



# KPMG Risk as a Service and IFRS 17 for insurers

An agile solution offered in alliance with SAS and Microsoft



## Prepare for big accounting changes

The new insurance contracts standard, IFRS 17, is intended to improve transparency and reduce diversity in the accounting for insurance contracts. The International Accounting Standards Board has set the effective date of 1 January 2023, which means the opening balance needs to be prepared as at the beginning of 2022.

If insurers are to meet these deadlines, they must move ahead quickly with their implementation plans. Many may need to accelerate their preparations. The regulatory changes will have far-reaching effects on accounting standards, financial processes and reporting requirements for insurers. Amid the economic turmoil of COVID-19, this presents an even greater challenge than in more normal times.

To help insurers prepare for these changes, KPMG firms are offering cost-effective managed services that enable your organization to fulfil your IFRS 17 compliance requirements in a timely fashion. These services are in the form of managed applications and business functions deployed on a cloud-computing infrastructure. KPMG Risk as a Service (RaaS) is a new offering in this field, in alliance with SAS and Microsoft, that aims to meet your organization's need for a powerful solution without having to deploy the technology in-house.

## An efficient solution

KPMG RaaS enables insurance companies to take advantage of technologies, processes and capabilities that were previously available only to large financial institutions. Smaller insurers can benefit from a cloud-based solution that is scalable and flexible enough to keep up with the pace of regulatory change.

A cost-effective answer to the challenge of these forthcoming compliance requirements is one where the offerings of KPMG, SAS and Microsoft are combined in one service: a SAS suite of analytics software residing on Microsoft's Azure platform and managed by KPMG. SAS provides powerful, scalable technology to analyze the relevant data. The Microsoft Azure cloud platform is highly secure, flexible and global. KPMG professionals bring audit, consulting and business knowledge to advise you on how to prepare for IFRS 17, while helping you take full advantage of SAS's technological capability.



**Insurance companies are looking for accelerators to meet the IFRS 17 deadline. KPMG, SAS and Microsoft have deep experience in their relevant fields and are offering a compliance platform in a one-stop-shop," says Craig Davis, Global RaaS Solution Leader. "We at KPMG can pull a team together quickly and conduct data workshops with you to explain how to collect the information and use RaaS, while helping you through all the accounting implications of IFRS 17.**

## Cost-effective compliance

The forthcoming accounting standard will have a wide-ranging impact on insurers. They will have to comply with it, while it won't add value to the companies or alter risk assessments. It therefore makes sense to opt for a solution that is extremely cost-effective, while enabling the insurer to meet the regulatory requirements in the time stipulated.

KPMG is providing a premium solution that combines its key capabilities with those of SAS and Microsoft. Insurers won't have to invest in a complete analytics capability in-house and pay for it day-in, day-out. Instead, you will be able to subscribe through KPMG and will pay for the service only when it needs to comply with reporting requirements, not 365 days a year.

Through KPMG RaaS, SAS provides the analytical capability to smaller insurance companies that is similar to what larger institutions receive, because the regulatory requirements of IFRS 17 are the same, irrespective of size. The solution is highly versatile and scalable, enabling you to meet all the forthcoming regulatory requirements for IFRS 17, as well as other regulations.

If you wish, it can add other compliance capabilities to the solution, such as IFRS 9, anti-money laundering and stress testing.

Microsoft's Azure cloud service enables RaaS to reside on data centers in most major economies around the world, thus conforming with local and global requirements on data sovereignty and privacy. In addition, this helps ensure the proprietary data and analysis are held in a highly secure environment, not on somebody's laptop computer.

## Fast and agile

KPMG RaaS offers you an online dashboard linked to the cloud, in which executives can analyze the financial and accounting implications of IFRS 17 across all functions, based on different scenarios. While easing the entire process of preparing for the new accounting standard, your organization will take an active part in implementation, because RaaS is not a "black box" in which data is fed in at one end and then turned into financial reports at the other.

KPMG firms have teams of actuaries to call on to examine the impact of the forthcoming financial standard on your accounts. The actuaries have wide collective experience in this field and can help insurance companies make the right accounting choices with greater speed and agility.

Since IFRS 17 is principles based, insurers will have considerable latitude on how to interpret the accounting standard. KPMG professionals will work with you to examine the options, based on your company's unique circumstances. "There will be several areas of the regulation where you will have outstanding questions about which fork in the road to take," says Amit Chalam, Partner, Risk Advisory at KPMG in Canada. "There is a high likelihood that we've traveled that road before and can help you to make the right choice."

## The case for KPMG RaaS

You have an array of service solutions to choose from when deciding the best way to proceed with IFRS 17 implementation. KPMG RaaS can help to **save costs** compared with on-premises implementation. It does so by centralizing service management and reducing licensing fees.

Centralization delivers **operational efficiencies**, and these are assisted by the use of accelerators, enablers and a strong technology platform.

By leveraging the advisory expertise of KPMG professionals and SAS software capabilities, you have an **industry-leading alliance** to work with. KPMG firms have a deep pool of subject matter experts and proven delivery teams that provide insurers with a **leader in IFRS 17 advisory and solution deployment**. Our proven methodology covers all aspects of the service delivery model life-cycle, including governance, risk and compliance, change management, and IT deployment.



