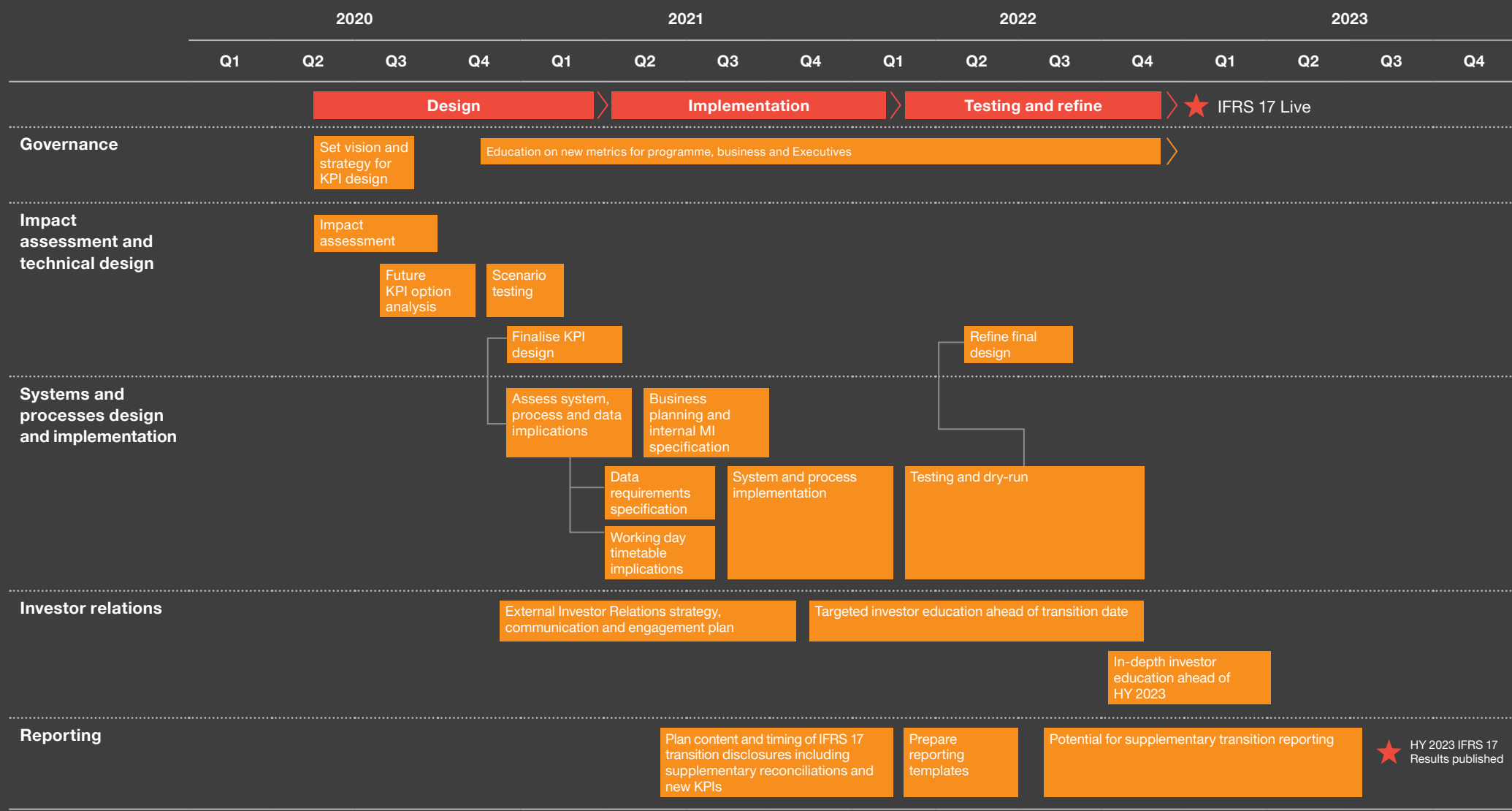


# Indicative roadmap

## Example of roadmap to develop KPIs



# Why PwC?



To date, we have completed/are in delivery of more than 140 IFRS 17 implementation projects around the globe. We have wide, relevant industry knowledge and will be able to include best practices and comparatives in our market reporting recommendations.



