



**SINGAPORE ACTUARIAL
CONFERENCE 2023**

Post IFRS17 analytics

Singapore, Singapore Actuarial Conference 2023

27 September 2023

EY speakers

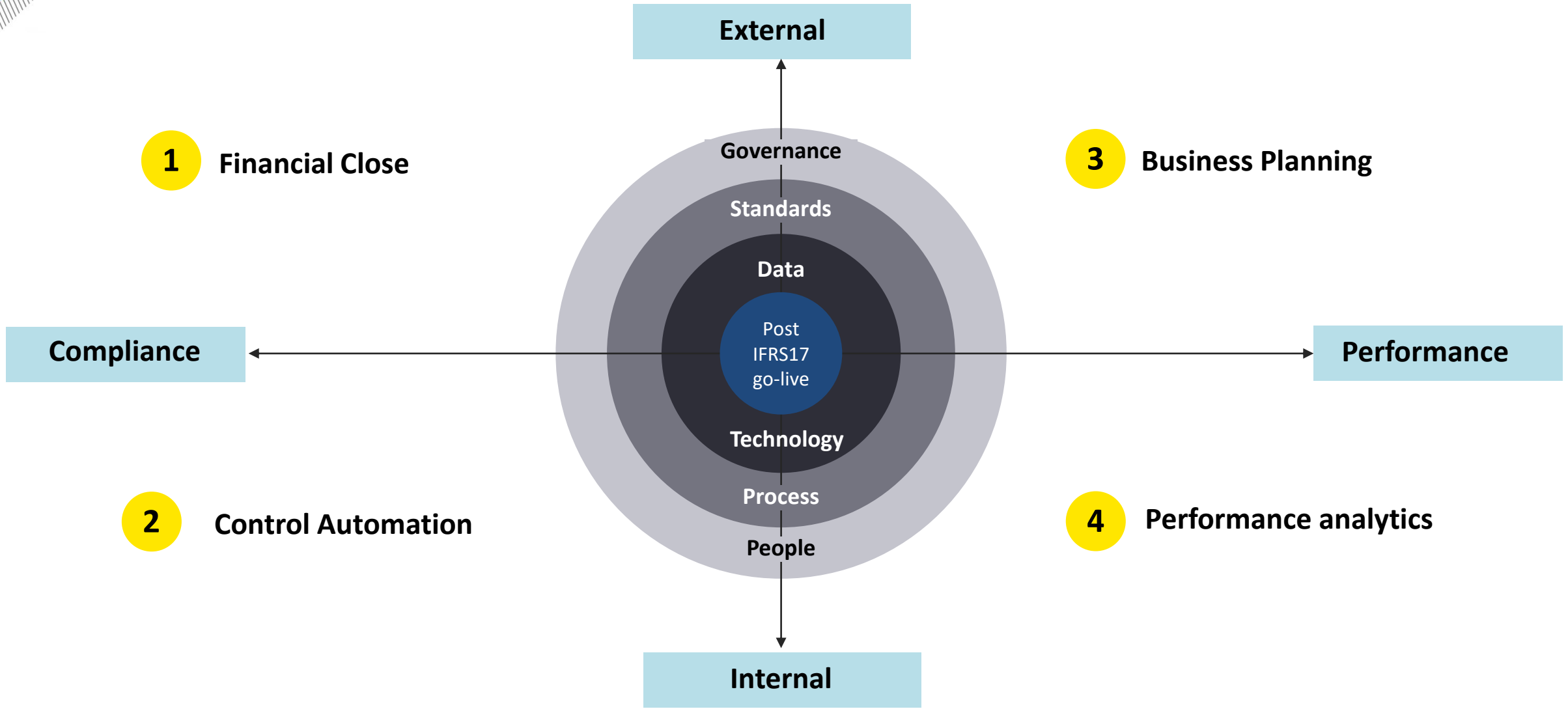


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Key focus areas for insurers to enhance their financial reporting in the post-IFRS 17 world



With IFRS 17, insurers are required to maintain & manage internal controls for various regulatory reporting

