



APRA's IFRS (AASB) 17 Approach

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Outline



- **APRA's high level approach**
- **Insurance Liability for regulatory capital**
- **Possible regulatory adjustments**
- **Next steps**

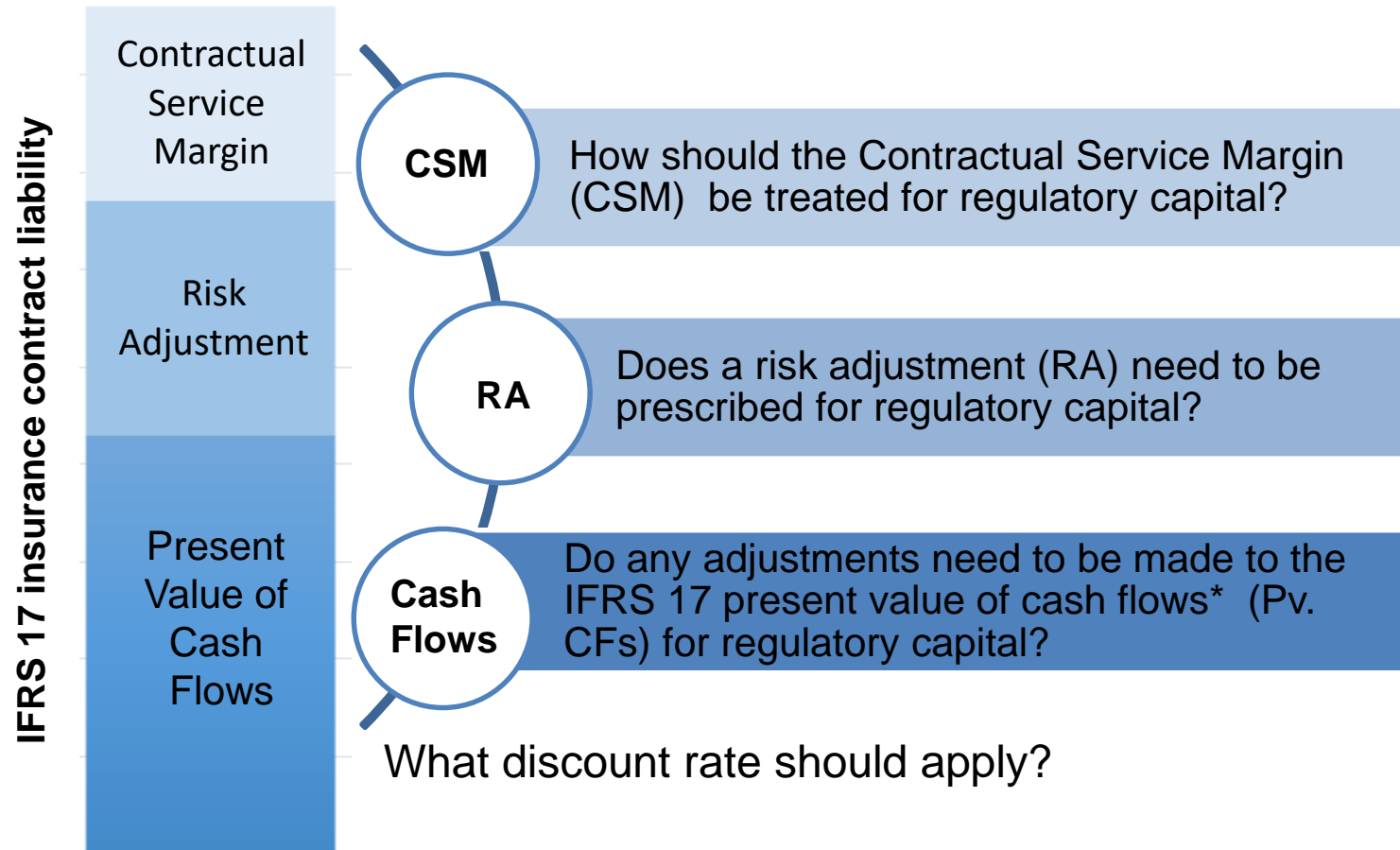


APRA's high level approach*

- Accounting standards are the starting point from which the existing regulatory capital framework (the framework) is built.
- APRA intends to explore how it can continue to build the framework from the accounting standards and will consider the adjustments needed in the framework to ensure a sound prudential outcome.
- APRA will only move away from the current framework if satisfied that the revised treatment continues to lead to prudent outcomes.
- Structurally, the framework continues to be fit-for-purpose, and its overall calibration is considered appropriate. Hence, APRA does not intend to generally increase or reduce capital levels.
- The future approach needs to result in appropriate treatment for all policyholders under Australian legislation (Life Insurance Act 1995 (Life Act)).
- APRA has committed to consider, consult upon and address issues regarding the operation of the existing regulatory capital framework.

* APRA's high level approach was communicated to industry in November 2018. A copy of the letter is available [here](#).

Insurance liability for regulatory capital



*The cash flows are a current, unbiased estimate of the future cash flows expected to fulfil the insurance contracts (IFRS 17, BC 19(a)).

Possible regulatory adjustments

Regulatory adjustments are to be determined by APRA.



FLOW ON EFFECTS ON CAPITAL BASE

- Accounting measurement approach (PAA, VFA and GMM);
- Transition approach choice (FV, MR, FR); and
- Transitional capital arrangements on initial adoption.

FULFILMENT CASH FLOWS (FCF) *



REGULATORY CAPITAL

- ✓ Treatment of non directly attributable expenses;
- ✓ Contract boundary recognition;
- ✓ Separation and Combination;
- ✓ Compliance with prudential and legislative requirements;
- ✓ Reinsurance default risk;
- ✓ Risk premia treatment (e.g. illiquidity);
- ✓ RA & CSM recognition for capital including onerous contracts;
- ✓ RA computation choice – prescribed v/s IFRS 17 based; and
- ✓ Participation contracts treatment for regulatory purposes.

Supervisory reports

- ✓ Integration with the supervisory framework; and
- ✓ Leverage of IFRS 17 disclosures for supervision.

Next steps



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Followed by....

