Australian Government
Australian Accounting Standards Board

AASB Transition Resource Group for AASB 17 *Insurance Contracts*
PHI focus group discussions on Cashflows and Insurance Service Result

Submission date	29/11/2021
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Potential implementation question

The implementation question addressed in this paper is which AASB 17 contractual cashflows are included within the boundary of an insurance contract when determining:

- the Insurance Service Result
- the Liability for Incurred Claims (LFIC)
- the onerous contract assessment
- the Liability for Remaining Coverage (LFRC)

All cashflows that are directly attributable to fulfilling insurance contracts are included in the insurance service result in the income statement.

Where contracts are not onerous, for insurers applying the Premium Allocation Approach (PAA), LFRC may be calculated using a practical expedient as unearned premium, less premium receivables, less deferred insurance acquisition cashflows.

Where contracts are onerous, all future cashflows within the boundary of the insurance contracts are included in the onerous contract assessment and used in the calculation of the loss component of the LFRC.

The analysis of movements in the LFIC (in roll-forward reconciliation tables) includes insurance service expenses incurred and insurance service expenses paid.

This paper considers whether simplifications for the treatment of cash and non-cash expenses arising under AASB 9 can be applied depending on the facts and circumstances of the insurer. The simplified approach (i.e. not to allocate AASB 9 balances to the LFIC) was the consensus preference of PHI focus group preparers.

Paragraph of IFRS 17 *Insurance Contracts*

Paragraphs 97, 98, 99, 100, 102, 103, 105, 107, 108,110, B65, B66 – refer extracts in Appendix B

Analysis of the question

Refer Appendix A which sets out a summary of the discussions of the PHI focus group.

Is the question pervasive?

This paper is applicable to private health insurers applying PAA and has potential application to any insurers applying PAA and GMM.

Appendix A – Accounting Analysis

1. *Consideration of cashflows included within the boundary of an insurance contract applying the specific requirements of B65 and B66 of AASB 17*

- The following considers which past cashflows are included explicitly in the valuation of the LFRC and the LFIC.
- The following presents cashflows in the LFRC if contracts are assumed not to be onerous. Where contracts are onerous, all future cashflows within the boundary of the insurance contracts are included in the onerous contract assessment and recorded in the loss component of the LFRC.

Section of paragraph B65 of the AASB 17	Included in LFIC? Past exposure/ incurred expenses	Explicitly in LFRC under PAA?	Included in the ISR?	Comment
(a) premiums (including premium adjustments and instalment premiums) from a policyholder and any additional cash flows that result from those premiums.	✗	✔	✔	Includes premiums and premium refunds
(b) payments to (or on behalf of) a policyholder, including claims that have already been reported but have not yet been paid (i.e. reported claims), incurred claims for events that have occurred but for which claims have not been reported and all future claims for which the entity has a substantive obligation.	✔	✗	✔	Claims payments, incurred but not reported (IBNR) and reported but not settled (RBNS)
(c) payments to (or on behalf of) a policyholder that vary depending on returns on underlying items.	n/a	n/a	n/a	
(d) payments to (or on behalf of) a policyholder resulting from derivatives, for example, options and guarantees embedded in the contract, to the extent that those options and guarantees are not separated from the insurance contract.	n/a	n/a	n/a	
(e) an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.	✗	✔	✔	
(f) claim handling costs (i.e. the costs the entity will incur in investigating, processing and resolving claims under existing insurance contracts, including legal and loss-adjusters' fees and internal costs of investigating claims and processing claim payments).	✔	✗	✔	
(g) costs the entity will incur in providing contractual benefits paid in kind.	✔	n/a	✔	May be applicable where the insurers or related companies in the reporting structure also provide health services
(h) policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements). Such costs also include recurring commissions that are expected to be paid to intermediaries if a particular policyholder continues to pay the premiums within the boundary of the insurance contract.	✔	✗	✔	As part of other incurred insurance expenses in the LFIC
(i) transaction-based taxes (such as premium taxes, value added taxes and goods and services taxes) and levies (such as fire service levies and guarantee fund assessments) that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis.	✔	✔	✔	Ie GST in LFRC (not ISR), risk equalisation in LFIC and ISR if insurer is a net payer into the risk equalisation pool.
(j) payments by the insurer in a fiduciary capacity to meet tax obligations incurred by the policyholder, and related receipts.	**n/a**	n/a	n/a	

