



# Navigating the new world

**Preparing for insurance  
accounting change**

Helping make the best insurers better

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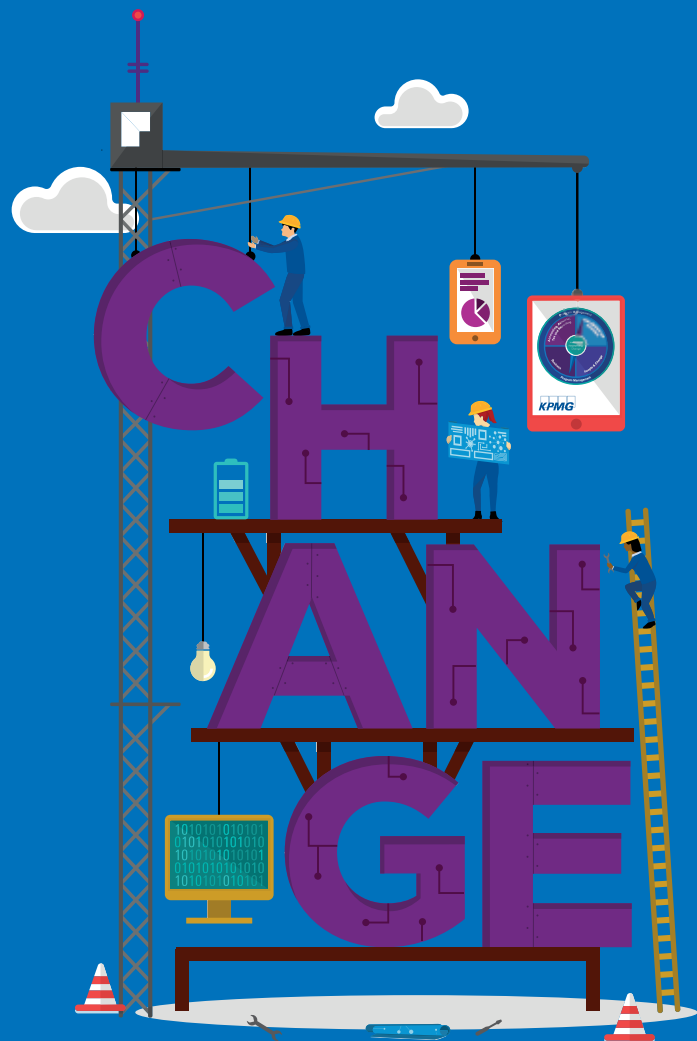


KPMG's network of member firms bring a consistent approach, under-pinned by investment in tools, technology and a business-focused mindset to benefit our clients addressing insurance change in all its manifestations.



—**Gary Reader**

Global Head of Insurance



# An epic journey is reaching a milestone: Are you ready for the final stretch?

The International Accounting Standards Board's (IASB) forthcoming insurance contracts standard is expected to become a reality at the end of 2016 or the beginning of 2017.

This will enable comparison of the financial performance of insurance companies across the world based on a consistent standard for the measurement of their insurance contracts' assets and liabilities, income and expenses.

The changes it will bring about will affect finance functions and skills, data technology and processes across the entire enterprise. With this greater transparency will come far greater accountability. Investors will have the potential to understand more clearly which insurance stocks offer better risk reward.

Many insurance executives and industry commentators, find it hard to believe that all these years of proposals and deliberations will actually draw to a close. If they feel jaded,

it would be understandable. There have been many false dawns. Insurance companies around the world have seen many regulatory changes and a continuing evolution in the way their customers expect to do business, so that for many insurance executives it may seem as if they are in a state of perpetual transition. This is especially so in Europe, where insurers have barely completed digesting Solvency II.

Once the forthcoming standard is issued, organizations face a new challenge: turning it into reality. At KPMG, we recognize that many insurers will want to wait until they have sight of a final standard before analyzing what it means for their business: equally, many insurers will want to start thinking now about how they will go about this exercise when that day comes and start securing budgets and resources. The complexity of the standard(s)<sup>1</sup> and the impacts on the business will need to be well understood, thoughtfully planned for, and navigated with agility to

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<sup>1</sup> Many insurers will evaluate the impact of the forthcoming *Insurance Contracts* standard together with IFRS 9, *Financial Instruments*

ensure the end goal is delivered securely and return on project expenditure maximized. This is a multi-disciplinary exercise that requires a range of skills, including accounting, actuarial, data analysis and rigorous project management. The first priority is delivering these changes timely, safely and efficiently: in a way that maintains and builds confidence on the part of customers, investors and regulators.

With significant change on the horizon, many forward-looking insurers are thinking about how they might use these changes as the catalyst to transform their finance and actuarial operations, data management and IT systems for the better. For the confident, change is opportunity.

