



Meeting information

AASB 17 *Insurance Contracts* Transition Resource Group (TRG)

7 December 2020

9am – 11am

Objective:

- Update from ASIC on its recent media release on AASB 17.
- Update from APRA on its recently issued discussion paper and quantitative impact study on integrating AASB 17 into the capital and reporting frameworks.
- Update on international endorsement of IFRS 17 and the status of the IASB TRG.
- Update from the Actuaries Institute Taskforce on recent activities in relation to AASB 17, including the work performed by the working groups supporting APRA in their work on AASB 17.
- Update from the AALC on recent activities and topics discussed.
- Update on:
 - VFA focus group – a subgroup of the AASB TRG
 - PHI focus group – a subgroup of the AASB TRG
- AASB’s project on the application of AASB 17 for public sector entities.

Note: These minutes provide a summary of discussion only and any views or interpretations do not constitute professional advice. The AASB expressly disclaims all liability for any loss or damages arising from reliance upon any information in this document.

Topic	Agenda paper
Welcome and introduction	N/A
The Chair of the AASB TRG introduced the following new members: <ul style="list-style-type: none">• Leann Yuen, KPMG (replacing Ian Moyser) and Co-Chair of the Accounting & Actuaries Liaison Committee• Louise Miller, Suncorp (replacing Jenna Cooke)• Jennifer Dwyer, Medibank (replacing Michael Sokulski)• Ciara Wasley, NIB (replacing Glenn Treadwell)• Victoria Smith, QBE (replacing Anne Driver)• Frank Saliba, ATO (replacing Weldon Luo)• Emily Evitts, Allianz• Brett Pickett, TAL and Chair of the Actuaries Institute AASB 17 Taskforce	

ASIC and AASB 17	N/A
<p>On 17 November 2020, ASIC issued a media release 20-286MR Insurers urged to respond to new accounting standard urging insurers to respond to AASB 17. A representative from ASIC provided an update on the media release:</p> <ul style="list-style-type: none"> • The media release is similar to those previously released by ASIC in response to previous Accounting Standards including AASB 9 <i>Financial Instruments</i>, AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 16 <i>Leases</i>. ASIC considers that AASB 17 brings significant changes although there are similarities between AASB 17 and the current Australian Accounting Standards on insurance contracts (AASB 1023 <i>General Insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>). <ul style="list-style-type: none"> ○ A member asked if ASIC has particular concerns in relation to AASB 17. The representative from ASIC responded that these were around readiness to apply the new Accounting Standard and disclosures around implementation and expected impact. • The media release includes expectations around continuous disclosure obligations for certain entities, note disclosures in the financial statements prior to adoption and disclosures in fund-raising documentation (e.g. impact of AASB 17 on forecasts). <ul style="list-style-type: none"> ○ A member asked about ASIC’s key learnings from the adoption of previous Accounting Standards (e.g. AASB 9, AASB 15, AASB 16). The representative from ASIC responded that ASIC observed a higher focus by preparers on recognition and measurement, but less attention was paid to disclosure requirements. ○ A member asked about ASIC’s expectations in relation to disclosures in year end 2020 financial statements, noting that the AASB 2020-5 <i>Amendments to Australian Accounting Standards – Insurance Contracts</i> were issued recently and preparers are in the process of working through the impacts of the amendments. <p>The representative from ASIC responded that quantitative disclosures would be expected for the reporting date that coincides with the start of the first comparative period reported under AASB 17 (i.e. 31 December 2021 for December reporters). Prior to that, the extent of disclosure would depend on the extent of information available to each preparer. Practically, the disclosure of quantitative impacts for the year end 2020 financial statements might be challenging due to the recent release of AASB 2020-5. However, it might be possible to provide qualitative disclosures of expected impacts.</p> <p>Requests for quantitative information by APRA could lead the market to reasonably anticipate that information will become available for preparers to provide quantitative disclosures.</p> <ul style="list-style-type: none"> ○ A member agreed that it might be possible to determine the expected impact of AASB 17 on the balance sheet at the transition date, but considered that the impact of AASB 17 on profit or loss is only likely to be quantifiable after the transition date due to the need for future balance sheet positions after the transition date. The representative from ASIC considered that the point would have been applicable to previous Accounting Standards as well and suggested that it might be possible to provide an estimate based on amounts as at the current balance date and disclosing the basis for those estimates – for example, in relation to AASB 16, some preparers referred to the commitments disclosure note in order to provide an indication of impact. ○ A member asked if preparers would be expected to make disclosures in respect of aspects that are not expected to change on adoption of AASB 17. The representative from ASIC considered that such disclosures can be important if they are material. Preparers will need to exercise judgement in determining whether such disclosures are material. ○ A member asked about disclosures in relation to areas that may be subject to interpretation. The representative from ASIC expressed the view that significant options or areas of 	

interpretation should be disclosed.

