

IFRS Insurance Insights

What should insurers
be doing now on IFRS?

Start early,
start small,
keep it small.



Contents

What should insurers be doing now?	3
Keep up to date with the market and the developing standard	5
Deepen but also widen your organisations understanding	6
Start small and start early	7
Our experienced IFRS Insurance team	8
Contact details for further information on this editorial	8
About Deloitte	9

Deloitte IFRS Insurance Insights

Welcome to a new series: *IFRS Insurance Insights*

This is the first in a second series of short insight articles focusing on the new IFRS standards that will impact the insurance industry in the coming years. This series follows the factsheets that Deloitte published between November 2012 and May 2013 prior to the release of the draft IFRS on insurance contracts last June.

The new series is titled *IFRS Insurance Insights* and it aims to give, in bite-sized articles, the Deloitte view on the practical implications of the new standards on insurance businesses. In tandem to this analysis, you will also find our recommendations on how best to approach these implications for your business.

The series will cover a range of topics and has drawn on the breadth of expertise across our global network and service offerings.

We welcome feedback and views on our publications and so please do get in contact.



What should insurers be doing now?

The end of the beginning?

- With the closure of the comment period on the Exposure Draft on the new IFRS for insurance contracts on 25 October 2013, the process to deliver a new IFRS for insurance contracts takes one more step closer to completion.
- There remain a number of key open questions on the standard and the final details on the timeline for completion are yet to be confirmed. However there is a growing consensus that the new IFRS on insurance contracts will be finalised over next year or so and that it will have a mandatory effective date of either 1 January 2017 or 2018.
- The EIU survey on IFRS Insurance (LINK) shows that in 2013 many insurers have begun to consider the implications of the new standard but with the 2013 year-end approaching, the effective date 3 to 4 years away and the potential for further changes to the standard; we are increasingly being asked the same question by our clients:

What should we be doing now?



Keep up to date with the market and the developing standard

Understand the market and your competitors' views

- Gaining an understanding of the market's views on the Exposure Draft will be key to placing your organisation in context of the competition and to check that your interpretations are in line with the market.
- On 25 October 2013, member firms of the Deloitte Touch Tohmatsu Limited (DTTL) global network submitted a response to the Exposure Draft. Both DDTL's and the responses from other industry players and interested parties can be found on the [IASB website](#).
- You can also hear Francesco Nagari, Deloitte Global IFRS Insurance lead partner, summarise the global Deloitte perspective on the new proposals in our latest recorded webcast at www.deloitte.com/i2ii.

Keep abreast of IASB announcements

- The IASB staff plans to take the summary of all comment letters to the IASB meeting in January 2014. Further details can be found on the [IASB website](#).
- *Deloitte has been running a programme since 2009 keeping our clients updated on the developments of the standard through our Insurance Accounting Newsletters and our IFRS 4 Phase II webcasts released immediately after each IASB meeting. These can be found and subscribe to, free of charge, on our IFRS Insurance website: www.deloitte.com/i2ii*

Deepen and widen your organisation's understanding

Widen the knowledge base in your organisation

- Our experience shows that the technical teams at our clients have a thorough understanding of the new standard but that the wider functions have yet to gain a similar level of understanding.
- With the year-end approaching, finance and actuarial functions will be getting increasingly busy. However, spare time should be taken up with providing learning sessions on the new standard to widen the organisation's understanding.
- Due to the complex nature of the new standard, our experience has taught us that training needs to be tailored to the specific team. The needs of accountants in finance are different from those in the actuarial valuations team or within the IT department. In order to get finance and actuarial functions to a common level of understanding, time will need to be invested in learning.

Deloitte has a suite of unique training courses that can be used to provide learning to many different audiences. It gets under the skin of the standard rather than relisting the rules and requirements.

Deepen your knowledge of the impact on your key products and businesses

- In an environment of cost pressures and limited capacity in finance and actuarial functions, it is still important that insurers know what the impact will be of the new standard on their key products and business lines.
- We recommend that this final period before the new IFRS is finalised is used to deepen and widen insurers' understanding of the impact of the new standard on the reported profit from key products and business lines. A key aspect of this is the method of deferring profits for which discretion is available to the insurer and can have a large impact on the results.
- There are areas of the standard that are not expected to change. In these areas, we recommend that a deep analysis on the impacts is performed without delay. In the areas that are likely to change, such as participating contracts, we recommend that a high level review is performed to understand both the potential financial and business impacts to ensure that there is sufficient flexibility to accommodate any likely changes.

Deloitte has the experience and a tried and tested approach that can assist insurers in a focused and modular analysis of both the financial and business impact of the new standard on individual products or business lines.