1 Financial Close & Controls Automation

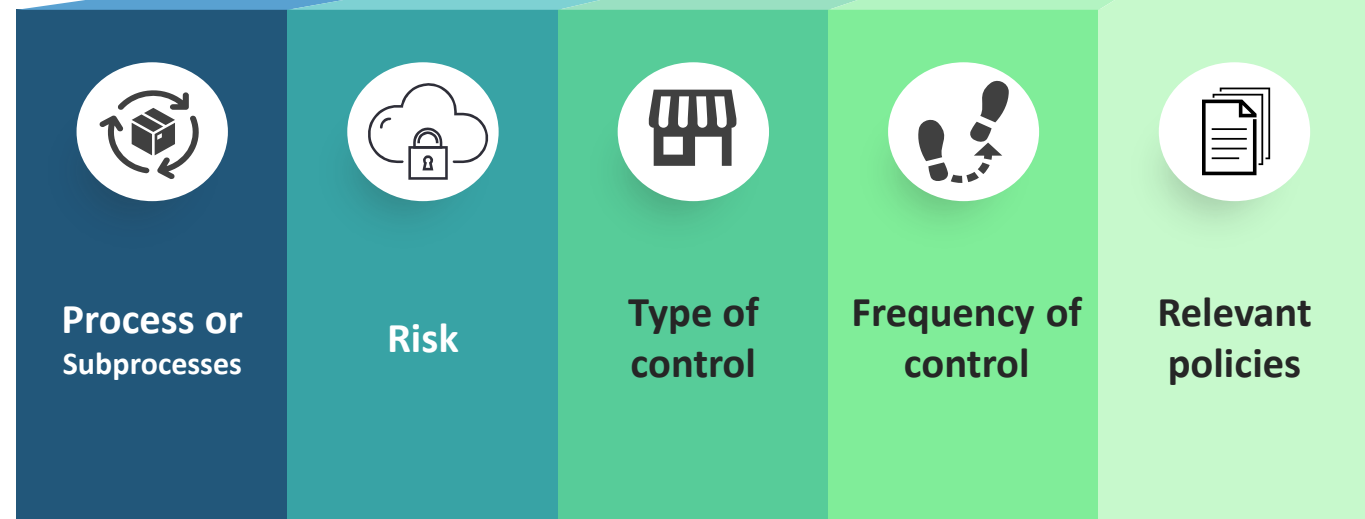
2 Business planning & Performance Analytics