- A member asked about ASIC’s processes for monitoring preparers’ disclosure practices. The representative from ASIC responded that ASIC has a proactive programme for reviewing financial reports, generally focussed on listed entities. The review includes disclosures of the impact of new Accounting Standards.
- A member asked about ASIC’s expectations in relation to disclosures for half year financial reports for the period ending 31 December 2020. The representative from ASIC considered that the half year financial report is an update of the most recent full year financial report and suggested that preparers should include a description of the expected impact of AASB 17 if this was not disclosed in the previous full year financial report.
- In relation to continuous disclosure obligations, preparers are expected to disclose to the market matters that might have an impact on price, dividends or capital requirements.
- The media release also highlights areas of AASB 17 that might involve significant judgement.
 - The treatment of loss-making (or onerous) contracts was discussed in the most recent AALC meeting. The media release states that contracts that are currently loss-making under existing Standards are expected to continue to be treated as loss-making under AASB 17 in the absence of changes to pricing, claims experience, claims costs, benefits, risks or investment income.

Some members of the AALC noted that there are aspects of AASB 17 that might result in a different outcome from current accounting. For example, AASB 17 provides an option to immediately expense acquisition costs instead of amortising these costs for contracts with coverage periods of no more than one year [AASB 17.59(a)]. Other examples provided include the transition approaches applied (e.g. the fair value approach) and level of aggregation.

In response to the feedback received from the AALC, ASIC is proposing to amend the paragraph in the media to allow for cases in which a different outcome from current accounting is justifiable under AASB 17. ASIC is currently seeking feedback on the proposed amended wording. A member asked when ASIC is expecting to issue the amended wording. The representative from ASIC responded that ASIC is looking to finalise the amendment as soon as possible but acknowledged that it might be challenging to issue the amended release prior to the end of the year.

- The media release does not change the application of accounting requirements, but highlights significant matters for the attention of directors, senior management and auditors.
 - A member considered the media release to be useful for bringing the implementation of AASB 17 to the attention of those charged with governance.

Update from APRA	ATT2
<p>APRA has issued a quantitative impact study (QIS), for completion by selected insurers, and a discussion paper outlining APRA’s proposals for integrating AASB 17 into the capital and reporting frameworks (link to discussion paper and QIS) and other updates to LAGIC. A member from APRA provided an update on the discussion paper and QIS:</p> <ul style="list-style-type: none"> ● APRA has conducted outreach with stakeholders in recent months leading up to the issue of the discussion paper and QIS. In response to feedback received, refinements have been made to the draft QIS workbook initially shared with AASB TRG members. ● The discussion paper proposes reporting enhancements in relation to product groupings to provide more clarity and visibility around the profitability and economics of products. ● The discussion paper also includes proposals around regulatory adjustments. The intention is not to increase capital levels and to ensure that the existing capital frameworks remain fit for purpose. 	

- The effective date of the proposals is 1 July 2023 which is unchanged from the effective date proposed in the previous consultation. APRA considers that maintaining the effective date of 1 July 2023 is appropriate as most Australian insurers are expected to have adopted AASB 17 by this date.
 - A member noted the reference in the discussion paper to adoption prior to 1 July 2023 and asked for clarification on whether early adoption is permitted. The member from APRA responded that there is limited appetite to allow adoption prior to 1 July 2023 but APRA may be open to considering early adoption if an entity can demonstrate that adoption of AASB 17 will not have a material impact on reporting and capital submissions.
- One of the proposals that is new for general insurance is the expense basis for the capital calculation. The discussion paper proposes the inclusion of all expenses other than one-off expenses to achieve consistency in practice as well as alignment with the life insurance capital framework.
- For investment account business, life insurers will be required to calculate capital liabilities by projecting cash flows even if applying the simplified approach (PAA) under AASB 17.
- The discussion paper proposes a number of other refinements and technical changes, but overall APRA considers the LAGIC framework to remain appropriate.
- Preparers are encouraged to contact their assigned supervisors with any questions on the discussion paper or QIS. APRA requests participants of the QIS to articulate their assumptions in the submissions. APRA also encourages participants to suggest recommendations for improvements where relevant.
 - A member referred to Line 8.2 of the 'IS by PG-GI' tab of the QIS workbook which requires 'AASB 17 PAA liabilities / assets for remaining coverage' split by product group. The member noted a comment in the instructions to the QIS around feedback received in relation to tracking premium receivables and payables by APRA product group and highlighted that premium receivables by product group would still be required in order to derive the PAA liability for remaining coverage being requested in Line 8.2. The member asked if that line was intended to represent unearned premiums.

