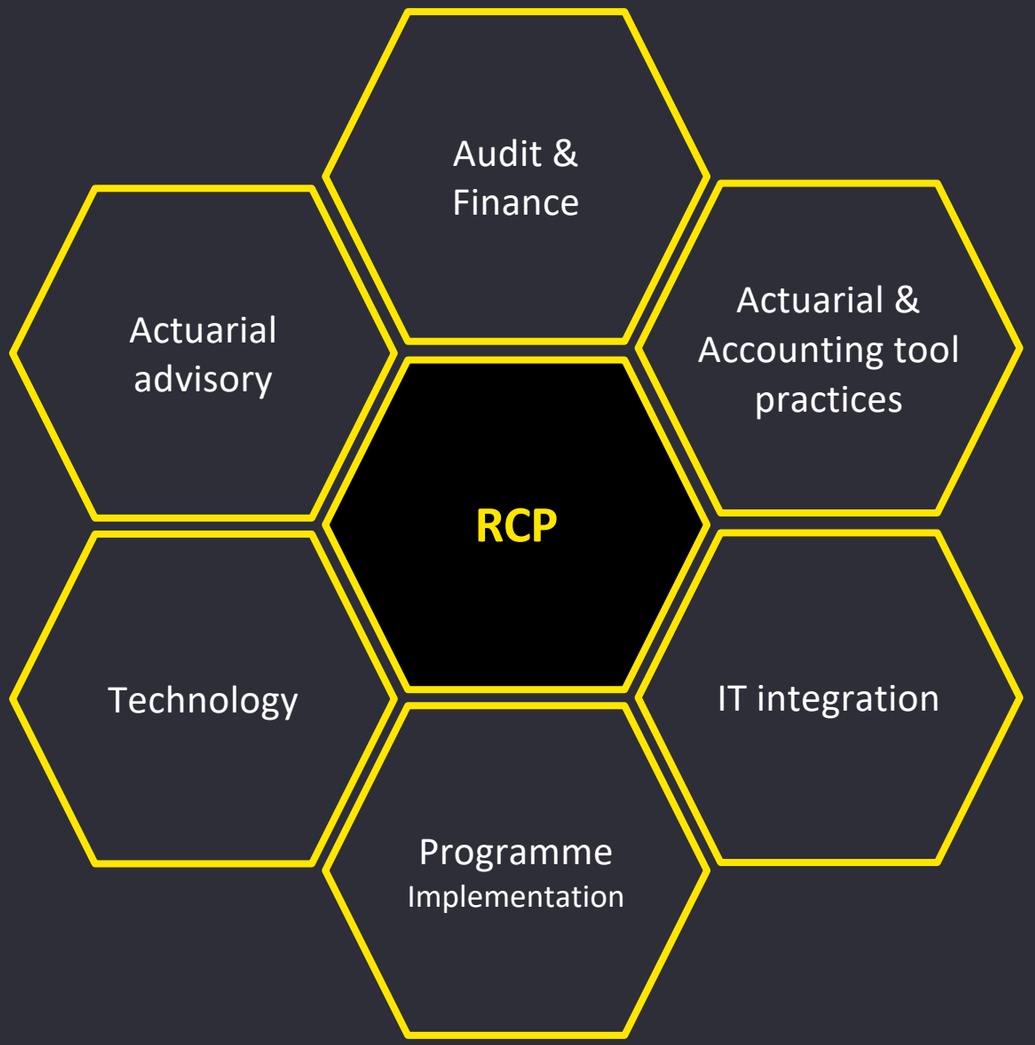
EY RCP — IFRS 17 Reporting and Calculation Platform

Solution Presentation

May 2021

Building a better working world

EY - A unique blend of expertise



EY owns a unique blend of high level expertise in the 6 domains relevant to IFRS 17

- **Audit & Finance**
  The extensive practice in Audit puts EY as a major advisor for the new IFRS 17 accounting regulation
- **Actuarial**
  EY conducts every year more than xxx assignments with actuarial departments of insurers and reinsurers
- **IT Systems practice**
  EY has developed practices around all major actuarial systems (Prophet, RiskLegerity, Axis, SAS..) and accounting/reporting systems (SAP, Tagetik, …)
- **Technology**
  EY has the most developed practice around technology advisory among the BIG 4
- **IT integration**
  The extensive knowhow for system implementation has enabled EY to develop a TOP practice to integrate actuarial and accounting systems
- **Programme implementation**
  EY has the knowhow to deliver small to large system implementation programmes safely

This unique blend of TOP level expertise has lead EY to design a tailored solution to customers requests:

RCP

Reporting and Calculation Platform

EY RCP thought for customers

RCP

- Establishing compliance with IFRS 17
- Designed for a safe and easy implementation
- Embarking the end-to-end process of IFRS 17

Get IFRS 17

Compliant, safely and timely

Based on a large experience of IFRS 17 vendor solutions and implementations, EY RCP is providing a solution that will focus on establishing the IFRS 17 compliance in a safe and timely manner.

- RCP embraces a preconfiguration of all calculation methodologies as ready-to-use
- Preconfigured and flexible DataMart to accelerate the data mapping
- Preconfigured chart of accounts and posting rules
- Providing all IFRS 17 disclosures
- Addressing the end-to-end process through:
  - Data integration and validation
  - Calculations (GMM, VFA, PAA, LIC, LFRC), including RA calculation
  - Subledger with a parameterizable chart of account
  - Reporting with official disclosures and management reporting

RCP is also designed to be used by the audit firm to confirm calculations and disclosures.

