Australian Government
Australian Accounting Standards Board

TRG Minutes

Subject:	Meeting information
Venue:	Videoconference: Via Teams
Date Time(s):	6 June 2023, 2.00 – 4.00pm

Attendance

Members	Anne Driver (Chair) Elaine Hultzer Brendan Counsell Jennifer Dwyer Scott Hadfield Regina Fikkers Alana Bailey Louise Miller David Rush Rob Sharma Rachel Poo Warwick Spargo Eamon Sloane Leong Tan Ciara Wasley Leann Yuen Eric Cheng Eamon Sloane Frank Saliba
Apologies	Toby Langley Anthony Coleman
Other presenters	Angus Thomson Kos Dimitriou Michael Garrod Anna Donoghoe Andrew Toone Brett Picket Rhian Saunsbury
Secretary	David Ji
AASB Staff	Helena Simkova Eric Lee Patricia Au Jia Wei

Objective:

- Update from APRA on reporting and prudential standards, and APRA Connect
- Update from the IASB
- Update on Tax
- Industry papers discussion:
    - ARPC cyclone reinsurance contract held - AASB 17 contract boundary
- IFRS Interpretation Committee Tentative Agenda Decision – premiums receivable from an intermediary
- Update from the PHI focus group
- Update from Actuaries Institute Taskforce
- Update from AALC
- AOB
    - LMI Focus Group status

Note: These minutes provide a summary of discussion only and any views or interpretations do not constitute professional advice. The AASB expressly disclaims all liability for any loss or damages arising from reliance upon any information in this document.

Topic	Agenda paper
Welcome and introduction	
Welcome and introduction by TRG Chair ("the Chair" hereafter).	
Update from APRA on reporting and prudential standards, and APRA Connect	
• APRA has released the finalised reporting standards for insurers impacted by the introduction of the AASB 17 (available here). • The first phase of collections, which contains the most complex/highest priority forms (12 out of 69) was released at the end of March 2023. To date, 10 entities across all three of the insurance sectors have accessed the testing site. APRA encourages more entities to use the collections available to not only prepare themselves but let APRA know if there are any problems with collections. • APRA has released a further 27 collections on its public website, which provides technical information about the collections and validation rules that are applied to them (available here). APRA has allocated the 27 collections in the external test environment. The final 30 collections will be released by the end of June. • In response to the Chair's question regarding whether there are any entities asking for extensions, the APRA representative said that there had been some entities approaching them about extensions. APRA encourages entities to start engaging with the collections and forms and let APRA know of any issues. • In response to the Chair's question regarding the mechanisms of receiving feedback, the APRA representative noted that feedback came from multiple sources including one-on-one engagements with entities and monitoring statistics from some collections. In the interest of time, APRA is seeking more engagement from entities. • One member relayed feedback on the slowness of the system and its inability to upload multiple forms concurrently. Although enabling the system to do so would improve user	

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experience the APRA representative said doing so would come at the risk of degrading performance.
• Other comments from TRG members:
  ○ Not having access to a complete suite of forms before the end of June 2023 is creating challenges.
  ○ Whether Excel files could be changed to allow formulas to be used – APRA currently has no intention to make such a change.
• Any questions can be submitted via the following email addresses – for issues with using APRA Connect email dataanalytics@apra.gov.au and for technical issues, support@apra.gov.au.	

