



ORACLE

IFRS 17 Blueprint

SIMPLIFY
your approach to the new
accounting standards.

OPTIMIZE
your IFRS 17
program design.

ACCELERATE
your implementation
and parallel run time.



Apply theory to practice
with Oracle's IFRS 17
Analyzer simulation studio.

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DISCLAIMER

The following is intended to outline our general product direction. It is intended for information purposes only, and may not be incorporated into any contract. It is not a commitment to deliver any material, code, or functionality, and should not be relied upon in making purchasing decisions. The development, release, and timing of any features or functionality described for Oracle's products remains at the sole discretion of Oracle.

KEY CONSIDERATIONS FOR IMPLEMENTING IFRS 17

IFRS 17 proposes considerable accounting changes, and adoption of IFRS 17 will require close collaboration among the actuarial, risk, finance, and IT functions.

Reassessment and regrouping of existing insurance contracts

IFRS 17 has proposed three methods of valuing insurance contracts from inception.

To choose the right measurement method, review the existing book of business and ascertain the contracts' reclassification. Also, group contracts by profitability (onerous/non-onerous/others) and by inceptions that are no more than a year apart.

3 METHODS



Building block approach or general measurement model



Variable fee approach



Premium allocation approach

Data management

Contract grouping presents a huge data challenge both while transitioning to IFRS 17 and well into the future. A huge amount of historical data needs to be analyzed and then aggregated to arrive at the transition-day requirements. Historical assumptions and experiences starting from the transition date will then need to be captured going forward.

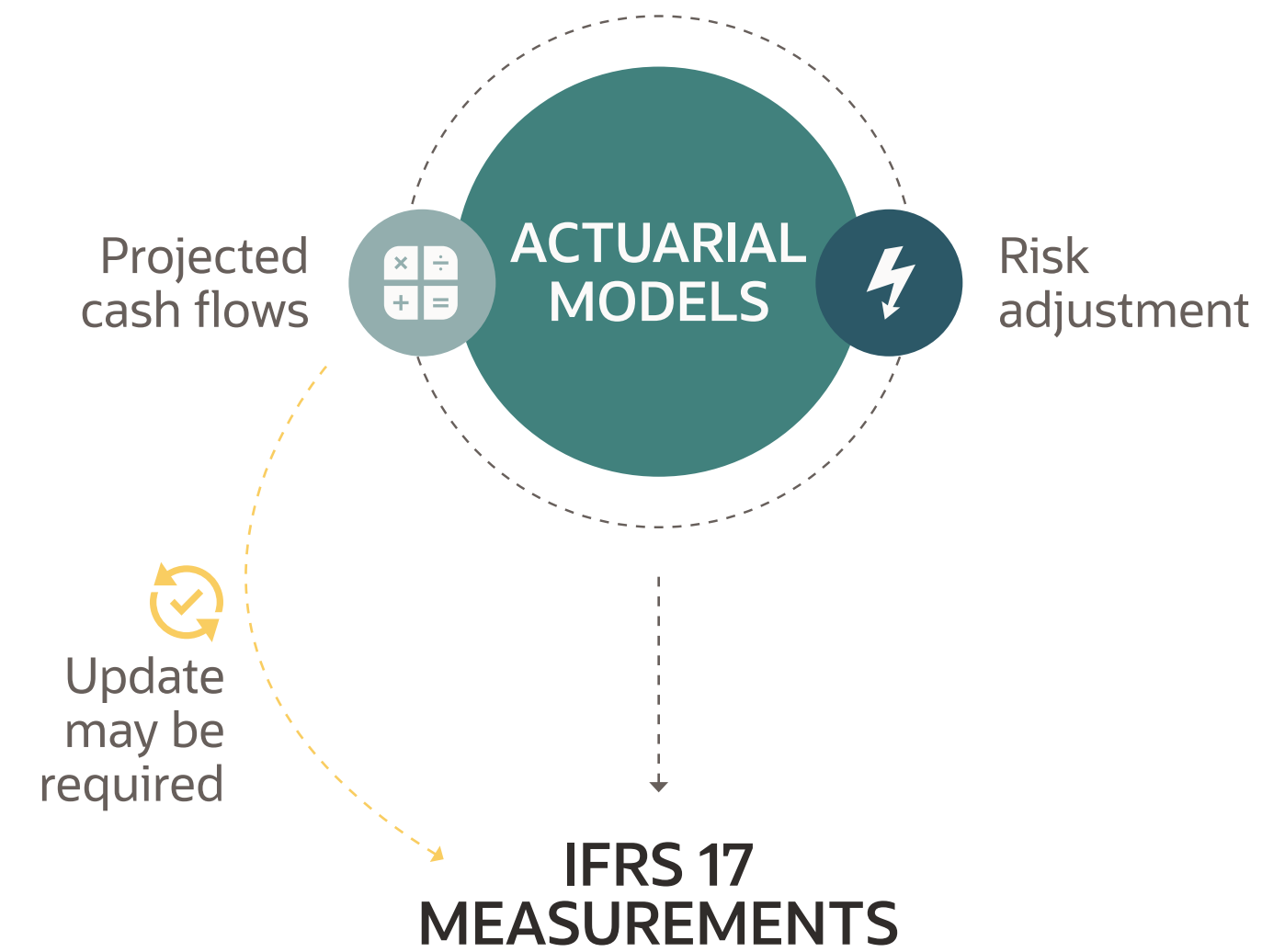


Manage these challenges with controls and workflows

Actuarial modeling

Projected cash flows and risk adjustment are the critical inputs from actuarial models for arriving at IFRS 17 measurements. The cash flow models may need to be updated to cater to the grouping requirements, especially the one-year grouping requirement.

