



## A strategic shift to more agile operations

By taking a more strategic approach to solving IFRS 17 compliance, insurers stand to reap the benefit in the long run, steering their organisations towards becoming modern and agile businesses, says **Mr Akhil Arora of Oracle Financial Services.**



Complying with the new accounting standard presents unique challenges to insurers and requires major transformation of existing systems and processes, from reassessing and regrouping of contracts, to new data requirements and actuarial modelling, accounting integration and allocations.

Looking at the myriad of changes required to the business, insurers face two choices: just solve a specific accounting problem without fully incorporating future changes or take it as an opportunity to modernise operations and build new, agile analytics capabilities.

Digitalisation has transformed the financial services sector, with many organisations finding it more necessary than ever to invest in advanced analytics, re-engineered and automated processes, and cloud computing.

Considering that most of what insurers currently do will be impacted in some shape or form, approaching IFRS 17 strategically can help kick-start the modernisation journey.

### Unify data and get better insights

IFRS 17 requires granular data from all aspects of an insurance business – actuarial, finance, policy, claims, customers et al. Many insurers lack a centralised approach to manage data which resides in multiple silos spread across various functions with different taxonomies. IFRS 17 presents an opportunity to streamline data acquisition and provisioning, and build a strong data governance and management practice. Investing in a strong foundation to aggregate and standardise data will allow insurers to build a ‘platinum source of truth’ and alleviate operational bottlenecks arising from data inconsistency, redundancy and reconciliation issues.

Once data is centralised and harmonised, it can be used for running advanced analytics and for business needs beyond just IFRS 17, such as performance, profitability, planning, and analysis. Insurers must view data as a strategic asset and build their data models and underlying infrastructure in a manner that allows cross-functional analytics for deeper, new insights to aid business decision-making.

### Finance modernisation & automation

Insurance CFOs face multiple challenges with legacy systems such as distributed subledgers and accounting, reconciliation issues with transactional data, multi-GAAP requirements and consolidation of financials across subsidiaries, inhibiting timely reporting and close.

With IFRS 17 there will be a major overhaul to accounting processes impacting revenue recognition, changes to existing chart of accounts and new disclosures, management and regulatory reporting requirements. Finance executives have the opportunity to modernise their finance and accounting

architecture to implement agile workflows and enable straight-through-processing from transaction and booking, to closing and reporting.

A modern finance function incorporating IFRS 17 should be capable and scalable to:

- Automate transactional data capture, analytical calculations and accounting throughput with multi-GAAP capabilities;
- Run financial forecasts that are coupled with actuarial business assumptions to assess the impact on insurance liabilities and P&L for holistic planning and budgeting;
- Integrate IFRS 17 subledger with other subledgers and support parallel run reconciliations;
- Consolidate subsidiaries and enable faster close, while automating reporting, visualisation and analysis;
- Provide traceability from accounting back into transactions on a single integrated platform; and
- Effectively measure and monitor key performance and risk indicators.

An integrated finance architecture will enable transparency and auditability and aid automation of mundane tasks to derive operational efficiencies and drive costs down. Modern technologies like AI and machine learning capabilities can enable transaction monitoring, rectification and alert capabilities to appropriately control and monitor key processes and even automate reporting using natural language generation.

### The shift to cloud

The COVID-19 pandemic has reinforced more than ever that modern financial institutions need to be agile and respond dynamically to changing economic conditions. During this time of crisis, enterprises that could adapt their operating models to new market dynamics have weathered the catastrophe much better than those that did not.

Cloud computing has emerged as the key technology in this pursuit. It is supporting organisations in remotely

processing information, developing and running key applications and services, and helping employees across the world collaborate while working remote.

Business organisations are simply not geared towards running data centres and managing IT infrastructure. Cloud allows businesses to become leaner by outsourcing their workloads to focus more on their core business objectives, enabling faster response to business changes.

With the many system changes demanded by IFRS 17, the transformation gives insurers the opportunity to move IFRS 17 computations and other business processes to cloud and leverage the many advanced capabilities that cloud infrastructure has to offer such as latest technologies, superior computing capabilities, pay per use, and on-demand availability. With cloud, insurers gain back additional time and resources as there is no longer a need to manage their infrastructure or worry about the latest technology as cloud solution providers guarantee high availability and the use of most modern and advanced capabilities to run various applications.

### Reap the benefit

With the amount and type of granular data that is required by insurers, impact to changes in actuarial processes, adoption of new systems to produce CSM calculations, and enhancement of existing finance processes, I can only wonder why insurance executives would not want to capitalise on the cost of compliance and turn it into an investment for the future.

Understanding the complexities, IASB extended the compliance deadline by a year, giving the industry some breathing room. But that's no reason to take the foot off the pedal; rather go back to the drawing board and plan wisely. By examining the impacts and challenges holistically and taking a more strategic approach to solving IFRS 17 compliance, insurers can reap the benefit in the long run and steer their organisations towards becoming modern and agile businesses.■

Mr Akhil Arora is principal – risk & finance at Oracle Financial Services.

## Letter to the Editor

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