Updates from the IASB	

IASB board member Ann Tarca attended the TRG meeting and provided the following updates:
• Timing and process for post-implementation review (PIR) of IFRS 17 *Insurance Contracts*
  ○ According to the IASB due process the PIR will commence 30 to 36 months after the application date. The PIR will not start before the end of a three-year period as there are staggered adoption dates around the world, and the IASB needs a longer period to collect the data.
  ○ During the PIR, the IASB will conduct early consultation with the AASB (and other bodies across the globe) to help identify issues to include in the PIR.
  ○ Issues can be raised with the IFRS Interpretations Committee (IFRS IC) before the PIR commences, however, the IFRS IC resolutions are limited to what was written in the standard (unless the issue is referred to the IASB).
  ○ Possible outcomes from the PIR process include:
    ▪ No action if the IASB concludes the standard is working as intended;
    ▪ Provision of educational materials for guidance; or
    ▪ Narrow-scope amendments with timing subject to the level of urgency.
  ○ It was noted that the bar for changes to IFRS 17 is high given the broad global and product impact of any changes.
  ○ In preparation of the PIR of IFRS 17, TRG members noted that issues will be collated for submission based on learnings in our jurisdiction but will be prioritised in the order of significance in line with the IASB's PIR process.
• Primary financial statements project
  ○ A new accounting standard (IFRS 18) will be issued next year with the aim of improving how information is communicated in the financial statements, with a focus on improving the comparability of presentation of information in the statement of profit or loss. The IASB will introduce three presentation categories, namely, an operating, investing and a financing category with mandatory subtotals. IFRS 18 will define what should be reported under the financing and investing categories, respectively, with the rest to be reported under the operating category.
  ○ If an entity's main business activity involves financing or investing, it shall report investing and financing activities under the operating category (e.g. bank and insurance companies).
  ○ IFRS 18 is being developed with a view to not conflicting with IFRS 17 presentation requirements.
  ○ The IASB expects to issue the standard in early 2024 with the earliest implementation date in 2026.	

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◦ There are other elements to the proposals. For example, the reconciliation requirement from the management performance measures to a specified subtotal, and disaggregation of information. ◦ The Chair asked whether specific items (such as depreciation) included in the insurance service expense under IFRS 17 will need to be reported separately to comply with IFRS 18. In this regard, the IASB will provide principles and guidance on how to decide whether the insurance service expense will be disaggregated on the face of the profit or loss or disaggregated in the notes, which will be at the discretion of each entity. The guidance will be available in 2024 when the IASB issues the new standard.	
Update on Tax	
• Update from the Australian Taxation Office (ATO) ◦ In May 2024, the government announced that it would amend the tax law to minimise the regulatory burden facing general insurers following the introduction of AASB 17. This would allow general insurers to continue using audited financial reporting information as the basis for annual income tax returns. ◦ The ATO is working with the Treasury on the detail of the amendment/measure. More information will be provided when the scope of the measure becomes clear. The ATO website provides information on the announcement of unenacted measures. ◦ The ATO website also provides a Practice Statement (PS LA 2007/11). This statement is concerned with the administrative treatment of taxpayers who are affected by announced but unenacted measures which apply retrospectively when enacted. ◦ The ATO is happy to engage with the industry if there are significant concerns or uncertainty. ◦ The ATO has not determined whether the engagement will be conducted through industry bodies or individual insurance entities. ◦ The Chair encouraged use of industry bodies given how effective this approach has been to date, (i.e. Insurance Council of Australia (ICA) for general/health and FSC for life insurance industry bodies) and for insurers to coordinate through these bodies ◦ The timing of when the detail of the measure will be made available is not yet known. • Update from the ICA ◦ The announcement from the government to date lacks detail and the detail of the measure will not be available before 30 June. As a result, those insurers with a 31 December balance date will go into half-year reporting with some uncertainty. ◦ There is an intention for book-to-tax alignment, which gives some substance to treating the comparative periods as temporary differences rather than non-temporary differences. Insurers would need to consider individually. ◦ The announcement did not deal with transitional adjustments. Insurers with a 31 December balance date are encouraged to engage with auditors in advance to agree to a ‘sensible’ approach. ◦ IFRS 17 tax sub-committee group will reconvene and will likely consult with the Treasury. • Update from the Financial Services Council (FSC) ◦ There is more alignment between the life tax code and the accounting and actuarial standards compared to the general tax code.	

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- Under AASB 17, fewer acquisition costs are likely to be brought forward on transition, resulting in an upfront deduction for prior year acquisition costs in the absence of any changes to the law or any particular transitional adjustments.
- There has been no indication of forthcoming changes or transitional relief for life insurers to date.

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Industry papers discussion: ARPC cyclone contract- AASB 17 contract boundary	**ATT1**

It was noted that the AASB TRG does not produce accounting guidance and the views of the members of the AASB TRG do not constitute accounting guidance. The outcomes of discussions aim to support the implementation of AASB 17 in the Australian and New Zealand market, noting all decisions made by an entity need to reflect the particular entity's facts and circumstances.

Members noted:

- the issue has previously been discussed at the December 2022 and March 2023 AASB 17 TRG meetings
- the main features of the Australian Reinsurance Pool Corporation (ARPC) cyclone pool arrangements are outlined in the June 2023 meeting paper.