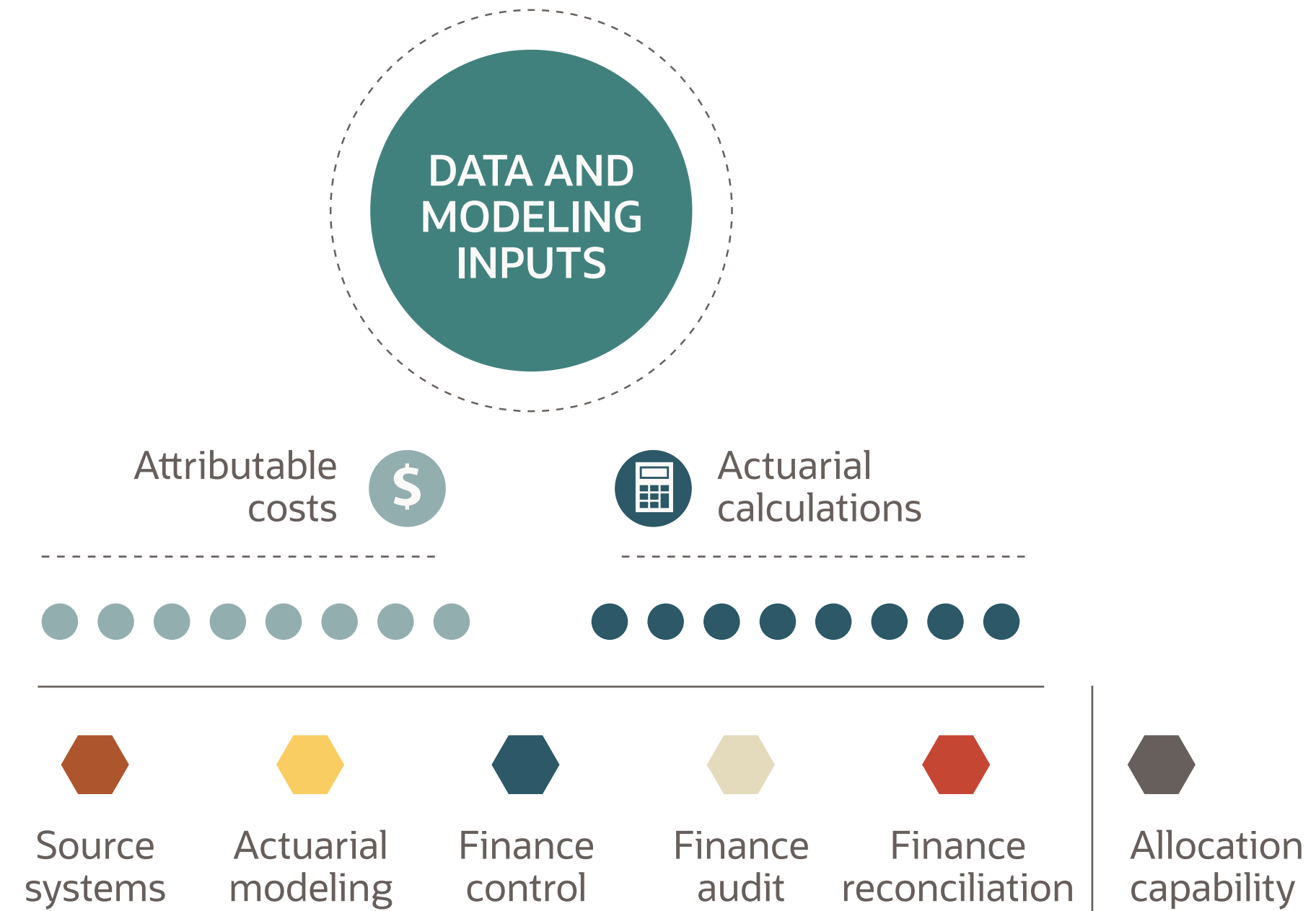
Insurance companies are free to choose their own risk adjustment model as suitable (but at a cohort level), and parallels could be drawn to the Solvency II risk margin model, however they should first conduct a wider review of the differences between IFRS 17 and Solvency II.



Accounting integration and allocations

IFRS 17 requires considerable changes to reporting and disclosures that are driven by data and modeling inputs. The directly attributable costs and actuarial calculations need to be broken down to a more granular level.

Integration of source systems and actuarial modeling with “updated” accounting (ledger), financial control, audit and reconciliation, and allocation capability are critical for IFRS 17 implementation.