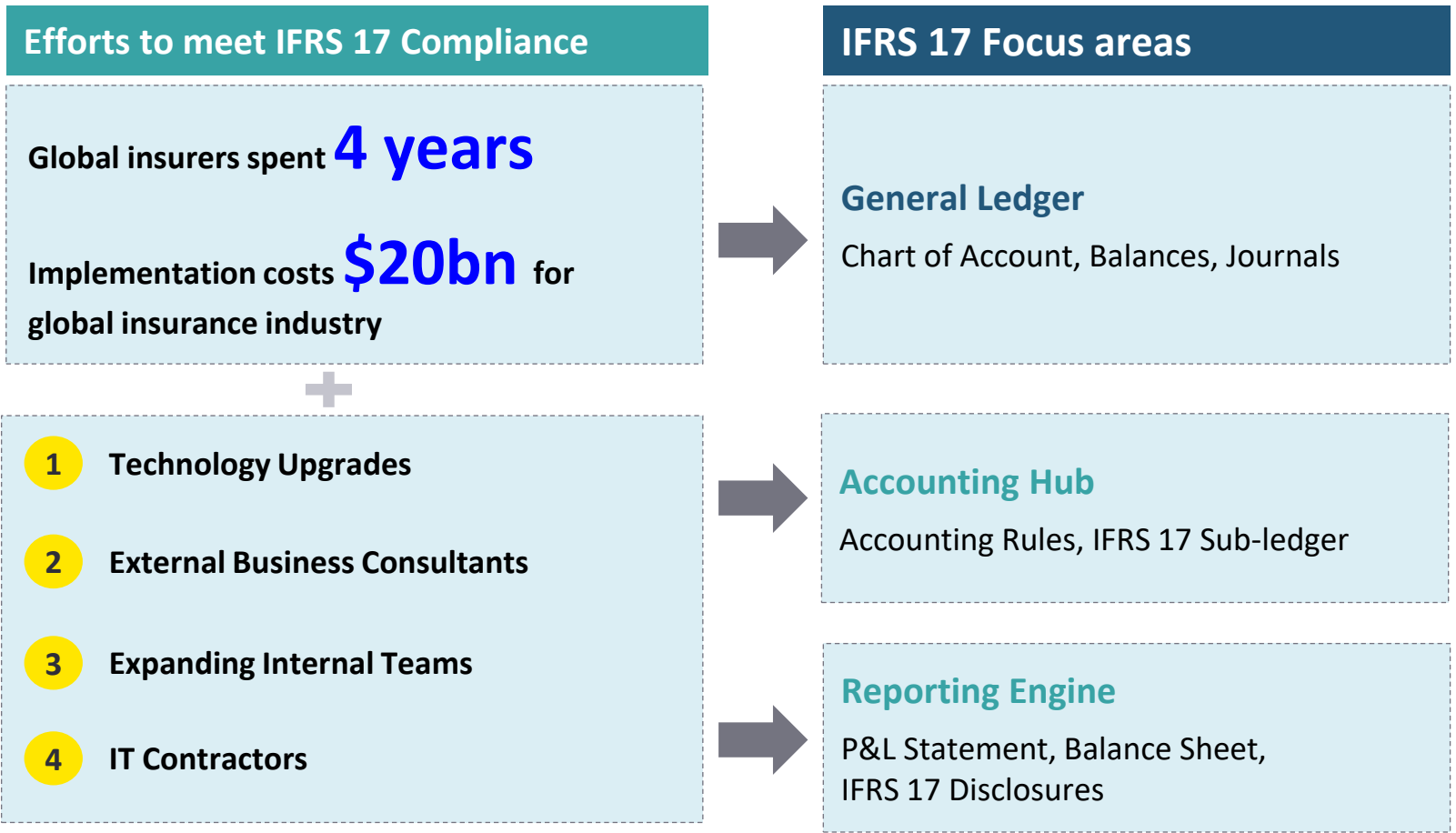
Key challenges

- **Manual** data manipulation, extraction and workflow
 - **Limitations** in system and solutions
 - **Lack standardization** in process and data
- +
- **New IFRS 17 systems and processes**, with limitations that require manual workarounds
 - **New IFRS7 team**, which requires close collaboration across functions and teams
 - **New manual workarounds & processes** are introduced

The Insurance industry are no longer looking at the **actuarial and finance function** as a back-office process but rather **as a strategic decision driver**.



IFRS 17: Delivering value beyond compliance



But

The journey need not stop at compliance

IFRS 17 capabilities can be leveraged to create strategic value for insurers

Existing KPIs remains important indicators for performance, new KPIs introduced



Growth

Current KPI published

APE | Annual Premium Equivalent

VONB | Value of New Business (margin, growth)

EV | Embedded Value (EV Equity)

New / additional IFRS 17 KPI

NB CSM | New business CSM

NB CSM % | New business CSM over APE

CSM Growth | Total CSM growth



Earnings & Returns

OPAT | Operating Profits after Tax

FSG | Free Surplus Generation

ROE | Return on Equity

IFRS 17 OPAT | Insurance service results

No change

IFRS 17 Returns | Profit under IFRS 17



Capital & Dividends

CAR | Capital Adequacy Ratio

DPS | Dividend per share (EPS)

