IFRS 17

Simplifying the complexity of IFRS 17 with R³S

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"The transparency, flexibility
and design of R³S makes it an
ideal platform for customers
to comply with IFRS 17."

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Whether starting out with a new software system, developing and pricing new products for launch or implementing new regulations, building accurate and realistic models as quickly as possible is a common requirement. To help facilitate this process, there is an extensive library of standard code installed with R³S Modeler for a wide range of assets, liabilities and processes. We have developed standard code and example models that are specific to the requirements of IFRS 17.

What can the IFRS 17 Standard Code do?
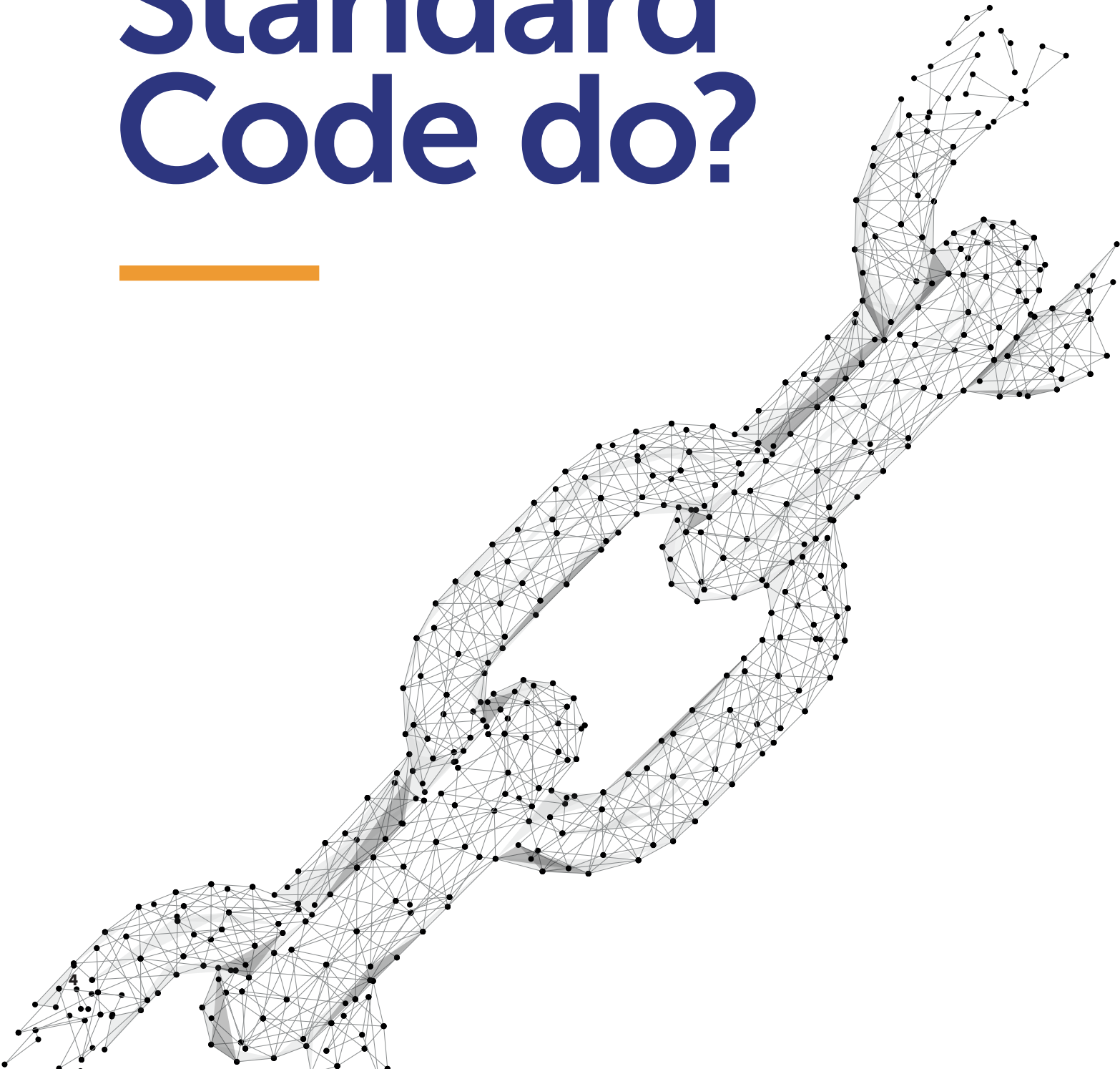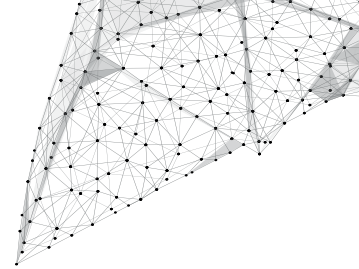
The IFRS 17 standard code has been updated to reflect the final text and is already in use by insurers. The R³S modeling system offers strong capabilities for asset and liability management (ALM) best-estimate calculations. Whether starting the best-estimate liability (BEL) calculations from the beginning using standard code to accelerate development or making use of an existing BEL process, the IFRS 17 reporting model is designed to enable insurers to rapidly develop their IFRS 17 compliance.