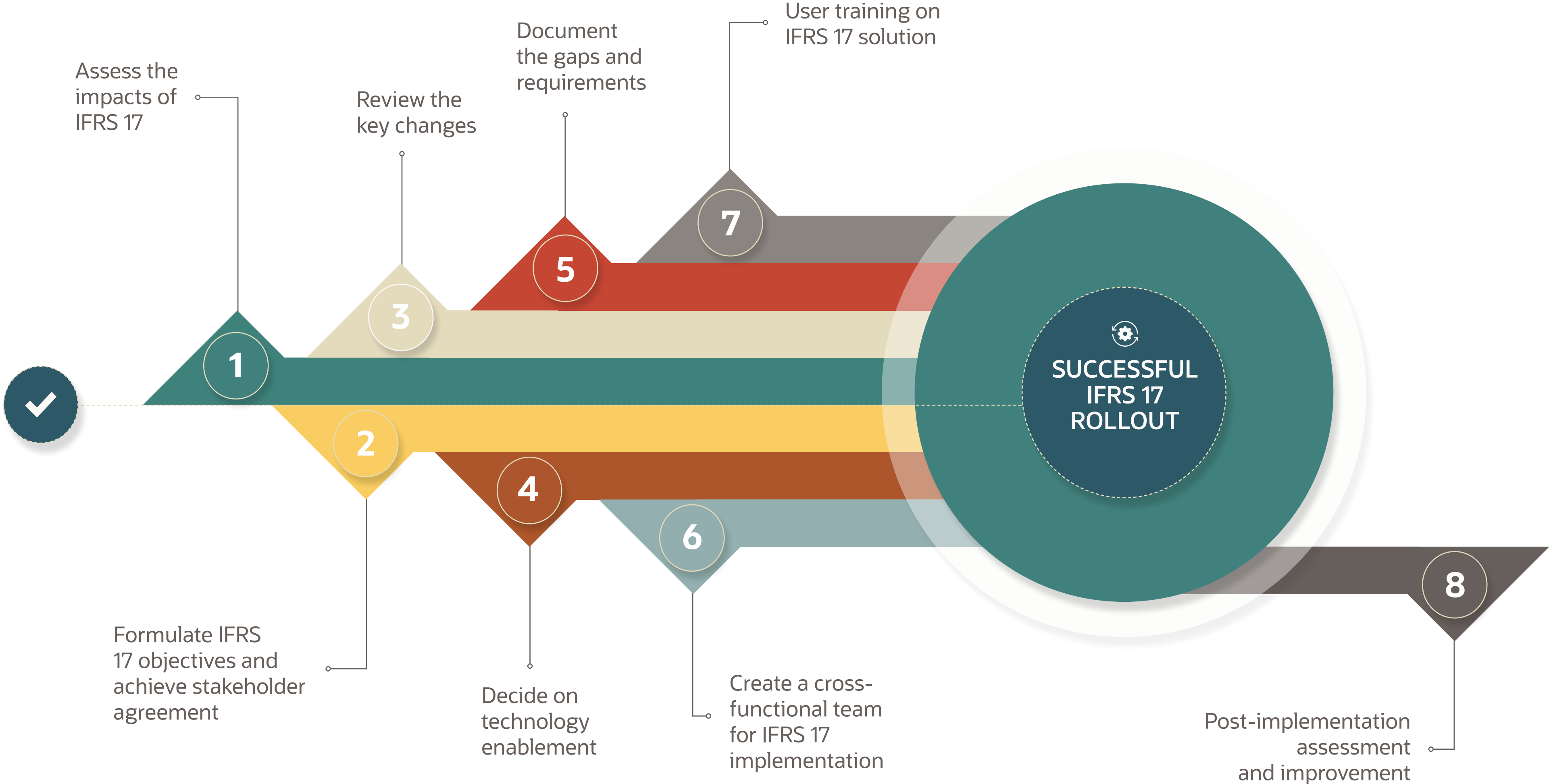


YOUR CHECKLIST TO ACCELERATE IFRS 17 IMPLEMENTATION

Plan a clear strategy with a well-defined governance structure to ensure a smooth rollout and flexibility for future changes.

Your checklist to accelerate IFRS 17 implementation

Let the following checklist guide you to a successful IFRS 17 rollout.

