

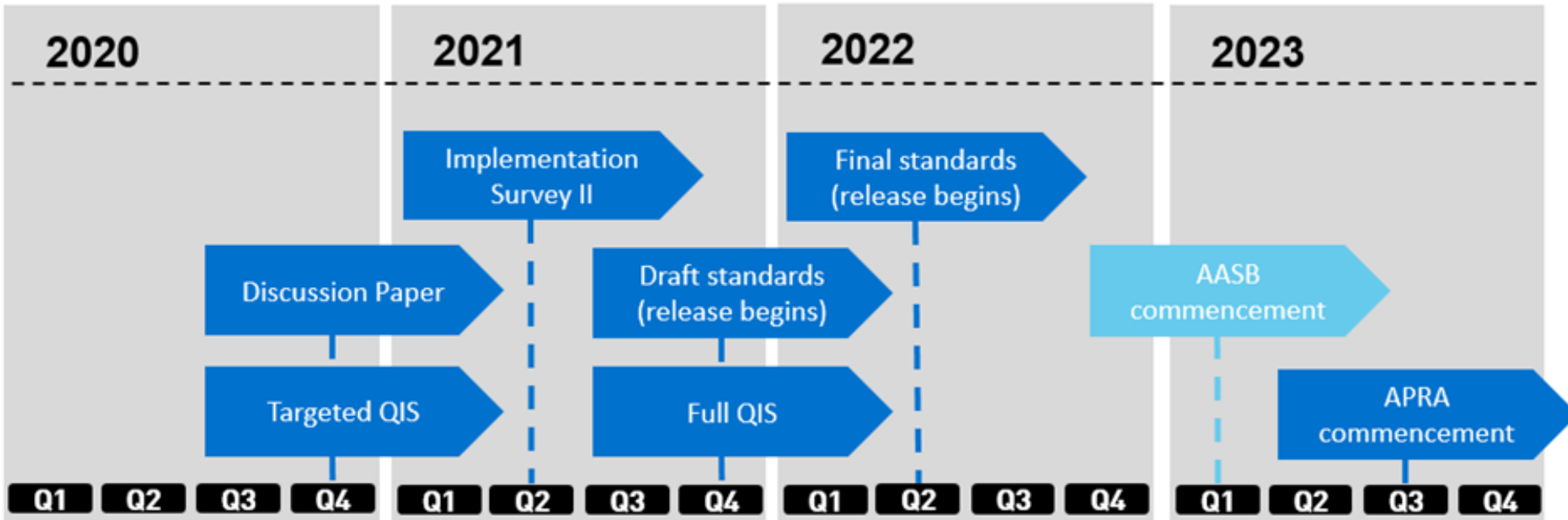


APRA AASB 17 update

17 June 2021

28.36	28.37	28.38
8.440	8.450	8.445
0.004	0.005	0.000
0.750	0.755	0.745
0.011	0.016	0.010
0.026	0.028	0.020
1.305	1.345	1.300
0.015	0.016	0.010
0.120	0.175	0.000
0.105	0.110	0.110
0.022	0.024	0.020
0.019	0.020	0.020
22.08	22.11	22.000
0.005	0.006	0.000
0.000	0.000	0.000
13.31	13.32	13.320
0.025	0.026	13.320
0.066	0.026	0.026
0.210	0.096	0.000
	0.220	0.000

Timeline

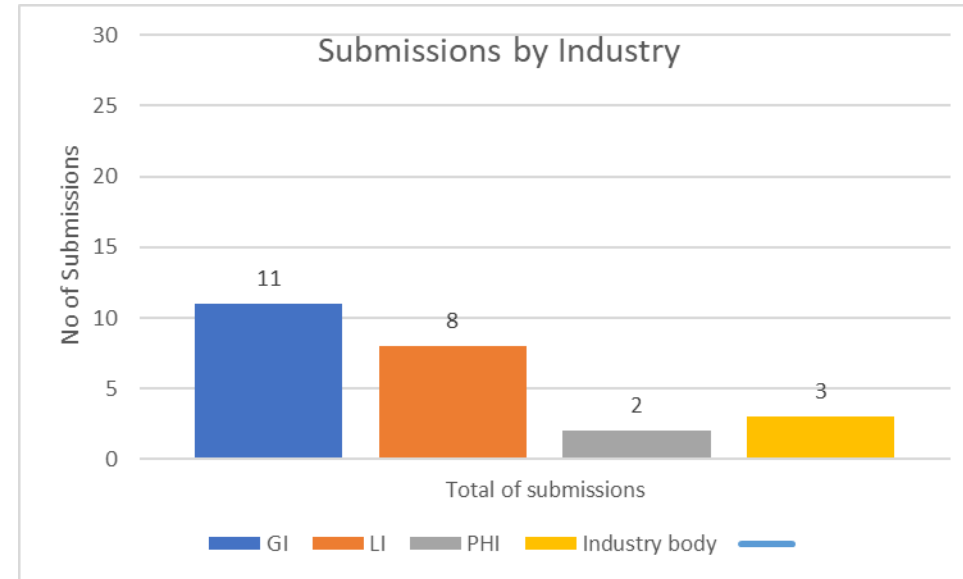




Submissions received

- 22 Submissions were received*
- Wide range of stakeholders made submissions, including:
 - Private Health Insurers (2)
 - Life Insurance (8)
 - General Insurers (11); and
 - Industry bodies (3).

