



Guidebook for Insurers to Solve the IFRS 17 Reporting Puzzle

Insurance - IT Services (ITS)

Market Report – April 2020: Complimentary Abstract / Table of Contents

Our research offerings for global services

▶ Market Vista™ Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available	
▶ Application Services	▶ Human Resources
▶ BPS Banking & Financial Services	▶ ITS Banking & Financial Services
▶ BPS Healthcare & Life Sciences	▶ ITS Healthcare
▶ BPS Insurance	▶ ITS Insurance
▶ Catalyst™	▶ IT Services Executive Insights™
▶ Cloud & Infrastructure	▶ ITS Life Sciences
▶ Customer Experience Management Services	▶ Locations Insider™
▶ Data & Analytics	▶ PricePoint™
▶ Digital Services	▶ Procurement
▶ Engineering Services	▶ Recruitment & Talent Acquisition
▶ Enterprise Platform Services	▶ Service Optimization Technologies
▶ Finance & Accounting	

More about membership

In addition to a suite of published research, a membership may include

- Accelerators™
- Analyst access
- Data cuts
- Pinnacle Model® reports
- PriceBook
- Virtual Roundtables
- Workshops

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Membership information

- This report is included in the following research program(s)
 - [Insurance - IT Services \(ITS\)](#)
- If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com

Table of contents

Topic	Page no.
Background, scope, approach, and key definitions	4
• Background, scope, and methodology	5
• Summary of key messages	6
Section I: Implications of IFRS 17 on actuarial processes and financial reporting	7
• Implications of IFRS 17 on insurer's books	8
• Challenges for the existing reporting technology to comply with IFRS 17 standards	9
Section II: Enterprise system readiness for IFRS 17	10
• Data, system, and processes for IFRS 17	11
• Existing system readiness checklist	12
Section III: IFRS 17 solution and services providers	13
• Features of IFRS 17 solution	14
• Capability assessment dashboard	15
• IFRS 17 solution providers and capabilities	17
• IFRS 17 service provider services scope	18
• Next-generation technology trends for IFRS 17	19
• Implications for insurers	20
Appendix	21
• Glossary of terms	22
• Research calendar	23
• References	24

Background, scope, and methodology for assessing the International Financial Reporting Standard 2017 (IFRS 17) demand trends and third-party solution vendors

- In May 2017, International Accounting Standards Board finalized reporting standards for insurers. This new reporting standard, the IFRS 17, looks to comprehensively overhaul insurance contract valuation, reporting, and modeling. IFRS 17 is the most significant change to an insurer's bookkeeping function in over three decades and aims to increase transparency and comparability of insurer's revenue, liabilities, risks, and overall financial health. The effective go-live date for IFRS 17 is January 1, 2023
- In order to comply with IFRS 17 standards, insurance firms need strong actuarial engines to calculate contractual service margins as a key metric for financial health, and manage risk adjusted and discounted cash flow calculations using one of the three prescribed models
- In order to help insurers cover the major actuarial and accounting requirements, IFRS 17 solution providers are looking to provide end-to-end calculation and modeling engines for actuarial calculations and accounting reconciliation. Solution providers are looking to provide a centralized data source along with data quality and mapping tools
- IT service providers are helping insurers by developing a roadmap for achieving IFRS 17 compliance, including solution selection and blueprint development, for an integrated architecture
- Insurers are looking toward new technologies such as in-memory computing, cloud computing, and big data analytics to not just comply with IFRS 17, but derive risk insights from their account books in order to make the right business decisions

Scope of this report



Industry
Insurance



Market segment
IFRS 17 solution providers



Geography
Global



Sources
Operational capability of 12 IFRS 17 platforms updated through enterprise and service provider discussions and public disclosures

Solution providers covered in the analysis



Summary of key messages



IFRS 17 has completely overhauled the insurance contract valuation, risk modeling and calculations, contract grouping, and overall reporting operations

In order to comply with the new standards, insurers need to evaluate their current system's ability to calculate and model risk, cash flows, and report reconciliation, and manage data comprehensively including centralizing, cleaning, and mapping it

Insurers need to perform extensive system-gap analysis to judge their existing system's ability to calculate contractual service margins, risk adjustments, discounts, and overall revenue and expense. Post gap analysis, insurers can repurpose their actuarial, accounting, or data management engines to comply with IFRS 17

IFRS 17 vendors are helping insurers integrate their reporting systems and providing pre-configured rules, engines, and templates for automated reporting. Vendors are helping insurers leverage rich insights, visualization, and inter-team collaboration between actuarial, finance, and IT teams to take the right business decisions

IT service providers are helping insurers perform their system-gap analysis for IFRS 17 compliance and charting out a roadmap for system transformation by using proprietary solutions or through partnerships with vendors