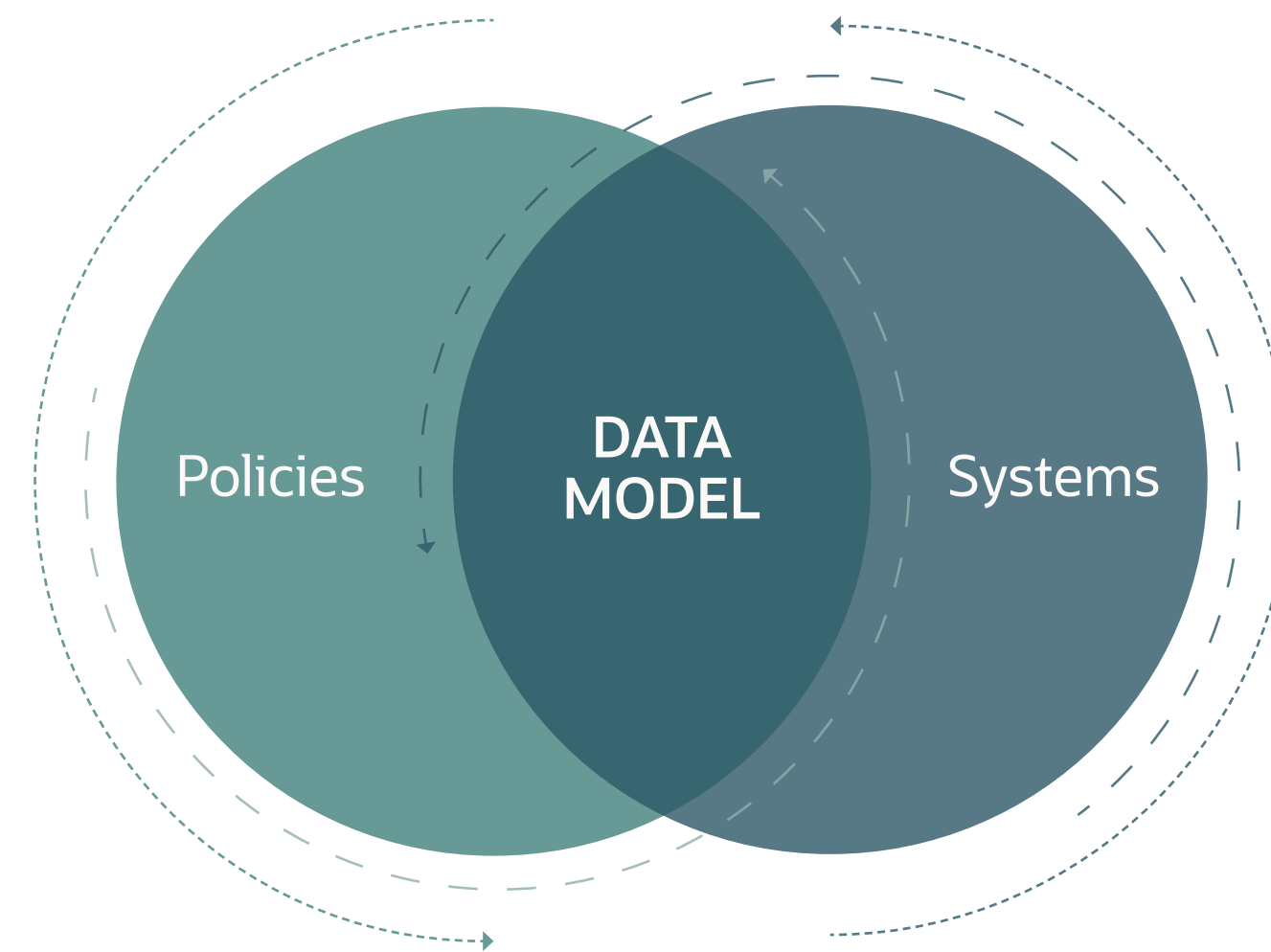


Your checklist to accelerate IFRS 17 implementation

IFRS 17

IFRS 17 is a complete overhaul to how you approach accounting for insurance contracts, but it does bring an opportunity to improve and refine the status quo.

IFRS 17 objectives must be clearly formulated and agreed upon by all stakeholders. **Plan for a solution to truly improve processes, policies, and systems—all under one data model.**



Your checklist to accelerate IFRS 17 implementation

IFRS 17

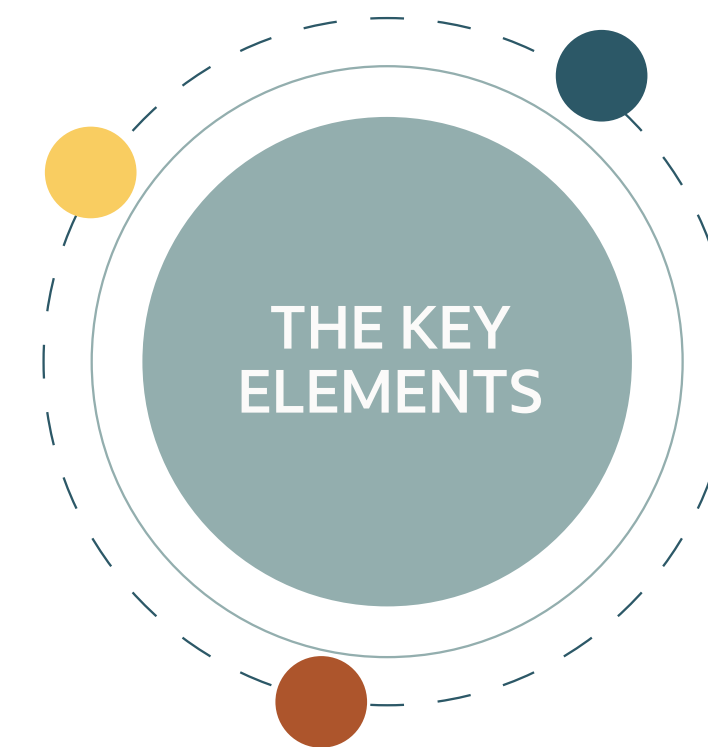
Once the objectives are formulated, the technicalities of the changes required for IFRS 17 need to be finalized and communicated within the organization.

The **key elements** that need to be considered here are the data architecture and data flow, actuarial modeling changes, discount rate determination, risk adjustment approach, changes to the chart of accounts, GL integration, and reconciliation and final disclosures.

Additionally, the crucial decision on technology enablement, whether a completely new solution sitting between actuarial and accounting systems or an enhancement to either the actuarial system or the accounting system, needs to be made.

Data architecture and data flow

- Aggregation
- Cleanse
- Reconciliation, etc.



Systems

- Actuarial systems
- Accounting systems
- Enhancement
- Integrations


Process


- Actuarial modeling changes
- Discount rate determination
- Risk adjustment approach
- Changes to the chart of accounts
- GL integration and reconciliation and final disclosures

Your checklist to accelerate IFRS 17 implementation

IFRS 17

Prior to the rollout of IFRS 17 solution:


 **Documentation:** Gap analysis with respect to policies, processes, and systems should have been completed and the gaps clearly documented along with the supporting technical documentation. The business requirements should also have been documented.

 **Build a strong cross-functional team:** It is imperative that a strong cross-functional team comprising people from actuarial, risk, finance, and IT functions along with IFRS 17 and accounting subject matter experts is formed for IFRS 17 implementation.

By now, your gap analysis with respect to policies, processes, and systems indicate your path toward implementation.

