



For insurers, the revolution starts now

Accounting change matters

Insurance accounting



With 2021 just around the corner, providers need to assess, plan and act

In the next few years, the global insurance industry will undergo a revolution in reporting and regulatory requirements. New standards including ASU No. 2018-12, ASU No. 2016-13, IFRS 17, and IFRS 9 will change the way insurers account for everything from revenue and contracts to leases and financial instruments. Virtually every aspect of an insurer's business and operations will be affected, making planning, communication and coordination essential

for effective implementation. And companies operating in multiple regions face the added challenge of mastering the differences between US and international regulations.

To survive and thrive in this turbulent environment you need a trusted advisor. KPMG offers deep experience in insurance accounting and a global network of specialists tracking the latest regulatory developments.

Global insurance leader

A leading insurance company recognized the need for global consistency and efficient and harmonized delivery of IFRS 17 and IFRS 9 programs, along with enhancements and advances in the finance and actuarial functions.

KPMG approach

KPMG helped build and deploy a team comprised of its own specialists and the clients'. Working together, they developed global IFRS concepts and solutions, including the piloting of actuarial and work-flow models, SPPI and impairment solutions, and data management and calculation solutions.

KPMG also supported the training and mobilization of local teams, helping to conduct local impact assessments, architecture analysis, and the design and implementation of global solution interfaces. Local processes, applications and systems were adapted to new IFRS requirements.

Result

KPMG helped with the design, implementation and global rollout of effective IFRS 17 and IFRS 9 programs, the development of a global IFRS center of excellence, and the establishment of new requirements aimed at achieving a higher standard of reporting.

Mapping our experience to wherever you are in the process

Through engagements with leading companies, KPMG has honed its three-phased approach to applying insurance standards.



Phase 1: **Assess**

Get clarity on new international and regional standards and implementation schedules

Watch-outs

Gather more details on how insurance change will impact specific functions (accounting, actuarial, tax) and systems (IT and data management)

KPMG can help:

- + Design and conduct mobilization workshops
- + Support data gathering and analysis
- + Perform gap assessment
- + Conduct impact assessment
- + Facilitate planning
- + Support communication between functional areas



Phase 2: **Design**

Create a response that defines new accounting and actuarial policies and methodologies, blueprints for automated data sourcing and IT system changes, and plans for training programs

Watch-outs

80 percent of respondents to KPMG's global survey of insurers reported that securing people with the right skills is a significant challenge. 60 percent said securing the necessary budget was also challenging

KPMG can help:

- + Build budget and resource support among management and other stakeholders
- + Support key "buy or build" decision on Contractual Service Margin calculator
- + Identify design solutions
- + Determine requirements
- + Build cash-flow models
- + Support technical research and documentation of key accounting implementation decisions
- + Support insurance accounting change recruitment and internal training programs



Phase 3: **Implement**

Test design prototype, then roll out new processes and systems and put them into operation

Watch-outs

Include multiple stakeholders in testing to ensure that your solution supports expectations across your organization

Apply a "two-speed" approach to implementation that supports both legacy and "leapfrog" technologies

KPMG can help:

- + Define functional and technical design
- + Develop data / interfaces
- + Test, upgrade and enhance the solution
- + Provide training and support
- + Manage project plan execution
- + Identify and mitigate program risks

Sustaining business as usual: KPMG employs change-management solutions so that your company's business continues apace during implementation, and post-implementation, new processes, systems and tools are rapidly integrated into daily operations.

The KPMG Accounting Change Evaluator (KACE)

Having a clear understanding of your current compliance state, your desired future state, and the gaps you need to address is the critical first step toward successful insurance accounting compliance. KPMG's cloud-based assessment tool was designed to help jumpstart your efforts, giving you a clear picture of regulatory gaps across functions. This valuable tool has already shown its worth in client engagements and can give you the insight you need.

Finding the technology insurers need to prepare for IFRS 17

With the IFRS 17 insurance contracts standard scheduled for 2021, insurers face increasing time pressure to design the new systems needed for compliance. KPMG professionals are joining with insurance technology vendors to make the path easier and faster. For a number of new processes that will be required for IFRS 17, we are partnering with vendors to develop pre-configured solutions that save insurers from building their own solutions from scratch. With these added capabilities, KPMG can help reduce the time and complexity of complying with the new standard.

Working with actuarial software vendors to assess the impact on clients' models

Implementation of accounting changes will require significant modifications to actuarial models and processes. KPMG is working closely with actuarial software vendors to understand what the changes will mean to their platforms, the timelines of change implementations and the optimal approaches for our client to adopt these model changes. We are also actively talking to accounting, actuarial and technology specialists internally and externally to define and optimize the future-state actuarial production processes from start to finish.

Top-10 global life and health insurance provider

A top-10 global insurer sought formal IFRS 17 and IFRS 9 implementation programs that would position the organization to effectively oversee and manage the change, detect and mitigate program delivery risks at an early stage, and strategically direct effort towards activities of highest value to the company overall.

KPMG approach

KPMG formed a planning team spanning actuarial, accounting, finance management and IT advisory. The team began with a thorough assessment of the company's current status. They then worked with 20 of the clients' leading subject matter experts from Finance, Actuarial and Risk Management to gain perspectives spanning policy, operational impacts and business impacts.

KPMG then synthesized all client input and their own deep understanding of IFRS standards to draft a 4-year implementation roadmap, workshopping the roadmap with client stakeholders to ensure understanding and gain buy-in.

Result

Actuarial and Finance leadership gained a clear, rationalized approach to IFRS 17 implementation to take to the Board of Directors. Key stakeholders expressed support and an increased level of confidence in the readiness of the company to move ahead with implementation. After implementing KPMG's recommended governance structure and developing key policy positions, the client expanded its scope to encompass additional plan requirements.

Asia-based life insurer

A client with business units across Asia engaged KPMG to support implementation of IFRS 9 and IFRS 17, seeking a return on investment beyond compliance for 2021.

KPMG approach

KPMG helped to form a core team of KPMG specialists and client-side subject matter experts dedicated to: developing a governance structure and project plan; drafting position papers and accounting policies that address the technical issues of IFRS 9 and IFRS 17; evaluating the impacts of IFRS 17 on key products and models; assisting the actuarial team with implementation of IFRS-17-ready models and

processes, assessing financial impact at group and country levels; analyzing the impact of IFRS 17 on financial statements preparation, Chart of Accounts, Disclosures, KPIs, financial communication with investors, transition and opening a balance sheet; and defining a group-wide implementation strategy.

Result

KPMG created a detailed roadmap including regional engagement across countries, helped to establish and operationalize a group-wide governance structure, and is assisting with implementation.

Contact us

To receive a proposal on how KPMG can address your specific requirements around applying the new insurance accounting standard, [submit an RFP](#).

To talk one-on-one about how we can help your company quickly assess where you are, where you need to be, and how we can help you close the gap, please speak with your usual KPMG contact or one of the insurance accounting specialists below.

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