A collaborative approach

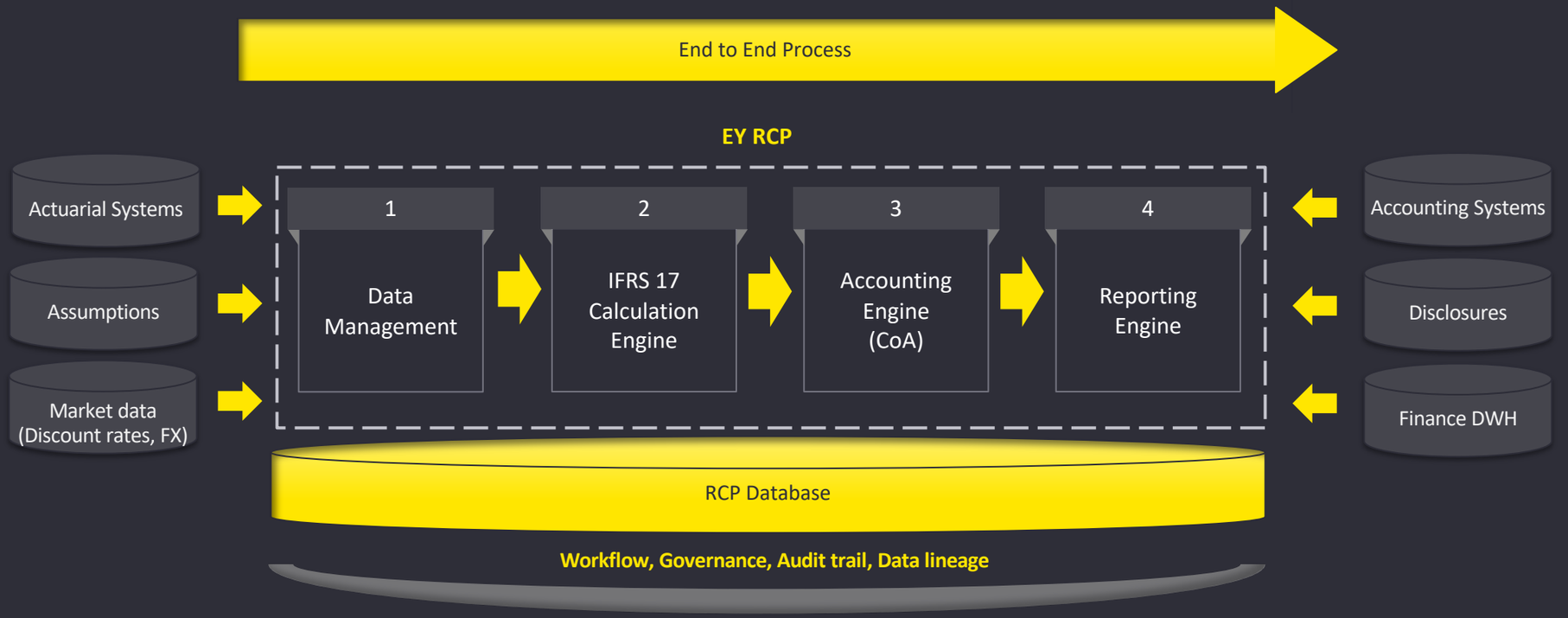
Actuary

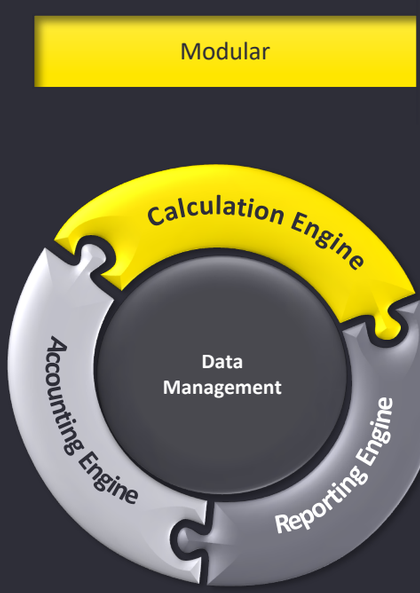
Accountant

IFRS 17 process

Disruption events, market volatility … will require a close and efficient cooperation between actuaries and accountants to assess financial impacts in a timely manner and enable the provision of accurate and timely analysis to top management. RCP will be the bridge between actuaries and accountants.