Steps toward a successful rollout:

Teamwork: The cross-functional team needs to work very closely during the project life-cycle along with the vendor and partner teams for a successful rollout.

 **User training:** User training is also paramount to a successful rollout. User trainings should be properly planned based on the role played by different teams, and each team should clearly understand their accountability toward meeting compliance goals.

Post-implementation, the systems and processes should be continuously assessed for further improvement.

Your checklist to
accelerate IFRS 17
implementation

ORACLE'S SOLUTION FOR IFRS 17

The **Oracle IFRS 17 Analyzer solution** is designed to take data from a staging area common across all Oracle Financial Services applications and enable its reuse for deeper analytical insight.

Get a proven framework for ingestion of data from source systems, portfolio setup with business rules and disaggregation into groups, and sub-ledger accounting to ensure future-proof success.

Oracle's solution for
IFRS 17

IFRS 17 Analyzer Solution Key Differentiators

One single user-friendly solution for IFRS 17 compliance

Leverage the same application for IFRS 17, 9, and LDTI

Configurable, auditable workflow tracked by users

Sub-ledger with prebuilt integration to AHCS

Multi-GAAP

Editable business rules to support specific nuances

Built-in disclosures and business intelligence for IFRS 17 and beyond

Oracle's solution for
IFRS 17

Calculation engine

The solution can either consume the present value of future cash flows directly or it can consume the estimated future cash flows, which are then used for computation of insurance liabilities disaggregated into the required components, and discount them to the present value.

Configure business rules for portfolio setup and disaggregate the portfolio into groups and cohorts.

Enable disclosure reporting of liability analysis for all the three measurement methods.



Calculate key metrics

- Contractual service margin (and its projection)
- Insurance revenue
- Insurance service result
- Insurance finance expense
- Other comprehensive income (due to change in financial risk)



Prebuilt calculation templates

- General Measurement Model (GMM)
- Variable Fee Approach (VFA)
- Premium Allocation Approach (PAA) liability measurement methods



Workflows

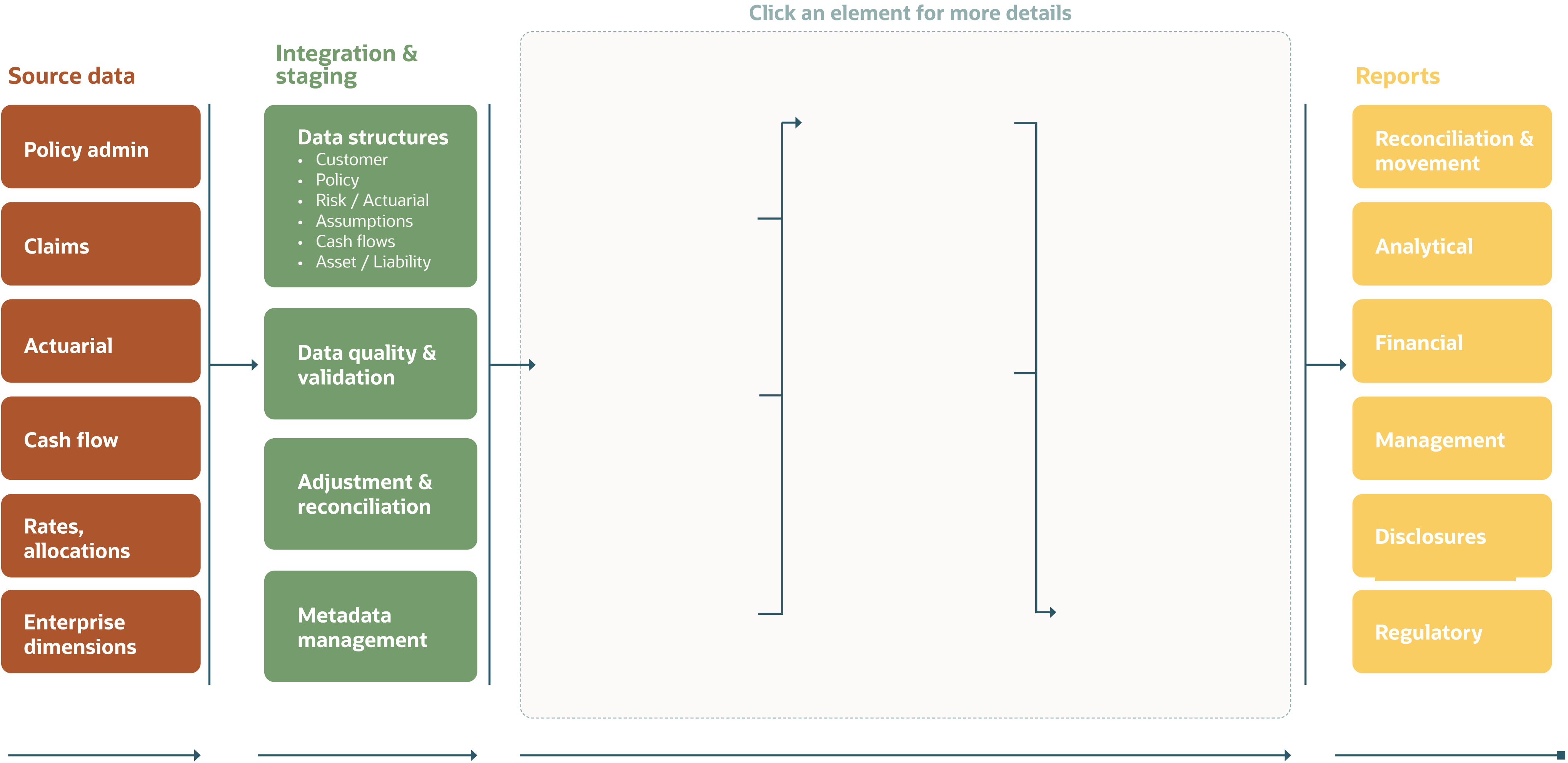
- Calculation template definition
- Calculation run
- Accounting rule definition
- Generation of accounting entries
- Manual adjustment for accounting postings etc.