Leverage Ratio | Debt-Equity Ratio

EV Equity | Net Asset Value + Value of IF

No change

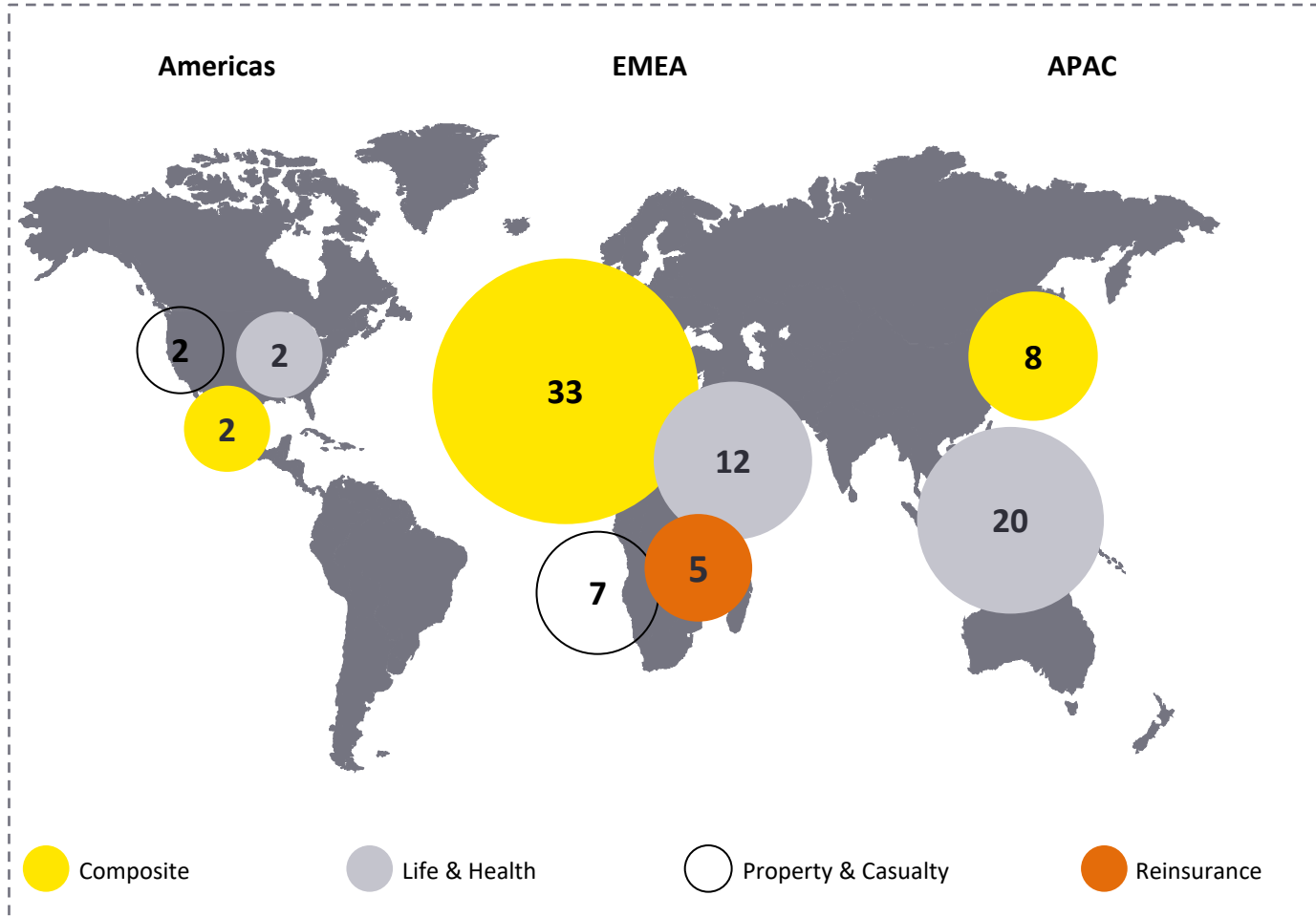
CSM Balance per share

No change

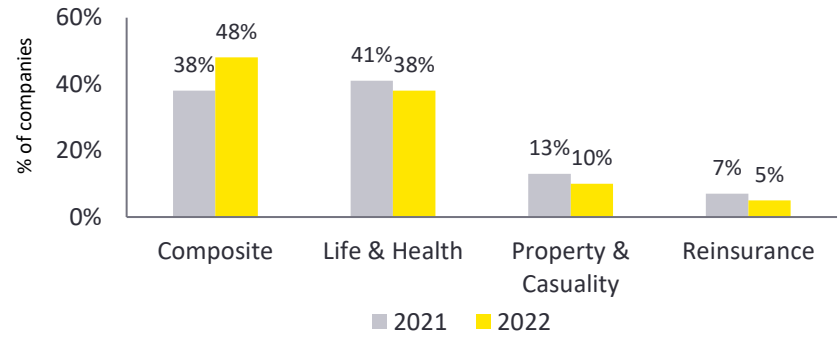
Comprehensive/Adjusted Equity

EY conducted a Global IFRS 17 KPIs Survey with 91 companies responded

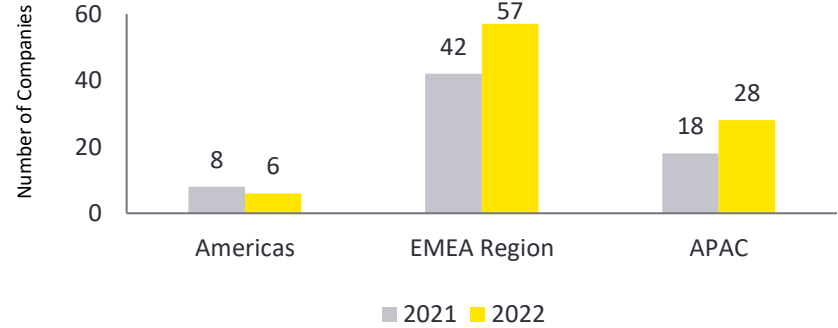
Responses by region and type of insurance company



Type of insurance company (comparison 2021 to 2022)



Geographic development (comparison 2021 to 2022)



