

# MEMORANDUM

Subject:	<b>Premium receivables from intermediaries – update</b>
To:	AASB 17 TRG members
From:	Angus Thomson (QBE)
Date	18 September 2020

## **Background**

At the TRG's June 2020 meeting, we discussed two alternative views:

- View 1** Premiums to be received from any potential third-party source (including policyholders and intermediaries) will be within the scope of IFRS 17 *Insurance Contracts* once the insurance contracts are recognised.
- View 2** IFRS 9 *Financial Instruments* may be relevant when accounting for receivables from an intermediary where the policyholder has already remitted the premiums to the intermediary.

The minutes for the June 2020 TRG meeting outline the discussion of these views.

The issue has also been discussed at two Accountants and Actuaries Liaison Committee meetings at which largely the same points were raised and the large accounting firms were urged to consult their global IFRS desks or global IFRS 17 team to identify whether they have determined their approach to this issue.

## **Action**

At the September TRG meeting:

- (a) it would be helpful if members, particularly those from the large accounting firms, could indicate the approach (if any) that their organisations have determined they will take on this issue or whether discussions are ongoing; and
- (b) whether the TRG needs to take further steps to resolve the issue.

## **Key perspectives**

At this stage, the key perspectives appear to be as follows.

View 1:

- The expected cash flows associated with premium receivables are considered to be within the scope of IFRS 17 until they are actually received.
- If premium is considered 'received' under IFRS 17, it cannot also be considered to be 'receivable' under IFRS 17 or any other IFRS Standard (including IFRS 9).
- When an intermediary collects premiums and is controlled by the insurer, on consolidation with the insurance parent, the premiums received in the subsidiary are considered to have been 'received' by the consolidated entity.

View 2:

- There is a contract (explicit or implicit) between the insurer and the intermediaries that is independent of the insurance contract and should fall within IFRS 9.
- IFRS 9 is better suited to determining expected credit losses for an insurer with a receivable from an intermediary.