

WTW IFRS 17 ES

An enterprise solution to reporting that connects your actuaries and accountants

The WTW IFRS 17 enterprise solution bridges the gap between actuarial and accountancy outputs to help property and casualty (P&C), life and composite insurers achieve the new accounting standard in a streamlined, efficient way. It uses high levels of automation, in a governed and auditable environment, to deliver the key calculation, actuarial detail and sub-ledger reporting capabilities in an end-to-end solution that also generates wider business value. A modular concept and implementation approach gives the flexibility to integrate with the systems you already have.

The IFRS 17 challenge

As will already be apparent, IFRS 17 brings some very specific and overlapping challenges for insurers' actuarial and finance teams.

But from the experience that most insurers have had in implementing regulatory change, it also brings some familiar ones. For example, the constant need to produce numbers and analyses ever quicker, with greater transparency, and with more stringent governance and controls.

WTW's IFRS 17 enterprise solution addresses both these distinct sets of challenges. And its inherent flexibility means it can be adapted to your organization's needs and budgets.

What makes the WTW enterprise solution different?

Our solution is based on a compelling vision of the future that recognizes the connected actuarial and accounting requirements of IFRS 17 and the target operating model implications that accompany those.

Targeting cost effectiveness and process efficiency, we have designed a generic IFRS 17 systems technical architecture with an IFRS 17 Engine close to the cashflow production and an associated reporting workflow that support both actuaries and accountants in delivering to the standard based on our deep industry expertise and around existing WTW technology solutions.

Together they offer a fully automated end-to-end solution that delivers IFRS 17 reporting, 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. The components within the IFRS 17 ES are designed both to work as part of an integrated WTW solution, or as 'best-of-breed' products complementing your existing tools. Thus, you can use the modular design to integrate component parts with the systems you already have, adding components at a later date or even in your business-as-usual environment, where significant improvements might still be required in the business processes and finance operations to deliver IFRS 17 efficiently.



Benefits at a glance

- Efficient production of IFRS17 numbers and analysis using IFRS-ready models that solve the actuarial challenges for life and property and casualty (P&C) insurers (e.g. under either the General Measurement Model (GMM), the Premium Allocation Approach (PAA) or the life-specific Variable Fee Approach).
- All calculated figures come pre-mapped to the WTW IFRS 17 reporting and accounting framework, enabling the WTW Chart of accounts for IFRS 17 and requisite quantitative disclosure tables out of the box.
- 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 reporting and posting capabilities, enabling downstream processing/integration.

Fully automated end-to-end processing

WTW 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.

The architecture explained

Unify manages the entire process, ensuring auditable control of results production. 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.