The member from APRA responded that APRA had acknowledged feedback that analysing premium receivables by APRA product group is expected to be challenging, and had intended to obtain unearned premiums by product group. In response to that feedback, APRA had amended Section 5 of the 'Liabilities' tab to require total premium receivables / payables (i.e. not reported by product group) – this was the amendment referred to in the instructions to the QIS.
- Responses to the discussion paper and the QIS are due to APRA by 31 March 2021. Some entities have asked for an extension.
- APRA is considering issuing an implementation survey (similar to a previous survey issued in 2019) in Q2 2021 to assess implementation progress.

International implementation status	ATT1
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A staff member of the AASB provided an update on the international endorsement status of IFRS 17 *Insurance Contracts* and status of the IASB Transition Resource Group (IASB TRG):

- Most of the major jurisdictions in Asia have either endorsed or are in the process of endorsing IFRS 17 with an effective date of 1 January 2023. If certain jurisdictions endorse for a later effective date, there is an option for entities to early adopt if those entities would like to maintain a statement of compliance with IFRS from 1 January 2023.
- Canada has endorsed IFRS 17 for an effective date of 1 January 2023.

<ul style="list-style-type: none"> • The UK has set up an endorsement body and are also proposing to align the application date of the standard in the UK with the IFRS effective date of 1 January 2023. • In the EU, EFRAG has issued a draft endorsement advice for comment. The comment period closes on 29 January 2021. At this stage, there is nothing to indicate that the endorsement will not be successful. <ul style="list-style-type: none"> ○ A member asked if there is any merit in declaring support for IFRS 17 as adopted in Australia. The AASB staff responded that the AASB are represented at a number of international standard-setting forums and have been transparent about the status of IFRS 17 adoption in Australia. The AASB staff noted that the AASB does not traditionally provide input into the endorsement process in other jurisdictions but will consider whether there is merit in responding to the EFRAG draft endorsement advice. • The IASB TRG has not formally been discontinued but no future meetings have been planned. The IASB is monitoring for submissions and will assess whether the IASB TRG should continue to operate. • Other jurisdictions have IFRS 17 discussion groups which operate in a similar manner to the AASB TRG. Members agreed with the recommendation for AASB staff to continue to engage with other national standard setters and will raise any issues on IFRS 17 implementation with them where appropriate. 	
<p>Update from the Actuaries Institute Taskforce</p>	<p>ATT3</p>
<p>The Chair of the Actuaries Institute Taskforce ('Taskforce') provided an update on the key activities of the Taskforce:</p> <ul style="list-style-type: none"> • Over the last year, the Taskforce has been focussed on engaging with APRA as part of APRA's outreach on integrating AASB 17 in the reporting and capital frameworks. • A number of working groups have been set up which include reinsurance and reporting and variable fee approach (VFA). Draft reports have been submitted to APRA and the working groups stand ready to work with APRA and the industry on future challenges or questions that may arise. • There is a separate working group on the implementation of the International Actuaries Association (IAA) guidance on IFRS 17. The aim of the working group is to ensure that the transition to the new guidance is efficient and transparent. <ul style="list-style-type: none"> ○ A member asked about whether feedback on the guidance will be obtained from members of the Taskforce. The Chair of the Taskforce responded that the working group will produce a draft guidance which will be shared for feedback. • The Taskforce will be updating its AASB 17 Information Note in January to allow for the updated Standard. <p>A representative of the reinsurance and regulatory working group provided an update on the activities of the working group (ATT3):</p> <ul style="list-style-type: none"> • The working group was initially established to focus on reinsurance matters but its scope was subsequently expanded to consider certain topics which also impact direct business. • The working group has identified 6 topics for consideration. The working group prioritised Topics 1, 2 and 4 in order to support APRA's work on developing the QIS. • The working group representative summarised the topics and issues discussed by the working group – refer to <i>Slide 3</i>. • A member asked if the Taskforce or the working group was planning to submit a response to APRA on the discussion paper and the QIS. The Chair of the Taskforce noted that the Taskforce has been 	

