

## CASE STUDY

# Integrate® and BrasilPrev



BrasilPrev Seguros e Previdência SA is a privately held company that offers a full range of private pension plans for the Brazilian market. Formed in 1993, Brasilprev is a joint venture between US-based Principal Financial Group (Principal) and Banco do Brasil, the largest bank in Brazil.

Brazil is experiencing an ever-growing middle-class population, with many looking for more retirement and investment options. Brasilprev's mission is to provide clients with financial-security solutions and high-quality services that help them reach their life goals.

The partnership gives more than 78 million Banco do Brasil customers access to an expanded portfolio of pension and long-term asset accumulation plans and products.

Brasilprev is the leading company in the private pension segment with a 30% market share and more than BRL 340 billion in assets under management.



## CHALLENGE

In 2017, the International Accounting Standards Board (IASB) announced the new International Financial Reporting Standard (IFRS) 17. This updated regulation was created primarily to standardize accounting practices across insurers, making it easier for investors, analysts and others to meaningfully compare companies, contracts and industries.

With IFRS 17 requirements slated to officially take effect on 1 January 2023, Brasilprev needed a solution that could address the new modelling and data requirements and the increase in complex calculations required by the new IFRS 17. The company also needed help managing the challenges of maintaining and operating a new system.

“Like all companies in Brazil, we were faced with the challenge of addressing the complexities of Brazilian products in the context of the IFRS 17 requirements,” reflected Alexander Soleitao, a managing actuary for Brasilprev. It was a complex challenge for Brazilian products, but there was more.

He added, “Not only did we need to get the interpretations and the calculations correct, we also had to process the results very fast to meet the required reporting timelines. We needed dashboards and other facilities for review and sign-off. Then auditor requirements for governance and data quality needed to be addressed as well. If that were not enough, we also needed to address the US requirements for Targeted Improvements for Long Duration (LDTI) contracts with the same implementation timelines.”



## SOLUTION

Brasilprev considered a variety of vendor technologies, including whether to engage the help of a consulting firm or to build a solution in-house. After a rigorous review, Brasilprev chose Milliman's IFRS 17 solution, built on the company's proprietary solution, Integrate®.

Alexander commented, "The strength of Milliman's actuarial expertise and knowledge of IFRS 17 requirements, the capabilities of the Integrate solution and the strong relationship and endorsement from their joint-venture partner, Principal Financial Group, were the critical deciding factors."

Van Beach, the Milliman program lead supporting the Principal actuarial modernization project, added, "We were aware of the challenges of IFRS 17 from working with other clients, so we were confident Integrate could deliver the speed, scale and governance required. We also knew we would be working with a strong client partner, so it was a great opportunity to expand the relationship."

A single platform based on software as a service (SaaS), Integrate represents a paradigm shift in how to leverage actuarial software to better analyze data and manage risk. It enables a holistic approach across all actuarial processes while delivering both flexibility and control. Integrate offers customers faster, more detailed insights into their business through one cost-effective platform.

Alexander added, "Because IFRS 17 and LDTI were progressing in parallel, we were able to leverage a single cash flow model for both processes. Data challenges were also a major concern and Integrate helped address this requirement as well."

The implementation project was collaborative from the start, involving team members across actuarial, accounting and IT from Brasilprev, Principal and Milliman. Initially planned to kick off in São Paulo, in March 2020, the onset of COVID-19 forced the project to go remote. The team made the most of virtual meetings and technical workshops that covered everything from data requirements to IFRS 17 methodology. Those virtual meetings became a collaborative, foundational part of communication throughout the entire project.

Milliman already had experience managing similar implementations and had knowledge of the Brazilian industry, which made the process much faster and more agile. Milliman delivered the solution needed for Brasilprev to address the mission-critical nature of the regulation in the near term, while also providing technology, services and support to ensure that the company's investments would pay off over the long term.

In addition to the technology, Brasilprev was drawn to the IFRS 17 expertise that Milliman had already embedded in the solution, as well as the opportunity to further leverage that expertise to tailor the implementation to their unique needs. Milliman's collaborative approach, flexible solution and focus on the complexities of configuration and execution of the many IFRS 17 test calculations helped Brasilprev to see the team's capabilities around a managed services offering.

The relationship with Principal, also an Integrate client, was another important consideration, as it allowed for streamlined processes and further synergies between the two organizations. In addition, Brasilprev worked with KPMG to bridge the gap with finance and accounting.

Alexander recounted, "Milliman was a great partner. They worked well with our accounting partners and of course had a solid relationship with Principal. Milliman worked with our IT department fluently and were able to find synergies between IFRS 17 and LDTI. The discussions on interpretations and implementation approach were collaborative and the Milliman team was flexible, yet also firm when needed."

Tom Kim, the Milliman IFRS 17 lead, added, "The team at Brasilprev and Principal provided the support we needed to finish the implementation on time and achieve the desired outcomes and more. It felt like a single team."

## RESULTS

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Working closely with Milliman and leveraging the benefits of Integrate, Brasilprev met the regulatory requirements of IFRS 17 and streamlined its processes. The initial targets set forth by the team were to produce all IFRS 17 calculations and disclosures by the next business day. Not only were those targets quickly met, but they have been exceeded.

Brasilprev was able to ensure compliance without disrupting the resources of its own internal team, making it easier for employees to focus on their normal, day-to-day responsibilities. “In a situation like this,” commented Alexander, “where two new regulatory standards need to be met at the same but current processes must continue, we had to be able to expand our capabilities but not disrupt the existing business.”

After the IFRS 17 solution was tailored and configured for the Brasilprev business, the next question was how to best operationalize the process for ongoing execution, review, and analysis. The company

again considered whether it made the most sense to manage the process internally, find another consultant or expand the relationship with Milliman. Following the successful IFRS 17 model implementation, Brasilprev opted to build upon the relationship with Milliman to provide an ongoing managed service.

Today, Brasilprev is prepared for the new IFRS 17 regulation and is enjoying greater efficiency in operations, improved analytics, and a more robust understanding of its business. Alexander noted many advantages for the expanded role for Milliman going forward. “I was impressed with their processes to generate the comparative results—the speed of the solution, the expertise of the team, the seamless software upgrades, etc. The Milliman solution also provided disaster recovery, operations support, troubleshooting—for both technical and actuarial issues, and project management. And the process is not rigid, it will evolve as regulatory and operational requirements change. There was tremendous value in their managed service offering.”

## WHAT'S NEXT?

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Brasilprev has successfully prepared itself and is already operating under the IFRS 17 guidelines, well ahead of schedule. The company was able to stay focused on its core business and provide the best solutions to meet its customers' needs, even amidst a major regulatory change.

The deeper relationship with Milliman to provide managed services via the Integrate platform is continuing to deliver benefits. The expanded collaboration has enabled Milliman to better understand

Brasilprev's products and culture and key drivers of success, and to be more agile in addressing issues critical to Brasilprev's business. Working with Brasilprev has allowed Milliman to further evolve Integrate in a way that benefits not only Brasilprev and Principal but also Milliman's other IFRS 17 managed service clients. Like other Integrate implementations, Milliman delivers a partnership, not just a software solution, to the benefit of both organizations.