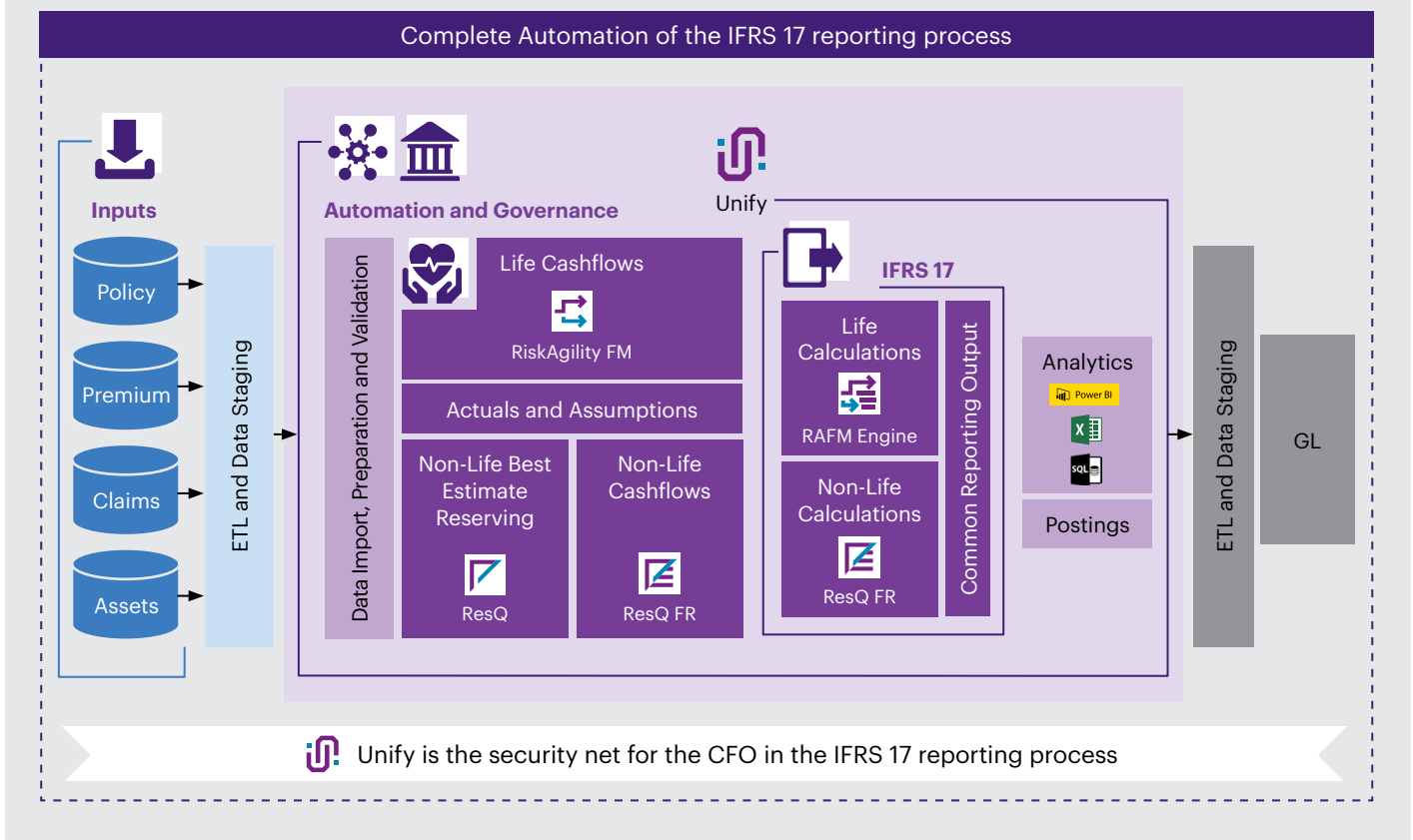
From the output of the RiskAgility FM, ResQ or third-party models, the process workflow programs further define and allocate contracts to cohorts in the case of new portfolios, before transferring the cash flow and actuals data into the IFRS 17 engine.

The IFRS 17 engine and reporting framework

The engine is available in two different specifications:

- RiskAgility FM (IFRS 17 calculation engine) – this allows life actuaries to perform the contractual service margin (CSM) calculation. It includes group/cohort discounting; a risk adjustment calculation based on a choice of approaches; and their roll-forwards and profit and loss releases, depending on the measurement approach (either the General Measurement Model (GMM) or the life-specific Variable Fee Approach).
- The P&C specific variant (ResQ Financial Reporter) – this focuses on transforming existing non-life reserving to the new IFRS 17 requirements. It produces cashflows for the Liability for Remaining Coverage and the Liability for Incurred Claims and performs all the required calculations to decide on and use either the GMM (with similar features to above) or the Premium Allocation method of the new standard.