engaging closely with APRA as part of its outreach but considered that it could be beneficial to submit a formal response to APRA.	
AALC update	ATT4
<p>The Chair of the AALC provided an update on the activities of the AALC:</p> <ul style="list-style-type: none"> • <i>Slide 2</i> – The main objective of the AALC is to provide a forum for the insurance industry to discuss areas of interest. • <i>Slide 3</i> – The AALC is made up of approximately 22 members which include representatives from the Big 4 accounting firms and life, general and health insurers. Membership includes both accountants and actuaries. Guests are welcome to attend meetings as required. • <i>Slide 4</i> – summarises the recent topics discussed which includes topics that are unrelated to AASB 17. Many topics are discussed at the AALC prior to submission to the AASB TRG for discussion. 	
VFA focus group	ATT5
<p>The co-ordinator of the VFA focus group provided an update on the focus group:</p> <ul style="list-style-type: none"> • The focus group was formed by the AASB TRG to provide a forum for communication and support preparers on VFA specific topics or issues. • The group includes participation from the Big 4 accounting firms. • Refer to ATT5 for details of membership composition and a summary of the issues/topics being discussed by the group. • A paper on revenue presentation prepared by the VFA focus group was tabled for discussion at the last AASB TRG meeting on 24 September 2020. • Two papers on ‘cohorts required on transition’ and ‘modifications’ were subsequently drafted and discussed. These will be tabled at the AASB TRG once finalised by the working group. • The working group is currently discussing two topics on VFA eligibility where interpretation uncertainty has been identified: 1) transition relief for VFA and 2) impact of mutualisation cash flow on VFA eligibility. 	
Private health insurance (PHI) focus group	ATT6
<p>The co-ordinator of the PHI focus group provided an update on the focus group:</p> <ul style="list-style-type: none"> • The membership of the focus group includes accounting and actuarial representatives from PHI and the Big 4 firms. • The focus group has had two fortnightly meetings. • Refer to <i>Slide 2</i> for a summary of the topics discussed and/or planned for discussion. The focus group aims to complete discussions on those topics and table papers at the AASB TRG by June 2021. 	
Update on approach for public sector entities	N/A
<p>A staff member of the AASB provided an update on the work in relation to AASB 17 for public sector entities.</p> <ul style="list-style-type: none"> • AASB staff have been conducting targeted outreach with public sector stakeholders (including New Zealand stakeholders) and are reviewing the feedback received on the AASB Discussion Paper <i>Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities</i> issued in November 2017. • The AASB is expected to deliberate issues early next year. 	

TRG Minutes

- The AASB TRG will be provided with an update on progress and will also be consulted for feedback at a later stage.

AOB

The AASB will continue through 2021 with an expected four meetings. Dates will shortly be notified to members.

End Meeting

TRG Minutes

Participants	Organisation
<i>TRG members</i>	
Anne Driver (Chair)	Deloitte
Cassandra Cope	HCF
Brendan Counsell	EY
Anna Donoghoe (on behalf of Regina Fikkers)	PwC
Jennifer Dwyer	Medibank
Jane Clifford (on behalf of Fehraz Fallil)	iCare NSW
Karen Foo	Victoria Department of Treasury and Finance
Roslyn San Gil (on behalf of Scott Hadfield)	PwC
Peter Grant	Insurance Australia Group (IAG)
Chris Maher	AMP Life/Resolution Life
Louise Miller	Suncorp
Aidan Nguyen	Financial Services Council
Brett Pickett	TAL/Chair of the Institute of Actuaries IFRS 17 Implementation Task Force
Grant Robinson	AMP Life/Resolution Life/Institute of Actuaries IFRS 17 Implementation Task Force
David Rush	Institute of Actuaries IFRS 17 Implementation Task Force
Rob Sharma	APRA
Victoria Smith	QBE
Warwick Spargo	RSM
Paul Stacey	Insurance Council of Australia
Leong Tan	Swiss Re
Ciara Wasley	NIB
Leann Yuen	KPMG/Co-Chair of the Accounting & Actuaries Liaison Committee (AALC)
<i>Guests and guest speakers</i>	
Abhijit Apte	Suncorp
Carol Cao	Swiss Re
Yeok Cheong	APRA
Martin Considine	Challenger
Graham Duff	AMP Life/Resolution Life
Julius Fauré	Deloitte
Quang Binh La	ASIC
Geoff Leeman	Swiss Re
Tom Moodie	Deloitte
Doug Niven	ASIC
Jun Oh	APRA
Rachel Poo	QBE
Magda Roos	Swiss Re
Marion Smith	EY
Richard Sheridan	IAG
Wynne Tan	AIA
Angus Thomson	QBE/AASB Consultant
George Thwaites	Littlewoods Services
<i>AASB representatives</i>	
James Barden	AASB staff
Patricia Au	AASB staff