Section of paragraph B65 of the AASB 17	Included in LFIC? Past exposure/ incurred expenses	Explicitly in LFRC under PAA?	Included in the ISR?	Comment
(k) potential cash inflows from recoveries (such as salvage and subrogation) on future claims covered by existing insurance contracts and, to the extent that they do not qualify for recognition as separate assets, potential cash inflows from recoveries on past claims.	✔	✗	✔	Includes risk equalisation in LFIC and ISR if insurer is a net beneficiary of the risk equalisation pool.
(ka) costs the entity will incur: (i) performing investment activity, to the extent the entity performs that activity to enhance benefits from insurance coverage for policyholders. Investment activities enhance benefits from insurance coverage if the entity performs those activities expecting to generate an investment return from which policyholders will benefit if an insured event occurs. (ii) providing investment-return service to policyholders of insurance contracts without direct participation features (see paragraph B119B). (iii) providing investment-related service to policyholders of insurance contracts with direct participation features.	n/a	n/a	n/a	
(l) an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities) directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.	✔ As part of other incurred insurance expenses	✔ As part of acquisition cashflows that are deferred in the LFRC	✔	
(m) any other costs specifically chargeable to the policyholder under the terms of the contract.	✗	✔	✔	If applicable to some insurers

2. *Cash flows excluded from an insurance contract*

Cash flows to exclude in accordance with AASB 17:B66	*Note*
a) Investment returns (accounted for separately under applicable IFRS/AASB standards)	*No change from current practice.*
b) Cash flows (payments or receipts) that arise under reinsurance contracts held (accounted for separately)	*Not applicable for Australian PHI as risk equalisation was deemed not to be reinsurance under AASB 17.*
c) Cash flows that may arise from future insurance contracts, i.e. cash flows outside the boundary of existing contracts	*Determined by contract boundary assessment.*
d) Cash flows relating to costs that cannot be directly attributed to the portfolio of insurance contracts that contain the contract, such as some product development and training costs; these are recognised in profit or loss when incurred	*One view is that "product development" refers to spending material amounts on developing brand new types of insurance products. It does not include the following:* • *Annual compliance charges to existing products, i.e. for legislative changes* • *Launching costs of an existing product or* • *Minor modifications to existing products* *Furthermore, the standard states "some" training is excluded. One view is that most training costs incurred by the insurance entity should meet the requirements to be included in the insurance service result as this is attributable at the portfolio level.*
*e) Cash flows that arise from abnormal amounts of wasted labour or other resources that are used **to fulfil the contract**; such costs are recognised in profit or loss when incurred*	*One view is that "abnormal costs" is a high bar, therefore the default assumption remains that all costs are included in the insurance service result. Examples can include abnormal wasted labour related to launching a new product where sales were materially less than what was projected.*

f)	*Income tax payments and receipts the insurer does not pay or receive in a fiduciary capacity*	*Not applicable*
g)	*Cash flows between different components of the reporting entity, such as policyholder and shareholder funds, if these cash flows do not change the amounts paid to policyholders*	*May differ between insurers.*
h)	*Cash flows arising from components separated from the insurance contract and accounted for using other applicable IFRS/AASB standards*	*Examples include:* • *Cashflows which relate to non-insurance businesses operated from the insurance legal entity.* • *Cost of maintaining a large share registry.* • *Cost of issuing debt.*

3. *Implications - Insurance Service Result:*

All cashflows that are directly attributable to fulfilling insurance contracts are included in the insurance service result in the income statement.

- For a pure insurance entity (assuming no other business operations), all cashflows other than those described in B66 would be expected to be in the insurance service result if they are considered to be directly attributable to fulfilling insurance contracts.

- Note that entities with both insurance and non-insurance businesses will need to disclose:
  - opex for insurance operations within other insurance expenses (in the insurance service result) and
  - opex for non-insurance operations in other expenses.

