produce natural language material and computer coding. The group described the practical scenarios where GenAI could facilitate business operations and initiated proof-of-concepts with the Deloitte team.



Financial Result Analysis and Commentary

- AI technique to process large volume of financial results and pick up trends and features
- Prepare commentary describing key features of the results, and relate the features in business context
- Applicable to expense managements, regular reserve movement analysis, management and regulatory reporting



Technical document comprehension

- GenAI could be trained for specific domain languages, such as finance, actuarial and legal
- It can process large volume of information equally and avoid human biases (such as confirmation, recency, etc.)
- It could be used to review and summarize legal contracts, technical actuarial documents, and other documents that require domain knowledge.



Actuarial modelling

- GenAI to draft modelling program coding or setup files based on literal business requirements
- GenAI tools to prepare comprehensive model documentation for risk and regulatory needs.
- Accelerate operations related to actuarial models, such as development, validation, migration, etc.



New Business Issuance

- Automate full-function actuarial pricing that respond to changing economic environment and customer specifics
- Interact with potential clients and distributors to quote prices and onboard new businesses

The guardrails

We were particularly careful about the risks associated with using Generative AI and its impact on the accuracy and trustworthiness of the responses it provides. There have been cases where corporations have suffered from financial losses or faced legal consequences due to the use of artificial intelligence applications in their business.

Therefore, the team actively sought techniques to improve accuracy, stability, and trustworthiness in the pursuit of Generative AI applications in finance and actuarial fields. One of the most common techniques is to overlay a traditional large language model with Retrieval Augmented Generation (RAG), which confines the content in the response to only the knowledge base. Additionally, an enterprise-level GenAI/AI strategy and governance framework would be useful to guide the application of new technology across different functions.

Conclusion

The implementation of IFRS 17 has posed significant challenges for insurers, particularly in terms of supporting methodologies, adapting technological solutions, and ensuring effective controllership. However, by taking proactive steps to remediate, modernize and transform financial reporting, we believe insurers can overcome these challenges and create value from the processes.

The first year of implementation provides a valuable opportunity for insurers to learn from their experiences and make necessary adjustments. By persistently refining their approaches and adopting best practices, insurers could ensure compliance with IFRS 17 and achieve their financial reporting and business management objectives.

To learn more about how Deloitte can help your organization with enhancing and modernizing the integrated reporting function, please contact:



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