Overview of the capabilities

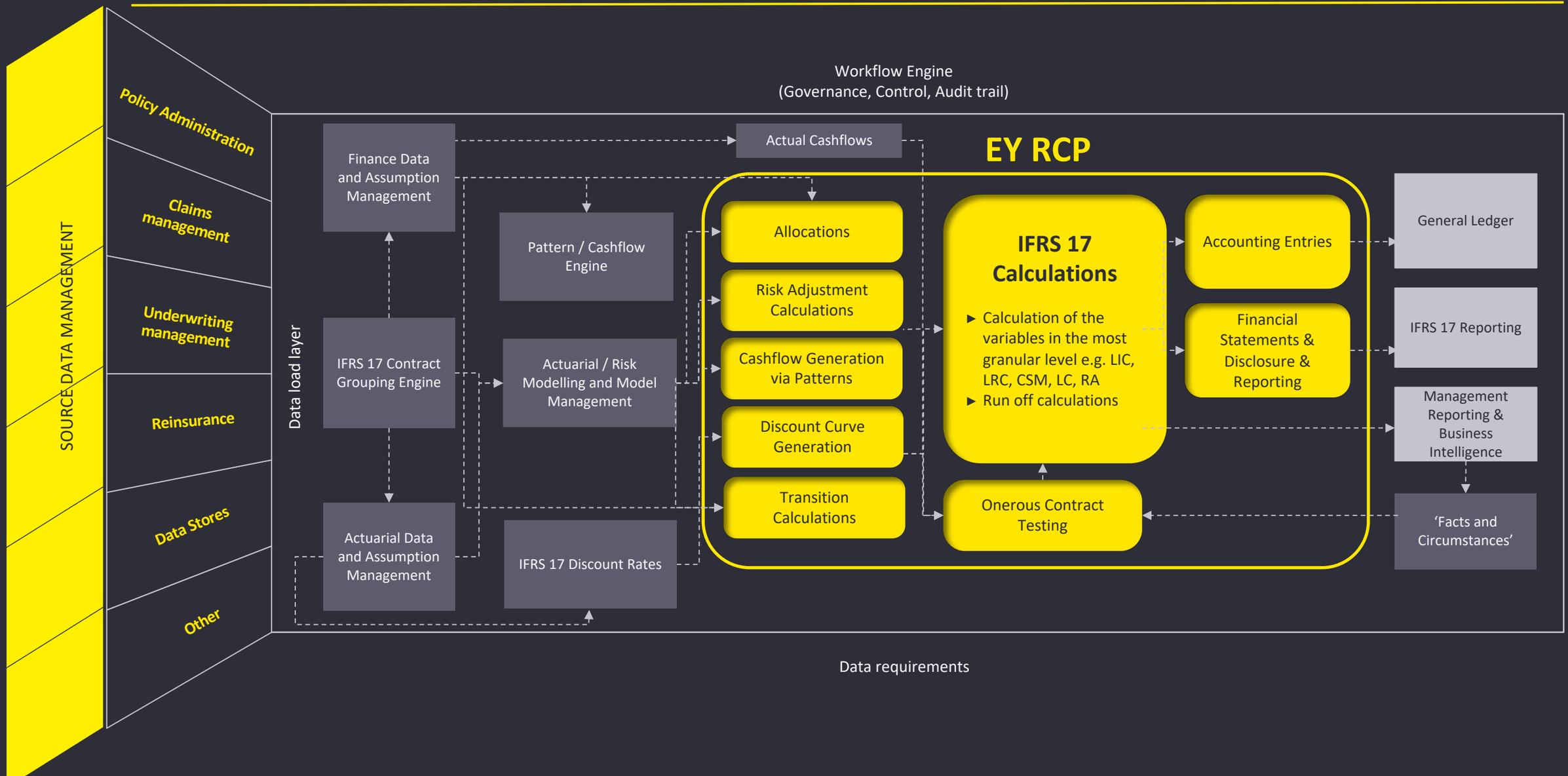




To generate financial statements in compliance with IFRS 17, entities need four main engines that will be integrated to entity's IT system architecture. The engines will utilize contractual data received from source systems, complete IFRS 17 calculations, generate postings and reports.

EY RCP is modular and consists of three engines which can be separately used

EY RCP - Scope of the solution



A fully integrated end-to-end process

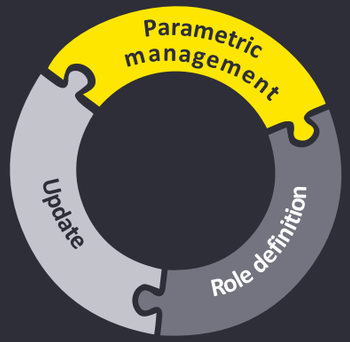
EY RCP contains all functionalities to deliver a smooth end-to-end AASB 17 cycle to generate a set of financial statements

01 | Data model

02 | Data transmission infrastructure

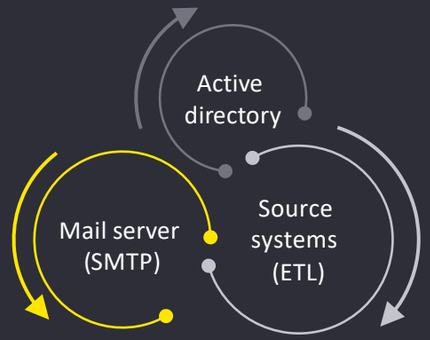
03 | Data quality controls

04 | Monitoring data transmission stages



Data transmission | **Calculation and accounting** | **Administration screens** | **Integration points** | **Logging** | **Financial reporting**