Whatever your particular ambition, this brochure will help explain KPMG's point of view on planning for the forthcoming IASB insurance contracts standard<sup>2</sup> and our partnership approach. Future papers that follow will feature 'lessons learned' from the experiences of leading insurers and KPMG subject matter experts tested during previous large scale accounting and finance change programs, covering accounting and actuarial reporting and tax; data, systems and processes; people and change and the impacts on the business as a whole.

We hope you find this holistic approach useful as you plan for your journey. In conversations with some of our largest insurance clients globally, they have told us that no organization will be able to handle this process alone. The ramifications of the forthcoming insurance contracts standard are likely to be so wide-ranging and intricate that they will require outside help from a trusted advisor with deep and broad expertise in the industry. KPMG stands ready to help our clients reach their ultimate goal in a timely and efficient fashion, investing in helping you avoid possible obstacles and pitfalls — that might derail your ambition. Together our insurance change leadership team brings over 120 years of experience of navigating change across a wide variety of disciplines.

Allow us to be your guide as you plan for these changes, helping you to develop your roadmap and navigate the road ahead, as we deliver our shared ambition of helping to make the best insurers better.



**Mary Trussell**

Global Insurance Change  
Lead Partner  
KPMG in Canada



<sup>2</sup> We hope it may also be of value to US insurers as they plan for the implementation of the FASB (Financial Accounting Standards Board) limited improvements to the accounting for short-duration and long-duration insurance contracts.

# Mapping your insurance change program

If implementation of the forthcoming insurance contracts standard is to reach the best possible outcome for your organization, we believe it needs to be seen as more than just a compliance exercise. This will entail combining multiple strands into a common program, identifying linkages and addressing dependencies across the business in a logical sequence and thinking strategically about possible effects on the organization and its stakeholders. A well-developed and 'living' plan assigns clear accountabilities and breaks down objectives into manageable tasks for delivery to realistic time-scales in order to establish an effective blue-print for success.

Our flexible approach offers our firms' clients a well-established and adaptable methodology to confidently tackle changes that might otherwise appear daunting. Our methodology groups activities into four manageable phases:

1. **assess** the change
2. **design** your response
3. **implement** your design
4. **sustain** your new practices, securely embedding them in business as usual.



I think it's a good idea for insurers to do some introspection on their big finance, risk and actuarial projects of the past decade and then, on that basis, design a transition program to tackle the forthcoming accounting changes with the flexibility to adapt to changes in the business model.



— **Danny Clark**  
Partner  
KPMG in the UK



The initial **assess** phase is of great importance, identifying accounting, actuarial and reporting differences, and assessing the IT systems, process and business impacts. In the **design** phase, accounting and actuarial policies and methodologies are defined, blueprints for IT system changes created and training modules developed. During the **implement** phase, all designed changes are prototyped, tested, rolled out and put into operation. Finally the **sustain** phase ensures that the required changes continue to work effectively in a business as usual environment.

KPMG International's methodology reflects current reporting challenges and increasing technological sophistication, in particular to support conversion to IFRS. The methodology has been used over 1,500 times to help entities of varying shapes and sizes successfully implement large-scale accounting changes.

Our global insurance practice recently tailored the methodology in response to forthcoming accounting and regulatory changes within the sector. The result is a scalable, globally consistent approach, complemented by a sophisticated suite of tools. These tools include an Initial Assessment Toolkit designed to analyze the impact of the changes on your business and help scope your change program, including developing a 'living plan' to guide your progress and facilitate reporting to senior management and other stakeholders on your progress. Our assistance is aligned to your needs and situation, whether we're engaged to assist throughout the entire project cycle or purely to provide ad hoc technical accounting support. KPMG can help you understand how the changes affect your financial statements and performance metrics and will advise you on navigating the often complex policy decisions, including helping you manage the messages to the market on the potential impacts to your bottom line.

## Case study

Recognizing the complexity and significant challenges posed by implementation of *IFRS 9 Financial Instruments* and the forthcoming insurance contracts standard, a large Asian-based bancassurance engaged a KPMG member firm to perform a high-level impact assessment, including a financial impact assessment on three products.

The KPMG member firm drew on a multinational team to conduct a gap analysis, assessing the current state, new business requirements and high-level organizational readiness. For the selected products, we worked closely with the client to determine what data was available and compare current cash flow estimates to those expected under the forthcoming insurance contract standard, providing qualitative and estimated quantitative financial impacts. The project culminated in a workshop to identify key activities, milestones and dependencies, all of which were synthesized into a detailed action plan.

The project provided the client with a deeper understanding of the forthcoming standards and likely impacts on their business. Management now has a well-defined point from which to kick-start their implementation efforts, a solid foundation upon which to build their change program and materials to facilitate impactful reporting to the board.