The paper for the meeting identified three views.

View 1: The contract boundary is determined by reference to the right to receive reinsurance cover, which is perpetual because the ARPC stands ready to reinsure all eligible cyclone risks under existing legislation.

View 2: The contract boundary is determined as the longer of the 18-month right to receive reinsurance cover and the obligation of the insurer to cede premium under 12-month contract boundaries of the underlying in-force insurance contracts plus any future contracts an insurer expects to issue based on the insurer's intentions/business plans and other commercial considerations.

View 3: The contract boundary is determined as the longer of the 18-month right to receive reinsurance cover and the obligation of the insurer to cede premium under 12-month contract boundaries of the underlying in-force insurance contracts plus any future contracts an insurer might need to issue based on preventive constraints.

Each View was analysed in terms of both the cedant's right to receive coverage; and the cedant's obligation to cede premium.

In discussing the cedant's **right to receive reinsurance coverage**, there was a general acceptance among members that 18 months of expected cash flows would be within the contract boundary on the basis that:

- the ARPC can reprice reinsurance coverage with six months' notice under Clause 7(b) of the reinsurance contract or end the reinsurance arrangements with six months' notice under Clause 1(c)(iii) in combination with Clause 1(f)(v) and the Ministerial discretion available based on section 38 of the Terrorism and Cyclone Insurance Act 2003; and
- contracts attaching in the six-month period typically provide 12-month's coverage. (If the contracts attaching have coverage periods longer than 12 months, there would be more than 18 months of expected cash flows within the contract boundary.)

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In discussing the cedant's **obligation to cede premium**, there was a general acceptance among members that expected cash flows within the contract boundary would be based on:

- the insurer's ability to cancel the reinsurance contract with six months' notice under Clause 1(e), which clearly gives the cedent the practical ability to exit under the terms of the contract; and
- the time it would be expected to take to address any constraints that might prevent the insurer from immediately exiting the market for issuing contracts that cover eligible cyclone risks if it were to decide to exit that market.

Members noted that the relevant preventive constraints would depend on the insurer's circumstances and may be commercial and/or practical constraints, which may include consideration of the following:

(a) the time it would take to amend the relevant Product Disclosure Statements to enable the insurer to issue insurance contracts that exclude eligible cyclone risks;

(b) determining whether ceasing to underwrite eligible cyclone risks would make the insurer's business unviable;

(c) the entity has additional non-cancellable specific reinsurance covers in place which cover eligible cyclone risks that may be commercially compelling;

(d) whether an insurer has a strategic direction from a controlling parent entity to continue issue underlying insurance contracts covering eligible cyclone risks for a particular period.

Members noted that the relevant preventive constraints would not include factors that simply reflected an insurer's intentions, such as previously-released business plans indicating to the market that an insurer plans to issue contracts that cover eligible cyclone risks for the next five years.

Members observed that, for an insurer which expects it could address its preventive constraints within six months of making a decision to exit the market for eligible cyclone risks, 18 months of expected cash flows would be within the contract boundary (six months plus the typical 12 months of coverage under issued contracts).

Accordingly, members noted that **expected cash flows within the contract boundary** would be cash flows for the longer of:

(a) in terms of the cedant's **right to receive reinsurance coverage**, 18 months (i.e. contract boundary of six months with related 12-month coverage for underlying contracts attaching to the reinsurance contract held (noting that the coverage would be longer if underlying contracts provided more than 12 months coverage)); and

(b) in terms of the cedant's **obligation to cede premium**, the contract boundary would be the longer of: the time it would be expected to take to address any substantive constraints that might prevent the insurer from immediately exiting the market; and the six month notification of cancellation period. The cash flows within the contract boundary could vary depending on the timing with which the insurer addresses the constraints. For example, cash flows within the contract boundary could be minimal if the insurer would be able to address the constraints and cease to underwrite the relevant exposures prior to the 6-month cancellation notice period. If the insurer can address the constraints within three months, then 15 months of cash flows are within

