Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Insurance Contracts**	**Meeting**	AASB October 2017 (M160)
Topic:	**Meeting Minutes: Insurance PAP September 2017 meeting**	**Agenda Item:**	8.4
Contact(s):	Kris Peach kpeach@aasb.gov.au 03 9617 7615 Paul Ruiz paul.ruiz@tuecal.com James Barden jbarden@aasb.gov.au 03 9617 7643	**Project Priority:** **Decision-Making:** **Project Status:**	High High Discussion paper

1 AASB Staff held a meeting with the Insurance Project Advisory Panel on 19 September 2017 to seek the panel's views on the Australian-specific modifications to AASB 17 proposed in agenda papers 8.1-8.3. A summary of feedback on specific matters for comment given to the panel is provided below for the Board's information.

2 Staff note that no action is required from Board members in relation to this paper. This summary is intended to provide further information to the discussion of the Insurance PAP in paragraphs X to X of agenda item 8.0 (Cover Memo).

Table 1: Attendance (at commencement of teleconference):

Kris Peach	AASB
Paul Ruiz	AASB
James Barden	AASB
Anne Driver	QBE
David Rush	KPMG
Warwick Spargo	RSM Bird Cameron
Damian Bamford	Lifetime Support Authority - SA
Wayne Cannon, on behalf of Arie Van den Berg	QLD Treasury
Karen Foo	Department of Treasury and Finance (VIC)

Su-Lin Macdonald	NSW Treasury
Nick Kirwan	Financial Services Council
Tommy Kiang	Insurance Council of Australia
Stefan Kitanoski	VAGO
Rob Sharma	APRA
Regina Fikkers	AASB/PWC

Table 2: Summary of specific matters for comment

Q1 Do panel members agree there is inconsistency in the accounting for insurance-like arrangements in the NFP public sector?	The majority of Panel members agree that there is inconsistency on which accounting Standards are currently being applied to public sector insurance-like schemes
Q2. If so, do panel members agree with the AASB's approach to capture 'insurance-like' arrangements, as opposed to capturing contract-only or all statutory arrangements (eg Medicare)?	The Panel members had mixed views on whether the boundaries of AASB 17 should be extended to include statutory arrangements, however, the majority supported that there should be consistency between schemes in the public and private sector that had similar economic outcomes. Some members were particularly concerned about where the boundary between insurance-like arrangements and all social-benefits should lie. There was general agreement that Medicare was appropriately not scoped in, but differing views on whether other schemes such as NDIS should be scoped in, and the extent to which that scheme differed from Medicare.
Q3. With regard to the criteria for identifying whether an arrangement is 'insurance-like', set out in paragraph E13, do panel members:	
(a) believe the criteria sufficiently covers criteria for identifying 'insurance-like' arrangements;	Panel members were overall supportive of the criteria. The majority noted it could be made clearer that the source of funding being entirely from the beneficiaries would be a strong indicator that a scheme is insurance-like, however the absence of that funding from beneficiaries was not necessarily an indicator of a scheme not being insurance-like. A minority of members thought source of funding should be a key driver of insurance like, and that it needed to have some form of different premiums to beneficiaries based on their risk profile. Other members noted that community rating schemes exist where there is cross subsidisation in the private sector. Staff propose to make amendments to the draft guidance section of

	the discussion paper to better reflect this, as it is more clearly explained in the BC section of the DP.
(b) identify any criteria that may have been omitted from the draft.	Panel members suggested whether the *intention* of the scheme would be an indicator of being 'insurance-like', however Staff noted that intention is not usually used as an indicator for determining liabilities, and that some of the criteria used are surrogates for intention to manage on an insurance like basis (eg separate entity, separately identified assets and liabilities)
Q4. With regard to coverage period and boundary of the insurance contract (paragraphs BC37 to BC44, do panel members agree with the conclusion that no modifications to AASB 17 are required?	Panel members did not raise concern on this issue. However, it was noted that additional guidance may be needed to make sure that any insurance like arrangements are not automatically going to need to apply the general insurance method. The general insurance method is seen as imposing significantly greater costs than the simplified approach, and there needs to be an assessment of whether the simplified approach is appropriate and/or necessary for the insurance like schemes. Some members also noted they were not convinced that additional guidance on the risk margin should be included and that they did think it might be possible to have a zero risk margin on insurance like schemes.
Q5. Are panel members aware of any other NFP public-sector issues that should be addressed by the AASB?	One panel member was concerned with the cost/benefit of public sector entities being required to apply AASB 17. The panel member was concerned that transition costs would lead to increased premiums for beneficiaries, or if costs were observed by the public sector entity, solvency issues would arise. Other members noted that changes to accounting liabilities do not necessarily have to lead to changes in solvency determined premiums. Staff note this is an issue employers with superannuation defined benefit schemes currently face.
Q6. Are panel members aware of any issues pertaining to superannuation entities with insurance obligations?	No panel members were aware of consolidation issues with entities that apply both AASB 1056 and AASB 17. Panel member commented that the single known entity the AASB was concerned may have this issue was in fact not structured in a way that it would be required to consolidate the insurance entity.

Q7. Do panel members agree with the conclusions drawn in the examples? If not, why not?	Panel members were generally supportive of the conclusions with the exception of the JKL example (disability support insurance). Panel members were unsure that the criteria were met in criteria (f)[1], relating to the entity reviewing revenue and benefits provided on a periodic basis.
Q8. Do panel members have any comments on whether these disclosures should remain?	Panel members were of the view that the disclosures were no longer required, and that AASB 17 and other Standards sufficiently required any useful disclosures. The APRA representative confirmed that APRA did not require any of these disclosures. It was also noted that APRA will undertake work on its disclosure requirements eventually and would therefore be happy to see any further feedback on this topic.

[1] Extract from draft analysis of arrangements (paper 1.2). The fact pattern to assess the below is: JKL provides funding and support for people with disabilities. Participation is available to people under 65 years of age with significant and permanent disability who meet residency requirements. Participants develop plans that meet their support needs and services, that are provided by third parties and paid for by JKL. There is a set amount payable to JKL per person that is eligible under the legislation, which is periodically altered. The premium payable to JKL does not depend on specific services being provided to the beneficiaries. The beneficiary identifies the services they require to be funded by the levy. JKL does not have a right to veto the decision as to services provided to the beneficiary.

	Criteria	Comments
f)	The entity reviews (and, where necessary, adjusts) revenue (which may be in the form of premium, contributions by the government or other public sector entities, or levies) and/or benefits provided on a periodic basis, with the aim that the arrangement is substantially self-funded.	Criteria met –the risks to funding are addressed in the annual report which notes the continued existence of the arrangement is dependent on Government policy and agreements with states and territories.