



INDUSTRY PREPAREDNESS FOR AASB *17 Insurance Contracts*

23 March 2020

A presentation for AASB 17 TRG

Outline



- Background
- Initial findings
- Key message
- Next steps



Background

- In October 2019, APRA requested information on insurer's operational readiness for implementing AASB 17 *Insurance contracts* (AASB 17)
- Unlike the September 2017 AASB 17 information request, this request was directed (not mandatory) towards all Life Insurers, General Insurers, Level 2 Insurance Groups (including reinsurers) and Private Health Insurers.
- The International Accounting Standards Board (IASB) has not finalised the final form of the accounting standard (including the effective date currently proposed as annual reporting periods starting on or after 1 January 2022).

RE EXPLO	0.000	0.000	0.000
RIZON LIMITED	28.36	28.37	28.36
RPORATE TRAV	8.440	8.450	8.445
STA GROUP HO	8.440	8.450	8.445
UGAR METALS	0.004	0.005	0.000
UNTPLUS LIMIT	0.750	0.755	0.745
UNTY INTERNA	0.011	0.016	0.010
VATA	0.026	0.028	0.029
VENTRY GROU	1.305	1.345	1.300
ZIRON RESOUR	0.015	0.016	0.010
T GLOBAL LTD	0.120	0.175	0.000
ADLE RESOURC	0.105	0.110	0.100
ATER GOLD MIN	0.022	0.024	0.020
EDIT INTELLIGE	0.019	0.020	0.010
EDITCORP	22.08	22.11	22.00
OSSLAND STRA	0.005	0.006	0.000
OWDSPARK LTI	0.000	0.000	0.000
OWN RESORTS	13.31	13.32	13.30
USADER RESOU	0.025	0.026	0.020
YOSITE LIMITED	0.066	0.096	0.000
G LIMITED	0.210	0.220	0.000



Initial findings

Response summary

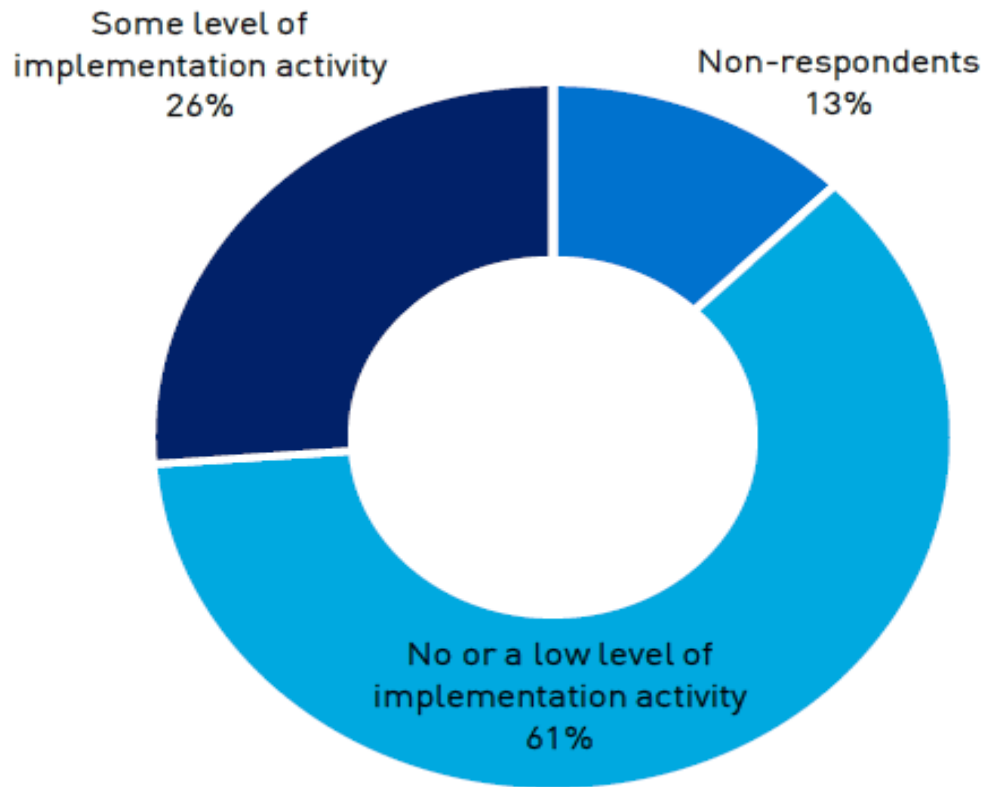


Figure 1
Total = 145 entities

Strong response rate with 87 per cent response rate out of 145 entities.