Analytics and reporting

- Management reporting of CSM projection trends
- Summary of profitable vs. onerous contracts in a portfolio
- Comparative analysis of CSM and insurance liabilities

Oracle IFRS 17 Analyzer workflow



ORACLE'S PROVEN METHODOLOGY AND CONSULTING FRAMEWORK

FOR IMPLEMENTING IFRS 17

Implementation of IFRS 17 is a complex affair. Coordination across the actuarial, risk, finance, IT, and business functions requires experienced input from each of the areas shown, as well as experienced input from technical architects, product experts, and engagement managers.

A well-defined implementation approach that encompasses the entire life-cycle of the project is critical to ensure urgent compliance deadlines are met.

The Oracle Unified Method (OUM) is a proven methodology for IFRS 17 that includes guidance on knowledge transition and inbuilt approaches for agile delivery in large programs.

Oracle's proven methodology and consulting framework for implementing IFRS 17

Principles of OUM



Iterative and incremental: OUM recognizes the advantages of an iterative and incremental approach to development and deployment of information systems.



Business process and use-case driven: Business processes and use cases are used as the primary artifacts, if applicable.



Architecture centric: The system is architected as a “living environment” equipped to accommodate changes at multiple levels.









Flexible and scalable: In OUM, this principle is extended to refer to the execution of the method processes themselves. Project managers and practitioners are encouraged to scale OUM to be fit for purpose for a given situation.



Risk focused: A key focus in OUM is to attack and reduce the most significant project risks. This helps the project team address the most critical risks as early as possible in the project life-cycle.

Benefits of OUM

-  **More focused effort:** OUM enables projects to clearly define business scope as well as the need to create architectural models of the enterprise. This planning results in tighter scope control, more accurate business understanding, and a firm foundation to align with customer expectations.
-  **Built-in flexibility:** By combining activities and tasks in different ways, OUM can be applied to many types of information technology software development and implementation projects.
-  **Saves time:** Seasoned information technology practitioners representing years of experience have contributed their knowledge to OUM. Project teams take advantage of this experience by leveraging these leading practices along with industry standards.

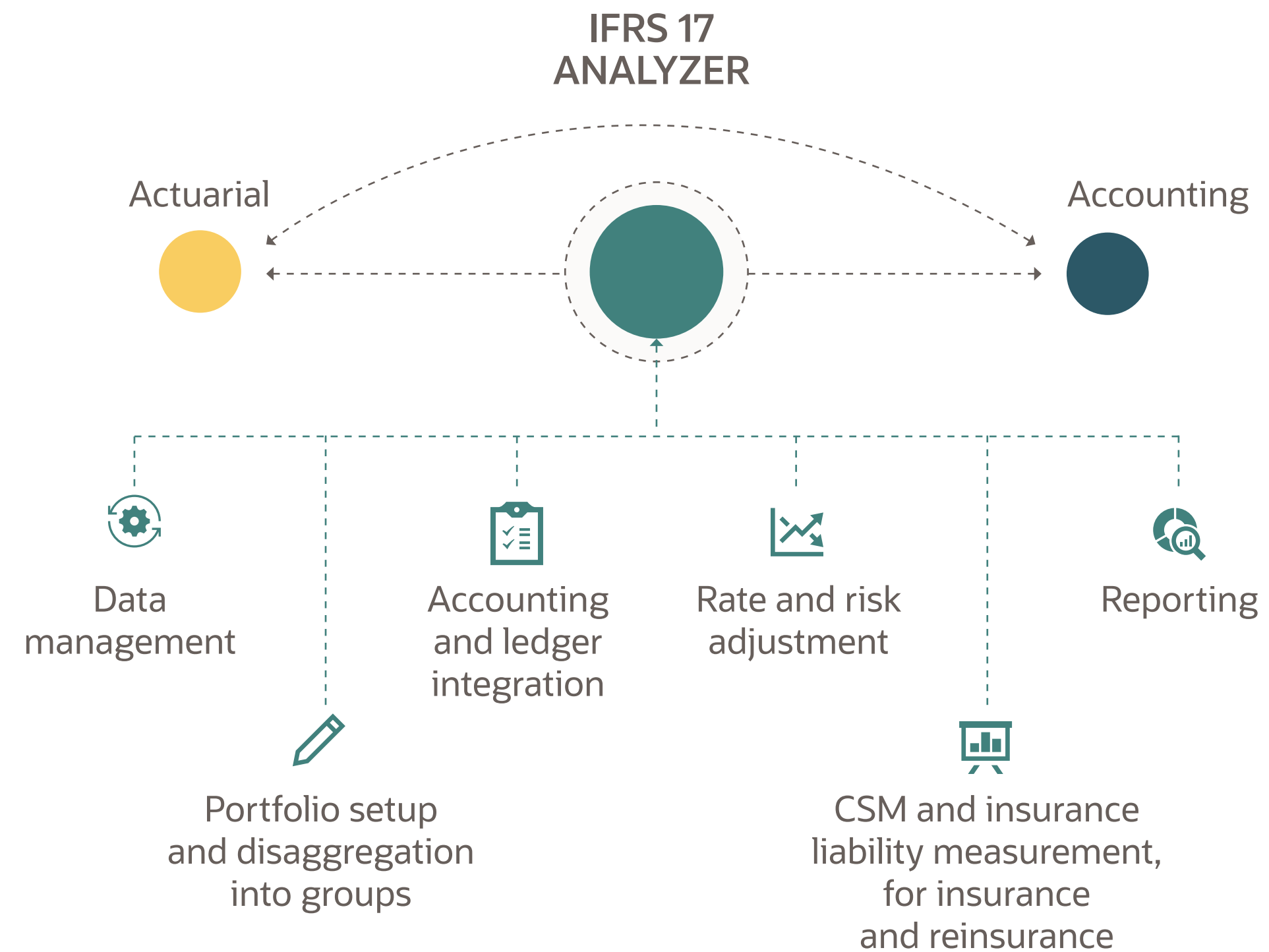
-  **Higher quality:** OUM subscribes to an iterative approach that incorporates testing and validation throughout the life-cycle, rather than testing for quality only at the end of the project.
-  **More cost-effective:** OUM facilitates improved control of project expenses by using a flexible work breakdown structure that allows users to perform only necessary tasks.
-  **Reduced project risk:** Implementing an iterative, broadly applicable method mitigates requirements mismatch. A key focus in OUM is to identify and reduce the most significant project risks. This allows for the most critical risks to be addressed as early as possible in the project life-cycle, which results in a measurable reduction of schedule and budget risks.

