

# PwC Tanzania IFRS 17 readiness survey report:

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**A new dawn for insurers**



## Introduction

All insurance companies reporting under the International Financial Reporting Standards (IFRS) will be impacted by the new IFRS 17 standard which comes into force in January 2023. IFRS 17 represents a fundamental change in the measurement of insurance obligations and will have major implications for existing financial reporting and operations.

In order to gain further insights into the current status of implementing IFRS 17, PwC in collaboration with the Tanzania Insurance Regulatory Authority (TIRA) conducted the IFRS 17 readiness survey. The survey focused on technical accounting, financial impact, overall programme management and the effect on data and systems. 17 insurance companies, including some of the largest insurers participated in this survey between May 2022 and June 2022.

## Key results

The survey results may help insurers and other stakeholders gain insights into the current status of the industry as it transitions to IFRS 17 as well as the market view on the specific requirements of the new standard and steer more meaningful dialogue on the implementation journey.

The analysis and commentary included in this survey are based on responses provided by the survey respondents.

This document should not be used as a substitute for consultation with professional advisors. Information received from respondents has not been verified by PwC.



# 1

## IFRS 17 'Insurance contracts' Progress and capability



### Observations:

When asked about the status and progress of their IFRS 17 implementation projects, 84% of respondents indicated that their projects had commenced and were ongoing, with a majority having completed the gap analysis (47%) and others (11%) were in the detailed design and implementation phase. Despite the progress made by the majority, it was noted that 16% of the respondents had not started the journey.

### PwC Considerations:

With the deadline for IFRS 17 implementation getting closer, companies need to fast track their implementation projects. Compliance with the IFRS 17 requirements has far-reaching implications for insurers, who must therefore keep up the momentum and focus on their IFRS 17 projects to see these through to timely implementation.

# 2

## IT/Systems Effectiveness of systems and processes



### Observations:

Most respondents (74%) believed that their current systems will require adjustments to align with IFRS 17 whilst 5% did not expect any need to change their systems and 21% of respondents were yet to assess the need for system changes.

### PwC Considerations:

IFRS 17 implementation will require significant system upgrades for most insurers and will require a thorough assessment before a vendor is selected to assist in upgrading their current systems. Insurers in the country should also consider utilising their IFRS 17 implementation journey as a catalyst for digital transformation.

# 3

## Key challenges faced



### Observations:

Respondents who have commenced IFRS 17 projects reported that they are grappling with a number of challenges. Key ones highlighted were as follows:-

- Data (21%) - lengthy timeline for extraction of accurate and complete data
- Risk adjustments (19%) - appropriate computation and application of risk adjustments
- Grouping of contracts exercise (16%)
- Aligning IFRS 17 with local regulatory frameworks (14%)
- Selection of measurement approach to be implemented (14%)

In addition, 12% of respondents had yet to establish any expected implementation challenges.

Furthermore, a number of constraints were highlighted (including in relation to available skills / talent pool; budget; and technology) as needing close attention for successful implementation.

### PwC Considerations:

The challenges highlighted by respondents are another reminder that insurance companies need to expedite IFRS 17 implementation projects. It is also paramount that all key stakeholders such as boards, regulator, industry association, external IFRS 17 consultants, external auditors are continuously involved as the companies seek solutions. The long term journey should focus on deployment of appropriate technology and staff upskilling.

# 4

Extent of involvement of those charged with governance



## Observations:

Out of the 84% of respondents that had commenced and were progressing with their IFRS 17 implementation journey, only 48% had started active board involvement through various initiatives on IFRS 17 awareness.

## PwC Considerations:

Whilst insurers have made great strides in raising awareness of the impact of the new standard to key stakeholders, its far-reaching implications do mean that it is important to engage stakeholders early and make them aware of the impending IFRS 17 plans.

# 5

Time-frame sufficient for implementation



## Observations:

58% of respondents disagreed that they have enough time to implement the systems, models and technology they need to be fully IFRS 17 compliant; only 26% agreed.

## PwC Considerations:

IFRS 17 is complex, even for the simplest of insurers and the work required to perform from the design to the implementation phase should not be underestimated. With IFRS 17 go-live date around the corner, insurance companies should fast track implementation projects in order to meet the set deadline.

# 6

Impact on solvency and other regulatory requirements



## Observations:

All respondents believe that IFRS 17 will impact their capital and regulatory requirements but 58% are not certain to what extent whilst 32% expect a higher impact.

## PwC Considerations:

Given the significant change on the measurement under IFRS 17's general model requirements, this could have a significant impact on an insurer's capital resources and thus, overall solvency position. As insurance companies finalise their transition to IFRS 17 close attention should be given to the implication of the new measurement approaches to the capital and regulatory requirements.



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