4. *Implications – Liability for Remaining Coverage:*

The measurement of the LFRC under the PAA is similar to existing accounting under AASB 1023:
- For contracts that are not onerous, the LFRC may be calculated, using a practical expedient, as unearned premium, less premium receivables, less deferred insurance acquisition cashflows (if deferred). There is no direct inclusion of other forecast cashflows in calculation of the LFRC.
- In subsequent periods, the LFRC is amortised to recognise the revenue and insurance acquisition costs accordingly.

5. *Implications – Onerous Contract Testing:*

Where groups of contracts are considered to be onerous, all future cashflows within the boundary of relevant group of insurance contracts are included in the onerous contract assessment and recorded in the loss component of the LFRC.

6. *Implications – Liability for Incurred Claims:*

Under AASB 17.103(b)(i) and AASB 17.105(a)(iii), the analysis of movements in the LFIC should include insurance service expenses incurred and insurance service expenses paid.

As a result, some insurance service expenses currently recorded through other balance sheet accounts and under other accounting standards may be required to be included in LFIC for presentation purposes.

The question considered in this paper is how this is applied in practice is subject to further industry discussion and set out below are two approaches considered:

Approach 1: Apply different allocation approaches for cash vs non-cash expense
One view is that the LFIC should include any assets or liabilities in relation to the settlement of these expenses.

The example below illustrates this approach using accrued expenses but the same approach is assumed for other cash amounts such as remuneration under AASB 119, share based payments under AASB 2 etc:

Approach 1: Allocate balance sheet accounts related to the settlement of insurance expenses to the LFIC based on actual cash settlements – approach for cash items.

An insurer incurs general administration expenses in a period of $1,000,000, settles $950,000 and has an accrual at period end of $50,000. The insurer allocates $900,000 (90%) of the total expenses to insurance service expenses (ISE).

The insurer makes the following routine postings to the general ledger for central expenses:

	Dr	Cr
Dr Administration expense (P/L)	*$1,000,000*	
Cr Accrued expenses		*$1,000,000*
Dr Accrued expenses	*$950,000*	
Cr Cash		*$950,000*

The insurer makes the following postings to allocate a portion of the total expenses and cash payments to the LFIC and insurance service expenses in P/L

	Dr	Cr
Dr ISE (P/L)	*$900,000 (90% of $1m total expense)*	
Cr LFIC (incurred ISE line)		*$900,000*
Dr LFIC (cash payments line)	*$855,000 (90% of $950k paid)*	
Dr Accrued expenses	*$45,000 (90% of $50k unpaid)*	
Cr Administration expense (P/L)		*$900,000*

The effect of the allocation journals is to split total expenses in the P/L between central administration expenses of $100,000 and ISE of $900,000 and analyse liabilities between accrued central expenses of $5,000 and LFIC of $45,000.

Note: Even if all costs were allocated to the ISE, as long as a portion was unpaid, the LFIC will still include balance related to other ISE.

As discussed by the AASB 17 TRG in March 2020, for non-cash items, such as depreciation and other costs which are captured by other standards (e.g. leased assets, property, plant and equipment, intangible assets), the accounting can be simplified to assume cash settlement of the expense has occurred (even when it has not). This is supported by AASB 17 B65(l) “an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities) directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics”. This is demonstrated below:

Approach 1: Allocate balance sheet accounts related to the settlement of insurance expenses to the LFIC based on actual cash settlements – approach for non-cash items.

If the total depreciation charge for a building in a period is $900, and the insurer allocated $800 of this amount to be an insurance service expense (ISE) related to claims handling activities, the accounting entries would be as follows:

	Dr	Cr
Dr Depreciation expense (P/L)	$900	
Cr Provision for depreciation (B/S)		$900

Depreciation charge relating to a building in the period

	Dr	Cr
Dr ISE (P/L)	$800	
Cr LFIC (due to ISE)		$800 – eliminates to zero as offset below

Being an insurance service expense of $800 and resulting increase in the LFIC due to an allocation of part of the depreciation charge to space occupied by the claims handling department

	Dr	Cr
Dr LFIC (Quasi-cash payment)	$800– eliminates to zero as offset above	
Cr Depreciation expense (P/L)		800

Reallocation of expense to LFIC treated as settlement by quasi-cash payment

The overall effect is to transfer a portion of the entity's depreciation charge from a central overhead expense account to the insurance service result. The LFIC balance is cleared to nil at the end of the reporting period but the balance sheet for the related item eg intangible, PPE etc is not changed.