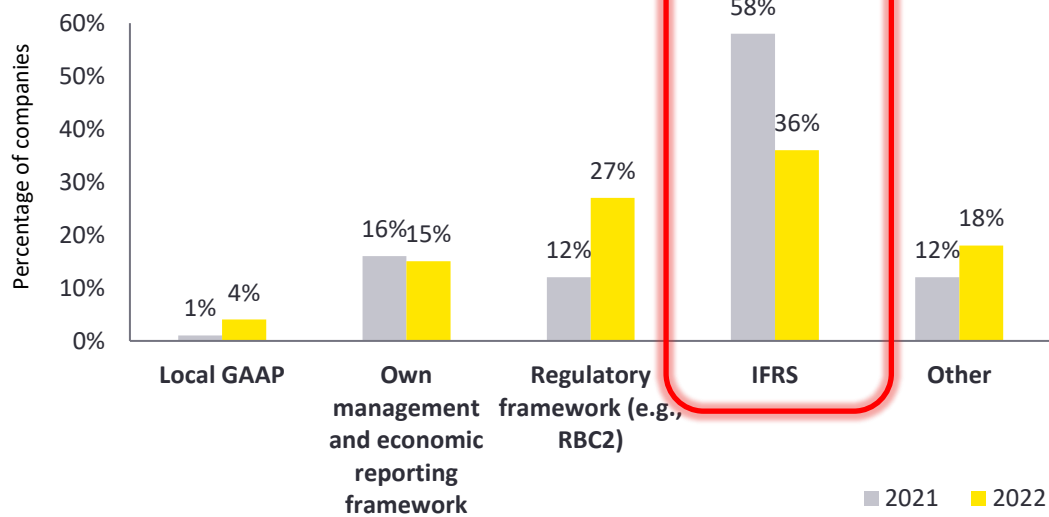
What is the view from EY Global KPIs survey results? (1/3)

#1 What is your main basis for the purpose of internal management reporting

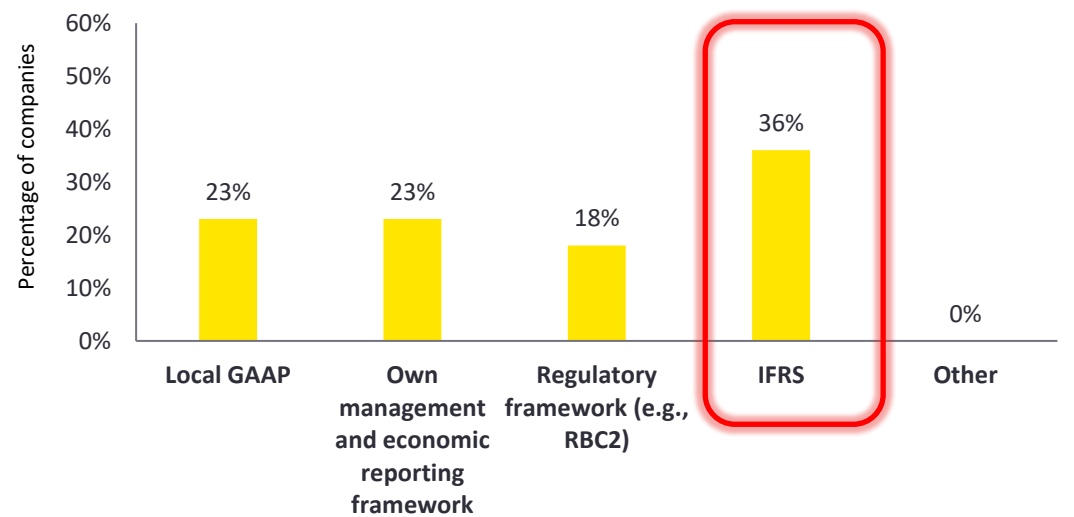
Global: IFRS remains the most popular main driver, with regulatory framework gaining relevance

Local: IFRS is the most popular main driver

Global KPIs survey results



Local KPIs survey results



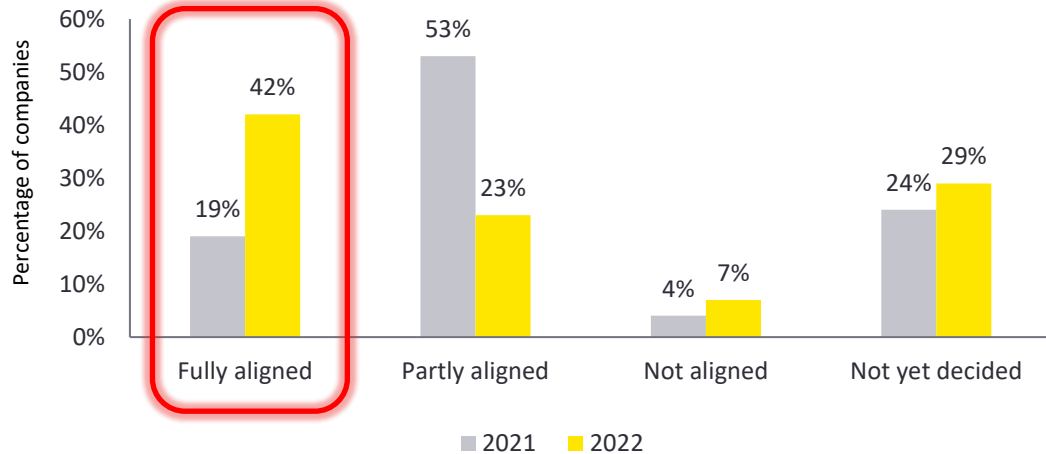
What is the view from EY Global KPIs survey results? (2/3)

#2 How well aligned is your current internal performance management framework to IFRS 17?