Figure 1. IFRS 17 end-to-end technical architecture – composite example (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)



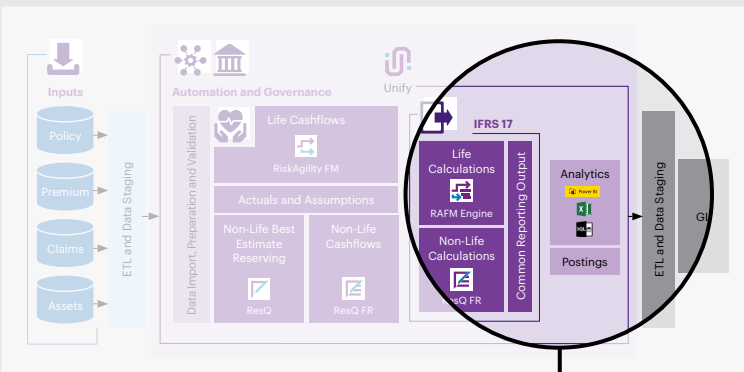
Our engine calculates all the IFRS 17 requirements for the ledgers and for the extensive disclosure statements of the standard.

These calculated engine figures come pre-mapped to our new WTW IFRS 17 enterprise solution reporting and accounting framework, enabling the WTW Chart of accounts for IFRS 17 and the requisite Disclosure tables out of the box (see next section). This is the

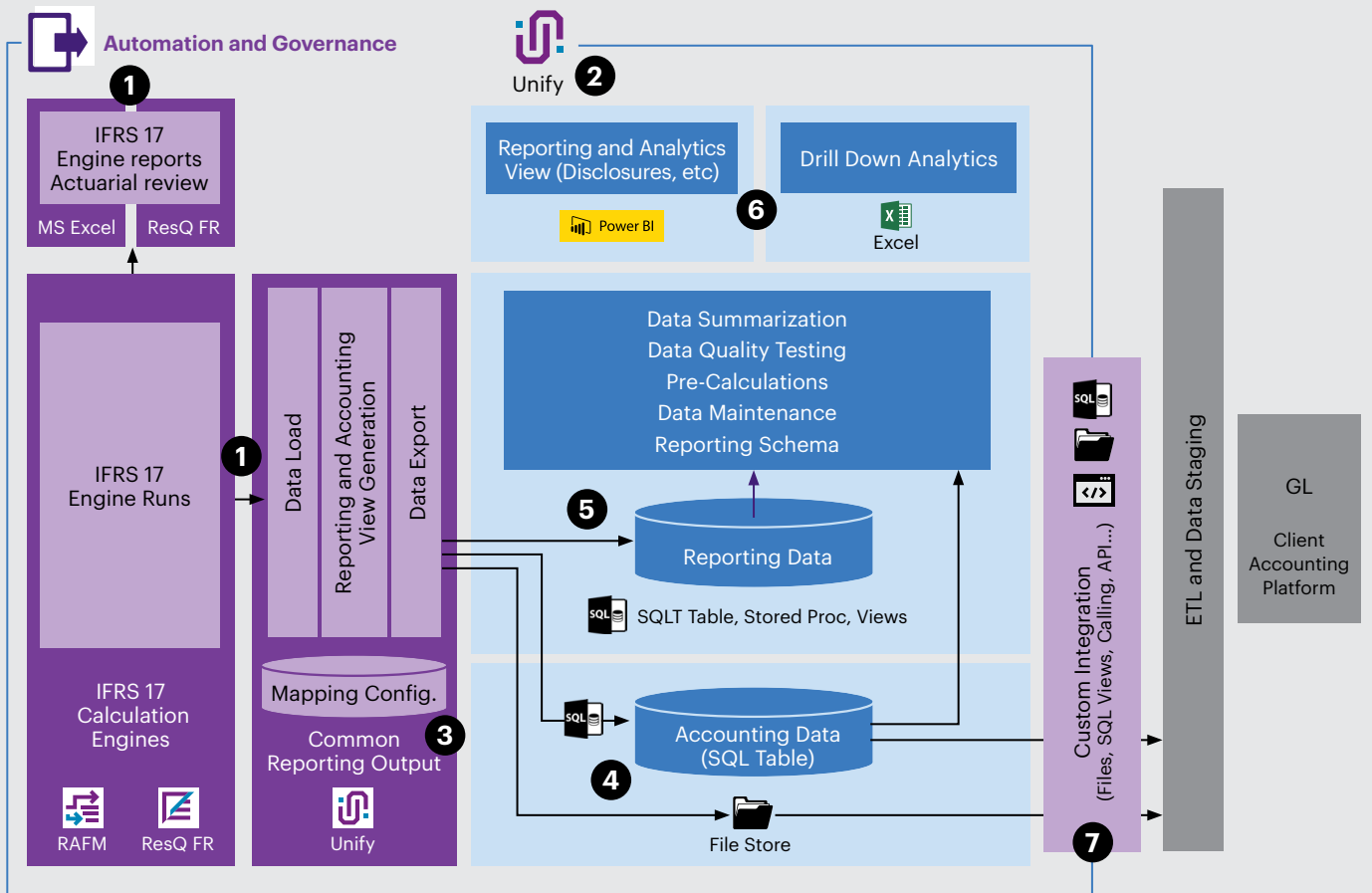
first step for the accounting and the reporting teams. Accounting teams will feel at home and quickly familiar with the framework as it has been developed by accountants for accountants and to marry the required actuarial core calculations with established accounting rules.

