What is it?
The IFRS 17 is the first truly global IFRS standard for insurance contracts. IFRS 17 will be one of the most disruptive challenges in the insurance industry to date. Although no stranger to implementing regulatory principles, the level of granularity required and the synergies between accounting and actuarial will mean that insurers are no longer able to have a siloed solution.

Regulatory compliance is ultimately a data management issue and IFRS 17 is an opportunity for insurers to take a holistic approach to data management once and for all.

Why is it so disruptive?
IFRS 17 requires insurers to fundamentally change their accounting practices and financial reporting. This includes the way both profits and liabilities are calculated, with the introduction of portfolios, cohorts and the new contractual services margin (CSM). The CSM is the unearned profit of the insurance contract. This will impact your finance, risk and actuarial data, systems and processes.

Unusually, this regulation is retrospective which means that historical contracts and policies will need to be compliant. So far, the IFRS have not stated how far back insurers need to go.

Why this is an opportunity now?
With an implementation date of 1st January 2022 it is essential to start now. Insurers have already spent in excess of £3bn on Solvency II compliance within the UK and the expenditure on GDPR was also significant without providing any business benefit. Additionally, insurers are looking to leverage data through the use of artificial intelligence and data science to better serve their customers and increase profitability.

IFRS 17 is an opportunity to take control of your data and leverage it not just for reporting but for your organisation to be a data driven business which allows you to know your customers, reduce risk and fraud, gain accountability and governance, and differentiate your organisation to increase profit.

By taking a holistic approach to your data, systems and processes not only will you become compliant with IFRS 17, you will be better places for future regulations, and be able to recognise your data as the asset it is to your business.
About Hitachi Consulting

Hitachi Consulting is the global solutions and professional services organization within Hitachi Ltd., a global innovation leader in industrial and information technology solutions and an early pioneer of the Internet of Things. Hitachi Consulting is a business integrator for the IoT era and a catalyst for digital transformation. Using our deep domain knowledge, we strategically collaborate with our clients to help them innovate faster, maximize operational efficiency and realize measurable, sustainable business and societal value. As a consulting-led solutions company, we can help you leverage data as a strategic asset to drive competitive differentiation, customer loyalty and growth. To learn more, visit www.hitachiconsulting.com.

How Hitachi can help

Hitachi Consulting have formed a Compliance Consortium, partnering with companies including Barnett Waddingham – a leading independent actuarial consultancy, EDM Works – Data Governance specialists as well as technology firms including Microsoft, Collibra and Tableau. These partnerships enable Hitachi to provide and implement an end to end solution which incorporates people, process and technology, thus providing a regulation agnostic data management framework.

Together, we have developed a unique framework to model, analyse and plan for the insurance sector. The framework consists of:

<table>
<thead>
<tr>
<th>Framework component</th>
<th>Description</th>
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<tr>
<td>Life cycle driven</td>
<td>Integrated customer, product and financial reporting life-cycles essential for comprehensive IFRS 17 compliance.</td>
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<tr>
<td>Organisation, processes and services</td>
<td>Full coverage of insurance processes and services. Incorporates impact assessment for IFRS 17</td>
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<tr>
<td>Systems and technology</td>
<td>Systems and technology needed to provide automation, acquisition, storage, distribution and analytics for data.</td>
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<td>Knowledge based</td>
<td>Fundamental risk management, legal, regulation, insurance process and actuarial knowledge required for IFRS 17</td>
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<tr>
<td>People focused</td>
<td>A program to ensure people are capable of evolving the organisation through product innovation and productivity.</td>
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<tr>
<td>Data architecture</td>
<td>A unified data model and architecture providing comprehensive support for IFRS 17 compliant insurance.</td>
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<tr>
<td>Governance, quality and controls</td>
<td>An effective, policy, organisation and process driven risk control framework to ensure high quality and performance.</td>
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Serif Otterburn  
Subject Matter Expert,  
EMEA Solutions Group,  
Hitachi Consulting

Serif has worked in the financial services space for six years, in developing custom solutions with a particular focus on insurance and regulation. Serif’s actuarial background has provided her with specific capabilities in managing and handling data within large organizations.

Stewart Reeder  
Senior Business Development Manager,  
Financial Services, EMEA

Over the past 20 years, Stewart has been working in the insurance space with some of the largest insurers, both in a consulting capacity and hands-on experience in architecting solutions into the industry. He has a broad appreciation of financial services and leads the insurance vertical for Hitachi Consulting. Additionally, Stewart works closely with the InsurTech community to understand how these companies are looking to disrupt existing models. These include using deep learning trained AIs to handle the tasks of brokers, or to gain fresh insight about policy holders, Improve the customer experience, create engagement models and find the right mix of policies to complete an individual’s coverage.