However, 61 per cent of the insurers have undertaken no, or only a low level of, implementation activities.

Level of preparedness

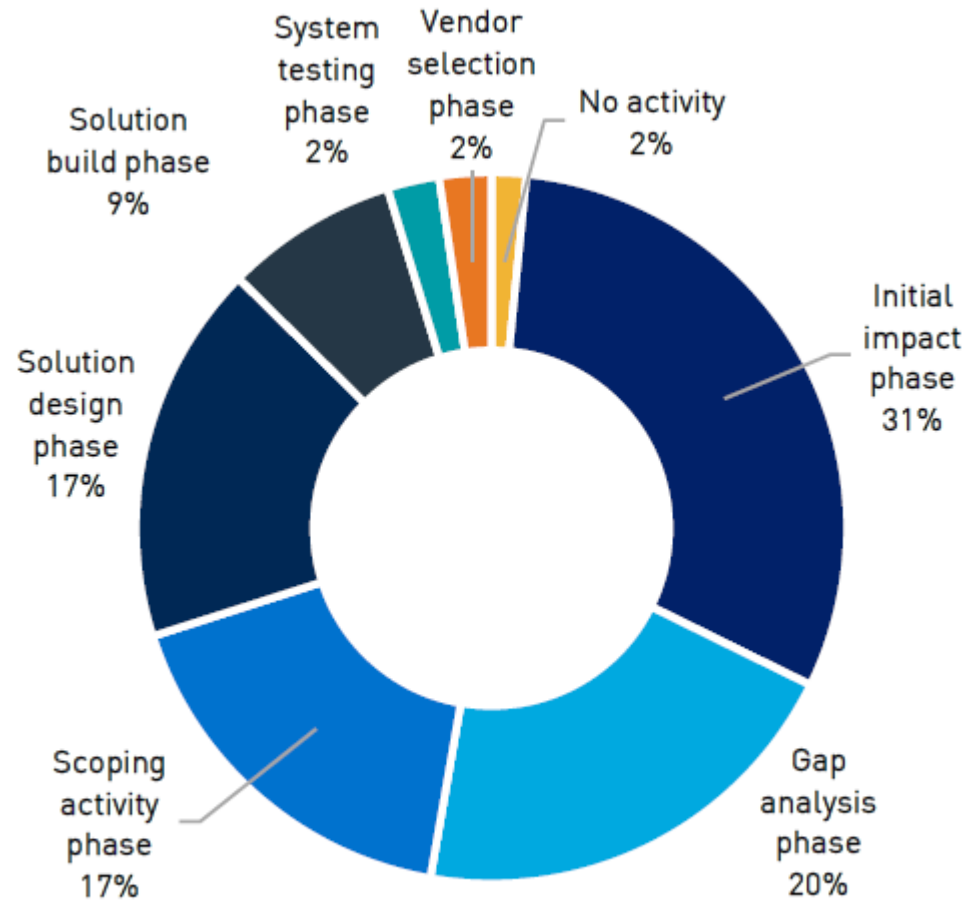


Figure 2

No, low or some level of activities = 127 entities

Of the 127 respondents:

- 2 percent have no activity
- 31 per cent are at the initial impact phase
- 17 per cent are at the scoping activity phase ; and
- 20 per cent are at the gap analysis phase