All the elements together provide the Unify powered sub-ledger functionality (Figure 2).

Figure 2: The WTW IFRS 17 Enterprise Solution architecture up close



- 1 Analyze IFRS 17 results within the engines or/and export detailed actuarial outputs into *.csv files for MS Excel readers.
- 2 Unify governance/control and automation.
- 3 Mapping rules between IFRS17 engine standard reporting output and client's chart of accounts: The reporting/ accounting view is based on our generic WTW reporting and chart of accounts structure and is facilitated through Unify based on standardized output format and a mapping configuration for both life and non-life outputs.
- 4 Export of mapped data using our standard accounting output into a client's SQL database.
- 5 Export of detailed output into a reporting database schema which will be provided as an asset to accelerate its implementation.
- 6 Analytics using standard set of reports deployable into client's PowerBI service.
- 7 Integration of the IFRS 17 disclosure, analytic reporting and posting solution with your downstream accounting systems.



Key features of our WTW IFRS 17 ES reporting and accounting framework

Reporting variables (RV codes)

- IFRS 17 Engine model outputs are pre-mapped to the RV codes, which identify and account for each 'event' that changes the IFRS 17 liability valuation, e.g. the recognition of the CSM in the reporting period.
- The RV code hierarchy is presented in the format of a Statement of Financial Performance and Statement of Financial Position which can be examined in more detail (Figure 3) – enabling flexible reporting out of the box.“

Customized accounting view

Produces parallel results to the Reporting view but in a format summarized and mapped to a client's specific requirements (e.g. 'thick' versus 'thin' general ledger) in a journal posting file mapped to the client's chart of accounts that loads to the general ledger (Figure 3).

Figure 3. Reporting view, customized accounting view and posting file

REPORTING VIEW DIMENSIONS		
Reporting View Field	Column Name	Description
1	UoA - cohort	Cohort name - free form for client
2	UoA - portfolio	Portfolio name - free form for client
3	UoA - profitability grouping	Onerous/Not onerous/Possibly onerous
4	Calculation currency	ISO codes
5	Presentational currency	ISO codes
6	Valuation Period	Reporting @
7	Origin Period	Incept period
8	Cohort Net Asset / Liability	Asset/Liability flag
9	Currently onerous	Status @ current period
10	Onerous in previous reporting period	Status @ previous reporting period
11	Onerous at initial recognition	Status @ initial recognition
12	New Cohort in period	Are contracts first recognized in the current period
13	Transition Status	Full, Mod Retro, Fair value.
14	Entity	Legal or management structure - free form
15	Version	Version name - free form client
16	Intercompany Entity	Legal or management structure - free form
17	Method	GMM/PAAN/FA
18	OPTION: Disaggregating FE into OCI	IFRS allow option choice via FE or OCI
19	OPTION: Disaggregating FA into IFE	Default value is 'N' as the Engine doesn't
20	PAA OPTION: Expensing acquisition cash flows	PAA Only
21	PAA OPTION: Discounting LFC	PAA Only
22	PAA OPTION: Discounting LIC	PAA Only
23	Liability Component	LFC, LIC/PAA, LFCex, LIC/PAAex, LFCex
24	Calculation Component	PV/CF, RA, CSM, n/a
25	Timing	Initial Recognition / End of period
26	Projection Period	Date of period projected
27	Discounting	Discount Locked in rate at Initial Recognition
28	Business Type	Contract nature - Direct or RI held
29	RV Code	The alphanumeric code representing the event
30	Value	Value