Approach 2: Apply same allocation approach for both cash and non-cash expenses

Approach 2 adopts a similar method for all costs attributable to insurance contracts. In this approach all costs (whether cash or non-cash) are accounted for in the balance sheet based on their 'originating standard', including:

- Assets and related amortisation/depreciation under PPE, leases and intangibles.
- Liabilities payable under another standard including other employee entitlements covered by AASB 119 Employee Benefits, share based payments under AASB 2 and trade payable balances covered by AASB 9 Financial Instruments.

The example below illustrates admin costs which are incurred relating to claims handling activities. The costs are 'charged' to ISE when claims are incurred. Subsequent actual expenditure is recognised but any unpaid balances are accounted for under the appropriate balance sheet standard. This appears to reflect the scope out sections of AASB 17.7 (refer below for limitations for AASB 9).

Once recognised under other standard, then they're treated as incurred/paid under AASB 17.

Approach 2– assume all insurance service result expenses are settled in cash (regardless of whether settlement has occurred).

An insurer incurs general administration expenses in a period of $1,000,000, settles $950,000 and has an accrual at period end of $50,000. The insurer allocates $900,000 of the total expenses to insurance service expenses (ISE).

The insurer makes the following routine postings to the general ledger for central expenses:

	Dr	Cr
Dr Administration expense (P/L)	$1,000,000	
Cr Accrued expenses		$1,000,000
Dr Accrued expenses	$950,000	
Cr Cash		$950,000

The insurer makes the following postings to allocate a portion of the total expenses and cash payments to the LFIC and insurance service expenses in P/L

	Dr	Cr
Dr ISE (P/L)	$900,000	
Cr LFIC (incurred ISE line)		$900,000
Dr LFIC (quasi-cash payments line)	$900,000	
Cr Administration expense (P/L)		$900,000

The effect of the allocation journals is to split total expenses in the P/L between central administration expenses of $100,000 and ISE of $900,000 and leave expenses accrued as a separate creditor for $50,000.

Considerations of Approach 2

Adoption of Approach 2 will avoid the need for re-allocation of other insurance cashflows which fall under other standards. This appear to be supported by paragraph 7 which scopes out the inclusion of accrued amounts under certain under standards. The advantage of Approach 2 is:

- This provides operational simplicities as the LFIC can be limited to direct costs of insurance contracts, ie claims provisions, risk equalisation, risk adjustment and claims handling costs.
- This can simplify the liability roll forward disclosure by excluding payables and accrual balances from the roll forward and remove the need for complex balance sheet allocations.

- For some Insurers with non insurance businesses, this will improve the understanding of the balance sheet as balances of the same nature are presented consistently, instead of both in payables and in LFIC.

Discussion at PHI focus group

Approach 2 (i.e. not to allocate balances to the LFIC) was the consensus preference of PHI focus group preparers due to the practical simplicity noted above.

Are there additional complexities for AASB 9 assets and liabilities?

For balances under standards other than AASB 9 (ie leases, pensions) this approach will result in the asset/liability being accounted for under the standard to which it belongs.

However, rights and obligations arising under an insurance contract within the scope of AASB 17 are excluded from AASB 9. Therefore, it can be reasoned that balances accounted for under AASB 9 (ie trade receivables, payables, accrued expenses) which form part of the insurance cashflows are required to be allocated to the LFIC. Based on PHI focus group discussions, accounting firms have not reached a consensus in how this requirement is applied.

Nevertheless, it may be possible to apply Approach 2 to AASB 9 assets and liabilities under a simplification which assumes that each year the release of accruals and the take up of the new allocations related to the ISE in the LFIC would be relatively consistent. Under these circumstances, the impact of not allocating AASB 9 assts and liabilities to the LFRC may be immaterial.

Additionally, different classification rules may apply depending on when the expense is incurred relative to the insurance contract boundary:

- Prior to the recognition of the insurance contracts a trade payable would be recognised under AASB 9. But once the contract starts, the entity may not meet the criteria to derecognise under AASB 9 to transfer this to AASB 17.
- If the insurance contracts had commenced, then AASB 17 prevails over AASB 9 and any liabilities recognised under AASB 9 would be reclassified to the LFIC.
- The treatment of AASB 9 payables recognised after coverage has ended is not clear.

