IFRS 17
An enterprise solution that delivers more than just the numbers
As will already be apparent, IFRS 17 brings some very specific challenges for insurers’ actuarial and finance teams. But fresh from the recent experience that most insurers have had in implementing regulatory change, it also brings some familiar ones. For example, the need to produce numbers and analyses ever quicker, with greater transparency, and with more stringent governance and controls.

Willis Towers Watson’s IFRS 17 enterprise solution addresses both these distinct sets of challenges. And its inherent flexibility means it can be adapted to your organisation’s needs and budgets.

What makes the Willis Towers Watson enterprise solution different?

Our solution is based on a compelling vision of the future. Targeting cost effectiveness and process efficiency, we have designed a generic IFRS 17 systems technical architecture and associated reporting workflow based on our deep industry expertise and around existing Willis Towers Watson technology solutions.

Together they offer a complete end-to-end solution that delivers automation, efficiency and auditability ‘out of the box’, saving time and money and allowing experts to be deployed on higher value tasks. Your risk, actuarial and finance functions can do more, faster, with less. You can use the modular design to integrate component parts with the systems you already have, adding components at a later date.

Benefits at a glance

- Efficient production of IFRS 17 numbers and analysis using IFRS-ready models
- Resilient business planning and forecasting scenarios
- Integrated data verification, automation, control and governance
- Blended technology and consulting solution
- Modular approach enables flexible implementation
- Provides sub-ledger functionality, enabling downstream processing/integration with accounting reporting systems

The Willis Towers Watson IFRS 17 enterprise solution takes the hassle out of meeting the new accounting standard. It uses high levels of automation, in a governed and auditable environment, to deliver the key cash flow and accounting numbers in a way that also generates wider business value. A modular concept and implementation approach gives the flexibility to integrate with the systems you already have.
End-to-end processing

Willis Towers Watson Unify underpins our enterprise solution technical architecture and reporting workflow (Figure 1) to help you to:

- First and foremost, get the IFRS 17 numbers out how and when they’re needed
- Integrate multiple systems throughout the production process and use the financial information more widely in interpreting and managing the business directly.
- Automate where it improves workflows, governance and use of your experts’ time
- Create a fully governed environment with comprehensive, seamless audit trails

Figure 1. IFRS 17 end-to-end technical architecture

*The architecture and workflow design is based on a core belief that the IFRS 17 engine should be close to the cash flow projection models (see following page)*
The architecture explained

From left to right, source systems data is fed in, cleaned, managed and loaded into the cash flow models. As well as creating a full audit trail for data validation and transformation, DataValidator virtually eliminates the manual effort that many companies currently face from these steps due to legacy systems and data quality. The cash-flow production systems are fully automated and governed by the Unify workflow to produce the required granularity and output for the production of the new IFRS 17 reporting information.

From the output of the RiskAgility FM, ResQ or third-party models the process workflow programs further define and allocate contracts to cohorts in the case of new portfolios, before transferring the cash flow and actuals data into the IFRS 17 calculation engine. The engine performs the contractual service margin (CSM) calculation, including group/cohort discounting, a risk adjustment e.g. based on a cost of capital approach, and roll-forwards and profit and loss releases, depending on the measurement approach, to meet the requirements for the ledgers and for disclosure statements. All the elements together provide the same functionality as a sub-ledger.

CSM calculation results are stored for future reporting cycles. Posting to the accounting reporting environment, uploading to the financial data store, and servicing of management information and dashboards for business planning and forecasting are all also automated.

Figure 2. Sample output from the IFRS 17 Calculation Engine

<table>
<thead>
<tr>
<th>Analysis as at Initial Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV Inflows/Premiums</td>
</tr>
<tr>
<td>Acquisition Cost</td>
</tr>
<tr>
<td>Claims payable and other expenses</td>
</tr>
<tr>
<td>Expected Profit/Loss Component</td>
</tr>
<tr>
<td>Risk Adjustment</td>
</tr>
<tr>
<td>CSM at Inception</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CSM from beginning to end of reporting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening CSM</td>
</tr>
<tr>
<td>New CSM recognised</td>
</tr>
<tr>
<td>Entity’s share of the return of underlying items (VFA)</td>
</tr>
<tr>
<td>Unwinding of Discount Rate (GMM)</td>
</tr>
<tr>
<td>Change in Cashflows (adj. for InvCo/Prem)</td>
</tr>
<tr>
<td>Change in Risk Adjustment</td>
</tr>
<tr>
<td>CSM before release</td>
</tr>
<tr>
<td>CSM released in period</td>
</tr>
<tr>
<td>Closing CSM</td>
</tr>
</tbody>
</table>
Why we believe the IFRS 17 engine, including the CSM calculation, should be close to the cash flow projection models

While IFRS 17 is an accounting standard, many of the principles are closer to a typical actuarial model than a traditional accounting model. Moreover, the CSM calculation uses both forward-looking information that typically comes from an actuarial model and backward-looking actual experience that typically comes from an accounting system.

