

## Article

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# How tech is transforming insurers' financial reporting

It's not an exaggeration to say that insurers are witnessing unprecedented change in their financial reporting requirements. "There are currently multiple changes to International Financial Reporting Standards (IFRS), the US Generally Accepted Accounting Principles (GAAP) and regulatory reporting," explains Pastor. "Of the utmost importance to insurers are: the recently released Accounting Standards, Targeted Improvements to the Accounting for Long-Duration Contracts from the Financial Accounting Standards Board (FASB); Current Expected Credit Losses (CECL), a new credit loss accounting standard issued by the FASB; and IFRS 17 and IFRS 9. There are also many regulatory reporting requirements that are new, plus many being considered for the future. There are increases in the number and frequency of required calculations, revisions to financial statement presentation, and increases in financial statement disclosures."

Many of these changes are meant to increase transparency, comparability, and better reflect the economics of an insurer's transactions – so there's no question that they will benefit the industry in the long term. However, staying ahead in a rapidly changing industry is no easy feat for any business, and this is especially the case in insurance. "To continue to be successful in the future, insurers need to make strategic investments in infrastructure" Pastor says.

It's a daunting prospect, but the adage that 'with challenges come opportunities' has never been truer. "There are opportunities to integrate systems and automate routine work that will enable insurers to focus on critical initiatives," Pastor says. "Insurers are leveraging technology to better serve all stakeholders including policyholders, shareholders, employees, and regulators. Technology, such as the internet, apps, chatbots, artificial intelligence and machine learning, has been driving advances in the customer experience, product innovation, reporting and analytics, and regulatory compliance. Specific to finance and actuarial transformation, the goal of the fast close continues to drive improvements in financial reporting."

Pastor believes that the cloud is the ideal technology for the transformation process: "Moody's Analytics is the trusted advisor to insurers globally, with the combined technology and subject matter expertise to be the single vendor for solutions that are of critical importance," Pastor explains. "Many of our solutions are running on the Microsoft Azure cloud. We have solutions that help insurers to fulfill the requirements for accounting standards such as IFRS 17, IFRS 9, Targeted Improvements, and CECL. Some of these solutions include: AXIS™ actuarial modeling system; and ImpairmentStudio™, our user-friendly and auditable platform to meet CECL, AFS and IFRS 9 Impairment requirements."

By implementing these types of cloud-based solutions, Pastor says that insurers can not only survive, but thrive in this complex and competitive environment. "Insurers can immediately improve operations by efficiently implementing the new accounting requirements through cloud technology to benefit from the scalability and increased data security," she explains. "Looking to the future and the business as usual state after the accounting requirements are adopted, there will be ongoing costs savings from more efficient operations and use of technology.

"The implementation of cloud-based solutions will accelerate the industry's transformation. It's no longer going to just be about doing things faster but rather doing them smarter. Collaborative platforms, such as Moody's Analytics RiskIntegrity™ IFRS 17, break down silos and enable teams to work together while still retaining internal controls and appropriate separation of duties. Ultimately better decisions from analytics are the ROI on the finance technology investment, and the finance team will be well positioned to perform a strategic advisory function once routine processing work is automated."

In short, Pastor believes that a software-as-a-service (SaaS) approach will truly enable the 21st century finance team. "SaaS enables the 21st century finance team by reducing many of the worries that might otherwise divert the team's focus," she says. "Disaster recovery is more robust. Moody's Analytics provides vendor-maintained software that is available via the cloud and allows the team to adjust to any changes required. For example, as the IASB revisits the IFRS 17 requirements, Moody's Analytics provides the updates and improvements quickly and easily to clients through RiskIntegrity IFRS 17.

"Internal controls and governance are built into the software to prevent issues rather than being done manually after the fact. And the scalable nature of software as a service enables flexibility in the optimization of the team. The 21st century finance team is able to drive better business results through technology with a renewed focus on analytics rather than troubleshooting manual and archaic processes. Technology is enabling a transformational change of the finance role by optimizing operations and enhancing its strategic impact."

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