Discussion at PHI focus group

The simplified approach not to allocate AASB 9 balances to the LFIC is the consensus preference of PHI focus group preparers.

Appendix B – relevant extracts from AASB 17

Disclosure requirements

Paragraph 97

Of the disclosures required by paragraphs 98–109, only those in paragraphs 98–100 and 102–105 apply to contracts to which the premium allocation approach has been applied. If an entity uses the premium allocation approach, it shall also disclose:
(a) which of the criteria in paragraphs 53 and 69 it has satisfied;
(b) whether it makes an adjustment for the time value of money and the effect of financial risk applying paragraphs 56 and 57(b); and
(c) the method it has chosen to recognise insurance acquisition cash flows applying paragraph 59(a).

Paragraph 98

An entity shall disclose reconciliations that show how the net carrying amounts of contracts within the scope of AASB 17 changed during the period because of cash flows and income and expenses recognised in the statement(s) of financial performance. Separate reconciliations shall be disclosed for insurance contracts issued and reinsurance contracts held. An entity shall adapt the requirements of paragraphs 100–109 to reflect the features of reinsurance contracts held that differ from insurance contracts issued; for example, the generation of expenses or reduction in expenses rather than revenue.

Paragraph 99

An entity shall provide enough information in the reconciliations to enable users of financial statements to identify changes from cash flows and amounts that are recognised in the statement(s) of financial performance. To comply with this requirement, an entity shall:
(a) disclose, in a table, the reconciliations set out in paragraphs 100–105; and
(b) for each reconciliation, present the net carrying amounts at the beginning and at the end of the period, disaggregated into a total for groups of contracts that are assets and a total for groups of contracts that are liabilities, that equal the amounts presented in the statement of financial position applying paragraph 78.

Paragraph 100

An entity shall disclose reconciliations from the opening to the closing balances separately for each of:
(a) the net liabilities (or assets) for the remaining coverage component, excluding any loss component.
(b) any loss component (see paragraphs 47–52 and 57–58).
(c) the liabilities for incurred claims. For insurance contracts to which the premium allocation approach described in paragraphs 53–59 or 69–70 has been applied, an entity shall disclose separate reconciliations for:
(i) the estimates of the present value of the future cash flows; and
(ii) the risk adjustment for non-financial risk.

Paragraph 102

The objective of the reconciliations in paragraphs 100–101 is to provide different types of information about the insurance service result.

Paragraph 103

An entity shall separately disclose in the reconciliations required in paragraph 100 each of the following amounts related to insurance services, if applicable:
(a) insurance revenue.
(b) insurance service expenses, showing separately:
(i) incurred claims (excluding investment components) and other incurred insurance service expenses;
(ii) amortisation of insurance acquisition cash flows;
(iii) changes that relate to past service, ie changes in fulfilment cash flows relating to the liability for incurred claims; and
(iv) changes that relate to future service, ie losses on onerous groups of contracts and reversals of such losses.
(c) investment components excluded from insurance revenue and insurance service expenses.

Paragraph 105

To complete the reconciliations in paragraphs 100–101, an entity shall also disclose separately each

of the following amounts not related to insurance services provided in the period, if applicable:
(a) cash flows in the period, including:
(i) premiums received for insurance contracts issued (or paid for reinsurance contracts held);
(ii) insurance acquisition cash flows; and
(iii) incurred claims paid and other insurance service expenses paid for insurance contracts issued (or recovered under reinsurance contracts held), excluding insurance acquisition cash flows.
(b) the effect of changes in the risk of non-performance by the issuer of reinsurance contracts held;
(c) insurance finance income or expenses; and
(d) any additional line items that may be necessary to understand the change in the net carrying amount of the insurance contracts.

Paragraph 107
For insurance contracts other than those to which the premium allocation approach described in paragraphs 53–59 or 69–70 has been applied, an entity shall disclose the effect on the statement of financial position separately for insurance contracts issued and reinsurance contracts held that are initially recognised in the period, showing their effect at initial recognition on:
(a) the estimates of the present value of future cash outflows, showing separately the amount of the insurance acquisition cash flows;
(b) the estimates of the present value of future cash inflows;
(c) the risk adjustment for non-financial risk; and
(d) the contractual service margin.