An IFRS 17 implementation solution that has the CSM calculation in the actuarial systems is therefore likely to be the most cost-effective and process-efficient approach. In addition to enabling companies to use current assumptions and functionality and to maintain consistency, we believe there are three key reasons to locate the CSM calculation engine close to the cash flow projection models: business uses, flexibility, and transparency.

**Business uses**
- Not only for ‘official’ valuations
- Business planning functionalities and multiple accounting views – IFRS, Local and Market
- Impact of and integration with IFRS 9
- ‘What if’ analysis
- Group or business unit level results

**Flexibility**
- IFRS 17 results at greatest level of granularity (user defined) in addition to standard reporting
- Easy changes of IFRS 17 accounting items (i.e. changes for reinsurance treaties)

**Transparency**
- Full transparency and cash-flow analysis expected/actual over the projection period
- Bottom-up control of CSM movements
Key elements of our IFRS 17 enterprise solution technical architecture

Willis Towers Watson Unify
Unify is an enterprise risk and actuarial systems integration platform for insurer’s financial modelling and reporting processes that manages the IFRS 17 architecture workflow. It is a transformational solution that enables insurers to fundamentally change financial modelling and reporting processes. The ability to integrate, automate and govern actuarial, risk and finance processes enables companies to do more, faster and for less.

Willis Towers Watson IFRS 17 Calculation Engine
The IFRS 17 Calculation Engine has been designed to cater for all of the required measurement approaches, producing the required profit and loss account, balance sheet and disclosure results, and allowing for full drill down capability into the results for each cohort. The underlying engine ensures a high degree of scalability and has been componentised through RiskAgility Financial Modeller and ResQ Financial Reporter, so that irrespective of whether your underlying business is predominantly life, non-life or a composite of both, it can be tailored to provide an efficient, end-to-end process, bringing to bear additional insights and with a potential to introduce further customisations for more sophisticated requirements.

Willis Towers Watson DataValidator
DataValidator is a flexible and user-friendly software package that enables insurers to efficiently validate, cleanse and prepare data for use in downstream financial modelling and reporting processes. It provides easily auditable reports that bring a higher level of rigour and governance to insurers’ data processes.

Willis Towers Watson RiskAgility FM
RiskAgility FM is a multi-purpose financial projection system designed to enable a life insurer to create a modelling process that is adapted to its business processes. The separation of modelling functions makes the system easy to use, understand and learn, while improving model governance and control.

Willis Towers Watson ResQ Financial Reporter
ResQ is a property and casualty insurance and reinsurance loss reserving system. It combines powerful modelling and reserving methods with flexible mechanisms to structure, access and manage data sets. ResQ Financial Reporter specifically provides a modern and easy to use interface to produce the IFRS 17 insurance contract liabilities estimates, including the CSM management under the general model.
Taking a holistic approach

Historically in insurance, system and process evolution has often taken place in a piecemeal fashion, in isolation from other business considerations. For many, the default approach has been to extend legacy platforms and add to a suite of spreadsheets to perform additional functions. Over time, they become slower and put greater emphasis on often manual housekeeping activities.

IFRS 17 will inevitably heap further pressure on insurers to deliver additional numbers and analysis within tight timeframes and with the requisite audit and governance.

Our end-to-end IFRS 17 enterprise solution technical architecture tackles the overriding issue – how to work faster, better and smarter in a fast-changing regulatory and accounting environment. Our modular implementation approach recognises the realities of prior technology investments and enables you to make incremental gains.

Further information
For more information about how our IFRS 17 enterprise solution could benefit your business, please contact your Willis Towers Watson contact or:

Andreas Schröder
Senior Director
+49 221 8000 3460
andreas.schroeder@willistowerswatson.com

Andy Teale
Senior Director
+44 1737 274522
andy.teale@willistowerswatson.com
About Willis Towers Watson

Willis Towers Watson (NASDAQ, WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential.

Learn more at willistowerswatson.com.