IFRS 17/9

Preparing for business as usual - conversation starter
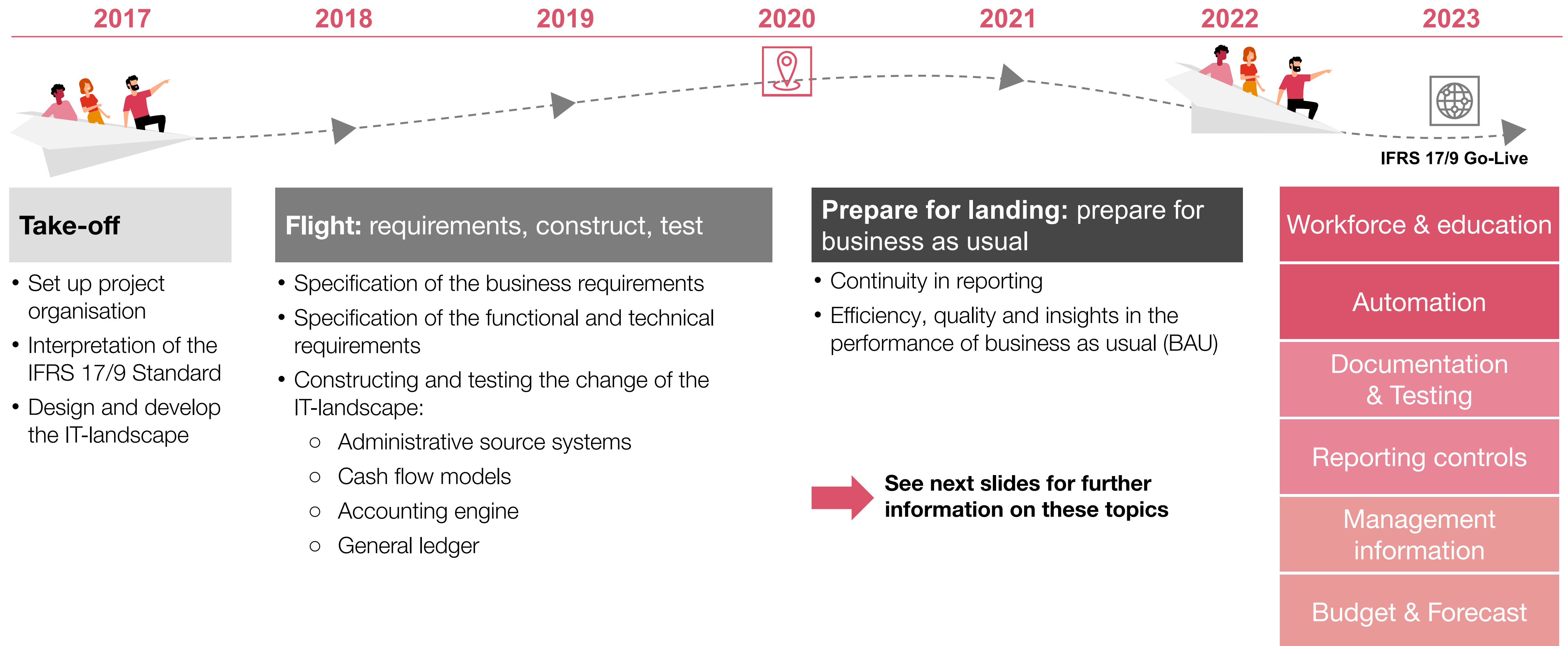
September 2020

"Prepare for landing"

pwc

Introduction

Purpose of this document is to highlight several topics that impact the transition from the project phase to "business as usual". We have called this transition "prepare for landing". The highlighted topics should be prepared in order to realise the smoothest landing possible.

Besides an introduction, including an overview of the project phases (slide 3) and the topics itself (slides 4-9), several other deep dives are attached in the appendix for the purpose of illustration.

Introduction: IFRS 17 programme in phases (illustration)

2017   2018   2019   2020   2021   2022   2023

IFRS 17/9 Go-Live

Take-off

- Set up project organisation
- Interpretation of the IFRS 17/9 Standard
- Design and develop the IT-landscape

Flight: requirements, construct, test

- Specification of the business requirements
- Specification of the functional and technical requirements
- Constructing and testing the change of the IT-landscape:
  - Administrative source systems
  - Cash flow models
  - Accounting engine
  - General ledger

Prepare for landing: prepare for business as usual

- Continuity in reporting
- Efficiency, quality and insights in the performance of business as usual (BAU)

See next slides for further information on these topics

Workforce & education
Automation
Documentation & Testing
Reporting controls
Management information
Budget & Forecast