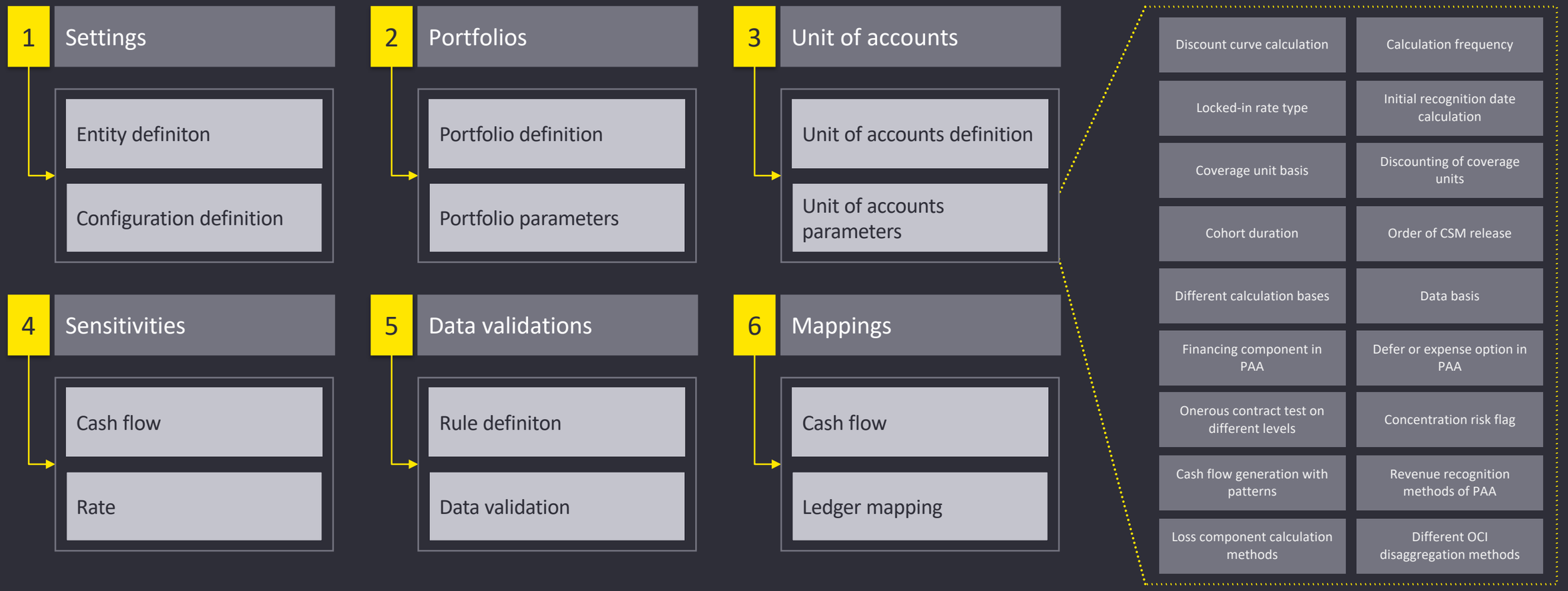
GMM **VFA** **PAA**



- Financial reports and disclosures in compliance with IFRS 17
- Automatic and periodic management reports
- Visualization for management reporting

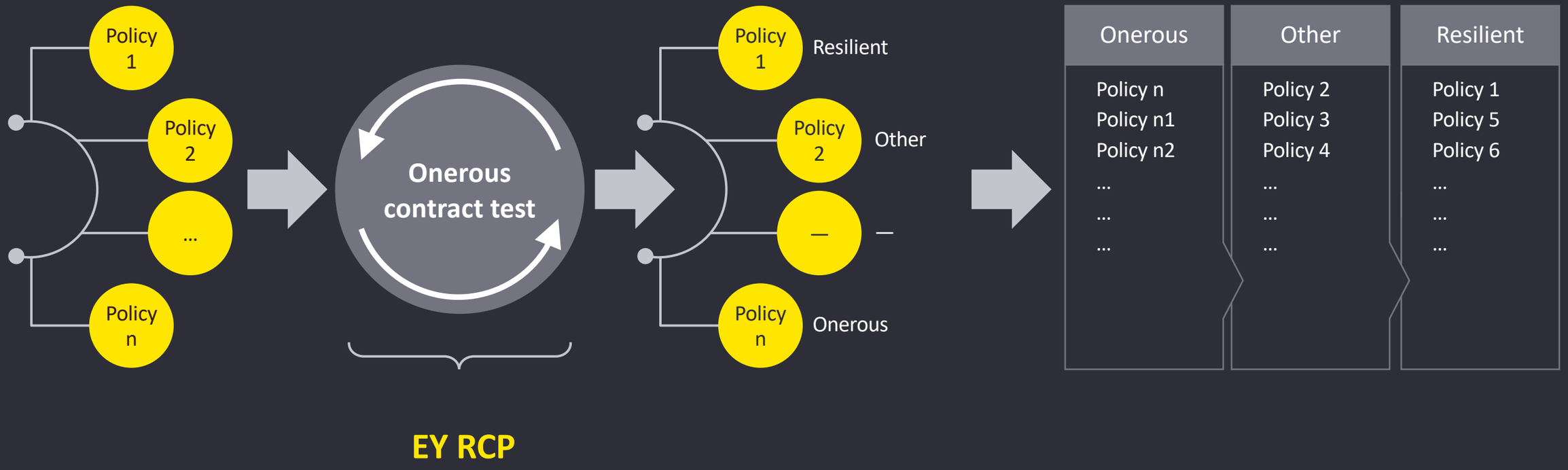
Zoom on configuration capabilities

Most of the important decisions can be made from the user interface, which decrease the total implementation effort significantly because we don’t have to write codes or scripts for configurations.



Zoom on onerosity test

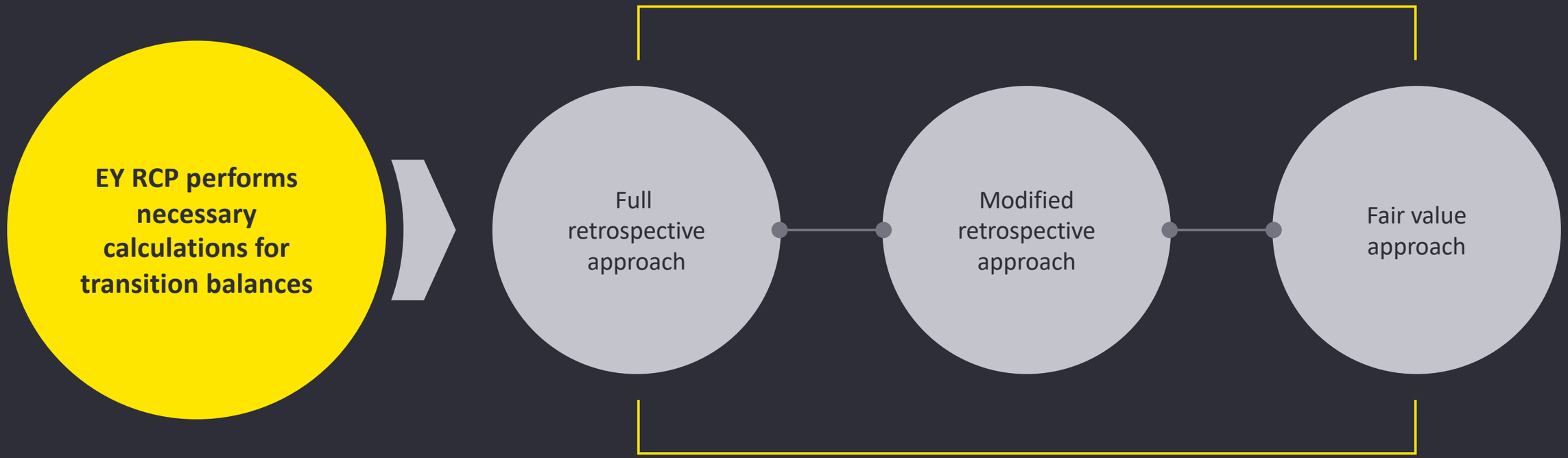
EY RCP can perform onerous contract tests based on contracts or group of contracts level. Also, it can determined the profit buckets label for contracts/group of contracts. If the onerous contract test is performed on contract level while the calculation basis is group of contract, the aggregation of contract based data according to the profit bucket assignments as a result of onerous contract test.