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the contract boundary based on the obligation to cede premium (three plus 12 months coverage provided by the issued contracts or more if coverage provided is longer).	
IFRS interpretation committee (IFRS IC) outreach- premiums receivable from an intermediary	
• By way of background, this issue has been discussed previously at the AASB TRG without reaching a consensus across the Australian market. • In the last six months, there have been two papers submitted to the IFRS IC on this issue. • The issue was also discussed at the March AASB TRG meeting and a special meeting in November 2022 to respond to outreach from IFRS IC as a result of the two papers the IFRS IC received. • The IFRS IC issued a paper exploring the issue and with a Tentative Agenda Decision (TAD) that was subsequently updated and discussed at their March 2023 meeting. • The paper issued considers whether, in the submitted fact pattern, the premiums receivable from the intermediary are future cash flows within the boundary of an insurance contract and included in the measurement of the group of insurance contracts applying IFRS 17 or is a separate financial asset applying IFRS 9. • Most of the comment letters to the TAD unequivocally supported the outcome of the TAD that would permit a choice between IFRS 17 and IFRS 9 *Financial Instruments* and agreed with the IASB not including this in its work program. • There were five comment letters that recommended the IASB to consider what happens in practice and to conduct a post-implementation review. • There was one comment letter that raised specifically the issue of inconsistency with the treatment of amounts receivable accounted for under IFRS 9 and insurance payables to the same parties accounted for under IFRS 17. • The comment period ended 22 May 2023. It is expected that the IFRS IC will discuss the comment letters at its September 2023 meeting and finalise the TAD. The AASB TRG will keep monitoring the issue and provide an update subsequent to the September meeting. However, given the significant support for the TAD already issued it is a good reference point for those currently determining how to account for amounts due from intermediaries in their current IFRS 17 implementation projects.	
Update from the PHI focus group	
• The Private Health Insurance (PHI) focus group has been meeting monthly throughout 2023. Some of the key topics continue to be (1) onerous contracts, i.e., at what level of aggregation should the facts and circumstances be applied, and (2) givebacks and premium rate rise deferrals and how these are accounted for under IFRS 17. • The focus group is also discussing ways to achieve consistency across the PHI industry with respect to pro-forma accounts and roll-forward disclosures to support users' understanding and ability to compare. • The PHI focus group will continue to meet monthly.	
Update from Actuaries Institute Taskforce	
• The Actuaries Institute Taskforce (Taskforce) has not met every month as some of the recent meetings were cancelled due to a lack of agenda items for discussion. • In response to the Chair's questions, the Taskforce representative noted that: o Education sessions delivered by the Actuaries Institute Taskforce and other volunteers are available on their website for a small fee payable each year for non-members. Access to those sessions is encouraged.	

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○ Feedback to the education sessions was positive. ○ The next Taskforce meeting will be on 30 June. ○ The Taskforce discussed whether Information Note (IN) 3 should be updated and concluded there is no need. • The focus of the Taskforce is helping APRA with any implementation questions. An APRA Implementation Working Group was formed for this purpose. • Brett Pickett has resigned, and the Taskforce is looking for a new chair. • The International Congress of Actuaries was held in May 2023. A specific session on IFRS 17 was held including IASB Chair Andreas Barckow who emphasised that only those issues which are significant should be raised for the IFRS 17 PIR. The recordings will be available only to the attendees for 60 days (i.e. until 31 July), after which they will be made publicly available via the Institute's website.	
Update from AALC	
• The last AALC meeting was held on 5 April. Two topics were discussed at this meeting: ○ the treatment of adverse development covers including the interpretation of AASB 17 paragraph B5 on what the claims event is on such contracts; and ○ how any claims development on the underlying contracts would be recognised in the profit or loss, i.e., whether they would all be recognised as part of reinsurance expense as relating to future coverage, or whether they would be recognised as part of reinsurance income when they are incurred, even if they do not relate to claims paid. The discussion remained open and will be brought back to the next meeting. • The second topic is the extent of required disclosures in the first set of interim financial statements under IFRS 17, as all preparers will be preparing those either in June or in December this year. It was concluded that the appropriate extent of disclosures would differ between entities and much judgment would be involved in arriving at that decision for each entity. • The next meeting of the AALC will take place on 7 June. The AALC is a useful forum for discussing topics behind closed doors before they are discussed by the TRG. As such, meeting minutes are not available to non-members. Anyone wishing to attend as a guest or has topics to raise should contact Rachel Poo.	
AOB	
• The LMI focus group is still in existence and is still working through a couple of LMI industry issues. Parties interested in getting involved can contact AASB staff.	
End Meeting • TBC 18 October 2023.	