Prepare for landing - workforce & efficiency

🎓	**Workforce & education**

Point of focus: Workforce - prepare smooth transition from project phase to BAU regarding staffing and knowledge
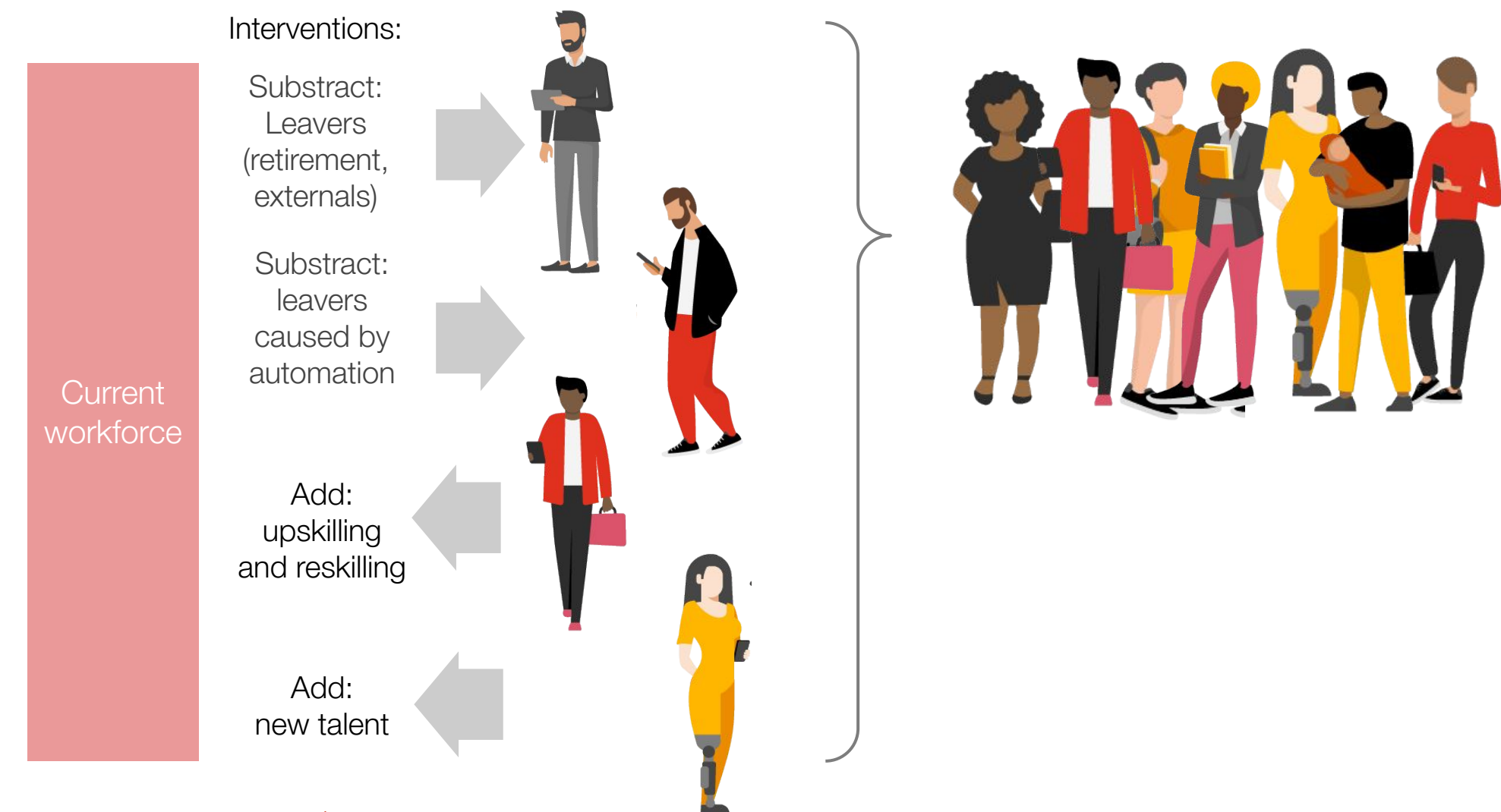
Possible organisation:
- Analysis of current and future workforce and mapping on TOM - insights in the current workforce and required steps for the handover towards BAU combined with regular organisation. Mapping of TOM and project.
- Education of workforce - strategy and plan for education of workforce. In particular the workforce outside of the project participating in the BAU role, including culture component (e.g. "active role"). Use of present education knowledge (HR, Academy etc).

Desired future workforce

Shaping a perspective of the **desired size and competencies** of the future workforce

Interventions to realise the future workforce (projection)

Interventions:

Substract: Leavers (retirement, externals)

Substract: leavers caused by automation

Current workforce

Add: upskilling and reskilling

Add: new talent

See examples regarding automation and impact on the workforce on next slide

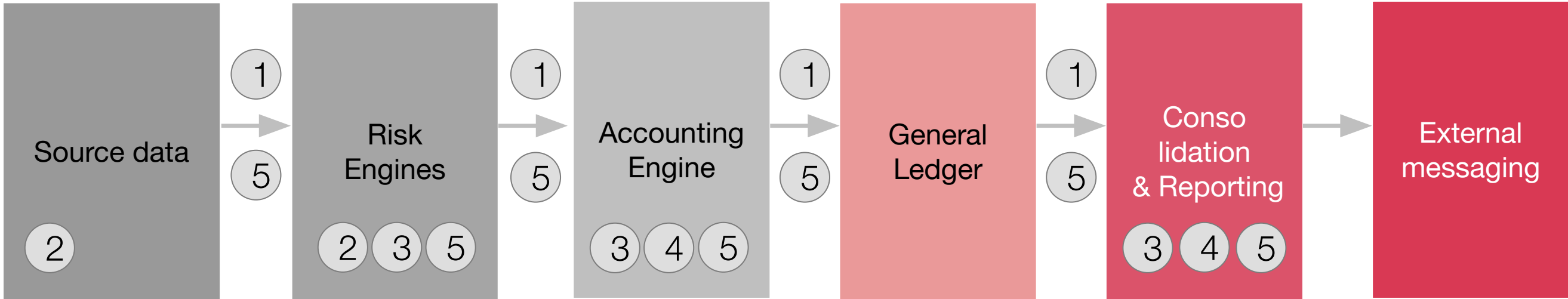# Prepare for landing - workforce & efficiency
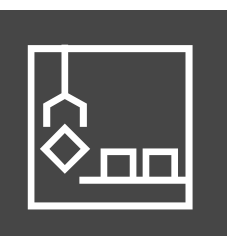
Automation

Point of focus Efficiency - perform automated IFRS 17 reporting, including analysis and preparation

Possible organisation:

- Automation to improve efficiency - high level of automation (extensive application on certain focus areas) with the goal of efficiency and cost reductions. Think for example whether AoC operations and further analysis by departments could be automated
- Comfort in financial results - creating insights in an automated environment without applying "own systems"/EUCs by e.g. actuarial employees