# Key success factors

Our experience shows us there are many factors that will contribute to successfully implementing insurance accounting change, including:

**1. Dedicated staff:**

In our experience the single biggest factor contributing to program success is the presence of full-time staff dedicated to the project, with a wide range of skills including data management, IT implementation and project management and who know your business.

**2. Spend sufficient time and energy on the initial impact phase:**

It is essential that an insurer plans for this critical phase and allows for sufficient time to perform a gap analysis on a line-by-line basis through the income statement and balance sheet and supports disclosures. KPMG's tools and methodology support this discipline.

**3. Consider fundamental questions surrounding core business**

**drivers:** earnings trends, growth opportunities and target operating models. The earlier effects are identified, the more time an insurer will have to develop and implement a strategic response.

**4. Training staff:** Many organizations underestimate the amount of personnel training required. Designing a comprehensive training strategy and program is highly complex and requires careful planning.





Time spent identifying data sources and implementing measures to assure proper data quality should not be viewed as a 'compliance' exercise. These are what will bring business benefits in terms of reduced rework time and create opportunities for value-added data analysis.

— **Martin Hoser**  
Partner  
KPMG in Germany

**5. Robust project planning:** The plan must be achievable and continuously refined, with formal tracking and monitoring.

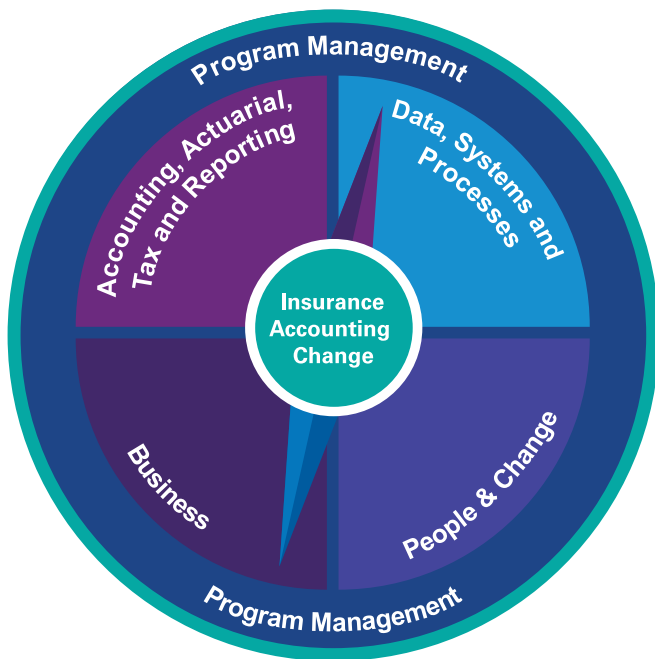
**6. Clear communications:** Communication needs to be both formal and informal and applied throughout the life of the program.

**7. Careful change management:** IFRS conversion will lead to significant changes in how people do their jobs. Some of the biggest challenges have arisen when the cultural issues have not been acknowledged and addressed.

**8. More than just an accounting and actuarial project:** Implementing the forthcoming insurance contracts project will undoubtedly be a multi-disciplinary effort. IT specialists consider the functionality of source systems and enterprise performance management (EPM) systems; Change management specialists focus on behavioral change and communication; specialists in commercial functions (tax, data management, executive incentives, etc.) bring a holistic approach to the program. Robust project management helps to bring everything together coherently.



# Assessing what the forthcoming standard will mean for you



Source: KPMG International.



We see smart CFOs saying, if this is becoming a reality, we can use it to our advantage as a lever for change to do the things we have always wanted to do but have never had the time or money to achieve — like investment in automation and digitization.

— **Mary Trussell**

Global Insurance Change Lead Partner  
KPMG in Canada

Our experience tells us that in order to digest the implications of changes of this magnitude, organizations will have many questions. Our methodology acts as a compass to ensure the questions are focused and well-targeted and responses take into consideration program interdependencies and broader business implications.

## Accounting, actuarial, tax and reporting

Q1.

**What are the key accounting, actuarial, tax and disclosure differences between our current generally accepted accounting principles (GAAP) and the new standards? What are the key decisions that need to be made by management regarding the alternative treatments that are available?**

Today's accounting and actuarial policies and practices vary depending upon jurisdiction and may even vary by jurisdiction within the same set of consolidated results. Under the forthcoming insurance contracts standard these practices will need to be made consistent. Insurance contracts, reinsurance contracts and investment contracts with discretionary participation features will become subject to a single measurement model based on a current fulfillment value that incorporates available information in a way that is consistent with observable market information.

It will be important to understand what existing practices can continue (particularly where those practices have been shaped by local laws or regulations) and what's new, for example, to aggregate contracts into groups to determine whether a loss is recognized for onerous contracts on initial recognition and to compute and accrete interest on the contract service margin. Actuaries and accountants will need to build and maintain open lines of communication with respect to the interpretation and application of the new requirements within their organization and by their peers.