* Two submissions covered both LI and GI matters.





Summary of submissions – AASB 17

Issue	Category	Proposal	Feedback
Regulatory adjustments	LI - Capital	Regulatory adjustments to minimise the impact of AASB 17	Mostly supportive – additional adjustments may be required.
Investment account business valuation	LI - Capital	Require insurers to calculate liabilities by projecting cash flows.	Not supportive – continue to allow use of account balance
Capital terms and definitions	LI - Capital	Introduce new terms, to distinguish the difference between accounting and capital framework	Not supportive – use existing definitions
Dual reporting	LI – Capital	Insurers to report to APRA under AASB 17 from 1 July 2023	Not supportive – results in dual reporting for insurers with December year-ends.
New product groups	LI - Reporting	Separate lump sum reporting into death, TPD, and trauma.	Not supportive – this split would be challenging and burdensome
Participating business	LI - Reporting	Adopt AASB 17 for profit reporting	Mixed
Friendlylies - Benefit and management fund reporting	LI - Reporting	Adopt the benefit fund / management fund structure reporting for AASB 17.	Not supportive - Results in dual reporting because AASB 17 would not allow granular reporting at benefit fund / management fund levels
Regulatory adjustments	GI - Capital	Regulatory adjustments to minimise the impact of AASB 17	Mostly supportive – additional adjustments may be required.
Expenses	GI – Capital	Include all expenses, other than once-off, whether direct or indirect.	Not supportive
QIS feedback	GI - Reporting	Proposed additional items to be collected by APRA	Clarification sought on why APRA is collecting additional items
New product groups	GI - Reporting	Introduce D&O and Cyber product groups.	Mostly supportive - will require some work (for insurers), is largely achievable, but initial data quality may not be perfect



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Summary of submissions – LAGIC updates

Issue	Category	Proposal	Feedback
LAGIC updates	GI – LAGIC	Removal of 2 and 6 month rule (reinsurance documentation)	Not supportive
LAGIC updates	GI - LAGIC	Removal of ICMs	Mixed – only applicable to one insurer
LAGIC updates	GI – LAGIC	Fair value	Mixed – clarification sought on certain assets
LAGIC updates	GI/LI - LAGIC	IRC Policy Duration for multi year reinsurance	Mostly supportive
LAGIC updates	GI/LI – LAGIC	Adjust dollar value exposure limits	Mostly supportive
LAGIC updates	GI/LI – LAGIC	Align to APS 111	Mostly supportive
LAGIC updates	GI/LI – LAGIC	Negative interest rates	Mostly supportive
LAGIC updates	GI/LI – LAGIC	Nominal interest rates – remove floor	Mostly supportive
LAGIC updates	GI- LAGIC	Address double count for WAQS – Asset Risk	Mixed – agree with APRA's observations but mixed for proposal to adjust ARC methodology.
LAGIC updates	GI/LI LAGIC	Address double count for WAQS – Op Risk	Mixed – agree there is double counting but mixed on whether it was an issue.
LAGIC updates	LI – LAGIC	Illiquidity premium – update inputs	Mostly supportive



Regulatory adjustments

- Some general insurance submissions have outlined that APRA needs to refine the net surplus (or deficit) relating to the insurance liabilities regulatory adjustment to achieve capital neutrality. The kinds of adjustments identified to date mainly relate to Insurance Liability accruals (payables and receivables - net of tax), which no longer exist on AASB 17 balance sheet, but previously existed under AASB 1023.*
- *Explained another way, the APRA regulatory adjustment would need to take into account the effects of accruals on the insurance liability (net of tax) to ensure that the AASB 17 insurance contract liability and the GPS 340 liability determined for APRA purposes can be assessed and compared on a like for like basis. This regulatory adjustment potentially applies to LIs and PHIs also.*
- APRA is working with the Actuaries Institute to identify and test the kinds of adjustments needed to achieve capital base neutrality under AASB 17.

*The adjustments relate to: receivables and payables relating to: claims, premiums, RI premiums, RI and non RI recoveries, fees, commissions, levies, taxes, rebates.



Implementation Survey

- Released on 24 May to GI, LI, and PHI industries.
- To assess the maturity of insurers' preparedness for implementing AASB 17 and to understand the impacts of the LAGIC updates on insurers' capital.
- Responses due back **COB 7 July**.



Next steps

- APRA is still analysing QIS data and submissions to the discussion paper released last year.
- Responses from the Implementation survey will assist in assessing APRA's policy positions, with draft standards to be released at the end of the year.
- The release package, which will be an open consultation, at the end of the year will include:
 - Response Paper
 - Draft standards
 - A full QIS (to all insurers)



Next steps: 2021 QIS process

The current thinking is that the 2021 QIS:

- Will be issued in the last quarter of this year;
- Will be open for a similar time period as the 2020 QIS;
- Would collect both accounting and capital information; and
- All insurers will be covered.

APRA Connect



- External test environment will be available soon
- Production environment goes live in September
- General and Life insurers will be able to use APRA Connect on day 1 to update corporate profile data including Responsible Persons
- Private Health Insurers will be able to update corporate profile data and submit the data for HRS 605
- Initially, all other reporting will remain on D2A and will be transferred to APRA connect as the collections are updated
- For the majority of the data collections this will happen as part of the changes related to AASB 17