B Analysis of Total Comprehensive Income by Reporting View	
	Value
AA-TCI-10000 - TOTAL COMPREHENSIVE INCOME	393,155,478
AB-PBT-10000 - PROFIT FOR THE YEAR	360,876,570
AC-ISR-10000 - Total Insurance service result	300,344,048
AD-IRV-10000 - Total Insurance revenue	740,705,265
AD-IRV-10500 - Total Insurance revenue non PAA	740,699,202
AD-IRV-11000 - IR.Changes non PAA	740,699,202
AD-IRV-11250 - IR.Expected Insurance Service Expenses for period (exc. LC allocation)	314,808,054
AD-IRV-11500 - IR.Expected Claims	380,008,268
AD-IRV-11750 - IR.Expected directly attributable expenses	-49,889,296
AD-IRV-11900 - IR.Expected TVOG cash flows release	358,602
AD-IRV-12000 - IR.Expected allocation to Loss Component	-115,448,112
AD-IRV-12250 - IR.Change in Risk Adjustment for risk expired (exc. LC allocation)	135,084,348
AD-IRV-13000 - IR.Contractual service margin allocated to Revenue in period	290,806,609
AD-IRV-20000 - Total Insurance revenue PAA	6,063
AD-IRV-21000 - IR.PAA.Changes under PAA	6,063
AE-ISE-10000 - Total Insurance service expenses	-440,191,795
AF-RIE-10000 - Total Net Income / (Expenses) from Reinsurance contracts held	-169,422
AH-TIF-10000 - Total Insurance finance income/ (expense) recognised in Profit or Loss	60,532,523
AI-IFE-10000 - IF IE.Finance income/ (expense) from insurance contracts issued	60,526,609
AJ-RFE-10000 - RF IE.Finance income/ (expense) from Reinsurance contracts held	5,913
AL-TOC-10000 - OTHER COMPREHENSIVE INCOME FOR THE YEAR	32,278,908
Total	393,155,478

ACCOUNTING VIEW DIMENSIONS		
Accounting View Field	Column Name	Description
1	Version	Version name - free form client
2	Entity	Legal or management structure - free form client
3	Calculation currency	ISO codes
4	Presentational currency	ISO codes
5	Valuation Period	Reporting @
6	UoA - portfolio	Portfolio name - free form for client
7	UoA - profitability grouping	Onerous/Not onerous/Possibly onerous
8	UoA - cohort	Cohort name - free form for client
9	Method	GMM/PAAN/FA
10	Business Type	Contract nature - Direct or RI held
11	Cohort Net Asset / Liability	Asset/Liability flag
12	Intercompany Entity	Legal or management structure - free form
13	Event Key/Ref	Link to accounting rule
14	Jnl type	Debit or Credit
15	Jnl Code	Nominal account code
16	Jnl Value	Value


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WTW_Posting_File.txt - Notepad
File Edit Format View Help
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ct_Liability_AD-IRV-11500,Dr,B2.04.12,7500000
ct_Liability_AD-IRV-11750,Cr,A1.01.01.11000,-1100000
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Figure 4. IFRS 17 Disclosures out of the box