We have a deep understanding of current reporting processes and how the requirements will change under IFRS 17. We will focus on the aspects that can allow you to optimise the delivery of an IFRS 17 story that provides sufficient insight in to the underlying performance of the business.



We hold important roles and positions on industry fora, working parties and lobbying bodies. This gives unparalleled access to emerging company, investor and analyst thinking on disclosure practices and requirements.



We have the IFRS 17 technical and regulatory subject matter experts ('SMEs') to provide the right focus on the requirements. Our specialists in other areas of your programme, e.g. actuarial, technology, target operating model, data architects etc. means that we can advise on the broader business implications of the data and process requirements that underpin the desired reporting and KPI outputs.

# Your PwC Team

## UK



**Alex Bertolotti**  
Global and UK IFRS 17 Leader  
M: +44 (0)7525 298694  
E: alex.bertolotti@pwc.com



**Anthony Coughlan**  
Partner IFRS17 Insurance  
M: +44 (0)7764 902751  
E: anthony.coughlan@pwc.com



**Danielle Atherton**  
Partner IFRS17 Insurance  
M: +44 (0)7841 498238  
E: danielle.l.atherton@pwc.com

## EMEA



**James Norman**  
Partner IFRS 17 Insurance  
M: +41 (0)79 792 95 96  
E: james.x.norman@ch.pwc.com



**Mario Möbus**  
Senior Manager IFRS 17 Insurance  
M: +49 171 7693544  
E: mario.x.moebus@pwc.com



**Frank den Bieman**  
Director IFRS 17 Insurance  
M: +31 6 10480478  
E: frank.den.bieman@pwc.com

## Asia



**Antonie Jagga**  
Partner IFRS17 Insurance  
M: +65 6178 2608  
E: antonie.jagga@pwc.com



**Marcus von Engel**  
Partner IFRS17 Insurance  
M: +60 12 822 8101  
E: m.vonengel@pwc.com



**Chris Hancorn**  
Partner IFRS 17 insurance  
M: +852 6500 0945  
E: chris.a.hancorn@hk.pwc.com

## The America's



**Michael Lockerman**  
Partner IFRS 17 Insurance  
M: +1 646 413 9351  
E: michael.lockerman@pwc.com



**Rich Isherwood**  
Director IFRS 17 Insurance  
M: +1 347 260 2697  
E: richard.j.isherwood@pwc.com



**Marco Fillion**  
Partner IFRS 17 Insurance  
M: +1 416 814 5789  
E: marco.fillion@pwc.com

# Indicative next steps

- How well do you understand the impact of IFRS 17 on your profits and how they relate to your current metrics? – Start to engage with your Investor Relations teams to explain the impact of IFRS 17 and develop the story you want to tell.
- Where can market insights be most helpful? – We can support you leveraging our market insight and best practices, e.g. with deep dives on technical choices, a view on consistency with peers and market messaging.
- Can you extract the metrics you want? – It is important to understand data, process and system needs early so KPI requirements can be factored in to design and build activity.

# Changing the way your business is judged

## Key Performance Indicators are a priority for your IFRS 17 programme

July 2020





Key performance indicators (KPIs) are the foundation for the management packs used by your board to manage and assess the business; and are often metrics used by analysts for similar purposes. The KPIs also typically influence senior remuneration. Long before IFRS 17 goes live, the boards, analysts and investors will want to know what the most critical KPIs will look like under the new bases of evaluation. Many insurers will need to make changes to their existing measures and decide on new KPIs. That's why we believe insurance senior management should be proactive about the new KPI reporting at the early stage of your IFRS 17 programme.

This will significantly alleviate the pressure on the business during the crucial year of transition as you will have decided your key market messaging and planned level of disclosure.

“Understanding the implications and explaining the new KPIs to analysts, investors and the business are critical in providing an effective basis for decision making and ensuring that your market valuation reflects the genuine performance and potential of your business.

Source: PwC publication – ‘New measures, new perspective’, March 2019



**PwC’s IFRS 17 KPI reporting service** is a programme designed to support every step of your journey from forming the initial strategy and principles to the final design of future reporting metrics.

Step 1

Design principles

Objective:

- Agree principles to guide the design of future KPIs aligned to the strategy for internal and external reporting.

How can we help?