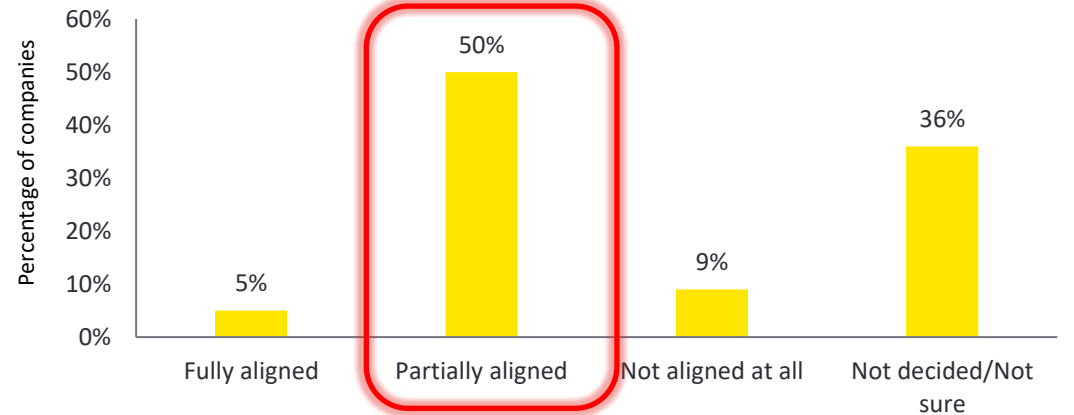
Global: Most firms have decided to **fully align** their performance management framework to IFRS

Local: Most firms have decided to **partially align** their performance management framework to IFRS

Global KPIs survey results



Local KPIs survey results



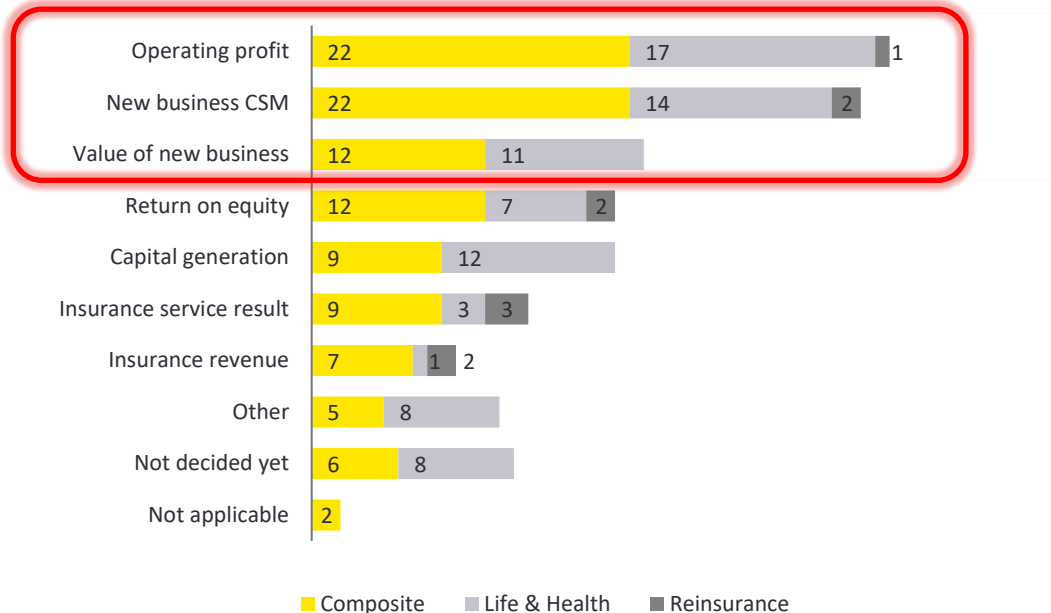
What is the view from EY Global KPIs survey results? (3/3)

#3 In your opinion, what will be your most important KPIs?