8a Insurance Contracts issued - Reconciliation of changes in insurance contracts by remaining coverage and incurred claims (Non P&C Contracts) IFRS 17 (100), (99) (b) (i), (ii), (iii), (iv)				
	LRC Excl. LC	LRC LC	LIC	Total
Insurance contracts liability (asset) at beginning of period	14,522,730	399,658	0	14,922,387
Insurance Contracts that are liabilities at beginning of period	14,522,730	399,658	0	14,922,387
Insurance Contracts that are Asset at beginning of period				
Insurance revenue	-1,057,920	0	0	-1,057,920
Insurance service expenses	0	-48,935	1,097,623	1,048,689
Incurred claims and other directly attributable expenses	0	0	912,988	912,988
Amounts of other pre-recognition cash flows assets derecognised at the date of initial recognition				
Changes that relate to past service-Changes in FCF relating to LIC	0	0	184,635	184,635
Losses on onerous contracts and reversal of those losses	0	-48,935	0	-48,935
Insurance acquisition cash flows amortisations				
Insurance acquisition cash flows assets impairment				
Total amounts recognised in comprehensive income	2,231,133	-16,881	1,097,623	3,311,876
Insurance service result	-1,057,920	-48,935	1,097,623	-9,232
Finance income / expenses from insurance contracts issued recognised in Comprehensive Income	2,815,929	32,054	0	2,847,982
Presentational currency fx adjustment to comprehensive income	473,125	0	0	473,125
Investment Component	-428,684	0	428,684	0
Insurance acquisition cash flows assets and other pre-recognition cash flows derecognised and other changes	7,001,973	106,184	20,873	7,129,030
Presentational currency fx adjustment				
Total cash flows	19,756,800	0	-1,401,072	18,355,728
Premium received	19,756,800	0	0	19,756,800
Claims and other directly attributable expenses paid	0	0	-1,401,072	-1,401,072
Insurance acquisition cash flows				
Insurance contracts liability (asset) at end of period	43,083,953	488,961	146,108	43,719,021
Insurance contracts that are liabilities at end of period	43,083,953	488,961	146,108	43,719,021
Insurance contracts that are assets at end of period				

IFRS 17 disclosures

- RV codes are pre-structured and mapped to the disclosures required by the standard with the flexibility to adapt to interpretations from local regulators or different audit firms (Figure 4).

Analysis and diagnostics

- Ability to review results to varying levels of detail, comparing multiple data versions and scenarios, reporting periods, portfolio structures and legal and channel entity structures.
- Produces results using graphics and dashboards suitable for a variety of audiences.