Illustration: simplified reporting landscape

Source data		Risk Engines		Accounting Engine		General Ledger		Conso lidation & Reporting		External messaging
①⑤	→	①⑤	→	①⑤	→	①⑤	→	①⑤	→	
②		②③⑤		③④⑤				③④⑤		

Business Strategy item: automation

① Automated delivery of data (ETL) - no manual interventions. E.g.: RPA

② (Historical) data to detect trends and interconnections; create experience studies. E.g.: AI

③ Automated analytics, e.g. reconciliations and validations of data and results

④ Automated visualisations. E.g.: RPA, AI, Analytics

⑤ Automated validations and controls

Impact Future Workforce (examples)

- Lower workforce costs when running a more automated business
- Working with data as a key skill: focus on analyzing data based on a trusted and single source of truth (no efforts on re-creating data)

- Embed new technology skills in automated business, e.g. to develop and apply robotics or AI solutions.
- Decision making based on data and not an educated guess
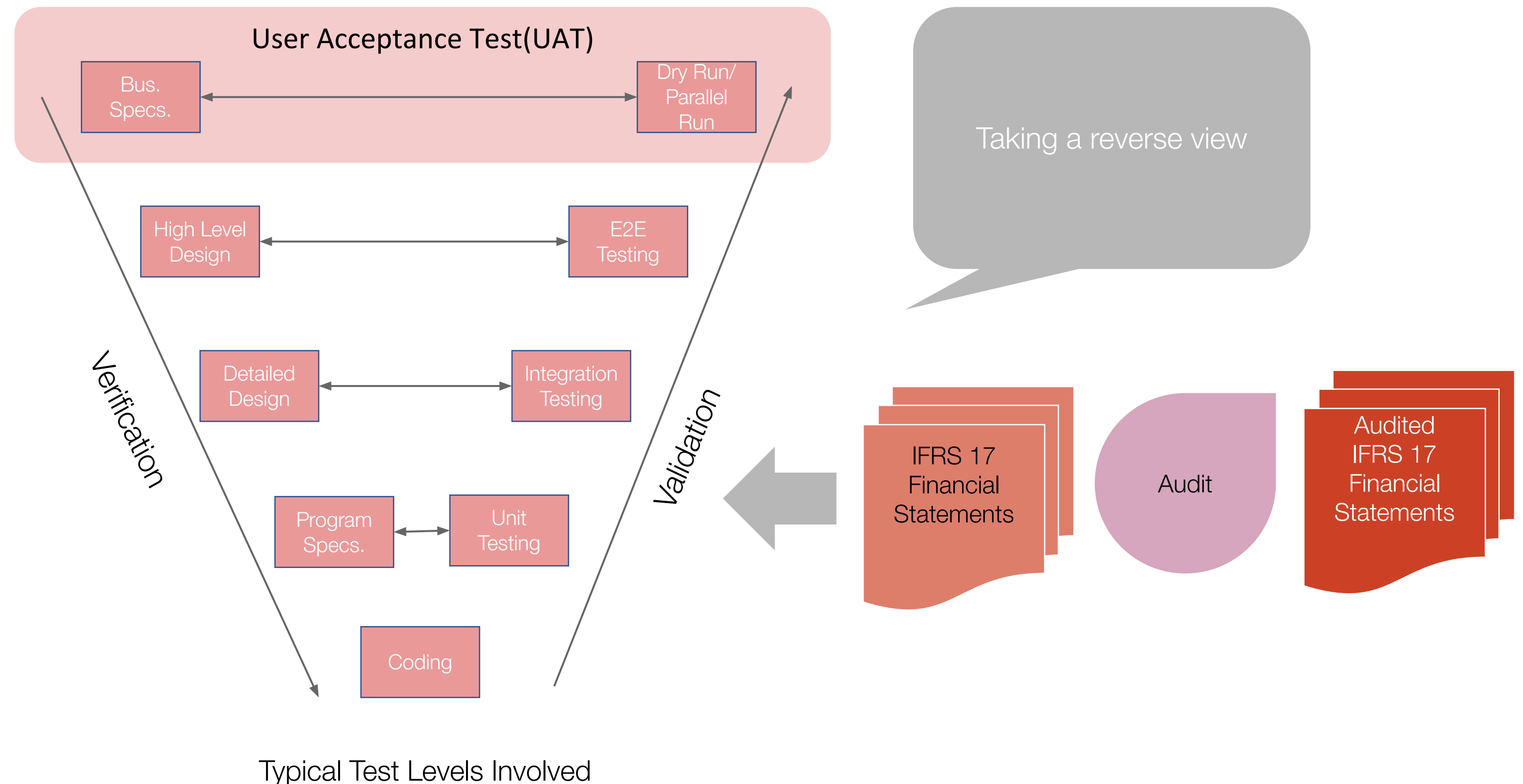
Prepare for landing - securing quality

Documentation & Testing

Point of focus: Quality - secure quality of IFRS 17 documentation set-up

Possible organisation:

- Test plan - overall test plan/overview and consistency in documentation and execution of user acceptance tests
- Preparation for auditor involvement - discuss demands of the auditor regarding documentation and finalising documentation for the auditor and internal auditor or second line of business. See also Review
- Structured set-up of IFRS 17 documentation - decisions, milestones, process descriptions, results, etc. Overall test plan and consistency

User Acceptance Test(UAT)