KPMG's approach helps organizations develop a rapid understanding of the key areas of significant judgment and decisions required, and where it may be sensible to wait and assess how peers are responding.

## Data, systems and processes

**Q2. What will the impact be for our data requirements, and on the systems and processes used for data collection, actuarial projections, calculating and accruing interest on the contractual service margin and consolidation and financial reporting systems? Are there quick fixes that we can use? Can we leverage recent investments in infrastructure or will we need a major overhaul?**

Data quality issues and legacy systems are two of the hallmarks of many insurers. Most insurers we talk to expect to face challenges accessing and manipulating data of the right quality and granularity. Many insurers expect a significant effort associated with identifying, evaluating, scrubbing and manipulating data on in-force business as well as to capture, store and manipulate this information going forward.

One of the key learnings from Solvency II was to address data requirements early, because data forms the foundation on which everything else is built. All insurers are a mass of data but what's important is understanding whether the right data is being captured, whether it's of the right quality, and can be stored and manipulated to meet the needs of the new requirements. Guiding clients through Solvency II implementation we found that, by developing a data management policy, actuaries and other highly-qualified people had the time to actually use and analyze data rather than resolve queries and re-work errors.

The forthcoming standard is expected to significantly increase demands to re-configure contract engines and enhance modelling capabilities to accommodate the number and complexity of model runs to project cash-flows based on current estimates on the basis prescribed in the standard. It will also derive, unwind and accrete interest on the contractual service margin and other calculations necessary to meet the forthcoming requirements. Insurers headquartered in jurisdictions that have actuarial valuations and financial reporting based on current assumptions may find that they are able to leverage existing actuarial modelling capabilities and governance structures. For others, upgrading actuarial modelling capabilities and enhancing existing governance structures will be a pre-requisite.

In this environment we see a real benefit in agile working, with small multi-disciplinary teams working together, experimenting and building prototypes to test and scale and combine into a large whole. Making strategic and tactical decisions about the potential impact on information systems, limiting duplication of effort and late-stage changes in approach will help insurers to manage development resources and budgets.



Continuous change has become second nature in the insurance industry. It requires a different way of working — being very clear about the changes required and about peoples' roles and responsibilities in order to make those changes happen.

— Sandor Knol

Head of Finance and Actuarial, AEGON

**Q3. How will the group's close and other processes be impacted?**

Equally important as knowing 'what' will change will be understanding 'how' you'll get there, safely and securely. This involves determining how the new standard(s) will influence what new data estimates, computations and processing will be needed.

Changes to period end close processes will likely be profound, both in the run up to the introduction of the new standard while new processes are being investigated, designed and built (while still maintaining existing reporting bases), and once the changes come into effect and the new close processes are operational.



Implementing insurance accounting change will strongly impact IT architecture. Data management between source systems, actuarial engines and general ledger will be critical to success.

— Simona Scattaglia Cartago

Partner  
KPMG in Italy

## Business

### Q4. **What is the estimated directional impact on profit and equity and what are the key decisions and judgments that this will influence?**

The forthcoming requirements will introduce new metrics such as insurance revenue and insurance finance income and expenses and require the disclosure of more granular information than today. Controls over financial reporting will become more complex, particularly where preparers exercise judgment. As investors and regulators strive for ever-accelerated reporting timetables, insurers will want to streamline and optimize period-end close processes, while incorporating the need for increased collaboration between functions and geographies.

The key questions for many executives, and in due course investors and analysts are, what will the impact be for earnings and capital? How will the business compare to its peers, how will they explain the changes from current reporting basis and also explain how they relate to economic capital and regulatory measures? This will have an important impact on your implementation plan which needs to safely deliver the new basis of reporting for your organization and enable you to report and explain the changes from the current basis.

For now most tax authorities are in 'wait and see' mode, but as soon as the standard is finalized and revenue authorities start considering the potential impact for tax payers in their local jurisdictions, assessing the impact on the tax profile will be important, and will vary by jurisdiction. Regulators are also likely to take a keen interest — while in some jurisdictions regulators have developed purpose-built approaches to measuring regulatory capital, in other jurisdictions these are directly tied to measures based on general purpose financial statements. Even where there is a separate basis of determining regulatory capital, regulators and investors will likely want to compare this with the picture shown by the new standard(s).



Our lessons from other significant projects we've undertaken? Plan, plan and then plan some more. Also, have a few strategic thinkers on the steering committee. Lastly, a good program manager is more than worth the expense.



— **Wikus Olivier**  
Head, Group Finance  
Sanlam Limited



One thing that we are doing now is thinking about what the forthcoming standard will mean for the design of the products we are selling and those that are in development. Also, we are looking at our reinsurance arrangements to understand how they might be affected and what we need to write into contracts now to future-proof them once the standard is finalized.