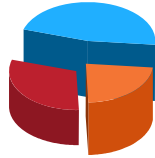
This study offers three distinct chapters providing a deep dive into key aspects of IFRS 17 reporting solutions market; below are four charts to illustrate the depth of the report

Impact of IFRS 17 on insurer's books



Changes in insurance contract classification

- All insurance products with similar risks, risk adjustments, and overall policy management will have to be grouped together
- These groups are further broken into cohorts based on the year they were written in
- Each cohort is then classified as "onerous", "might become onerous", and "will never be onerous" based on their risk levels



Changes in valuation

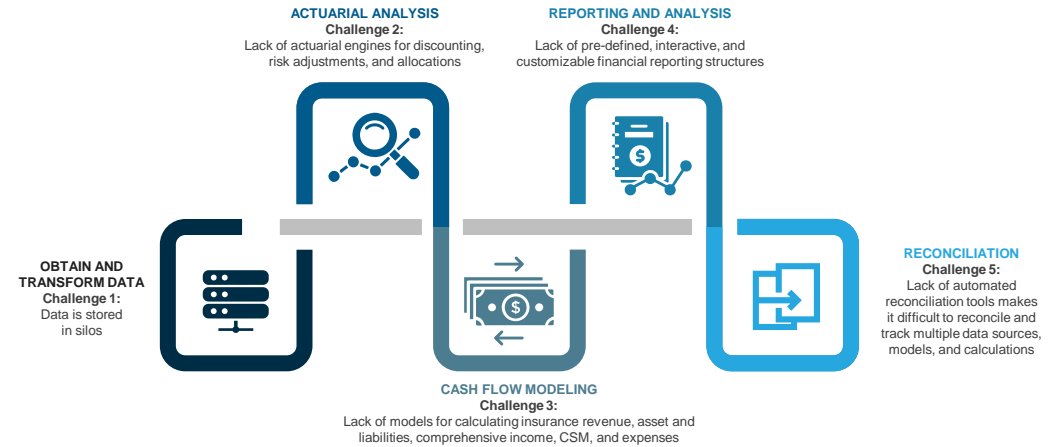
- IFRS 17 does not allow booking of profits on day one of the policy
- Liabilities now include the liability of coverage, which is released as and when services are provided
- Contractual Service Margin (CSM) is calculated using all risk adjusted and discounted future cash flows of the contracts



Changes in cash flow models

- General Measurement Model (GMM) will become the core model. It calculates the CSM as a measure of an insurer's profitability
- Variable Fee Approach (VFA), which is applicable to insurance contracts with direct participating features. It does not accrete any interest on the CSM, but is adjusted for the investment profit of the entity
- Premium Allocation Approach (PAA), which is applicable only for policies which are under a year and calculates liabilities based on premiums

Challenges in current IT stack to comply with IFRS 17 standards



Checklist for comprehensive gap analysis of existing reporting solutions of insurer

Self-scoring methodology for insurer		Recommendation for the insurer
Actuarial Data consolidation + Cash-flow discounting + CSM calculations + Risk adjustments = Total score for actuarial systems	Total score of less than 2 means insurers should invest in an integrated IFRS 17 solution with calculation engines for discounting, risk adjustment, allocation, and CSM. Insurers with a score of 3 or more can reconfigure their existing actuarial system for IFRS 17 compliance	
Accounting Insurance revenue + Asset and liabilities + Comprehensive income + Expenses = Total score for accounting systems	For accounting, if the existing system scores less than 2, then insurers should look for an end-to-end IFRS 17 solution with strong accounting and reporting capabilities	
Data management Data consolidation + Data quality tools + Data mapping + Workflow management = Total score for data management	Total score of less than 2 points to lack of strong data management capabilities. Insurers should look to leverage integrated solutions with data consolidation, data cleansing, and data lineage capabilities	
IT infrastructure Flexible storage + Scalable computing + Cloud computing + APIs for third-party data sources = Total score for IT infrastructure	If the existing IT infrastructure score is less than 2, then insurers should look to invest in a robust cloud-based infrastructure with flexible computing, storage, and Application Program Interfaces (APIs)	

Major IFRS 17 solutions and their respective areas of strength

	Vendors with strong data management capabilities	Vendors with strong actuarial capabilities	Vendors with strong accounting capabilities
Capabilities across three themes		IBM, CCH* Tagetik	
Capabilities in data and actuarial		SAS	
Capabilities for accounting and actuarial		RNA ANALYTICS, FIS	Aptitude SOFTWARE
Capabilities for accounting and data		WillisTowers Watson, MOODY'S ANALYTICS	ORACLE
Capabilities for data	SAP		
Capabilities for actuarial		AON, LEGERITY	