EY RCP

Zoom on transition calculations

EY teams have integrated the knowledge and knowhow from dozens of assignments related to the IFRS 17 transition calculation.



Zoom on risk adjustment calculations

- EY RCP has different options for the risk adjustment calculations with Cost of Capital approach. Or, risk adjustment amount can be uploaded as an input upon request.
- RA calculations can be made at unit of account level or higher levels.
- Diversification effect is taken into account.

1 SCR ratio

- EY RCP calculates RA at UoA level according to the Cost of Capital approach for both LFRC and LIC.
- In this approach, SCR ratio and Cost of Capital rate are taken as an input.

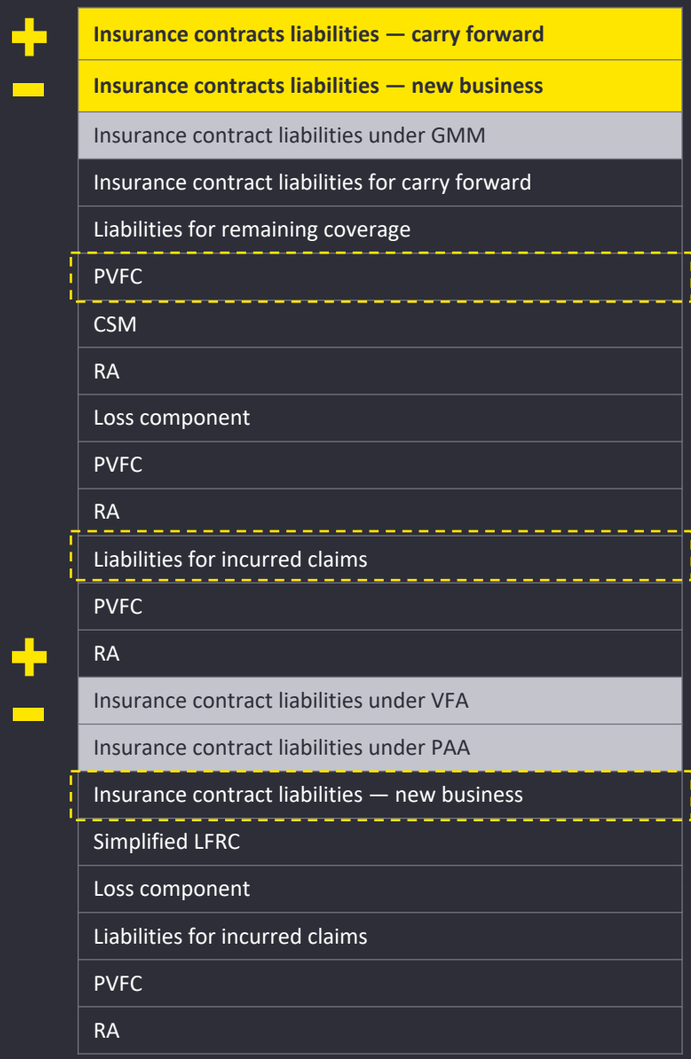
2 RA ratio

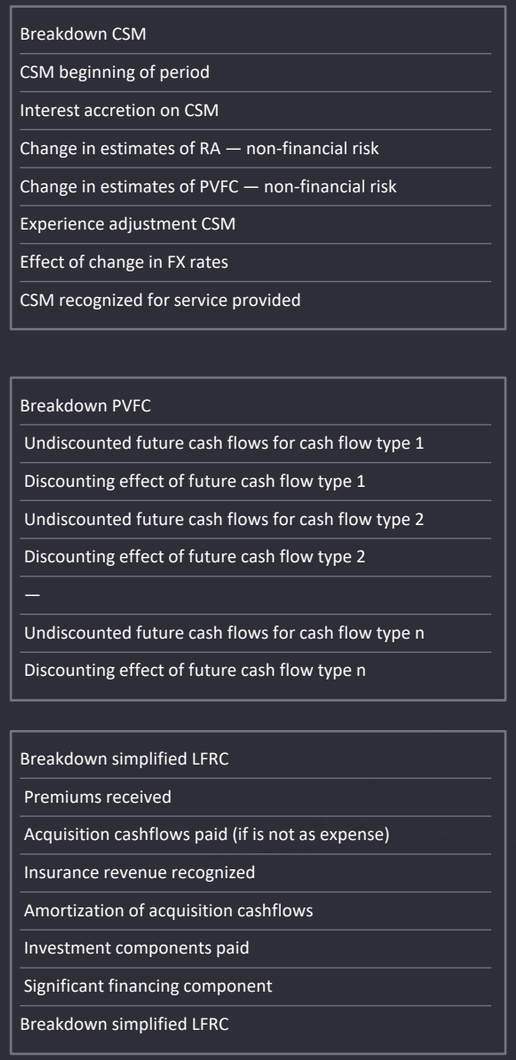
- EY RCP calculates RA at UoA level according RA ratio for both LFRC and LIC.
- In this approach, RA ratio is taken as an input.