— **Graham Duff**  
Head of Business Partnering —  
Insurance, AMP

### Q5.

### **What are the key impacts for my business and how will these be influenced by the choices open to us? Who will need to understand results and metrics on the new basis?**

The requirements of the forthcoming standard(s) are expected to affect the pattern of profits earned on certain products, the volatility of profits, losses or other comprehensive income, as well as funds available for shareholder and policyholder dividends. Each of these may affect an insurer's cost of capital. Greater granularity of disclosures, potentially facilitating greater visibility and comparability between organizations will see the need to refresh not only mandatory disclosures but also supplementary communications with analysts and investors to help them understand how and why the accounting and presentational changes will affect reported results.

Key metrics (e.g. written and earned premiums) have been replaced and new metrics introduced (e.g. insurance contract revenue, insurance finance income or expense) that completely change the look and feel of an insurer's reported results, how performance is reported to management and how the drivers of value impact the various metrics used to steer the business. Insurers will want to consider the impact of generating, understanding, reporting and explaining these new metrics on their forecasting, budgeting and internal and external communications as well as on the metrics underpinning employee executive compensation schemes. Thinking also, about how they will impact the management of the business, such as appraising new products, designing distribution arrangements, evaluating merger and acquisition (M&A) opportunities, buying reinsurance and managing invested assets.



## People and change management

**Q6. Who will be impacted by the conversion, what skills and resources are likely to be needed and what training needs can we identify?**

The forthcoming changes will naturally start by needing experienced actuarial and finance professionals but will quickly evolve to draw on data scientists, IT architects and process specialists and touch many areas of the business. The transition will require the prioritization of dedicated resources. Our experience tells us that ring-fencing talent to focus on its delivery (and rewarding them for its success) is a critical.

Internal education needs to precede external efforts. This is best addressed early so the forthcoming requirements become part of a shared, collective endeavor. It's important that an entity distinguishes between awareness and training. Early awareness sessions, supplemented by training sessions that ramp up as the project progresses, are more effective when they are tailored to the specific requirements of the audience. More complex areas are often best trained through workshops, where company-specific issues can be tackled. Developing a comprehensive communications strategy early on that takes into account all key stakeholder groups, will ensure there is sufficient time to tailor the training to fit the knowledge requirements of each group. Lastly, while current resources may be sufficient to meet the demand of operating in the new environment, experience tells us that changes of this magnitude can be a catalyst to evaluate new ways of working such as enhanced automation and the use of machine-learning, greater use of shared service centres and centres of excellence to build operations that are agile and scalable — and make the best use of scarce resources. Think beyond the task at hand and consider your company's long-term requirements. With forethought, the changes could be used as a catalyst for greater mobility, cost saving measures and efficiency improvements.



IFRS 9 and the forthcoming insurance contracts standard will require revisiting policies, procedures, and controls, and testing those rigorously to make sure that culturally you get used to the changes. That takes time to plan for.



—**Michael Lammons**  
Partner  
KPMG in the US

## Case study

A fast-growing Fortune 500 life insurer, needed to transition their business to IFRS in a way that enabled them to clearly demonstrate to investors how their business created value. Recognizing the complexity and significant challenges posed by such a large-scale change in a short timeframe they engaged a KPMG member firm to support them through the analysis and implementation.

The KPMG member firm drew on a multinational team to conduct a gap analysis assessing the current state, and assisting in the design of the target end state and supporting them through the implementation program. We worked closely with the client to determine what data was available, what choices were available to them and to design external reporting and optimize re-designed close processes. We also assisted the client to design and build a supporting suite of management reporting, budgeting and forecasting. The project culminated in a series of workshops to cascade and embed the new metrics widely across the organization.

The project provided the client with a deep understanding of IFRS and a sound basis for operating in their new reporting environment. Management had a solid and well-defined foundation upon which to build impactful reporting to their board and investors that has supported them through continued successful growth.

## Program management

### Q7. What would a high-level conversion plan look like and what is its likely impact on resources?

A well developed and living plan, including realistic time-scales and clear accountabilities, forms an effective blueprint for success. In our experience, few companies invest an appropriate level of time and consideration in the development of their plan, with the result that many conversion projects muddle through just in time as compared to being actively managed for success. We'd recommend presenting two versions of the project plan, one as a high level milestone plan for communication to stakeholders such as audit committees and one at a more detailed level for day-to-day operational management of the project. It can be brought to life through a large-scale physical presentation visible to the project team (e.g. brown paper) and revisiting regularly to keep it relevant and useful.

Establishing a core team, ideally ring-fenced to focus exclusively on the project, is also critical to success. Above it, there should be a steering committee to ensure good governance and the timely resolution of key issues. However, each insurer is different and the governance structure should be consistent with the size and complexity of the project. Representatives of internal and external auditors should be involved at the appropriate level.