Process controls

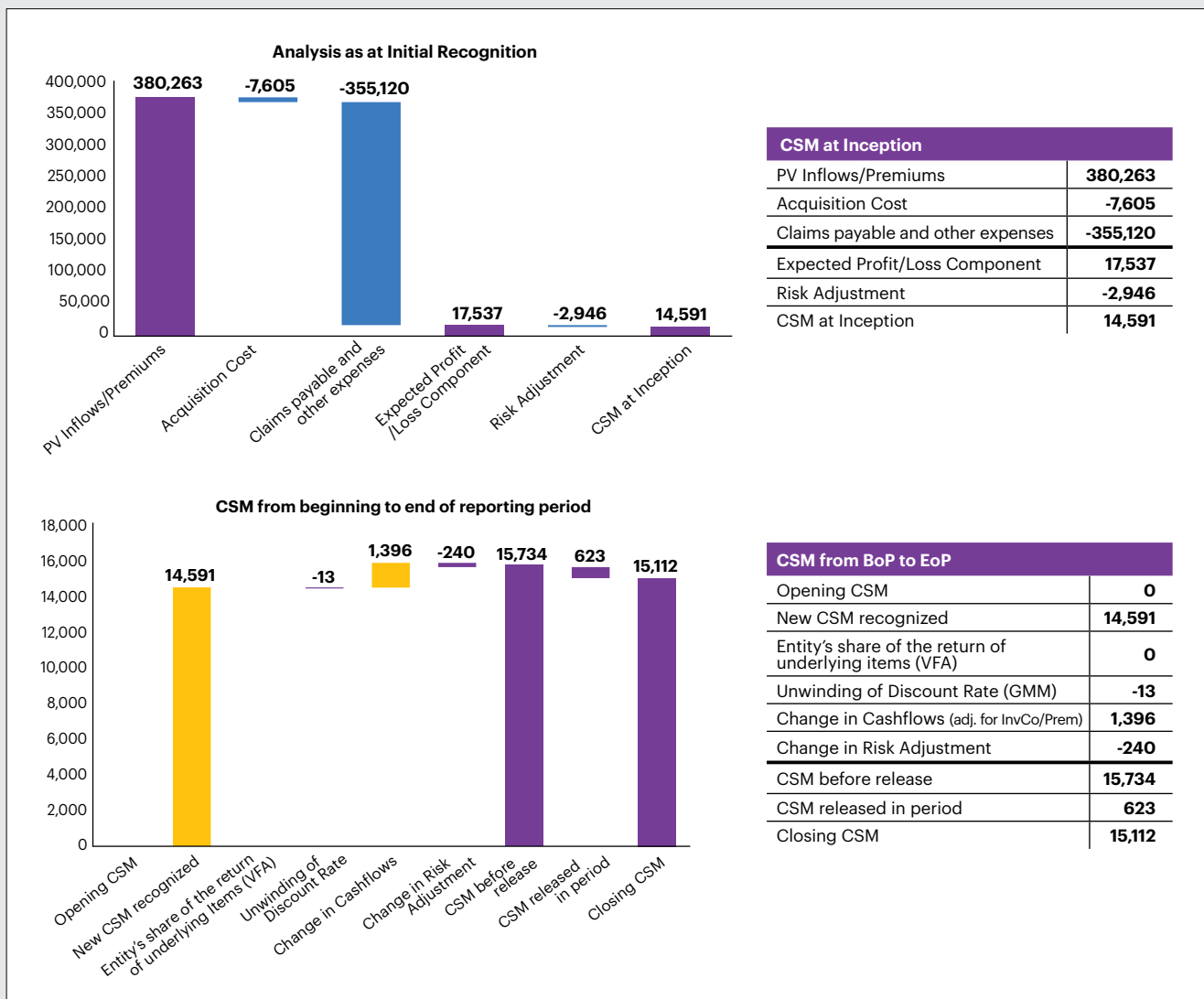
- The entire end-to-end process can be governed by WTW Unify for a controlled and automated process. For audit purposes all data inputs, model details and outputs and user interactions are stored and reviewable using the automatically generated audit report.
- Validation reports, requiring sign off by specific role holders, and exception reports, working on specific tolerances, are enacted at different stages of the process to trap data and process errors.

IFRS 17 calculation results are also 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.

The entire end-to-end process can be governed by WTW Unify for a controlled and automated process.