Oracle's proven methodology and consulting framework for implementing IFRS 17

A modern, accurate future-proof plan

The Oracle IFRS 17 solution is ranked highly by industry experts. Its ability to bridge between actuarial and accounting, under a truly unified data source, while being future-proof for change and integration to other business applications makes Oracle IFRS 17 Analyzer your answer to financial modernization.

In addition to leveraging the OUM for project delivery, Oracle Financial Services Consulting's end-to-end IFRS 17 implementation framework covers all relevant areas.



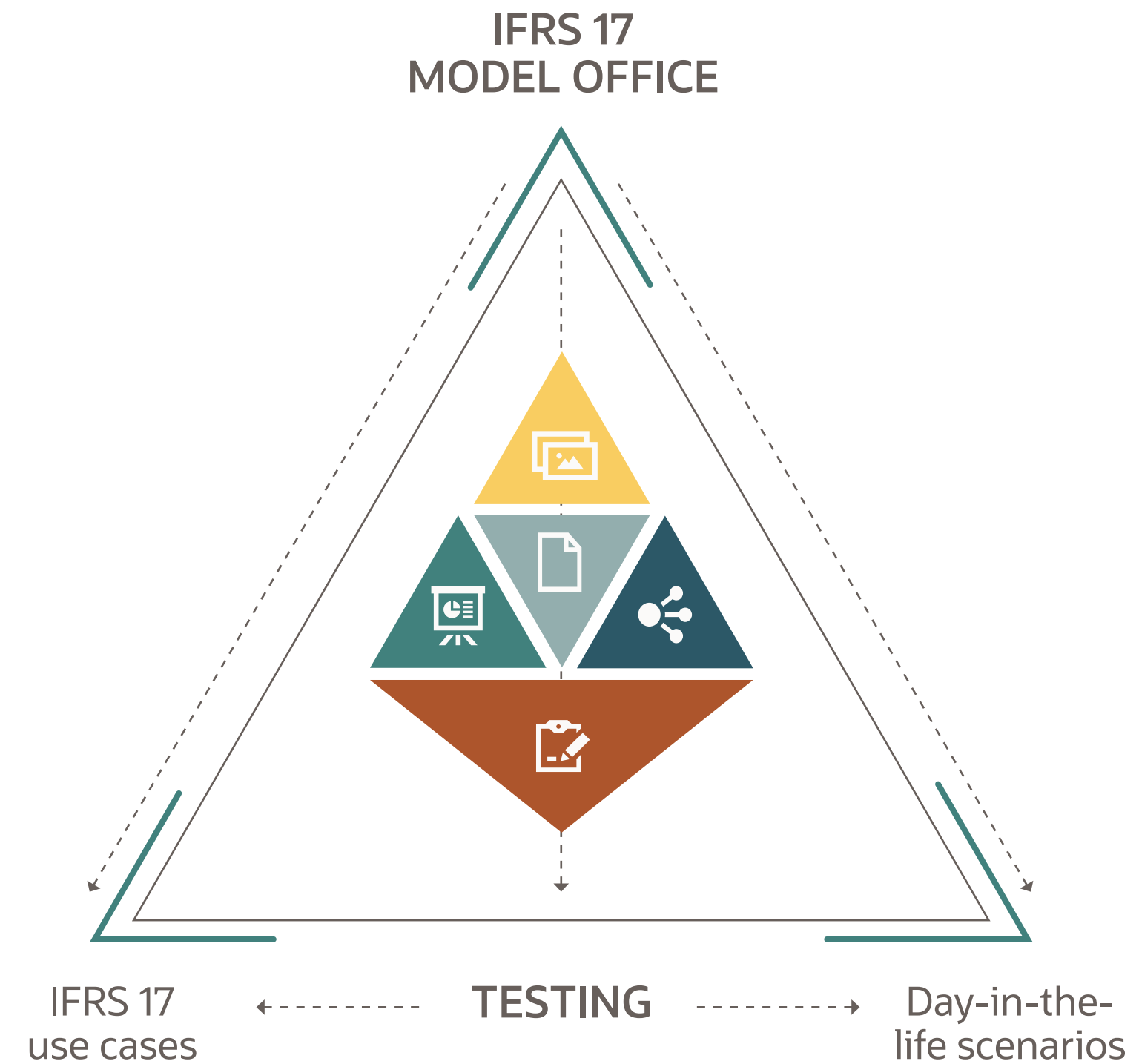
Oracle's proven methodology and consulting framework for implementing IFRS 17

Take action

The consulting team has also set up an IFRS 17 model office that can be used as a sandbox for testing relevant IFRS 17 use cases or day-in-the-life scenarios.

