

# Insurances implement IFRS 17 with ADDACTIS® and Volada



**In close cooperation with insurance clients, ADDACTIS® adapts the processes and methods to the specific requirements of IFRS 17 within its ADDACTIS® Software. Hence, insurers using the ADDACTIS® Software will continue to meet international accounting standards going forward.**

Employing ADDACTIS® Workflow, the necessary data (cash flows, exposure vectors, yield curves, etc.) are retrieved from source systems automatically; triangles are generated and aggregations per claim model are constructed. Subsequently, in ADDACTIS® IBNRS®, the non-life division models attritional and large claims, natural catastrophes, etc. while at the same time taking into account the effects of reinsurance treaties.

IFRS 17 has brought a significant change of reserving and accounting guidelines. Inside ADDACTIS® IBNRS®, insurance contracts are measured either by applying the Building Block Approach (BBA) or the simplified Premium Allocation Approach (PAA). The valuation of reserves is based on portfolios that combine insurance contracts with similar risk profiles, whereby a distinction is made between profitable, might become onerous and onerous contracts. ADDACTIS® IBNRS® projects the future cash inflows (e.g. premiums) and outflows (e.g. claims and expenses) at the portfolio level, and can aggregate these cash flows to higher consolidated levels associated with diversification effects.

The adjustment of non-financial risks is based on the distribution of discounted future cash flows. In ADDACTIS® IBNRS®, the distribution of the future cash flows is achieved using a variety of stochastic methods (Mack's bootstrap, stochastic parametric distribution, Reversible Jump Markov Chain Monte Carlo – RJMCMC, etc.). Value at Risk, Tail Value at Risk and Cost of Capital methods are available as options for calculating the Risk Adjustment along with its equivalent confidence levels. When pursuing the BBA, the ADDACTIS® Software also determines the Contractual Service Margin (CSM) on the level of definable Units of Accounts (UoA). In the process, estimates are produced for Liabilities for Remaining Coverage and Incurred Claims.

In ADDACTIS® Software, the Risk Adjustment and discounted future cash flows belonging to a claim model can then be assigned to the UoA by means of an allocation matrix. The reserves data are transferred to a linked subsidiary ledger as part of an additional ADDACTIS® Workflow process. ADDACTIS®'s IFRS 17 modules can be used for the life, non-life and reinsurance business. Furthermore, the ADDACTIS® Software also supports actuarial reporting and the production of IFRS 17 disclosures.

## Volada AG

Volada AG was founded in 2016 in Zug, Switzerland and offers actuarial software and service solutions in collaboration with ADDACTIS®. Volada uses state-of-the-art actuarial methods to support its customers in optimising their business processes.

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**Press Release**

Zug, 28 May 2018

Peter Klein, CEO of Volada AG, sees opportunities as well as challenges in IFRS17: «It is obvious that IFRS17 represents a challenge for insurance companies which fall under its remit. However, by effectively implementing this directive, we can also create competitive advantages. To this end, ADDACTIS® and Volada offer the adequate solutions.»

**ADDACTIS®**

ADDACTIS® is the worldwide trademark of insurance software solutions from ADDACTIS® Group, covering the whole range of (re)insurance needs: pricing, reserving, reporting and modeling. ADDACTIS® gathers the plurality and the objectivity of a global teamwork between its experts' and business partners' feedback. Present in 18 locations around the 5 continents, the company ensures an effective and responsive support across Europe, Latin America, Asia-Pacific and Africa. Over 500 (re)insurance companies worldwide and 2000 software users in over 50 countries have already chosen ADDACTIS®.

Please find additional information at [www.addactis.com](http://www.addactis.com).