Figure 5. Sample output from the IFRS 17 Calculation Engine

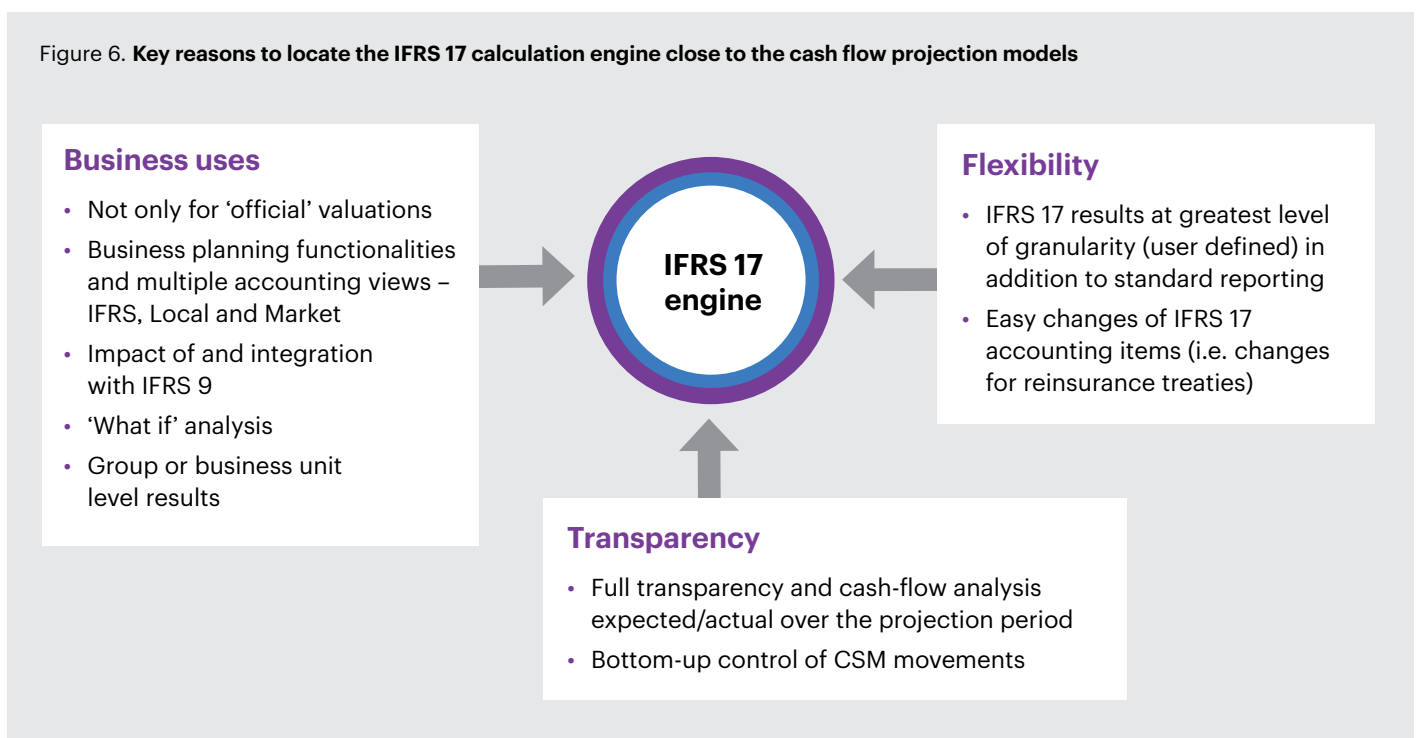


Why we believe the IFRS 17 engine, including the CSM calculation, should be close to the cash flow projection models.

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, as well as 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 (*Figure 6*).

Figure 6. Key reasons to locate the IFRS 17 calculation engine close to the cash flow projection models



Key elements of our IFRS 17 enterprise solution technical architecture



WTW Unify

A systems integration workflow platform that helps automate and govern the end-to-end financial modeling and reporting process by incorporating a wide variety of software applications into user-defined workflows.



WTW 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 componentized through RiskAgility Financial Modeller and ResQ Financial Reporter. This means 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 customizations for more sophisticated requirements.



WTW 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 modeling and reporting processes. It provides easily auditable reports that bring a higher level of rigor and governance to insurers' data processes.



WTW RiskAgility FM

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



WTW ResQ

ResQ is a property and casualty insurance and reinsurance loss reserving system. It combines powerful modeling 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.



Faster. Better. Smarter.

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 – with the additional complication of the overlapping roles of actuaries and accountants in producing the requisite analysis and sub-ledger and accounting ledger outputs.

Our fully automated 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.



Contact

For more information about how our IFRS 17 enterprise solution could benefit your business, please contact your WTW contact or:



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About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organizational resilience, motivate your workforce and maximize performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.



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