The group has a rich inventory that consultants can effectively leverage during implementation.

-  Collaterals
-  Design templates
-  Architecture reference models
-  Deployment options
-  Project plans




Oracle's proven methodology and consulting framework for implementing IFRS 17



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IFRS 17 Analyzer Blueprint
May 2020

APPENDIX



Oracle IFRS 17 Analyzer workflow

Source data

- Policy admin
- Claims
- Actuarial
- Cash flow
- Rates, allocations
- Enterprise dimensions

Integration staging

- Data staging
 - Custom
 - Policy
 - Risk /
 - Assum
 - Cash fl
 - Asset /
- Data quality validation
- Adjustments & reconciliation
- Meta data management



Portfolio setup

Identify and group insurance contracts that share a similar risk profile. Contracts can be grouped within a legal entity and line of business, based on other parameters such as geography, year of inception, and data.

- Group contracts at initial recognition based on expected profitability and year of inception
- Store the dimensional data for cohorts even when such cohorts are created in another application
- Execute and report results at different granularities for analytics and management reporting purposes

CLOSE

Reports

- Reconciliation & movement
- Analytical
- Financial
- Management
- Disclosures
- Regulatory

Key considerations for implementing IFRS 17

Oracle's solution for IFRS 17



Oracle's proven methodology and consulting framework for implementing IFRS 17

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Risk adjustment & cost allocation

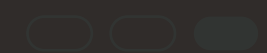
Allocate different estimates, including risk adjustment, to enable allocation to the level at which the IFRS 17 calculations will be executed.

- Allocate estimates calculated at a higher granularity
- User-defined rules used for allocation bring transparency and auditability
- Define the risk adjustment as some variable proportions of the other estimates of BEL

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Rate adjustment & assumptions

Easily maintain transparency of assumption sets as an input. User-friendly interface to access the assumption sets, while ensuring traceability of changing assumptions over different time periods.

- Build rate curves using different methodologies
- Use rate curves as an input for discounting and interest accretion
- Maintain different assumption sets with complete auditability and traceability for tracking the changes in liability estimates over different reporting periods

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Method election

Multiple calculation templates can be created for specific business needs. Configurability of disaggregated roll-forward liability estimates, based on IFRS 17 and LDTI, targets diverse insurance products.

- Access all three IFRS 17 approaches; GMM, VFA, and PAA methods and LDTI computes under US GAAP
- Conduct parallel runs for the direct insurance and the reinsurance held computations and check for inter-relation computation based on onerousness of the underlying contracts
- Test the same set of cohorts/ portfolio using different runs for analysis purposes

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Liability & CSM calculations

Calculate the net liability of each contract by using the present value of the cash flows, risk adjustment, and assumption. Set up the level of aggregations, assumptions, and the method considered for liability calculations.

- Preconfigured calculation logics for different methods with possibility to modify the default logics to accommodate amendments and business-specific use cases
- Prebuilt logics for disaggregated roll forwards of liability estimates, including change in financial and non-financial assumptions
- Compare results produced by different assumptions and perform projections using scenario analysis

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Consolidation

Conduct a faster close and consolidation process, ensuring an efficient and accurate close.

- Ensure auditability and traceability in the financial close and consolidation process, ensuring full visibility to the underlying logic
- A control framework in place to ensure approvals and controls for any financial adjustments are done in an automated manner
- A comprehensive reporting process inclusive of electronic submission and disclosure methodologies

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General ledger

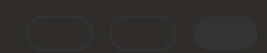
Ensure flow is seamless between the results generated from the IFRS 17 sub-ledger and general ledger, whether you are using an Oracle GL or another GL.

- Realize the impact on your balance sheet and income statement with preconfigured integration between Oracle's IFRS 17 Analyzer solution and Oracle GL
- Aggregate journal entries, amendments, provisions, run revaluations, and intercompany eliminations to generate P&L, balance sheet, and other aggregate financial statements
- Based on an open architecture, extract the results which can then flow seamlessly into a third-party GL

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Accounting hub (sub-ledger)

Take the stress off of general ledgers. Generate standard accounting events and bookings specifically designed for IFRS 17 and LDTI with reports that feed out to general ledgers, management reporting, and analysis tools.

- Maintain detailed data for accuracy and suitability
- Preconfigured accounting events available based on the diverse results generated from the analyzer
- Productized connector for Oracle Accounting hub

CLOSE

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Oracle IFRS 17 Analyzer workflow



Results area

Stores the calculated results of IFRS 17 and LDTI runs and maintains data relations between contracts and user-defined cohorts along with attribution and reconciliation results.

- Prebuilt disclosure reports as required by the standard
- Drill down capability to analyze disclosures further into a lower granularity
- Perform attribution analysis using the diverse results stored

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