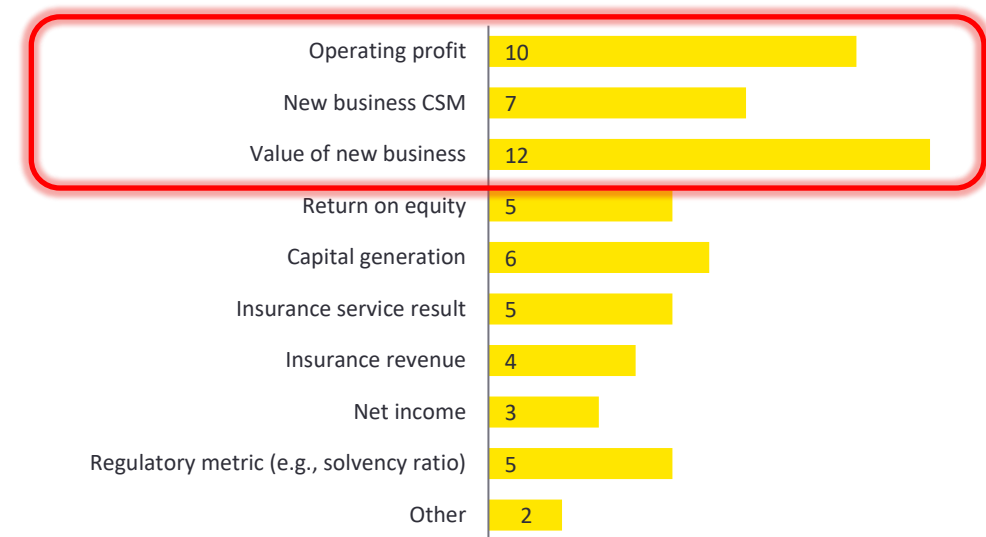
Global: Top three KPIs are **operating profits**, **new business CSM**, and **Value of New Business**

Local: Top three KPIs are **Value of New Business**, **operating profits**, and **new business CSM**

Global KPIs survey results



Local KPIs survey results



Business planning and forecasting under IFRS 17 will be a crucial Day 2 activity

01

Setting new IFRS 17 KPI

- Understand requirements
- Market benchmark
- Enhance existing KPI process and framework

02

Business planning & Forecasting

- Run various simulations to understand the sources of earnings and impact of financial vs non-financial risk to IFRS 17 financials
- Incorporate IFRS 17 process into existing BAU business planning process

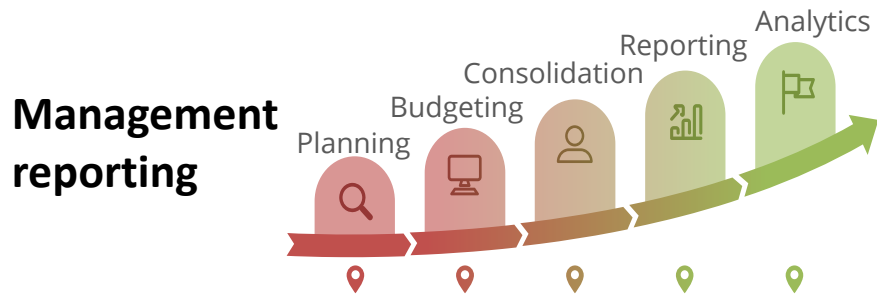
03

Management reporting & Investors' story

- Educate and communicate with investors on IFRS 17 impact
- Management reporting including dashboard based on IFRS 17 financials

Business planning and forecasting under IFRS 17 will be a crucial Day 2 activity

Before IFRS17 implementation – individual process for forecasting, reporting & analytics



Multiple functional systems/ processes



IFRS17 architecture allows us the opportunity to combine all these processes under one umbrella



Centralised IFRS17 Data Warehouse

- Data from multiple sources are:
 - **Consolidated** into centralised data warehouse
 - **Harmonized** across all policy administration systems at contract level
 - **Validated** and quality checked to meet IFRS 17 compliance requirements
- Insurers can maintain the reference data and expected & actual transaction data historically