Glossary of key terms used in this report

Term	Definition
API	Application Programmable Interface
AI	Artificial Intelligence
CSM	Contractual services model
GAAP	Generally Accepted Accounting Principles
GTM	Go-to-Market refers to the vendor's strategy for taking products to market
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
OOTB	Out-Of-The-Box refers to implementations that do not require any significant customization and development
P&C	Property and Casualty
POC	Proof of Concept-pilot program to determine the feasibility of a project
STP	Straight-Through-Processing refers to digitizing, disintermediating, and automating operations for faster turnaround time
UX	User Experience

Research calendar – Insurance IT Services

Published
 Planned
 Current release

Flagship Insurance IT Services reports

Release date

Next-generation IT Infrastructure Services in Insurance PEAK Matrix® Assessment 2019 – Laying the Foundation for the Digital-first Insurer	June 2019
Insurance IT Service Provider Compendium and Capability Snapshot 2019	September 2019
Life & Annuities (L&A) Insurance Application and Digital Services PEAK Matrix® 2020 – Conflated Growth and Efficiency Agendas	December 2019
Property & Casualty (P&C) Insurance Application and Digital Services PEAK Matrix® 2020 – Coverage, Channels, and Commercial Model Innovation	December 2019
Guidewire Services – PEAK Matrix® Assessment 2020	Q2 2020
Guidewire Services – Service Provider Compendium 2020	Q2 2020
State of the Market – Insurance IT Services	Q2 2020
Product and Channel Enablement Services for Business Model Innovation in Insurance – Services PEAK Matrix® Assessment 2020	Q3 2020
Product and Channel Enablement Services for Business Model Innovation in Insurance – Service Provider Compendium 2020	Q3 2020

Thematic Insurance IT Services reports

Wipro Bets Big on Healthcare through the HealthPlan Services Acquisition	May 2019
Digital Experience Platforms (DXP) in Insurance	April 2020
Guidebook for Insurers to Solve the IFRS 17 Reporting Puzzle	April 2020
State of Cloud Adoption in Insurance	Q2 2020
Claims Management of the future – Focus on P&C Insurance	Q3 2020

Note: For a list of all of our published Insurance - IT Services (ITS) reports, please refer to our [website page](#)

Additional Insurance IT Services research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Property & Casualty (P&C) Insurance Application and Digital Services PEAK Matrix® 2020 – Coverage, Channels, and Commercial Model Innovation** ([EGR-2019-41-R-3481](#)); 2019. In this report, Everest Group studied the vision, capability, and market impact of 22 leading service providers with respect to their IT application and digital services portfolio in P&C insurance sector. The service providers were positioned on Everest Group’s proprietary PEAK Matrix® to identify Leaders, Major Contenders, Aspirants, and Star Performers
2. **Life & Annuities (L&A) Insurance Application and Digital Services PEAK Matrix® 2020 – Conflated Growth and Efficiency Agendas** ([EGR-2019-41-R-3438](#)); 2019. In this report, Everest Group studied the vision, capabilities, and market impact of 20 leading service providers with respect to their IT application and digital services portfolios in the global L&A insurance sector. The service providers were positioned on Everest Group’s proprietary PEAK Matrix® to identify Leaders, Major Contenders, Aspirants, and Star Performers
3. **Artificial Intelligence (AI) in Insurance Moving From Pilots to Programs: Insurance IT Services Annual Report 2018** ([EGR-2020-41-R-2614](#)); 2020. In this report, we studied AI-focused investments by 100 global insurers as they progressed on their digital transformation journey

For more information on this and other research published by Everest Group, please contact us:

Ronak Doshi , Vice President	ronak.doshi@everestgrp.com
Aaditya Jain , Practice Director	aaditya.jain@everestgrp.com
Supratim Nandi , Senior Analyst	supratim.nandi@everestgrp.com
Shrey Kalawatia , Analyst	shrey.kalawatia@everestgrp.com
Anurag Bahadur Singh , Analyst	anurag.singh@everestgrp.com
Insurance IT Services Team	Insurance-ITS@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



Everest Group is a consulting and research firm focused on strategic IT, business services, engineering services, and sourcing. Our clients include leading global enterprises, service providers, and investors. Through our research-informed insights and deep experience, we guide clients in their journeys to achieve heightened operational and financial performance, accelerated value delivery, and high-impact business outcomes. Details and in-depth content are available at www.everestgrp.com.

Stay connected

Website

everestgrp.com

Social Media

-  @EverestGroup
-  @Everest Group
-  @Everest Group
-  @Everest Group

Blog

everestgrp.com/blog

Podcast

DigitalReallTy



Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91-80-61463500

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-416-388-6765

This document is for informational purposes only, and it is being provided "as is" and "as available" without any warranty of any kind, including any warranties of completeness, adequacy, or fitness for a particular purpose. Everest Group is not a legal or investment adviser; the contents of this document should not be construed as legal, tax, or investment advice. This document should not be used as a substitute for consultation with professional advisors, and Everest Group disclaims liability for any actions or decisions not to act that are taken as a result of any material in this publication.