3 Shock scenarios

- EY RCP calculates RA at UoA level according to shock scenarios for both LFRC and LIC.
- In this approach, SCR ratio is calculated by EY RCP.
- SCR rate is calculated in two different ways. One of them is to upload the SCR table ready, and the other is to determine the SCR table with cash flows.

Zoom on accounting engine





- Roll forward items for CSM, LC and LRC, including necessary allocation accounts
- Change in expectations, experience adjustments, interest accretions, etc., for each cash flow type
- Nominal amounts and discounting for each cash flow under LFRC and LIC
- Breakdowns in several different cashflow types

EY RCP-sample Journal entries

Scenario	Entity	Unit of account	Account name	Debit	Credit
Default	EY Good	Motor_2023_ON	ICL_GMM_PRIOR PERIOD_LFRC_CSM_DUE_DELTA_RA	—	100
Default	EY Good	Motor_2023_ON	ICL_GMM_PRIOR PERIOD_LFRC_RA_CHANGEINEXP	100	—
Default	EY Good	Motor_2023_ON	ICL_GMM_PRIOR PERIOD_LFRC_CSM_RELEASE	25	—
Default	EY Good	Motor_2023_ON	IR_GMM_PRIOR PERIOD_LFRC_CSM_RELEASE_PL	—	25
Default	EY Good	Motor_2023_ON	ICL_GMM_PRIOR PERIOD_LFRC_RA	10	—
Default	EY Good	Motor_2023_ON	IR_GMM_PRIOR PERIOD_LFRC_RA_RELEASE_PL	—	10

[1] Journal date, journal type, transaction date, portfolio, cohort, etc., necessary information related with journals is available.

Zoom on disclosure engine

EY RCP reporting results

Other

Reconciliation of assets and liabilities

Opening balance → **Closing balance**	Assets or liabilities for remaining coverage	Any loss or loss recovery component	Liabilities for incurred claims
Opening balance → **Closing balance**	Expected present value of future cash flows	RA for non- financial risk	CSM

More to be disclosed, including but not limited to:

- Analysis of insurance contract revenue recognized in the period, comprising:
  - CSM release to profit or loss
  - Expected insurance service expense
  - RA release
  - Recovery of acquisition CFs
- CSM and related quantities for in force business at transition
- Amount of Insurance finance income or expenses (IFIE)

Recognized amounts

- Breakdown of assets and liabilities for insurance and reinsurance contracts
- Insurance and reinsurance finance income and expenses
- Roll forward of insurance and reinsurance contracts
- CSM release pattern
- Reconciliation of OCI
- New business analysis of insurance and reinsurance contracts
- Cost of reinsurance
- Insurance service expense
- Components of insurance revenue
- CSM at transition for insurance and reinsurance contracts

Risk management

Disclosure for each type of risk

Type and extent of risks

Insurance risks	Financial risks
Risk concentrations	Risk concentrations
Sensitivity analysis of insurance risks	Sensitivity analysis of market risks
Claims development	Credit and liquidity risks

Significant judgments

Yield curve(s) to discount cash flows	Methods used to calculate IFIE recognized in OCI

IFRS 17 also has extensive disclosure requirements …

- Viewing all the disclosures at the most granular level (entity, portfolio, cohort, profit bucket or unit of account level)
- All the disclosures inline with EY Global Publications (EY Good Life Insurance and Good Insurance PAA model)
- Different tabular formats for insurance and reinsurance contracts with a distinction of PAA and non-PAA

Implementation Plan: How we phase it

We have developed an integrated approach to deliver the outcome for your IFRS 17 Implementation program.

IFRS 17 Implementation

1. Assessment

- *Understand your requirement and develop detailed project plans for the implementation*
- *Agree on the meetings and milestone check for the project progress*
- *Setting up the issue logs to track and promptly report to resolve such issues*

2. Solution Design Methodology

- *Develop the Requirement Documentation*
- *Gather configuration parameters customized to your preference based on the Accounting position and Calculation requirement*
- *Solution Design on architecture and target operating model, process, input data, etc.*

3. EY RCP Build & Implementation

- *RCP installation in your Environment*
- *Build Server Configuration in your Environment*
- *Input Data Preparation & Ingestion*
- *Results / Output Data*
- *RCP Parameter Definition*
- *RCP Parameter Configuration*
- *Cash flow & Ledger mapping*
- *Data Quality & Validation*