Bus. Specs. — Dry Run/ Parallel Run

High Level Design — E2E Testing

Detailed Design — Integration Testing

Program Specs. — Unit Testing

Coding

Verification

Validation

Taking a reverse view

IFRS 17 Financial Statements — Audit — Audited IFRS 17 Financial Statements

Typical Test Levels Involved
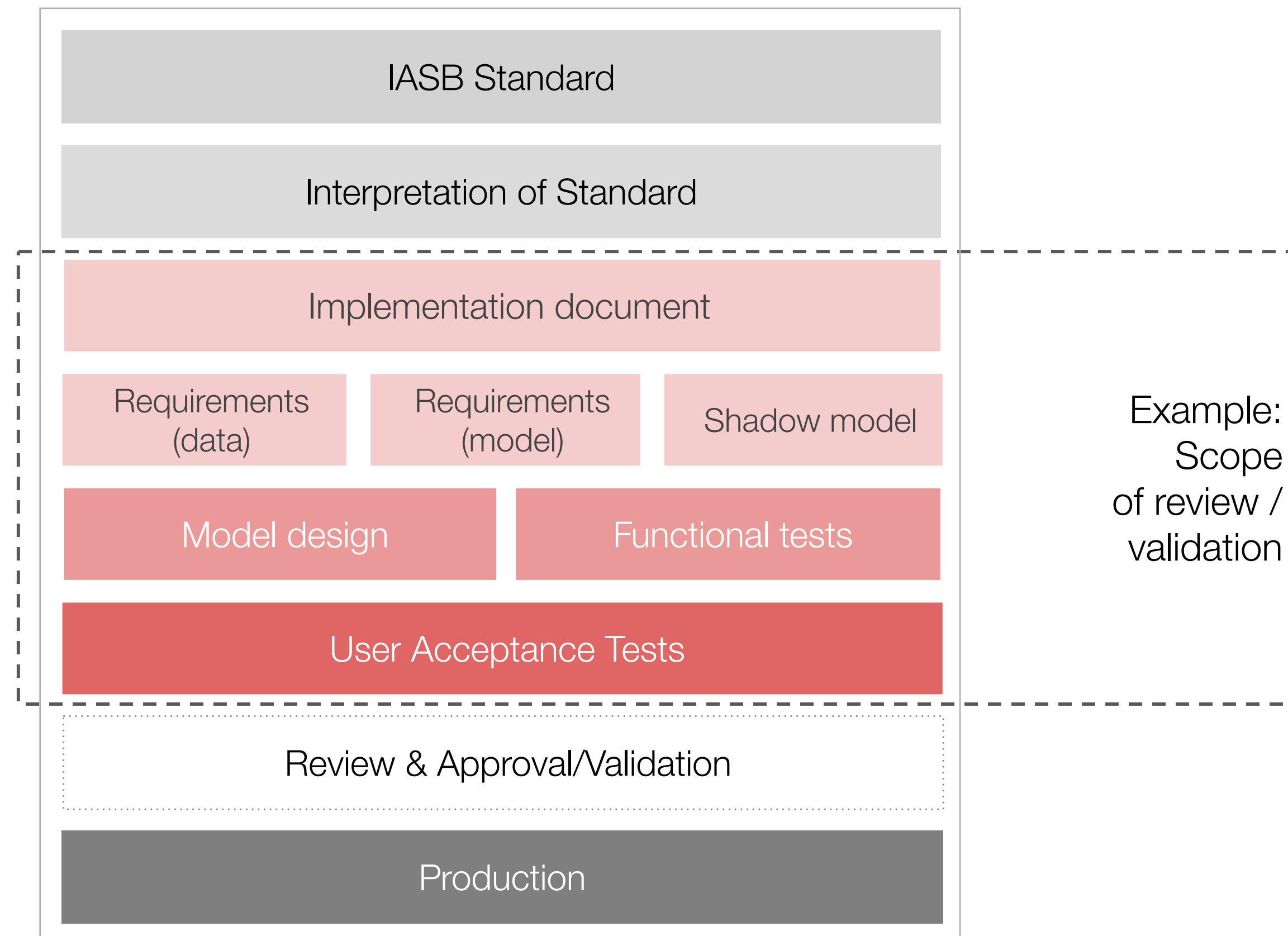
Prepare for landing - securing quality

Review & reporting controls

Point of focus: Quality - secure quality through review on IFRS 17/9 systems and introduction of IFRS 17/9 reporting controls

Possible organisation:
- Review/assessment of systems - planning, scoping and execution of both review and validation of new and adjusted systems. At minimum have conversations with the 2nd/3rd line of business and the accountant regarding demands of the review
- Design of reporting controls - IFRS 17/9 specific reporting controls, including optimally automated reporting controls and ITGC
- Sign-off of results - IFRS 17/9 specific sign-off

IASB Standard

Interpretation of Standard

Implementation document

Requirements (data)	Requirements (model)	Shadow model

Model design	Functional tests

User Acceptance Tests

Example: Scope of review / validation

Review & Approval/Validation

Production

# Prepare for landing - gaining insights

Management information

Point of focus: Insights - ensure correct (detailed) information is available for guidance

Possible organisation:

- Determining broader management information (MI) requirements - determining requirements for MI within IFRS 17, especially regarding already available data and systems used for analysis, combined with automation
- Analysis of analysis of change - determining desired level of detail and efficiencies with respect to closer alignment of S2 and IFRS 17 (see also Automation)
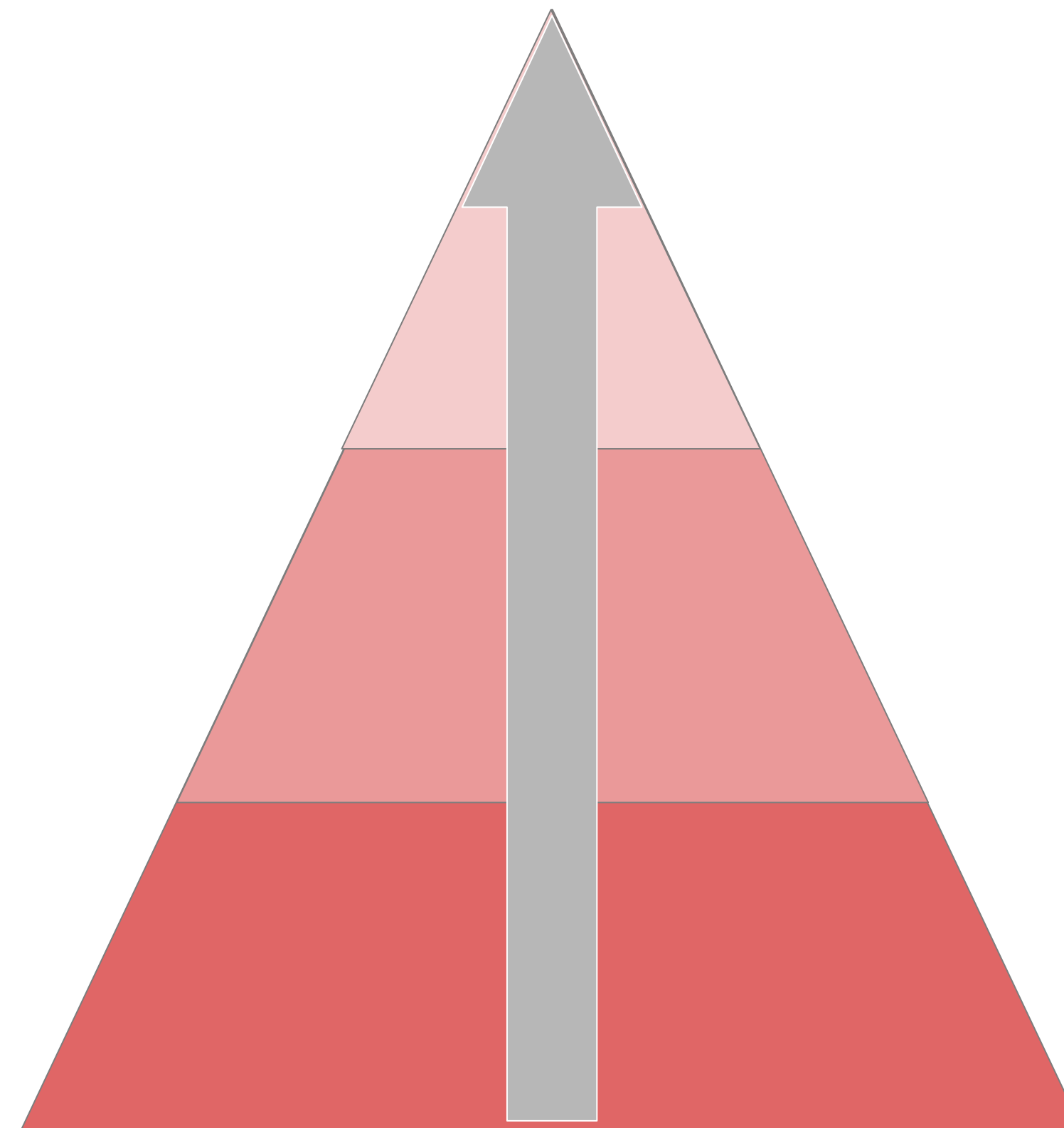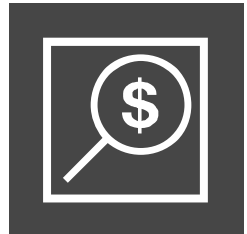
Compliance: information used for external reporting

Management: information used for management information & guidance

Explanation: information used for analysis and explanation of results (by actuaries, accountants, etc.)

Prepare for landing - gaining insights

Budget & Forecast

Point of focus: Insights - secure consistency within financial reporting regarding budget/forecasting (using IFRS 17 information)

Possible organisation:
- Re-using systems and information from IFRS 17/9 reporting for budgeting and forecasting - secure consistency between financial reporting and anticipation by means of budgeting and forecasting while re-using cash flows

Contact details

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Actuarial Services

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Appendix:
Separate information of the activities part of the "Prepare for landing" phase

Transition to business as usual

Project

Business as usual

2017

2023

Prepare for landing - summary (1)

Workforce & education

Point of focus: Workforce - prepare smooth transition from project phase to BAU regarding staffing and knowledge

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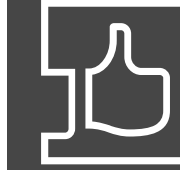
Automation

Point of focus Efficiency - perform automated IFRS 17 reporting, including analysis and preparation

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Documentation & Testing

Point of focus: Quality - secure quality of IFRS 17 documentation set-up

Possible organisation:
- Test plan - overall test plan/overview and consistency in documentation and execution of user acceptance tests
- Preparation for auditor involvement - discuss demands of the auditor regarding documentation and finalising documentation for the auditor and internal auditor or second line of business. See also Review
- Structured set-up of IFRS 17 documentation - decisions, milestones, process descriptions, results, etc. Overall test plan and consistency

Prepare for landing - summary (2)

| **Review & reporting controls** | **Management information** | **Budget & Forecast** |

Point of focus: Quality - secure quality through review on IFRS 17/9 systems and introduction of IFRS 17/9 reporting controls

Possible organisation:
- Review/assessment of systems - planning, scoping and execution of both review and validation of new and adjusted systems. At minimum have conversations with the 2nd/3rd line of business and the accountant regarding demands of the review
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- Sign-off of results - IFRS 17/9 specific sign-off

Point of focus: Insights - ensure correct (detailed) information is available for guidance

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Point of focus: Insights - secure consistency within financial reporting regarding budget/forecasting (using IFRS 17 information)

Possible organisation:
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Steps 3 and 4 from the *Strategic Employee Planning* are further illustrated and explained

Design desired team
Translate the organisation's strategy into future workforce requirements

