

IFRS 17, which supersedes existing IFRS 4 Accounting Standard for insurance contracts, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. One of the objectives of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial statement position, financial performance and future cash flows.

IFRS 17 will change the existing mechanism of insurers' accounting practices for reporting income and liabilities from insurance and reinsurance companies, creating a new financial semantic to inform investors about performance of this complex global industry.

Why Adopt It

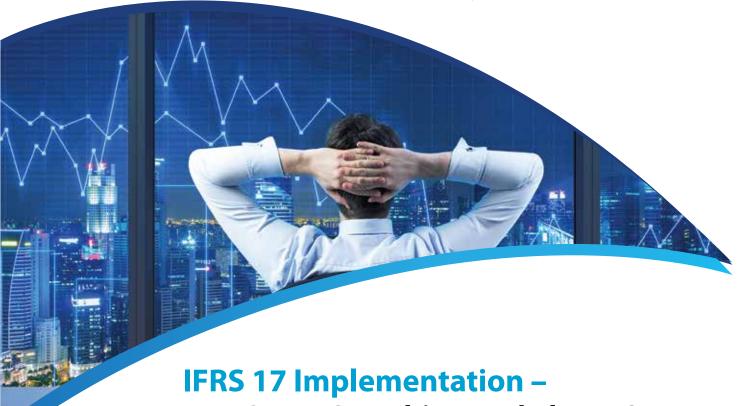
IFRS accounting standards have already been adopted in the Middle Eastern countries (including the Kingdom of Saudi Arabia, United Arab Emirates, Qatar, Bahrain, Kuwait, Oman and others), Asian countries (including Pakistan, Singapore, Malaysia, India, Sri Lanka, Thailand, Hong Kong and others) and across various regions. This new financial semantic, IFRS 17, delivers consistency in the financial reporting for a sector that has never had it. IFRS 17 will introduce a significant degree of transparency that aims to open what many considered an accounting and actuarial black box.

IFRS 17 also outlines a comprehensive framework that will require insurers to provide information relevant to users of financial statements for economic decision making. All countries that follow existing IFRS will be required to adopt IFRS 17. Most expect the exercise to be wide ranging, complex and costly. Therefore, early planning is recommended for both life and general insurance/reinsurance companies, with more detailed requirements for life insurers.

How IFRS 17 impacts you

If you happen to work for an insurer and your nature of work relates to reporting, preparing, analyzing, reviewing, estimating or presenting the assets, liabilities or equities in the financial statements, IFRS 17 financial semantic will impact you. IFRS 17 will become effective starting 1 January 2021.

IFRS 17 provides insurers with general principles and flexibility on the implementation. Therefore, the choices that an insurer makes will impact how the profits are released over the life of a contract. The impact to insurance organizations, whether subsidiaries/branches of international insurers or domestic insurers, are significant given that many countries have adopted IFRS accounting standards and therefore would need to comply with the new requirements of IFRS 17.



How SHMA Consulting can help you?

IFRS 17 outlines the general principles of insurance contract reporting. It however allows flexibility with regards to its transition and implementation with each phase involving significant judgment that would need to be made. Our firm has the expertise to help companies not only apply best practices but also avoid the eventual problems that they may face when adopting IFRS 17. The implementation of IFRS 17 will have a major impact across the entire financial management framework, requiring changes to be made to key areas of strategic financial management and operations in the way the results will be delivered.

IFRS 17 will require insurance companies' IT and finance personnel, accountants and actuaries to work together to modify and/or restructure its existing systems. Our firm can help provide the technical support necessary to make the transition as smooth as possible.

IFRS 17 will also have a significant impact on data, systems and processes used to prepare the financial reporting framework.

Suggested IFRS 17 implementation Phases

SHMA Consulting provides the following support to implement IFRS 17 for insurers:

- Carry out gap analysis

- Evaluate key differences against your current accounting, actuarial and reporting practices
- o Plan the journey to bridge gaps

Develop and deliver training for your staff

- o This is an essential part to implement IFRS 17 without it the objective will be difficult to achieve
- o Requires interactive training and series of workshop at different levels
- o Understanding of new KPIs and impact on disclosures

- Perform Impact assessment

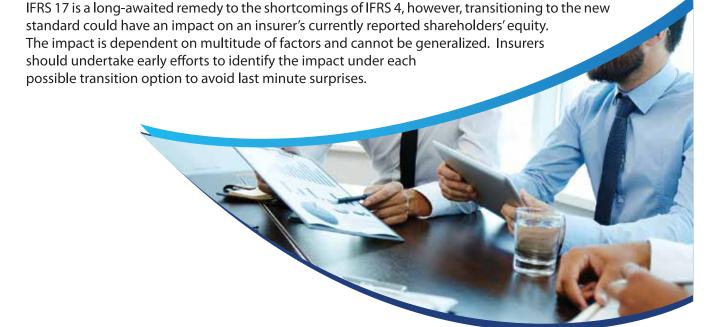
- o Assess the impact of policy choices (such as financial statements, management information, accounting and actuarial processes, business projections and operations)
- o Evaluate the impact on resources, IT systems, data
- o Analysis of product profit profiles and level of aggregation
- o Apply all transition approaches to evaluate the impact of equity

- Assist with the system solutions and mapping of requirements

- o This will include testing IT and reporting process
- Track against a clear road map and budget

- Assistance with implementing new policies, processes and systems

- o Apply all the procedures with new/modified systems
- o Carrying out parallel runs
- o Engage in a timely way with you and your auditors on key judgments
- o Advise on resolving gaps and limitations
- o Continuous monitoring and ensure to meet the objectives
- o Educate the executive management team and Board on the new requirements and implications





About SHMA Consulting

SHMA Consulting is a company registered in the Dubai Multi Commodities Centre (DMCC) United Arab Emirates. We provide actuarial and insurance advisory services to insurance companies, takaful operators and other organizations operating retirement and pension funds. We have a team of over 45 actuarial professionals including 10 qualified actuaries.

Our Insurance and Takaful practice provides services to companies located in Pakistan, United Arab Emirates, Saudi Arabia, Oman, Bahrain, Kuwait, Sri Lanka and other countries. Our diverse teams work closely with our clients to identify and address the challenges faced by our clients. Our expertise includes actuarial valuations in accordance with both local standards and International Financial Reporting Standards (IFRS), statutory certifications and reporting, product development and pricing, enterprise risk management and capital modelling, reinsurance and investment advisory, and business planning and capital appraisals.

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Contact us

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Our IFRS 17 Team and Expertise

SHMA Consulting IFRS 17 team comprises of consultants who possess extensive knowledge of Middle East insurance industry and have guided various insurers through regulatory and local accounting policy changes. Our consultants have worked as advisors to insurance regulators in various countries and accounting and actuarial professional bodies in Pakistan. SHMA Consulting IFRS 17 team also plays a leading role in the working group formed by Institute of Chartered Accountants of Pakistan (ICAP) which is responsible to guide the insurer's in Pakistan in adopting IFRS 17.

In December 2017, SHMA Consulting also conducted seminar on IFRS 17 in Dubai, UAE. The seminar was a half day event intended to introduce the insurance industry to the requirements of IFRS 17. In the seminar our team explained the context of IFRS 17 by discussing the shortcomings of the current standard and then illustrated how the requirements of IFRS 17 address those shortcomings. Our team is already engaged in implementing IFRS 17 for insurers.