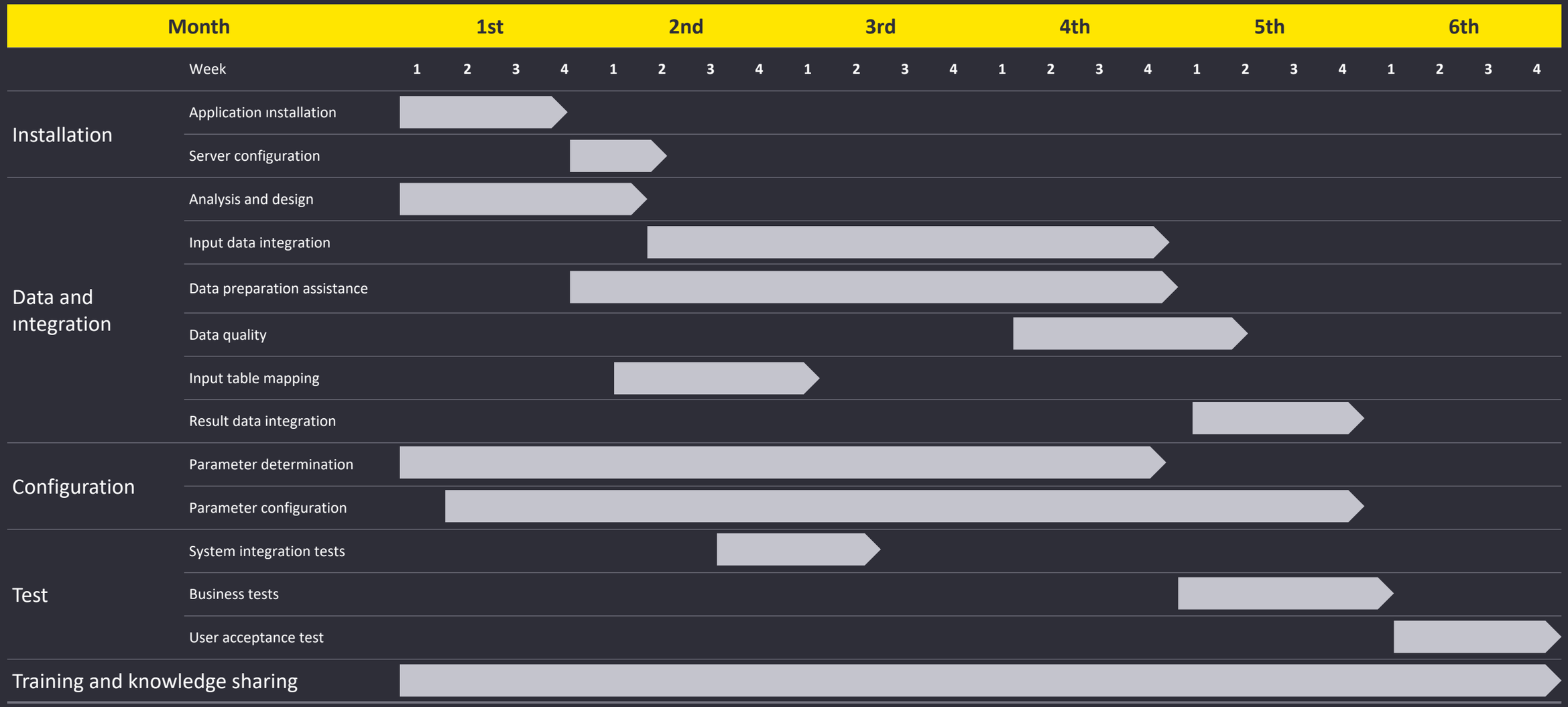
4. Test Execution

- *Execute SIT & Run UAT debrief, defect management, progress reporting*
- *Assess readiness of different environments set up by you (Test & Prod)*
- *Verification of code deployment in various environments*

5. Go-Live Support

- *Validate the Go-Live checklist/ runbook and prepare for deployment of RCP in production*
- *Verify the deployment in Test and Prod environment*
- *Initiate primary data load*
- *Provide Post Go-Live Incident Support*
- *User Training*

Project implementation timeline — agile or waterflow to match your current methodology

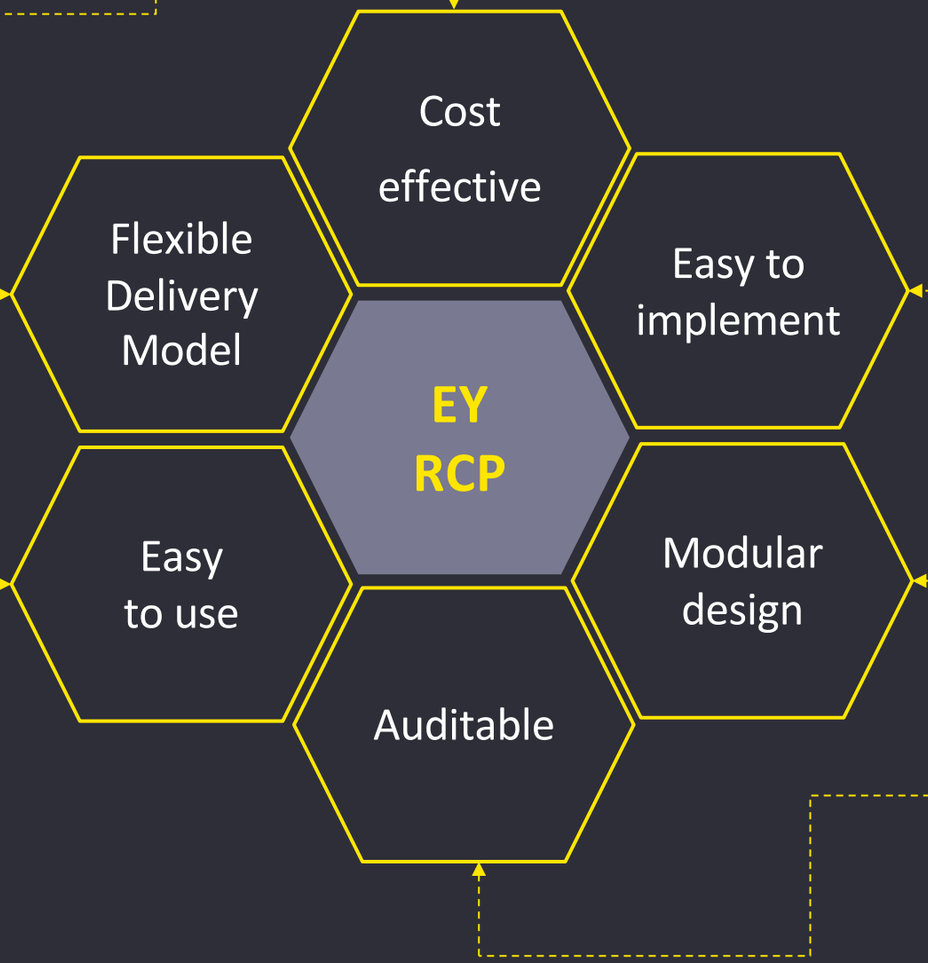


Why RCP ?