3

Predict impact of interventions
Forecast the future workforce and optimize interventions to reach the dream team

4

3. Desired future workforce

Business strategy

Technology changes

Demographic changes

COVID-19 impact

Desired workforce: Amount/what skills/what department/…?
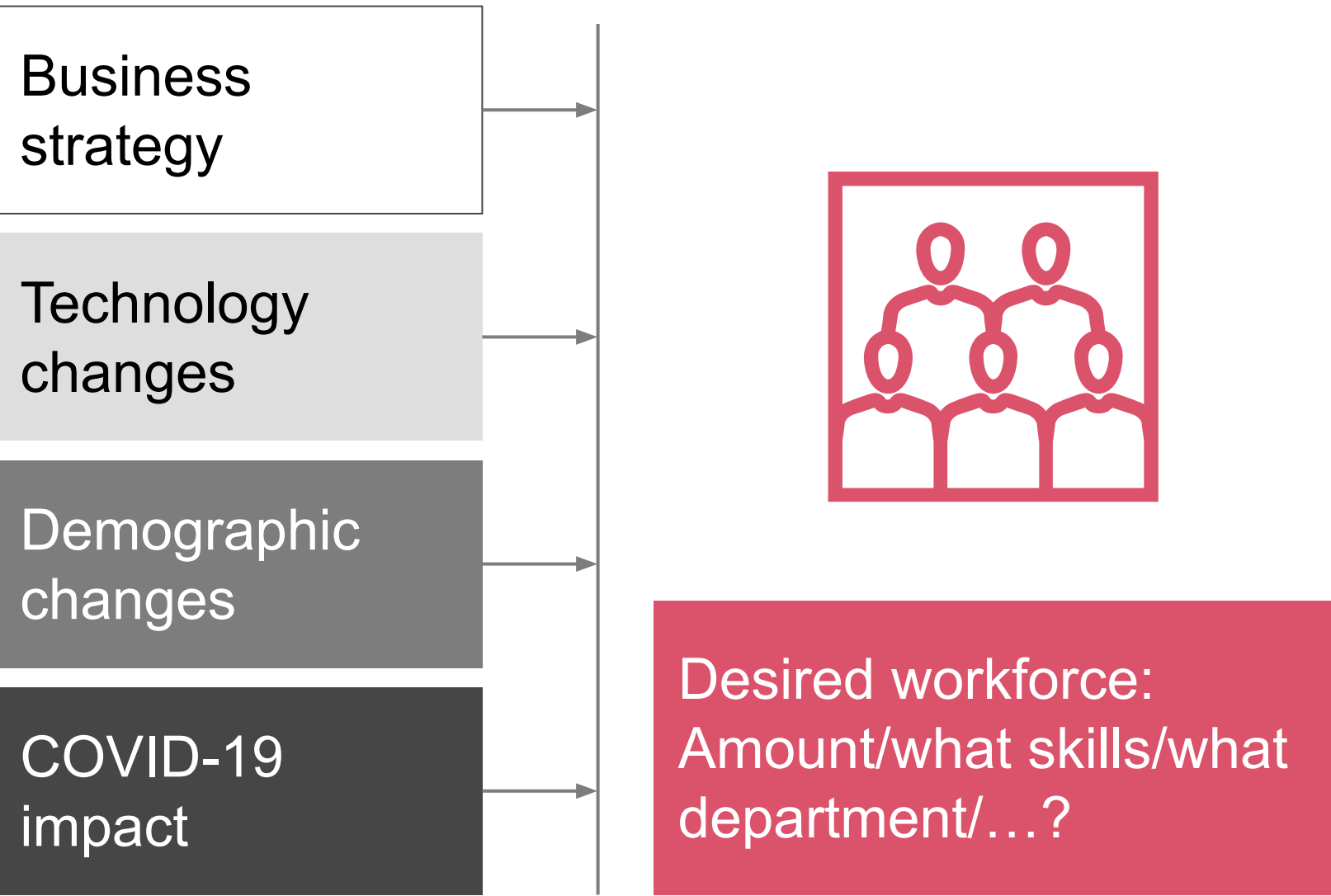
Shaping a perspective of the desired size and qualities of the future departments

4. From interventions to realise the future workforce (projection)

Current workforce

Interventions

Substract: Leavers (retirement, externals)