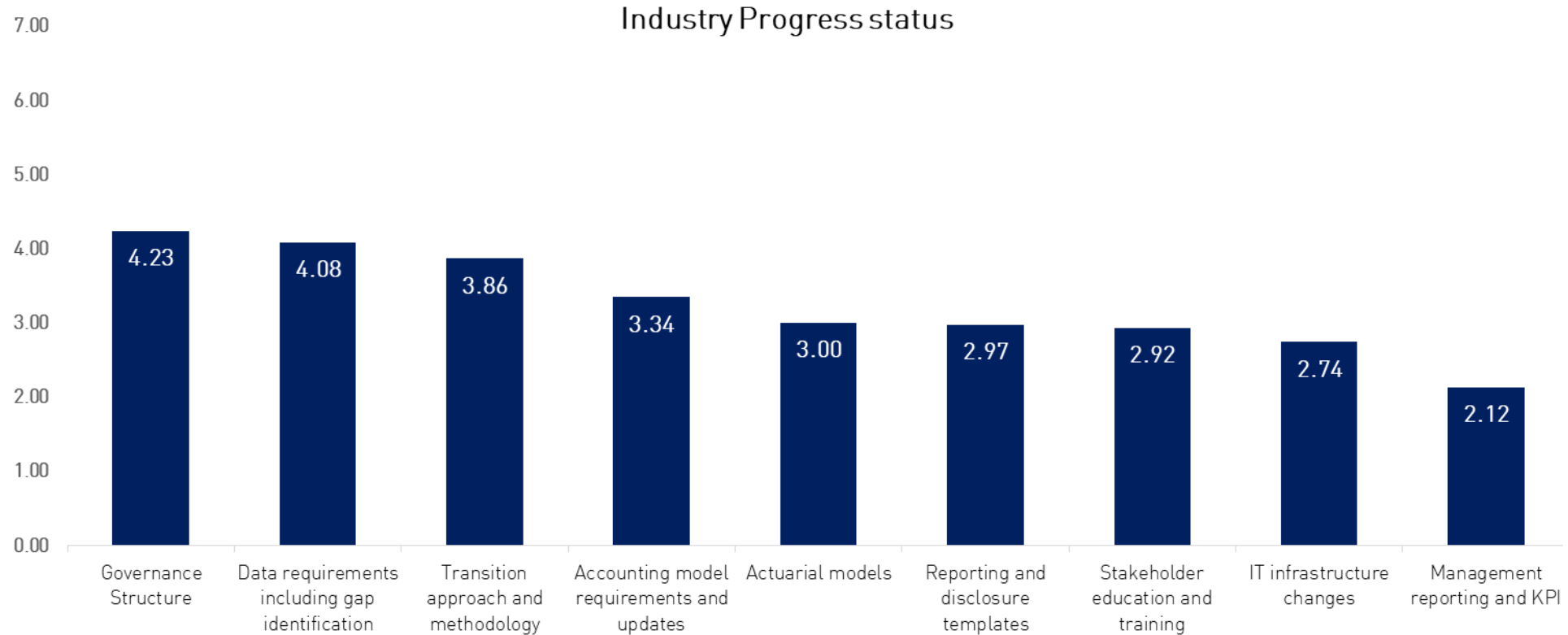


Governance and Controls

Good governance practices identified in well progressed entities:

- Established project governance structure and risk assessment framework with an accountable person identified (Typically CFO);
- Established project milestones and timeframes; and
- Earmarked implementation budget with resource allocation (external as well) identified.

Progress Status



Of the 65 respondents, entities are most progressed on:

- Establishing Governance structure;
- Data requirements; and
- Transition approach and methodology.

Areas of Impact



Only 65 respondents identified the key areas of impact. The key areas of impacts are:

- Business planning and forecasting;
- Expense and cost allocation; and
- KPIs & performance reporting.



Key Messages

- APRA considers that most insurers have made limited progress towards AASB 17 implementation. Hence, APRA encourages all insurers to accelerate their operational readiness for implementing AASB 17.
- APRA acknowledges the uncertainty around the final form of the standard. However, APRA encourages insurers to focus on the implementation of parts that are certain.
- AASB 17 is expected to impact operational aspects of insurance business including, but not limited to:
 - business planning and forecasting,
 - KPIs and performance reporting, and
 - expense allocation.
- Too early to conclude on capital and earnings impacts.



Next Steps

- Separately engage with insurers that have not responded to the survey.
- Repeat information request in August 2020.
- Benchmark entities against their October 2019 survey responses to track progress on AASB 17 operational readiness.
- Seek QIS information from insurers in the second half of 2020 for the development of new reporting and prudential standards.



Thank you

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