The IFRS 17 standard code provides an out-of-the-box solution to the portfolio-level calculations of balance-sheet and profit-and-loss values required under IFRS 17. These IFRS 17 portfolio-level calculations use a defined set of cash flow model inputs, which can be taken from any underlying source, including from R³S Modeler results for maximum automation.

The IFRS 17 model can be used for the initial recognition calculation, subsequent measurement reporting and the one-off transition calculation. In each case, the standard code calculates the:

- Insurance Contract Liability (opening and closing values)
- Liability for estimates of the present value of future cash flows (opening and closing values)
- Contractual Service Margin (opening and closing values)
- Loss Component (including with systematic allocations) (opening and closing values)
- Movement in Risk Adjustment
- Insurance Revenue
- Insurance Finance Expenses (effective-yield approach, projected-crediting approach and so on)
- Profit and loss
- Other Comprehensive income (OCI) (including accumulate OCI and transfers to OCI)
- Experience Adjustment (for current and future services)
- Pattern of Service
- Building-block approach, VFA (variable-fee approach), PAA (premium allocation approach) or other methods
- Insurance and proportional reinsurance calculations
- Processing of all IFRS 17 portfolios in single run using R³S Modeler functionality
- Example reporting templates for the key disclosures

End-to-End Process

The IFRS 17 standard code provides a reporting framework for the full reporting cycle using R^3S Modeler functionality. This includes the opening liability amounts from the initial recognition run, or last reporting run, being read into the next iteration of the subsequent measure calculation without the need for any additional data manipulation or management. This means the business can focus on the calculation requirements specific to the business rather than spending time working out how to process and complete the calculations quickly and efficiently.

When coupled with a workflow tool, such as R^3S Process Manager, this end to end process, after the base data has been created through to report generation, can be managed, audited and run in a secure and automated way. With IFRS 17 requiring the number of runs described, as well as interactions between results produced from previous reporting cycles and current reporting cycles, this further exacerbates the need for strict controls and processes.

Best Estimate Liability, Risk Adjustment & Portfolio Groupings

Being principals-based, not all aspects of IFRS 17 will have a standard approach. The transparency, flexibility and design of R³S Modeler makes it an ideal platform for customers to create efficient modeling solutions for these aspects.

- Modeling solution designed for ALM and stochastic modeling

- Fully transparent and auditable with advanced graphical debugging tools

- Wide range of standard code featuring various products and examples of decision rules

- Support from a team with experience of various approaches to calculating the risk adjustment

- Calculation grouping and results grouping functionality aids portfolio-level calculationsg

• Results grouping functionality enables model outputs to be aggregated into predefined sets. This is an ideal way for creating model output sufficiently granular for the IFRS 17 calculations with very minimal code development to an ALM model.

• Calculation grouping functionality enables the model calculations to be performed independently for predefined sets of input data. This is ideal for performing some of the IFRS 17 data groupings as part of the ALM model, or for allowing the IFRS 17 model to process results for all the portfolios in a single run with the results for each still available separately in the model output.

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