Start early, start small, keep it small

Think to the future and the projects you will need to start in 2014

- It is likely that a 2017 or 2018 effective date will set by the IASB and so comparative balance sheets will be required for the two years prior and a fully restated income statement would need to be prepared. Investors may demand an even more extended restated financial history to understand how to predict the insurer's future performance.
- We are convinced that by this time next year most organisations will have begun their IFRS Insurance projects in earnest. From our latest IFRS Insurance survey, performed by the EIU on behalf of Deloitte during July and August 2013 we have interviewed 300 insurers around the world and found that 59% had already started in some capacity, but 41% have yet to begin.
- Solvency II implementations provide important lessons on how to approach IFRS Insurance implementations. Management's imperative is to minimise costs and to ensure a planned and measured response to the new IFRS implementation efforts. This is why Deloitte ***recommends that insurers should start early to prepare for the IFRS Insurance implementation by starting small so that they can keep the implementation efforts proportionally smaller than those under Solvency II.***
- There are several steps to starting a project which need to be considered and planned for. These may include:
 - Educating the executive on the cost and impact of implementation, including how the new metrics will affect their performance-based remuneration;
 - Performing a full impact assessment across all key dimensions of the operating model;
 - Drafting a business case for implementation; and
 - Conducting a tender for an IFRS implementation partner and to secure any technology that may be necessary to achieve compliance with the new rules.
- By the end of 2014, we recommend that insurers have completed a full impact assessment and have mobilised a project to implement the changes required to report under the new standard. At that point, a detailed implementation blueprint would need to be ready if an insurer wishes its implementation efforts run smoothly for the following 2-3 years.
- In light of the potential demand for resources from across the insurance industry, only early movers will be able secure the appropriate resources at a reasonable cost. If insurers are in the position to increase the intensity of their preparation work in 2014, we recommend that they do.

Contact details for further information on this editorial



Francesco Nagari
Global IFRS Insurance Lead Partner

Francesco Nagari is a partner in Deloitte LLP based in London and took the position of Global IFRS Insurance Leader in October 2008. In that capacity he is a member of the London IFRS Centre of Excellence of Deloitte. He qualified in Italy as *dottore commercialista* (1991) and *revisore contabile* (1995) and a chartered accountant in the UK with the ICAEW (2011). He speaks Italian, English, French and Portuguese.

Contact details: Francesco Nagari, fnagari@deloitte.co.uk,
+ 44 20 7303 8375

Learn more at www.deloitte.com/FrancescoNagari



Adam Addis
EMEA IFRS Insurance Lead Director

Adam Addis is the EMEA IFRS Insurance Director, responsible for coordinating Deloitte's EMEA wide campaign. Adam is a Director within the London Insurance Audit and Advisory practice. He has extensive experience in providing accounting and regulatory advice to both the Life and General insurance markets, having worked on a number of major finance transformation projects. Adam is also an Audit Director and leads the audit of one of the UK largest personal lines general insurers.

Contact details: Adam Addis, aaddis@deloitte.co.uk, + 44 (0)20 7303 8575

Learn more at www.deloitte.com/AdamAddis

Our experienced IFRS Insurance team

Global IFRS Insurance Team

Deloitte has proven experience delivering common data models and storage infrastructure. We have experience working with a number of organizations to define and implement insurance data solutions for IFRS. Deloitte is uniquely positioned to serve as your partner.

Belgium

Dirk Vlamincx
dvlaminckx@deloitte.com
+ 322 8002 146

Italy

Andrea Paiola
apaiola@deloitte.it
+ 390 1155 97204

Canada

Neil Harrison
nharrison@deloitte.ca
+ 1 416 601 6307

Central Europe

Dariusz Szkaradek
dszkaradek@deloittece.com
+ 482 2511 0331

Luxembourg

Thierry Flamand
thflamand@deloitte.lu
+ 352 45145 4920

Cyprus

Andreas Andreou
aandreou@deloitte.com
+ 357 2236 0686

Middle East

Samir Madbak
smadbak@deloitte.com
+ 971 6574 1052

China

Eric Lu
erilu@deloitte.com.cn
+ 86 10 8512 5809

France

Jerome Lemierre
jlemierre@deloitte.fr
+ 331 5561 4078

Netherlands

Hans de Witt
hdeWitt@deloitte.nl
+ 318 8288 4235

Hong Kong SAR

Jeremy Menzies
jmenzies@deloitte.com.hk
+ 852 2238 7240

Finland

Martin Faarborg
mfaarborg@deloitte.dk
+ 452 1276 558

Norway

Eivind Skaug
eskaug@deloitte.no
+ 472 3279 355

Korea

Jae Seog Lee
jaeslee@deloitte.com
+ 822 6676 1162

Germany

Hans-Peter Hochradl
hphochradl@deloitte.de
+ 498 929036 7950

Spain

Jordi Montalbo
jmontalbo@deloitte.es

Japan

Arata Otake
arata.otake@tohmatsu.co.jp
+ 819 0603 58857

Iceland

Thorsteinn Gudjonsson
Thorsteinn.Gudjonsson@deloitte.is
+ 354 580 3087

Switzerland

Sabine Betz
sbetz@deloitte.ch
+ 415 8279 6881

Ireland

Glenn Gillard
ggillard@deloitte.ie
+ 353 1417 2802

Sweden

Goran Engquist
gengquist@deloitte.se
+ 467 5246 2194

South Africa

Yuresh Maharaj
ymaharaj@deloitte.co.za
+ 271 1209 6204

Israel

Ran Feldboy
rfeldboy@deloitte.co.il
+ 972 3608 5478

UK

Francesco Nagari
fnagari@deloitte.co.uk
+ 44 20 7303 8375

West & Central Africa

Oduware Uwadiae
ouwadiae@deloitte.com
+ 234 8056 018887

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. More than 195,000 professionals are committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2013 Deloitte Global Services Limited