- Competitive licence fee compared to peer products makes EY RCP a value for money solution
- Modular design and standardised parameters makes it a cost effective solution to implement

- Can be used for transition, forecasting and any other simulation purposes by adding new configurations
- Can be implemented on-site or via cloud deployment using either private or EY cloud

- Simple and User friendly interface makes EY RCP quite easy to use
- Data import, Calculation and reports generation can be done in simple and minimal steps
- Standardized Package designed for Small and Medium Size Customers



- Can be configured with ease using a defined set of parameters, all of which are in line with the IFRS 17 Standard
- Simple and effective data model makes data ingestion fast

- Modular design makes implementation straightforward, run times significantly reduced, and updates quick and easy
- Allows insurers to select either the full solution, or individual modules as required.

- EY RCP has an auditable structure with audit trails, logs and historical data.

EY - A leading technology practice

EY has a market leading Insurance Technology practice, delivering client engagements across all of our regions

Winning independent Awards

#1
Gartner IT services to insurance (2017)

Named leader in Innovation Consulting (2019)

Leader for Data and Analytics service provider worldwide (2021)

#1
InsurTech initiative of the year (InsureWave) (2019)

ALM Leader Digital & Fintech Consulting (2017)

Guidewire Innovation Award (2019)

Developing a wide range of technology solutions

IFRS 17

Risk Analytics

IFRS 9

Risk & Finance

UW Automation and Analytics

Compliance

Claims Analytics

Digital Innovation

Delivering for market leading clients

With dedicated insurance technology resources

Americas
1500+

Europe
1400+

8000+
Global Development center resources

APAC
450+

Currently ready for use in all Regions …

DASHBOARD

Standard compliance due date

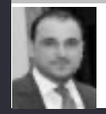
1 January 2023

Our core IFRS 17 team

We have assembled a team of key experts with strong IFRS experience and sector knowledge

EY IFRS 17 leadership team

MENA FAAS Leader



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Technical Accounting / Actuarial / Project Management / Operational and IT Consulting services

EY | Assurance | Tax | Strategy and Transactions | Consulting

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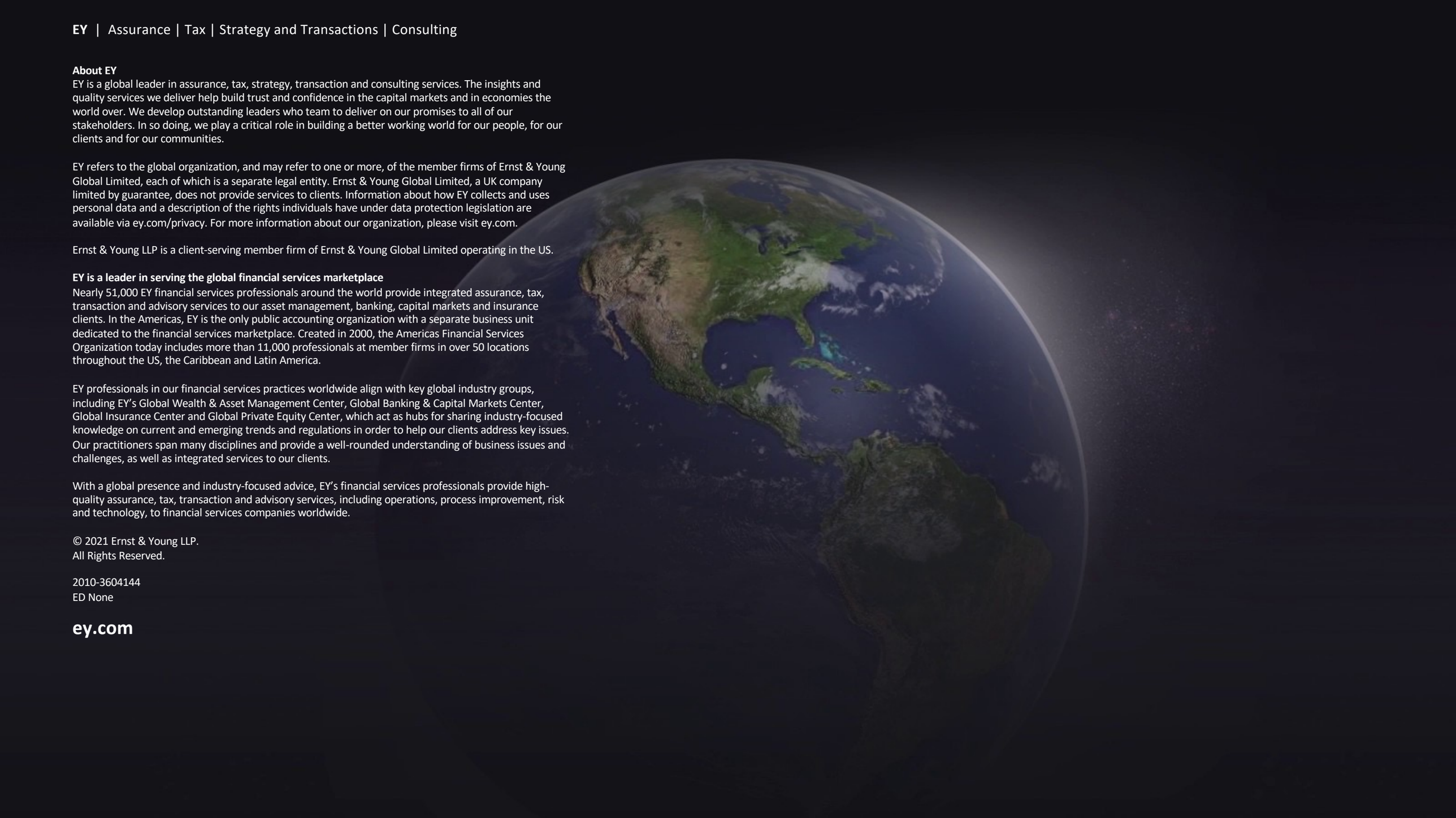
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