



Australian Government
Australian Accounting Standards Board

Update: Australian Transition Resource Group for AASB 17 *Insurance Contracts*

**AASB Board Meeting
M162 - 14 February 2018**

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members

- **Preparers**
- **Auditors**
- **Regulators**
- **Public Sector**
- **Users**

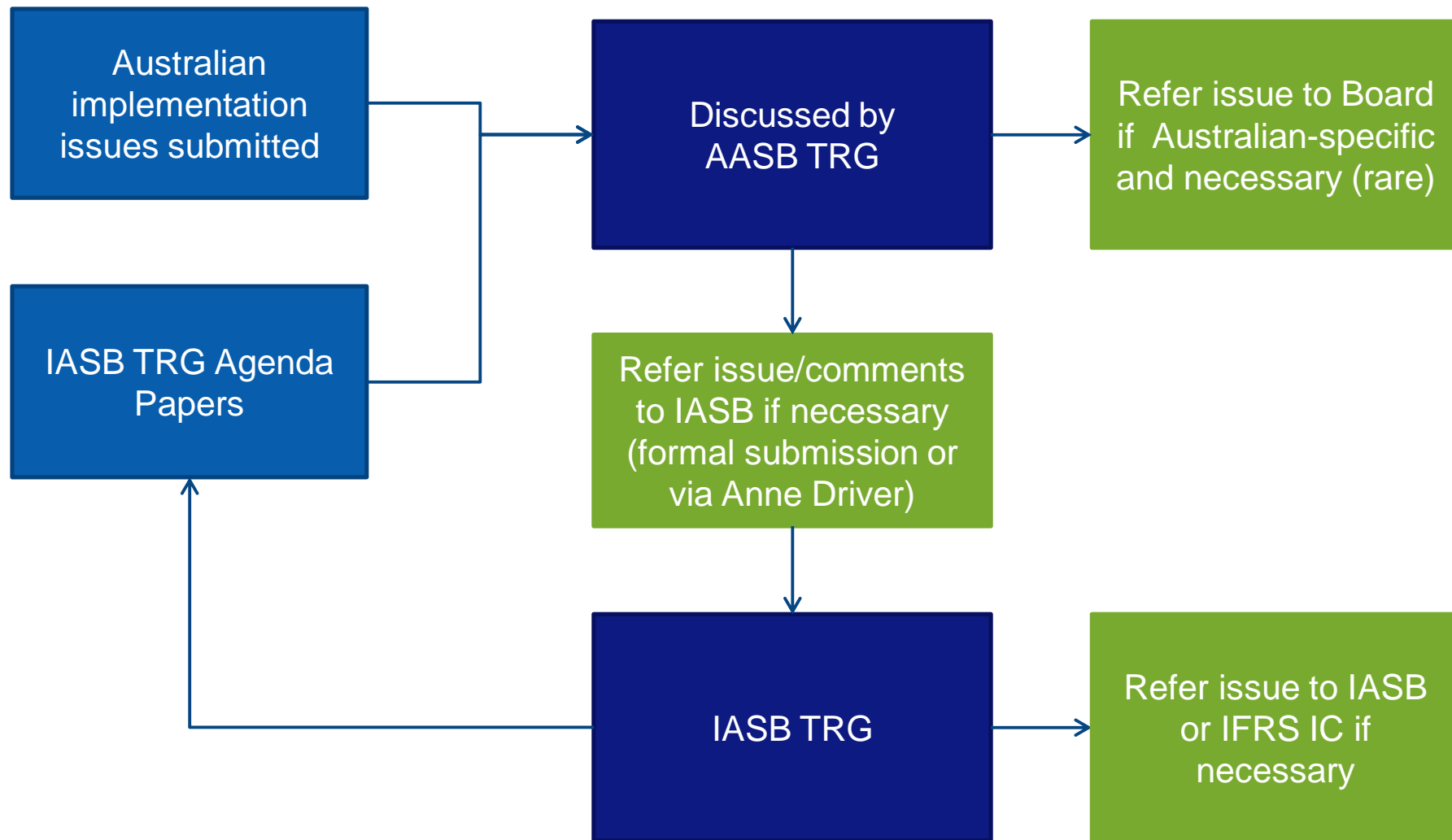
TRANSITION RESOURCE GROUP (TRG) FOR AASB 17

Designed for Australian insurers to **discuss implementation issues** and **support** the work of the IASB TRG for IFRS 17. Chaired by **IASB TRG Australian member** Anne Driver.

Objectives of group:

- Provide a forum for stakeholders to follow implementation questions.
- Discuss implementation issues submitted by Australian constituents and endorse as a submission to the IASB where necessary.
- Provide Australian views on IASB TRG agenda papers, to be shared with the IASB TRG by Anne Driver.





Any Australian constituents can submit implementation issues on the *Hot Topics* section of AASB website.

- Issues submitted:
 - must relate to, or arise from, AASB 17;
 - may result in diversity in practice;
 - are expected to be pervasive, i.e. relevant to a wide group of stakeholders; and
 - should include a detailed description of the possible ways in which AASB 17 could be applied.
- TRG will consider submissions and, if endorsed as a significant issue by the group, be submitted to the IASB TRG

Meeting	Agenda items
November 2017	Introduction to the group and administration
11 January 2018	Submission 1 – Liability for remaining coverage under the premium allocation approach
29 January 2018	IASB TRG agenda papers
Upcoming – April 2018	IASB TRG agenda papers and any submissions to AASB TRG
Upcoming – September 2018	IASB TRG agenda papers and any submissions to AASB TRG
Upcoming – November 2018	IASB TRG agenda papers and any submissions to AASB TRG

- An industry group questioned whether the liability for remaining coverage under the Premium Allocation Approach (PAA) is calculated using only premiums received, and, if so, discussed implications of this, for example:
 - contracts with like risk would have differing liabilities based on whether their premium is paid up front or over time
 - the accounting appeared to move to a 'cash basis'
 - faithful representation for users would be lacking
 - the information needed to report on this basis diverges from current practice and would require new systems to be created

Outcome of TRG Discussions

- TRG discussed the issue and clarified questions in the submission such as:
 - the IASB had intended the PAA to only include premiums received.
 - issues related to broker/insurer agreements
- TRG discussion helped the submission focus on further issues including:
 - the costs of applying the PAA at a group level
 - concerns about the presentation of the liability due to only recognising premiums received
 - the conceptual differences between this requirement and other Standards
- After discussion, the TRG endorsed the issue to be submitted to the IASB

Discussed IASB agenda papers to inform Anne Driver's responses at the IASB TRG meeting. Topics included:

- Separation of insurance components of a single contract
- Boundary of reinsurance contracts held
- Boundary of contracts with annual repricing mechanisms
- Insurance acquisition cash flows paid on initially written contract
- Determining quantity of benefits for identifying coverage units
- Insurance acquisition cash flows when using fair value transition