It's also important to engage local operating units early in the project. We find that the most effective projects tend to begin lean, with a centrally driven diagnostic phase, and then extend beyond the headquarters once there is a reasonable understanding of key areas for focus. This avoids reinventing the wheel and enables synergies between the work undertaken centrally and the work undertaken by operating entities. But equally some organizations may choose a more devolved model that sees responsibility for the initial analysis shared by various operating entities, with the output from their analysis shared across the group. Whatever the model it is important to maintain regular communications across the group to check on the progress of the project, and to ensure that both group reporting and local reporting requirements are addressed. And it's essential, of course, to manage expectations regarding what changes will be required and when, to ensure everybody is held accountable for the delivery of high-quality information. All of these elements will need a high degree of collaboration across geographic and functional lines.



The challenging question is whether the new standard will require a big finance transformation program or if incremental accounting and actuarial change will suffice. I believe this will depend on the maturity of your current systems and processes, and your future goals.

—**Martyn van Wensveen**  
Partner  
KPMG in the Netherlands

# Case study

A multinational life insurance and wealth management company, teamed with a KPMG member firm to deliver a full transformation of their life insurance actuarial valuation process in all business units across two continents. The key objectives were to eliminate complexity and unnecessary cost in the current operations by establishing a more globally consistent approach to valuation through changes in business process, valuation systems, data management and organizational structure. An additional objective was to enhance flexibility to respond to emerging business requirements.

Their current state encompassed multiple and inconsistent processes across lines of business, hundreds of actuarial models, a variety of modelling technology platforms and software versions, over 25 policy administration systems, and a reliance on desktop spreadsheet tools for reporting and analysis of modeling results. Scarce actuarial were performing responsibilities that did not require actuarial judgment or expertise, such as preparing data for modeling, aggregating results for reporting and verifying completeness. It was recognized that regulatory and accounting standard changes on the horizon would add substantially greater operational complexity and cost to already-strained valuation teams.

KPMG member firms assembled a multinational team to support the multi-year transformation program. Solutions designed and delivered included rationalized and standardized valuation models and data feeds; a centralized and standardized valuation data repository coupled with powerful data discovery and analysis applications; redesigned business processes and controls; and change management for regional actuarial shared service centers. The KPMG member firm also worked with the client to deploy the solutions in a secure and scalable cloud-based computing infrastructure, representing a significant innovation in the industry.

The benefits for the client to date include simpler valuation processes and controls; substantially reduced workload in valuation operations; more readily accessible data and more time for actuarial analysis during the quarterly close because the significantly faster production process; reduced audit workload; and lower unit costs for computing and data storage. Just as important, the organization is better positioned to respond to upcoming regulatory and financial reporting changes which require more sophisticated actuarial modeling and analysis within the same time frames as today's quarterly and year-end reporting cycles.



Getting the right balance between technical detail and the broader picture, between the group and the operating entities will be essential. Knowing the key areas that will be affected, by the middle of 2017 at the latest, would be my recommendation.



**— Erik Bleekrode**  
Partner  
KPMG in Hong Kong

# Collaborating with KPMG



KPMG professionals can help you navigate this complex process by leveraging a tailored methodology to consider the implications of insurance change on your organization in a structured way, providing advice that is tailored to your business and your strategic objectives. KPMG's approach is underpinned by six key principles:

## 1. Continuous improvement

The methodology we apply is one that has been refined and tailored through practical application in a wide range of organizations and circumstances. The tools and templates are enriched and developed with each subsequent project. Insurers will benefit from these leading-edge tools and approaches to managing global conversion programs of this scale and complexity.

## 2. Tailored and adaptable

Methodologies are ineffective if they are not adapted to the specific needs of the organization. We work with insurers to use our toolkit to suit their circumstances, while focusing on the ultimate ambitions of their insurance change program.

## 3. Consistently applied

A critical success factor in managing any project in global organizations is a consistent application of methodology, regardless of location. Our approach helps all team members have a consistent understanding of our latest tools, templates and approach. "Consistent application" means consistent deliverables and easier comparison across sites.

## 4. Joint team culture

Our preferred team structure is predicated on key roles being held by members of your organization, teamed with KPMG technical and process-based specialists. This establishes a potent combination of IFRS project specialists and the client's commercial understanding. The joint team also helps facilitate the transfer of knowledge over the entire life of the project. KPMG's legacy is a sustainable set of financial management processes delivered by highly trained client staff.

## 5. Diverse skills

Our multi-disciplinary team approach focuses on creating a custom-fit of skill sets for each engagement, from the tax, actuarial and regulatory specialists you know us for to technologists, data scientists and behavioral change specialists. Our emphasis is on collaboration and knowledge transfer.