Paragraph 108
In the disclosures required by paragraph 107, an entity shall separately disclose amounts resulting from:
(a) contracts acquired from other entities in transfers of insurance contracts or business combinations; and
(b) groups of contracts that are onerous.

Paragraph 110
An entity shall disclose and explain the total amount of insurance finance income or expenses in the reporting period. In particular, an entity shall explain the relationship between insurance finance income or expenses and the investment return on its assets, to enable users of its financial statements to evaluate the sources of finance income or expenses recognised in profit or loss and other comprehensive income.

Cash flows within the contract boundary (paragraph 34)

Paragraph B 65
Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the entity has discretion over the amount or timing. The cash flows within the boundary include:

- **(a)** premiums (including premium adjustments and instalment premiums) from a policyholder and any additional cash flows that result from those premiums.
- **(b)** payments to (or on behalf of) a policyholder, including claims that have already been reported but have not yet been paid (ie reported claims), incurred claims for events that have occurred but for which claims have not been reported and all future claims for which the entity has a substantive obligation (see paragraph 34)
- **(c)** payments to (or on behalf of) a policyholder that vary depending on returns on underlying items.
- **(d)** payments to (or on behalf of) a policyholder resulting from derivatives, for example, options and guarantees embedded in the contract, to the extent that those options and guarantees are not separated from the insurance contract (see paragraph 11(a)).
- **(e)** an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
- **(f)** claim handling costs (ie the costs the entity will incur in investigating, processing and resolving claims under existing insurance contracts, including legal and loss-adjusters' fees and internal costs of investigating claims and processing claim payments).
- **(g)** costs the entity will incur in providing contractual benefits paid in kind.

(h) policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements). Such costs also include recurring commissions that are expected to be paid to intermediaries if a particular policyholder continues to pay the premiums within the boundary of the insurance contract.

(i) transaction-based taxes (such as premium taxes, value added taxes and goods and services taxes) and levies (such as fire service levies and guarantee fund assessments) that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis.

(j) payments by the insurer in a fiduciary capacity to meet tax obligations incurred by the policyholder, and related receipts.

(k) potential cash inflows from recoveries (such as salvage and subrogation) on future claims covered by existing insurance contracts and, to the extent that they do not qualify for recognition as separate assets, potential cash inflows from recoveries on past claims.

(ka) costs the entity will incur:

- (i) performing investment activity, to the extent the entity performs that activity to enhance benefits from insurance coverage for policyholders. Investment activities enhance benefits from insurance coverage if the entity performs those activities expecting to generate an investment return from which policyholders will benefit if an insured event occurs.
- (ii) providing investment-return service to policyholders of insurance contracts without direct participation features (see paragraph B119B).
- (iii) providing investment-related service to policyholders of insurance contracts with direct participation features

(l) an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities) directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

(m) any other costs specifically chargeable to the policyholder under the terms of the contract

Paragraph B66

The following cash flows shall not be included when estimating the cash flows that will arise as the entity fulfils an existing insurance contract:

(a) investment returns. Investments are recognised, measured and presented separately.

(b) cash flows (payments or receipts) that arise under reinsurance contracts held. Reinsurance contracts held are recognised, measured and presented separately.

(c) cash flows that may arise from future insurance contracts, ie cash flows outside the boundary of existing contracts (see paragraphs 34–35).

(d) cash flows relating to costs that cannot be directly attributed to the portfolio of insurance contracts that contain the contract, such as some product development and training costs. Such costs are recognised in profit or loss when incurred.

(e) cash flows that arise from abnormal amounts of wasted labour or other resources that are used to fulfil the contract. Such costs are recognised in profit or loss when incurred.

(f) income tax payments and receipts the insurer does not pay or receive in a fiduciary capacity. Such payments and receipts are recognised, measured and presented separately applying AASB 112 Income Taxes.

(g) cash flows between different components of the reporting entity, such as policyholder funds and shareholder funds, if those cash flows do not change the amount that will be paid to the policyholders.

(h) cash flows arising from components separated from the insurance contract and accounted for using other applicable Standards (see paragraphs 10–13).