

# Versicherungskammer Bayern

## Insurance company 'Versicherungskammer Bayern' to implement IFRS accounting as of 2009

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### ifb group supports the project to effect group-wide conversion from German GAAP (HGB) to IFRS

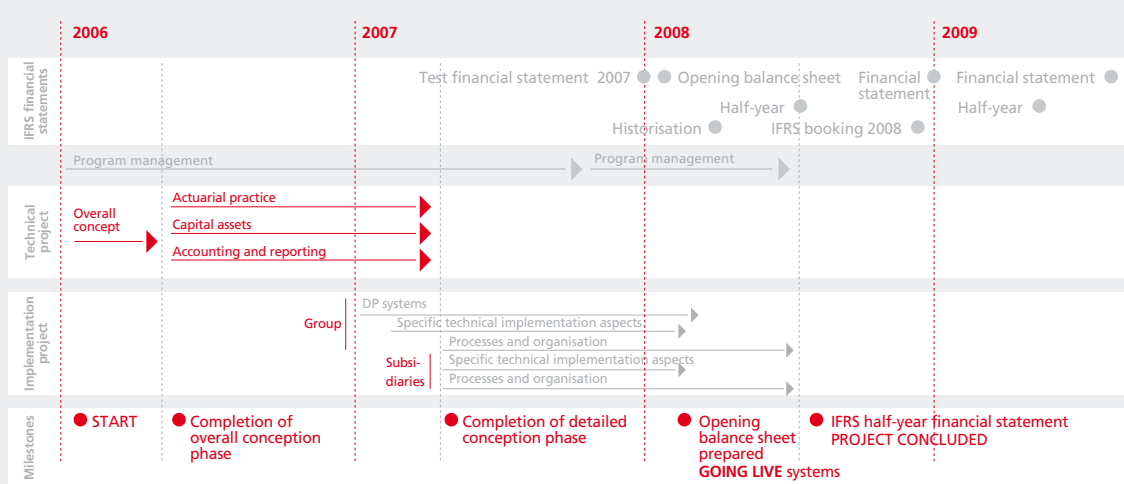
Not only insurance groups listed on the stock exchange, but also an increasing number of public-sector insurance companies are also transferring to IFRS accounting. As the largest insurance company of the German Sparkassen-Finanzgruppe, the Versicherungskammer Bayern (VKB) will also be carrying out their accounting in accordance with IFRS in future. Firstly, this ensures future comparability with other major insurance groups, and secondly, it also provides VKB with the long-term option of procuring equity or borrowed capital on the capital markets.

The group-wide implementation of IFRS by VKB is a highly complex task raising a multitude of specialist and system-related questions. Thanks to ifb support the project is already at an advanced stage and will consequently create optimal conditions for compiling the balance sheet in accordance with IFRS regulations in future. Hubertus von der Schulenburg project manager 'Introduction of IFRS Accounting' Versicherungskammer Bayern

#### Individual IFRS interpretation and implementation

The decisive factor for success is to ensure that specific performance parameters are consistently allied to operative implementation. Only by individually interpreting the standards in line with the specific circumstances prevailing at VKB can the successful and targeted implementation of the project be guaranteed. To this end, a multi-stage implementation model was developed that is individually tailored to the specific requirements and needs of VKB. The model considers all relevant VKB departments, encompassing accounting both at group level and within the individual companies, through to capital assets, actuarial activities and data processing, as well as knowledge gained in a preliminary IFRS study. The model comprises:

1. Which **IFRS interim statements** require compilation and when this needs to be done by in order to prepare a complete IFRS annual financial statement as per 31 December 2009?
2. The central **technical project** is divided into an overall and a detailed conception phase and forms the technical basis of the project.
3. The **implementation project** comprises implementation of the specific technical aspects, together with adjustment of DP, processes and organisational structures (P&O), and is effected at both group level and within the individual subsidiaries.



Process and implementation model for IFRS introduction



### □ Specific and interdisciplinary project organisation

For this project, the overall project organisation structure is primarily aligned to the three specific areas of actuarial practice, capital assets and accounting/reporting, as well as the two interdisciplinary areas of DP and P&O. The program management team is responsible for coordinating these five specific areas, while a staff unit is responsible for quality assurance, which is the auditor in the case of VKB. A steering committee forms the central organ for management and coordination of the overall project.

The specific requirement is demonstrated by the following examples:

- **Actuarial practice:** for example, the formation of deferred reserves for premium refunds on account of the fact that differences in valuation between German GAAP (HGB) and IFRS as regards life and health insurance will mean future obligations vis-à-vis insurance companies will have to be posted on the balance sheet.
- **Capital assets:** for example, classification of direct investments in specific IFRS holding categories together with their valuation, in addition to the implementation of a parallel booking logic system.
- **Accounting and reporting:** for example, redefinition of the consolidated group as well as conception of an IFRS annual report and an IFRS group chart of accounts.

On this basis, the interdisciplinary DP implementation aims to ensure that all specific areas are incorporated into the IT structure. In the case of VKB, this required adjustment of the the software SimCorp Dimension, the development of an SAP FI Special Ledger solution and expansion of SAP EC-CS. In terms of P&O, the financial closing processes were realigned at group and individual-company level; thus, the new IFRS requirements have been integrated into existing German GAAP (HGB) financial closing processes.

### □ Factors of success during implementation

Since its initiation the project has run according to plan and is now two-thirds complete. All essential milestones have been achieved on schedule and within cost budgets. Compilation of the opening IFRS balance sheet to 1 January 2008 is anticipated by the end of June 2008. A primary factor for an efficient conversion is the centralised accounting system and capital asset management employed by VKB, which facilitated central implementation of IFRS and gave rise to a significant reduction in time and expense. In introducing IFRS, ifb has pursued a pragmatic and implementation-based approach, whereby specific required tasks have been realistically interpreted and materiality limits practically considered. This has been undertaken in close coordination with the external auditors – presenting VKB with an ideal combination that guarantees both efficiency and transparency. The interdisciplinary compilation of the ifb team encompassing auditors, IFRS practitioners, actuaries and IT specialists is also of particular benefit, while the continuity of personnel in the ifb core team facilitates efficient implementation. A primary factor for success is also the partnership-based cooperation between ifb and VKB; whereby all teams and committees are homogeneously organised so as to ensure an optimal transfer of knowledge and close cooperation. Moreover, as with numerous other projects, ifb continually pays attention to the parallel ‘coaching’ of client personnel in order that these employees succeed in expanding their specialist knowledge during the project and are able to independently carry out the new tasks by conclusion of the project at the latest.