## 6. Global coverage and connectivity

Your IFRS initiative will require a collaborative approach, backed by experienced global resources. KPMG is a worldwide network of member firms with shared values and a shared methodology to accounting change for insurers. This means our clients benefit from consistency in our service delivery, with empowered leaders who are readily accessible to your management in each of your key locations.

KPMG's global presence is extensive. Our international locations correspond closely with key insurance markets. Our global insurance change team — with specialist partners in each of the Americas, Europe/Middle East/Africa (EMA), and Asia Pacific — includes the appropriate skills so we can be both responsive and efficient around the world.

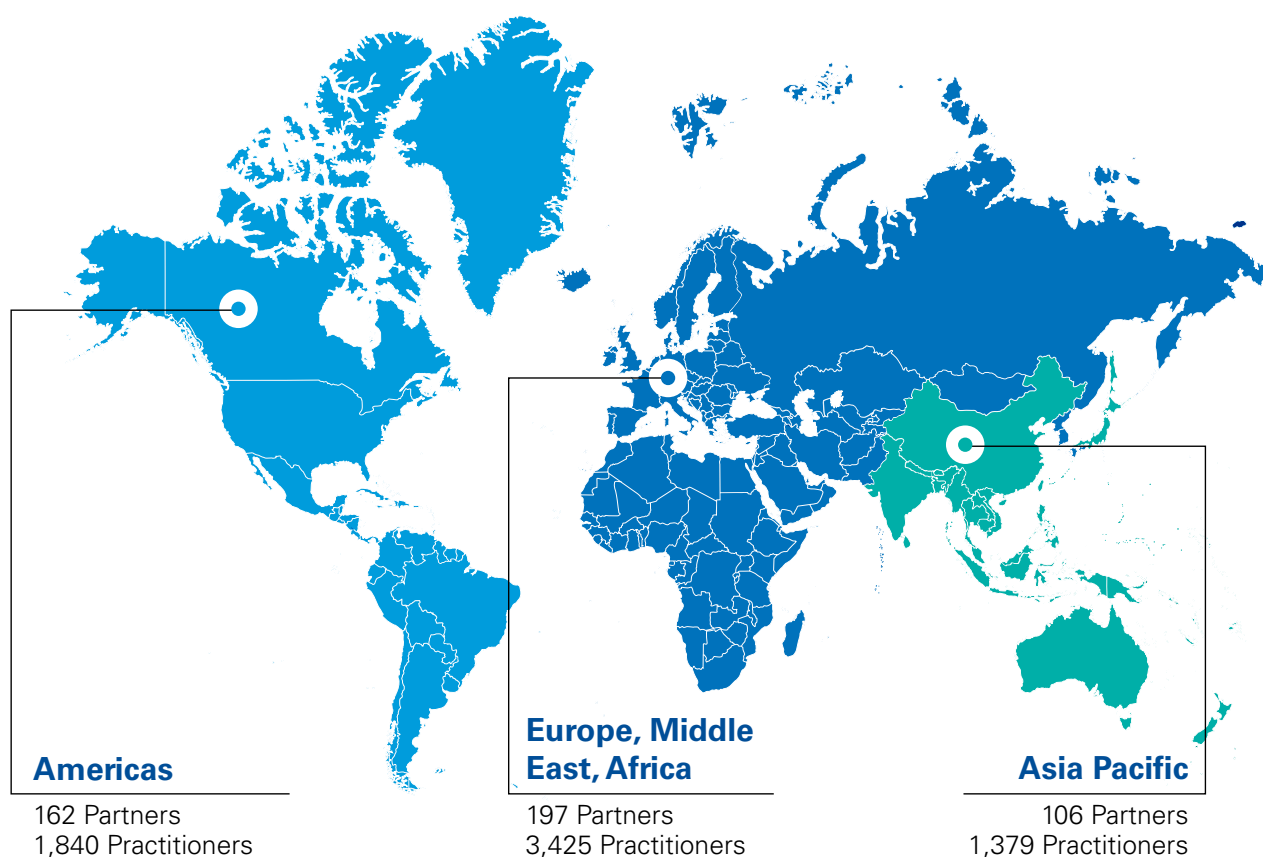


# Monitoring emerging developments

KPMG's **International Standards Group** assists our member firms' clients and professionals with the application and interpretation of International Financial Reporting Standards and International Standards on Auditing in jurisdictions around the world and have tracked the development of the forthcoming insurance contracts standard from its inception to its delivery.

The **Insurance Risk and Regulatory Centers of Excellence** support insurers who face complex regulatory changes globally or in individual jurisdictions. Our member firms' top regulatory professionals provide practical insight on the implementation of regulatory issues helping insurers identify risks, understand new compliance requirements, plan necessary changes and support implementation ahead of time.

With a global network that includes more than 176,000 professionals, operating in 155 member firms around the world, our teams of professionals know what it takes to deliver leading global practices within a local context. The map below shows our insurance coverage across the world.