IFRS 17 Business+ : 3 solution pillars

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1001001
1101010

Business process & analytics



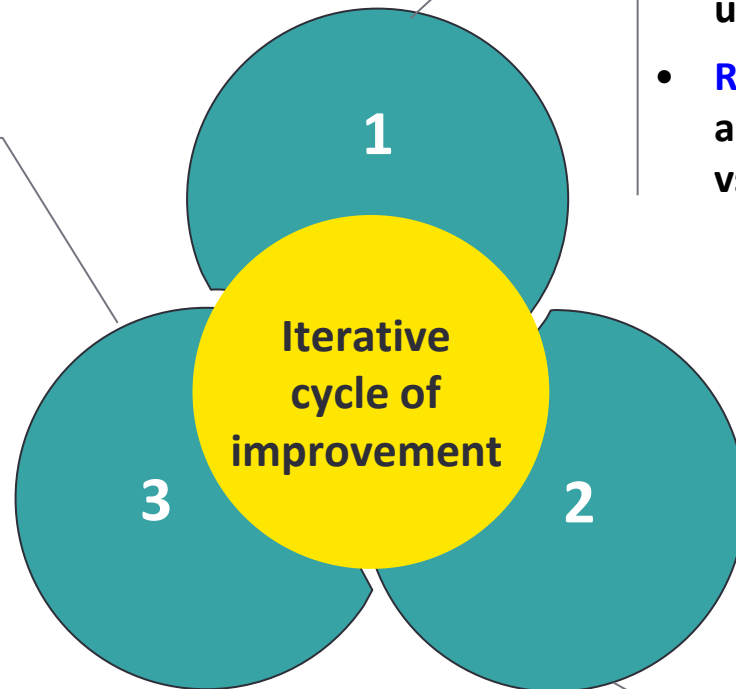
Business planning and cascading KPI



Re-wiring incentives and rewards

Re-wiring incentives and rewards

- **Powerful translation** of priorities to execution with changes in incentives and rewards
- **Leading initiatives** include agency compensation review, persistency and customer segment heatmaps
- **Iterative process** that aligns with management and board timelines



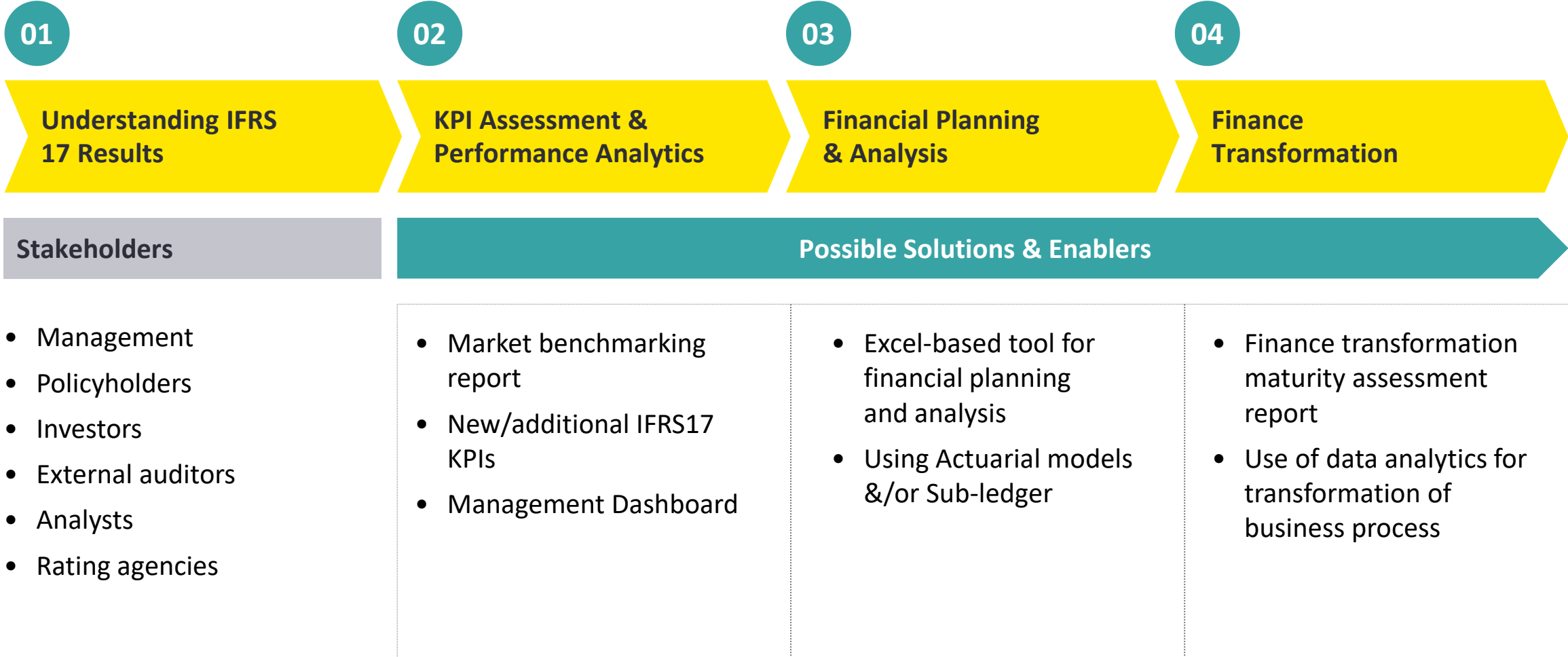
Business process & analytics

- **Customer value:** comparability across customer segments, advisor channels with BEL as a single underlying metric
- **Revenue assurance:** identify revenue leakage and system/modeling gaps by comparing actual vs. expected cashflows

Business planning and cascading KPI

- **Leverage insights** from business process and analytics for granular review of business plans, and related KPIs
- **Bottom-up view of executional KPIs** adding up to business outcomes
- **Homogeneity of metrics** across functions results in clear prioritization of goals and execution

Long story short, to make most of IFRS 17, insurers need to Think Beyond Compliance



Thank You

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