Substract: leavers caused by automation

Add: upskilling and reskilling

Add: new talent
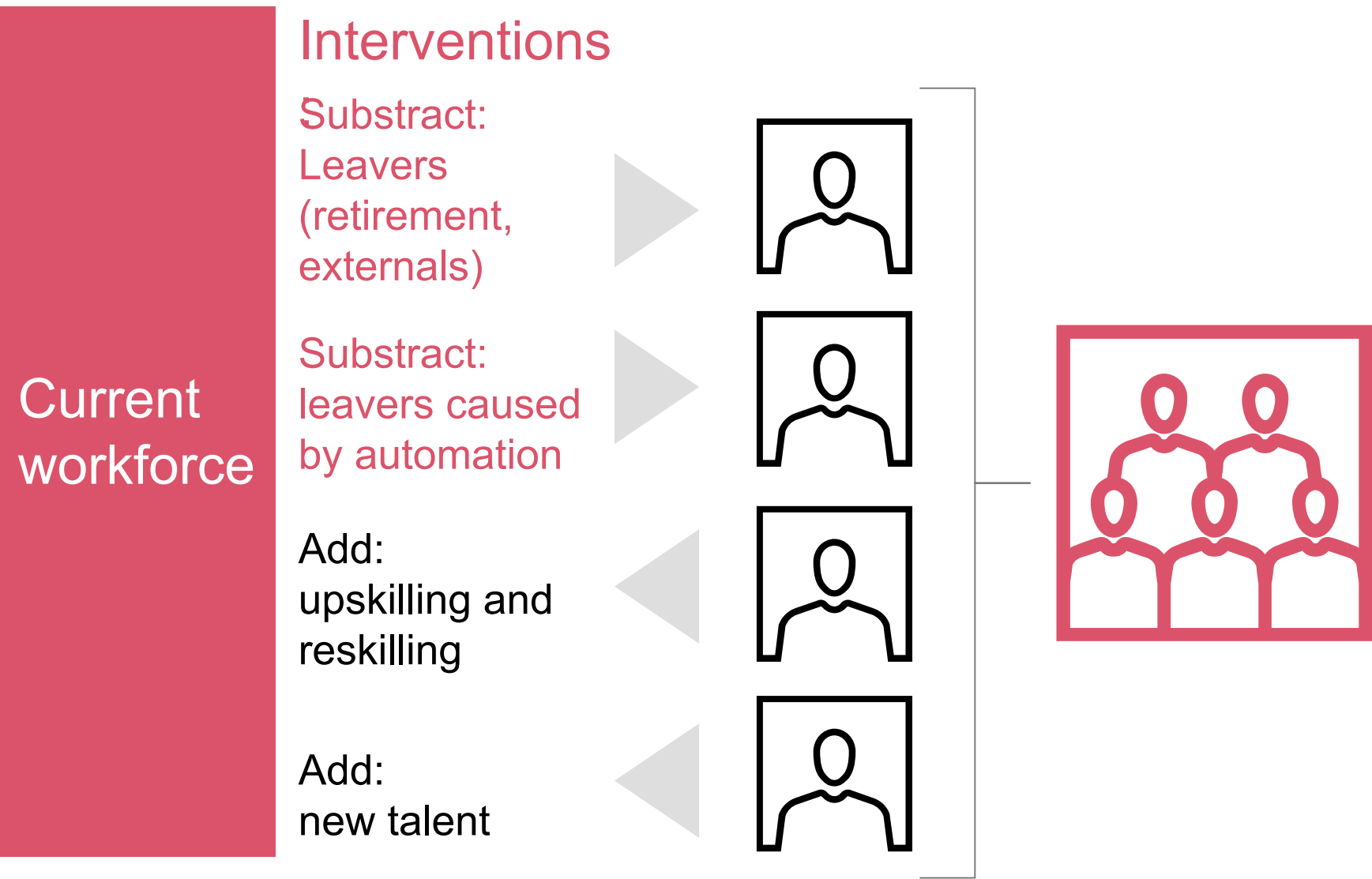
See next slide for a few examples regarding automation and impact on the workforce

Appendix B. Separate information of the activity "Workforce & Education"

Possibilities for automation and impact on the workforce and skills

Within the IFRS 17/9 project the focus is on further automation of operations. The illustration below shows possible technological applications and their impact.

Illustration: simplified reporting landscape

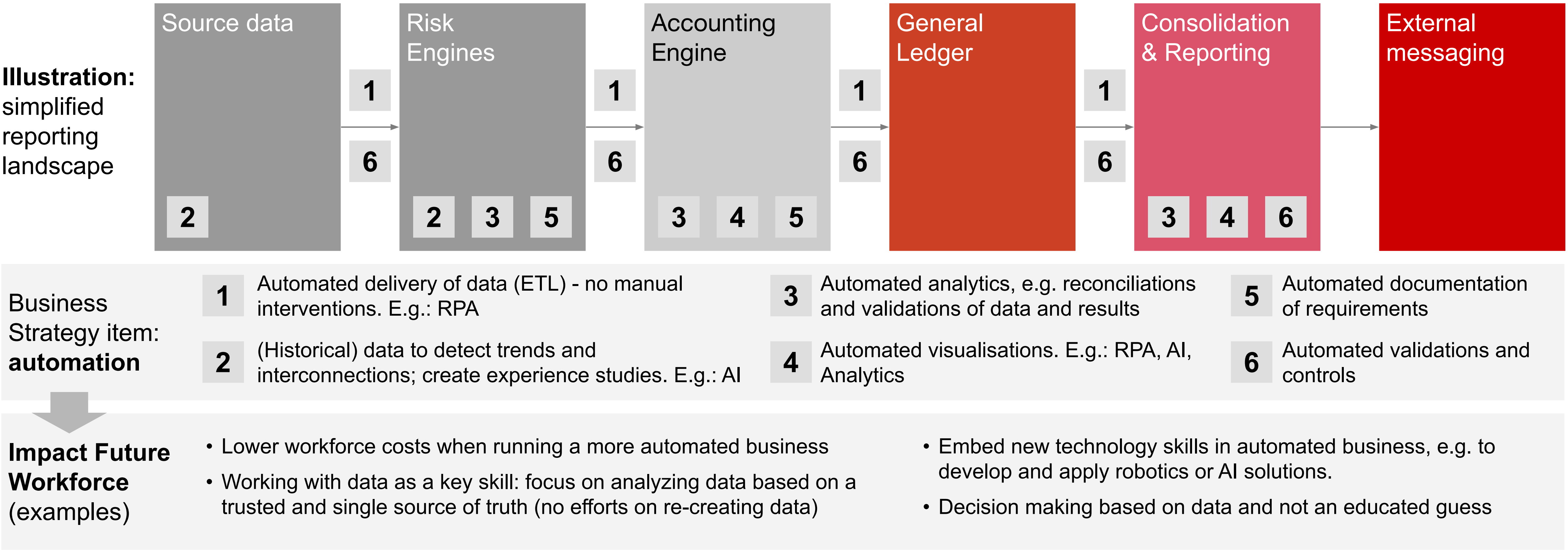| Source data	Risk Engines	Accounting Engine	General Ledger	Consolidation & Reporting	External messaging
	1	1	1	1	
	6	6	6	6	
2	2 3 5	3 4 5		3 4 6	