Source: KPMG International.

# Making the most of the transition

- **Be bold and visionary:** This is an opportunity to transform the way the organization operates. Take bold steps, identify key decisions early and set out a vision for the future that drives engagement and encourages support from across the enterprise.
- **Focus on the business outcomes:** The goal of the transformation should not focus solely on a regulatory requirement. Finance leaders will need to design their new operating model and processes with their business objectives front and center.
- **Break down the program into manageable steps:** Massive transformation projects can be difficult for employees to digest and complex to manage and deliver. While the overall initiative must remain focused on achieving the long-term vision, insurers will want to break down their projects into manageable steps and retain the ability to innovate and adapt to change.
- **Measure progress:** Ensure there is a disciplined way to measure progress, both from a cost and benefits perspective, on a regular basis and be ready to make adjustments if elements of the program are not meeting their goals.
- **Look at the bigger picture:** Insurers that approach these changes purely as a technical issue will likely miss significant opportunities to drive real business value. Go beyond the technical considerations to think about the strategic impact on the organization, markets and clients.
- **Expect the goals to shift:** Even with the advantages of modern technology and agile approaches, transformation can still take time and much can change in the internal and external environment before the 'end point' is reached. Set clear goals and objectives but prepare to reassess the strategy if necessary as the business evolves and as interpretations are clarified.



The standard is going to create a world where you can no longer be a good accountant if you don't understand actuarial matters and where you can no longer be a good actuary without understanding financial reporting and capital management. The project managers will need to be great communicators to break down silos.



— **Ferdia Byrne**

Global Insurance Actuarial Lead Partner  
KPMG in the UK



## Insurance change global leadership team:



### Mary Trussell

**Global Insurance Change Lead Partner, KPMG in Canada**

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Mary brings deep expertise covering a broad range of insurance markets — from life and health and personal lines to specialty risks and reinsurance — across Asia Pacific, Europe and North America. As a member of KPMG's Global Insurance Leadership team, Mary focuses on accounting change for insurers and leads the development of many of KPMG International's global thought leadership for the industry. In October 2015, Mary was appointed to lead the Insurance practice for KPMG in Canada.



### Erik Bleekrode

**Insurance Accounting Change Asia Pacific Coordinating Partner, KPMG in Hong Kong**

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Erik brings over 26 years of experience focused on the full spectrum of financial services, working in South America, Europe and most recently in Hong Kong. An audit partner by background, Erik expanded his areas of expertise and now divides his time between audit and advisory work, aimed primarily at international insurers operating in Latin America and Asia respectively. Erik leads our IFRS accounting change efforts in Hong Kong, providing his extensive experience in helping insurance clients transition through complex accounting change programs.



### Ferdia Byrne

**Global Insurance Actuarial Lead Partner, KPMG International**

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Ferdia is the Global leader for Actuarial at KPMG International with is a member of KPMG's global insurance leadership team. With more than 20 years' experience, Ferdia specializes in life insurance and has worked with various global insurers. His areas of expertise include financial reporting, risk management and M&A. He has broad experience in various European insurance markets.



### Danny Clark

**Global Insurance Accounting Change Technical Lead Partner, KPMG in the UK**

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Danny has 20 years of advisory, transaction and audit and experience and leads the firm's services relating to the reporting aspects of Solvency II. He has extensive experience of insurance accounting issues and is a member of the ICAEW's insurance committee. A partner in the UK, Danny is also a member of of KPMG's international steering group on the forthcoming insurance contracts standard.



### Martin Hoser

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Martin is building the bridge between business needs and data and systems requirements. He has over 12 years of experience in the area of insurance systems, data and processes. He is responsible for several projects for accounting of insurance contracts in Germany. Martin looks to provide solutions within the tension of regulatory requirements and practical implementation. His aim is to implement the new standard in an efficient way.



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Joachim is chairman of KPMG's Global Insurance Topic Team focusing on IFRS for insurers. He is a member of the European Financial Reporting Advisory Group and Deputy Chair of the Insurance Working Party at the Fédération des Experts Comptables Européens (FEE). Joachim has lead studies for the European Commission in the fields of accounting and supervision of insurance companies and is a lecturer at the University of Cologne.



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Michael leads the Insurance Accounting Change practice for KPMG in the US. He has a broad range of experience in applying the various accounting standards, including IFRS, USGAAP, USSTAT and GASB principles. Michael also has relevant experience in applying relevant and local standards related to insurance activities across multiple geographies.



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A finance transformation specialist, Martyn helps companies design and implement pragmatic solutions that address their most complex financial management challenges. His work includes, finance visioning and strategy workshops, designing finance target operation models, lean finance shared services projects and related financial reporting process and system improvements. Martyn plays a key role in the development of KPMG's global conversion methodology for the new insurance accounting standard.

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