



Australian Government

Australian Accounting Standards Board

# Reinsurance Working Group

**AASB 17 TRG Meeting**  
**22 June 2020**

**Presenter**  
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- The reinsurance working group is a sub-group of the APRA & Actuaries Institute IFRS17 Taskforce.
- The sub-group was established in December 2019 with the aim of:
  - Identifying and analysing reinsurance issues relating to the integration of AASB17 within APRA's capital and reporting framework,
  - Identifying and analysing reinsurance issues which could impede APRA's ability to assess profitability and sustainability of insurers under AASB17; and
  - Considering and proposing possible solutions to APRA to address the underlying prudential risks, achieving alignment across General, Life and Health insurers where possible.
- The sub-group comprises of representatives from General and Life insurers as well as APRA. Member details can be found on Slide 5.
- In June 2020, the scope of the reinsurance working group was expanded to include consideration and analysis of certain issues / topics that also relate to direct business e.g. the allocation approach required to produce APRA product group reporting from AASB17 groups.
- The sub-group aims to submit a position paper with analysis and proposals on each topic to APRA by December 2020. The following two slides contain brief information on the topics identified to date and progress made.



# Progress Update 1/2

The table below briefly describes the topics and issues which have been identified thus far by the reinsurance working group.

Topic #	Topic Name	Topic / Issue Description
1	Deferral of Expected RI Loss	Reinsurance recovery on onerous direct contracts is immediate but expected loss on reinsurance contracts is deferred which is not consistent with APRA's measurement of capital.
2	Contract Boundary Mismatch	Introduction of the "contract boundary" concept in AASB17 may create new mismatches between direct and reinsurance contracts that could impact on APRA reporting.
3	Reinsurance Credit Risk	Under AASB17 the likelihood of reinsurer default will be factored in cashflows which may lead to a double-up with APRA's asset risk charge for measuring capital.
4	Granularity of APRA Product Group Reporting	An allocation approach may be required to produce the APRA product group reporting where this is more granular than the AASB17 group. An alternative approach is to calculate metrics at a granular level and roll this up to the AASB17 group, but this approach may not be appropriate in some cases. This treatment will apply to both direct business as well as business written by reinsurers.
5	Non-distinct Investment Component	Non-distinct investment component for certain reinsurance treaty features may impact on APRA reporting.
6	Change to Financial Statement Presentation	Changes to financial statement presentations under AASB17 and the resulting changes required to insurers' systems, data and ledgers may impact on their ability to meet APRA reporting requirements and/or lead to dual reporting.



- Based on the discussions and analysis so far, the subgroup has identified that Topics #2, #4 and #6 are more complex and may have more material implications for insurers / reinsurers and the reporting to APRA. Topic #6 in particular may have implications for insurers' IFRS17 solution design, specifically the design of the data interface with APRA.
- For Topic #2, contract boundary mismatch, examples are being developed for GI and Life and so far the findings include:
  - Where contract boundaries are not aligned under AASB 1023/1038 and AASB 17 AND expected profitability of the underlying contracts varies over time, there are differences in the Balance sheet and P/L. However, for general insurers the regulatory adjustment (under GPS340) achieves the same capital outcome as AASB1023.
  - At initial recognition of the contract(s), due to the different treatment under AASB 1023 and AASB 17 of premiums receivables and reinsurance payables, the APRA balance sheet is different, and there is a capital strain under AASB 17. A resolution for this issue is being considered.
- For Topic #4, the granularity of APRA product group reporting, the issues are more complicated due to the nuances between Life and GI, choice of measurement model, direct vs reinsurer and whether the AASB17 group is profitable or onerous.
  - The manner in which a portfolio is constructed under IFRS17 is also key and this will depend on how the principles of separation and unit of account are applied by insurer(s) as well as how they manage their business.
  - An approach that is based on principles, rather than being prescriptive may be more appropriate and this is currently being investigated.

# Subgroup Membership

Name	Profession / Company	Name	Profession / Company
Abhijit Apte (Chair)	Actuary, Suncorp	Leong Tan	Accountant, Swiss Re
Alec Cham	Actuary, IAG	Martin Lam	Actuary, Hannover Re
Anne Driver	Accountant, QBE	Mike Williamson	Actuary, Pacific Life Re
Bolin Li	Actuary, Met Life	Pankaj Srinivasan	Accountant, APRA
David Chan	Actuary, APRA	Peter Craig	Actuary, APRA
David Jenkins	Actuary, APRA	Rachel Poo	Accountant, QBE
David Rush	Actuary, Consulting	Rene Niekerk	Actuary, Consulting
Evelyn Chow	Actuary, Swiss Re	Rhian Saunbury	Accountant, IAG
Jun Oh	Actuary, APRA	Richard Sheridan	Accountant, IAG
Kenneth Chua	Actuary, EY	Sacha Antioch	Actuary, AMP