## KPMG RaaS and IFRS 17

KPMG's managed service provides a continuous and consistent view of the impact IFRS 17 has on an insurance company's accounts and reporting requirements. The main steps to achieve this are as follows:

- Source data is collected by your teams, including finance, actuarial and operations, to build a complete picture of projected future cash flows and the general ledger, based on key assumptions, such as discount rates.
- Your organization translates, standardizes, consolidates and validates the data to prepare for processing in the cloud by KPMG and SAS.
- By means of the KPMG and SAS IFRS calculation engine, KPMG professionals prepare reports in the form of financial statements, and qualitative and quantitative disclosures.
- The reports are passed to you for review and posting in the form of financial reports based on IFRS17 requirements.

## Implementation schedule

Meeting the deadline of full IFRS 17 compliance may seem daunting, even for insurers that have been preparing for several years for the event. The timelines are tight, with minimal margin for error. The use of KPMG RaaS can enable your company to accelerate your implementation plan, based on deep experience in preparing such schedules for clients. Milestones include:

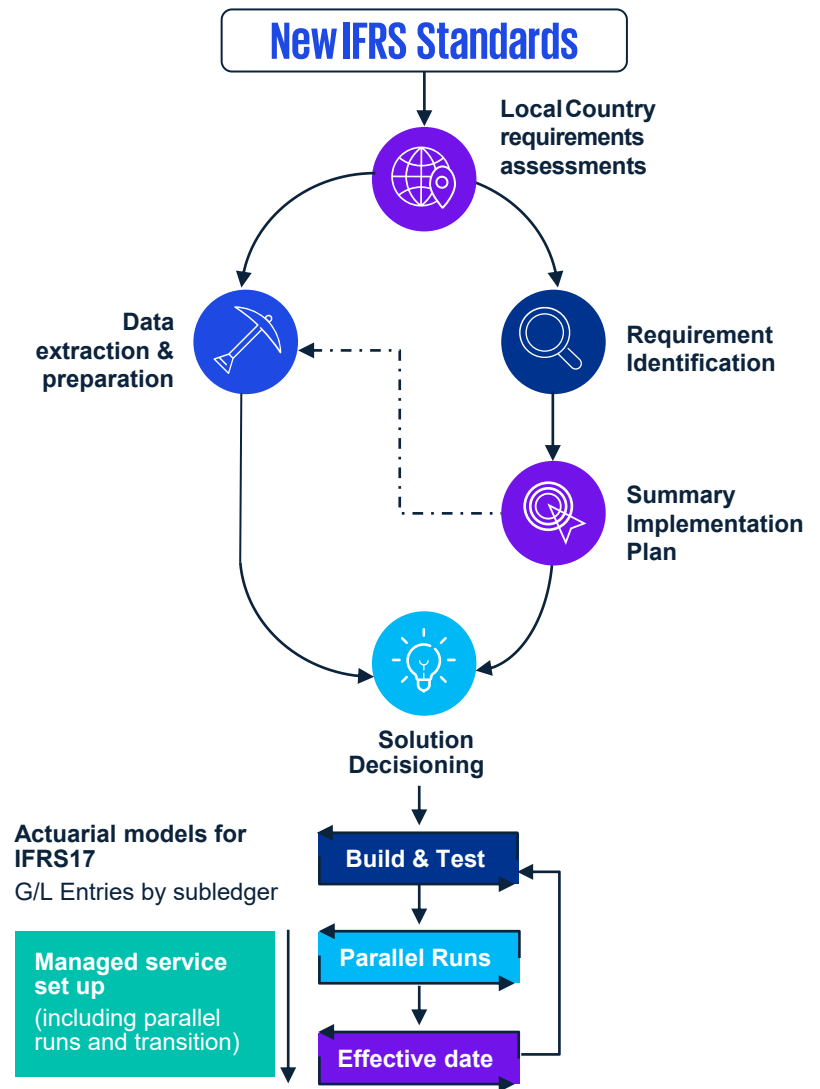
- Insurers will assess the individual country requirements for data, processes, systems and controls.
- They will create a summary implementation plan based on the assessment.
- A global solution will be designed, with individual country variations identified, where necessary.
- Your company will build and test actuarial models for IFRS 17.
- For one year prior to full compliance (i.e., from 1 January 2022) IFRS 17-based accounting processes will be run in parallel with tradition methods to ensure the system will work smoothly after 1 January 2023.
- Parallel runs will form part of KPMG's managed service, as you complete the transition to IFRS 17.

## A roadmap to the future

KPMG RaaS is designed to not only help fully meet your IFRS 17 reporting requirements by the beginning of 2023; it is a platform that has a wide range of uses, from stress testing and Solvency II, to IFRS 9 and anti-money laundering compliance. These capabilities can be added as needed and integrated in the same way as IFRS 17 reporting to your operational needs.

These managed services offer you the opportunity to tap into KPMG firms' worldwide capability in forecasting risk and analyzing the future regulatory outlook. "With KPMG RaaS, you will always have access to the insights of the firms' professionals, so that when there are changes to the accounting standards in the future, we will be able to tell you what is coming up and how best to prepare for those new requirements," says Davis. "It takes some of the anxiety out of long-term compliance."

As a leader in supporting insurers on IFRS, KPMG firms work across a range of programs, including IFRS, to deliver managed services, finance and transformation programs. Based on accumulated knowledge working with clients, the tools and accelerators from previous projects will be used to optimize and expedite the implementation phase. With KPMG RaaS, compliance can be achieved on time and on budget.



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