



AASB 17 Insurance Contracts (AASB Transition Resource Group)

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Overview

[Discussion paper and QIS](#) issued on 25 November 20. Comments due by 31st March 21.

Discussion Paper

- Reporting enhancements (e.g. product groupings)
- Regulatory adjustments for capital purposes due to AASB 17
- LAGIC refinements
- Effective date of proposals 1 July 2023.

QIS

- LAGIC:
 - Capital and Earnings
 - Qualitative questions
 - Primary financial statements
 - Product profitability (GIs and LIs)
 - Liabilities for capital purposes (GIs and LIs)
- PHI QIS liability disclosure data being collected on a AASB 17 basis

Support

- Process – If there are specific questions as the QIS is being completed please contact the relevant supervisory contact in the first instance.



Discussion Paper: Key Capital Proposals (GI)

Key observations:

- Largely the same except for expense basis (GIs)

General Insurance Items	Proposals
Regulatory adjustments	<ul style="list-style-type: none">• No change in the overall approach to the application of the liability regulatory adjustment.• Additional regulatory adjustments are proposed to minimise impact from AASB 17 changes.
Expense basis	<ul style="list-style-type: none">• Include all expenses, other than one-off, in the Prudential Standard GPS 340 Insurance Liability Valuation liabilities (GPS 340) whether direct or indirect.• Intention is to promote consistency in this area as general insurers currently have different approaches to allowing expenses in the GPS 340 liabilities. This proposal will align closer to the life insurance capital framework.



Discussion Paper: Key Capital Proposals (LI)

Key observation:

- Largely the same except for measurement of investment account business

Life Insurance Items	Proposals
Regulatory adjustments	<ul style="list-style-type: none">• No change in the overall approach to the application of the liability regulatory adjustment.• Additional regulatory adjustments are proposed to minimise impact from AASB 17 changes.
Investment Account business	<ul style="list-style-type: none">• Life insurers will be asked to calculate liabilities by projecting cash flows and not use account balances for all investment account business. Insurers will need to deploy a projection approach to value the majority of investment account business under AASB 17.• Additional visibility over profitability and risk profiles of investment account business will be provided which is important given the low interest rate environment and increased volatilities in investments.



Other area of change

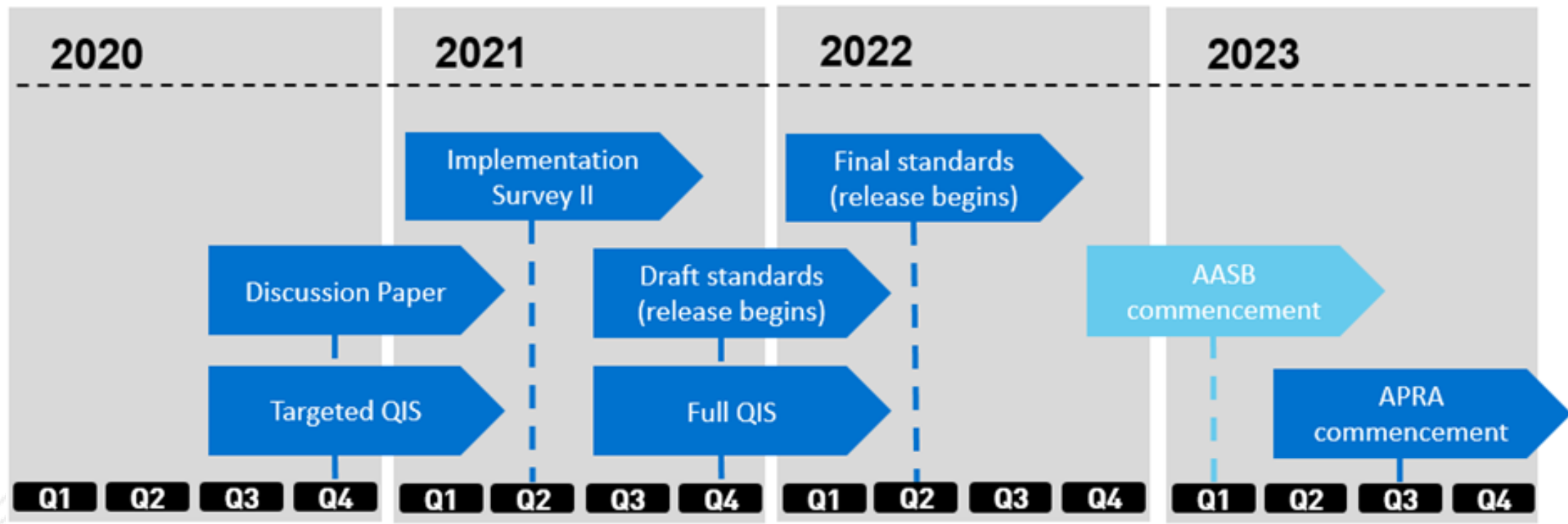
Area	Reason for APRA approach
Updates to the LAGIC framework	<ul style="list-style-type: none">• APRA is of the view that the LAGIC framework continues to achieve its objectives. However the LAGIC framework has not been substantively reviewed since it was implemented in 2013.• Certain aspects of the framework could be clarified or are no longer appropriate in the current environment.• The overall calibration of the LAGIC framework remains appropriate and APRA will not be seeking to generally increase or reduce capital levels.

Reporting – Key changes

- New APRA product groups (GI and LI)
- Approach to reporting of APRA product group data (All industries) – outlining allocation principles
- Expansion of data underlying the liabilities (GI and LI)
- Supplementary data collection for enhanced profitability and reporting (All industries)
- Better definition of health related insurance and non-insurance business (PHIs)
- Continue to follow Life Act requirements for reporting to APRA (LI specific)
- Further data on participating business and friendly societies (LI specific)



Timeline going forward





Thank you

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Questions?

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