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5 Automated documentation of requirements

6 Automated validations and controls

Impact Future Workforce (examples)

- Lower workforce costs when running a more automated business
- Working with data as a key skill: focus on analyzing data based on a trusted and single source of truth (no efforts on re-creating data)

- Embed new technology skills in automated business, e.g. to develop and apply robotics or AI solutions.
- Decision making based on data and not an educated guess

Note: illustration intended as a simplified example of potential actions (not exhausting)

3. Future of Work: workforce & educatie bij transformaties (1/2)

Illustration of the IFRS17/9 programme

2017 **2018** **2019** **2020** **2021** **2022** **2023**

IFRS 17/9 Go-Live

Take-off	**Flight:** requirements, construct, test	**Prepare for landing:** prepare for business as usual	**Workforce & education**

Take-off

- Project organisation
- Interpretation and translation of the IFRS 17/9 Standard
- Design and develop the IT-landscape

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- Specification of the business requirements
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Prepare for landing: prepare for business as usual

- Continuity in quarterly reports
- Effectivity, quality and insights in the performance of business as usual (BAU)

➡ **See next slides for further information**

Workforce & education

Automation

Documentation & Testing

Management information & AoC

Budget & Forecast

Reporting controls

3. Future of Work: workforce & education in the strategic transformations (2/2)

Workforce & education

Point of focus: Workforce - preparation of smooth transition from project phase to BAU regarding staffing and knowledge

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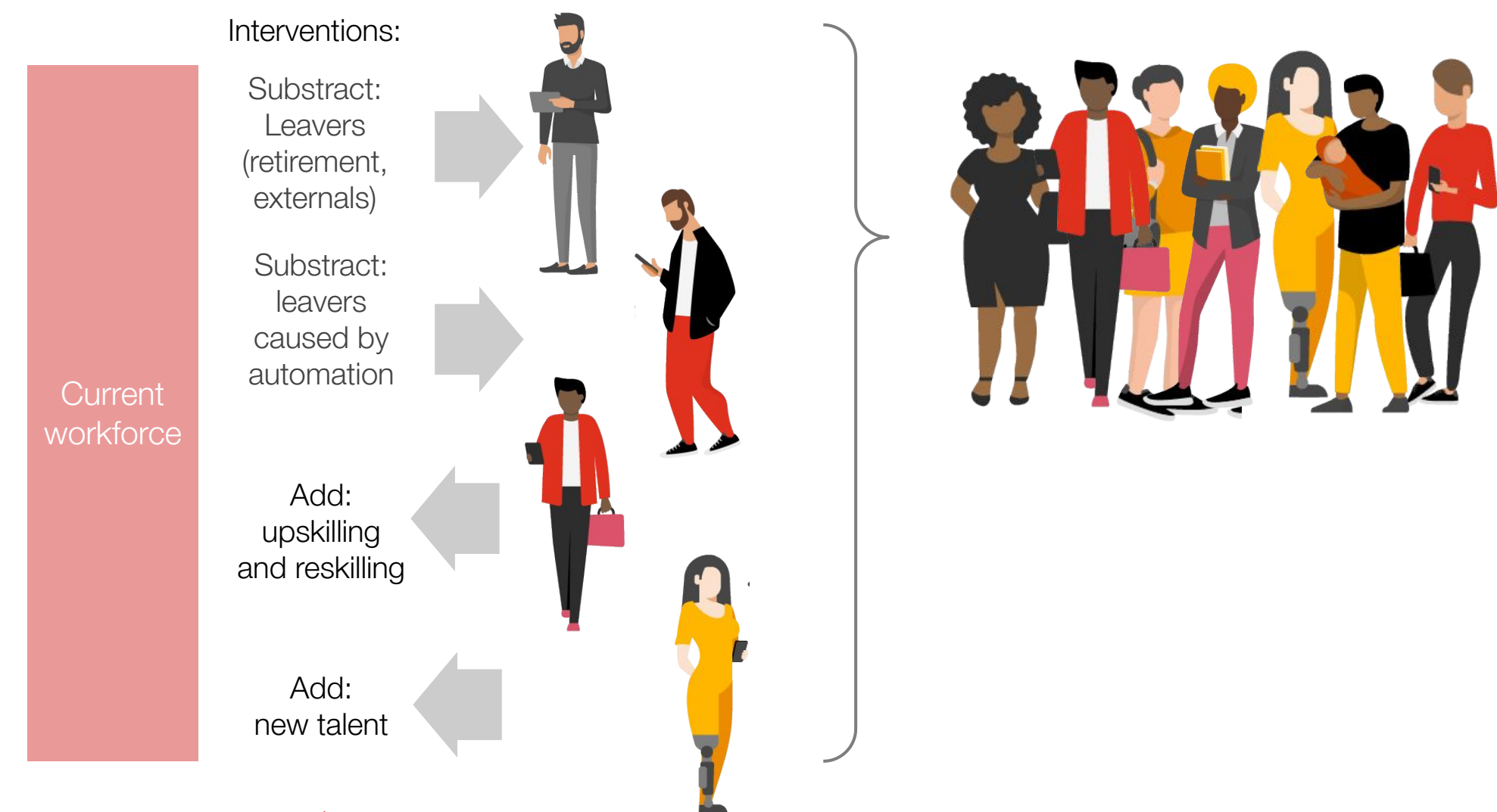
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Current workforce

Add: upskilling and reskilling

Add: new talent

See examples regarding automation and impact on the workforce

Wat is de rol van HR in educatie en bij

Key question for HR professionals to answer:
1. What is the role of the HR business partners in the education / upskilling of the workforce?
2. How can a strategic workforce planning by the business / projects be effectively implemented?