We can facilitate the set-up of activities within your IFRS 17 programme to deliver the change for KPI reporting, covering:

- Detailed scoping of activities, stakeholders and output definition.
- Detailed activity planning and implementation roadmap.
- Establish design principles and strategic decisions.

Step 2

Impact assessment

Objectives:

- Understand how current financial KPIs and other non-GAAP measures are impacted by IFRS 17.
- Agreement of the core market messages e.g. growth, value and cash, which KPIs are used to enforce those messages and how they will look under IFRS 17.
- Interview key stakeholders to gather requirements and strategy and gather views where possible from other market participants for development of future KPIs and other non-GAAP measures.
- Understand regulatory considerations of Alternative Performance Measures (e.g. ESMA guidance in Europe).

How can we help?

- We can carry out a financial impact assessment to understand and identify how current financial (IFRS and non-IFRS) KPIs and other non-GAAP measures are impacted by IFRS 17.
- We can help identify the key issues, risks and challenges that have to be considered and addressed in the design of future KPIs and market reporting for IFRS 17.

Step 3

Option analysis

Objectives:

Gain understanding of:

- Which KPIs and other non-GAAP measures are the most appropriate for your organisation under IFRS 17?
- What options and choices exist? How do they align to your design principles and organisational strategy?
- What will be the systems, data and process implications of production of new or existing KPIs?
- What is the basis of preparation of each option?
- What are the operational consequences of the different options – systems, data, and process?
- What are the financial consequences?

Scenario testing

Objectives:

- Understand impacts by testing each option with real numbers.
- Understand how the numbers react under different scenarios and stresses.

Market insights

Objectives:

Gain understanding of:

- How other insurers are expecting to change their metrics.
- The views of analysts and investors.

How can we help?

We can support you to complete the design of your future KPIs and metrics for internal and external market reporting by:

- Developing options for the future set of financial KPIs and other non-GAAP measures.
- Performing scenario testing on options identified to ‘back test’ the suitability of the metrics under different market conditions.
- Preparing methodologies and basis of preparation for the future metrics.
- Developing the data, system and process requirements definition.

Step 4

Finalise decision

Objectives:

- Decide future set of KPIs and other non-GAAP measures under IFRS 17.
- Define functional and non-functional requirements for production of the numbers.
- Develop an implementation plan with key activities and milestones.
- Plan internal and external communication and education.

How can we help?

We can act as the implementation support partner to deliver the changes required for your KPI reporting design covering detailed design and implementation for the changes to data, systems and infrastructure and process and controls.

**Key benefits of IFRS 17 KPI reporting service:**

-  PwC interacts heavily with insurance boards and analysts, as well as working with over 150 insurers globally on IFRS 17 implementation. We have seen the importance of gaining adequate external market insight to make sure all factors are considered in making these key strategic decisions, and the best way of telling your business story to the market.
-  Enable stakeholders to recognise and focus on key areas and risks early to advance your resolution and de-risk programme delivery.
-  Provide ongoing advice, support and review regarding your business evolution for the new metrics required e.g. which lines of business are perceived more profitable than the others.
-  If conducted sufficiently early will prevent late changes to methodology, control design and transition approach.



Market perspective on IFRS 17

Key metrics under IFRS 17

Driver for change

IFRS 17 rebuilds performance measurement from the ground up in areas ranging from a new definition of insurance revenue to the elimination of upfront profits and spreading of profit across the lifetime of the contract.

As revenue and profit measures shift, so will many of the KPIs that insurers use to run their business, provide the basis for incentives and frame market perceptions of their business.

Challenges observed

It is not easy to adjust the existing KPIs to KPIs derived from the new IFRS 17 reporting model. For instance, the definition of adjusted operating profit and supporting disclosures will be needed to help management explain the drivers of performance.

Understanding the implications and explaining the new KPIs to analysts, investors and the business is critical in providing an effective basis for decision making.

Key implications on KPIs

Cash-type metrics are likely to continue in their current format. Investors will be interested to understand how these relate to the disclosed IFRS 17 profit.

Revenue would need to be reconciled to real cash flows to relate it to dividend potential and could potentially be one of the KPIs used.

Gross written premium in the financial statements will be replaced by insurance contract revenue. Some insurers might continue to publish gross written premiums as part of their voluntary disclosures.

Value of New Business may continue to be useful for life insurers, however, the new business CSM may become an alternative measure for new business.

