



QBE

Insurance
Group

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Ms Kris Peach
Chair
Australian Accounting Standards Board
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Dear Kris

Re: ED 295 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

QBE Insurance Group Limited (QBE) is an Australian-based public company listed on the Australian Securities Exchange. QBE is Australia's largest international insurance and reinsurance company with operations in 27 countries and territories.

QBE's main interest in this topic, and the focus of our submission, is financial reporting by wholly-owned subsidiaries of a listed Group.

In general, QBE concurs with the recommendations set out in ED 295 i.e. that the Simplified Disclosure approach is preferable to the existing Reduced Disclosure Regime (RDR) for Tier 2 General Purpose Financial Statements. However, we consider there is further scope for reducing disclosure requirements for some types of entity, in particular, wholly-owned subsidiaries of a listed Group.

In terms of General Purpose Financial Statements, unless a wholly-owned subsidiary is a borrower, the focus of users who are interested in QBE's business is the consolidated QBE Group's financial statements, not the financial statements of QBE's wholly-owned subsidiaries.

QBE's proposed approach for wholly-owned Australian subsidiaries of listed Groups is to require full application of the recognition and measurement requirements of Australian Accounting Standards, retention of the consolidation exception in AASB 10 and very limited disclosure requirements. Any requirements in excess of minimal disclosure could add a significant cost burden for preparers and would not benefit users. QBE comments further on this matter in responding to ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

We are happy to discuss and further clarify the points raised in this letter. Please contact Anne Driver on anne.driver@qbe.com for coordination of further input.

Yours sincerely,

Joan Cleary
Group Financial Controller



Appendix 1 – Specific matters for comment (questions 1 to 12)

We generally agree with the proposals, subject to our comments below.

We agree with using the *IFRS for SMEs* as a basis for identifying the level of simplified disclosures.

We also agree with not adopting the *IFRS for SMEs* itself because we have a strong preference for:

- a) the simplified disclosure requirements being consistent with the disclosure requirements of the full set of Australian Accounting Standards; and
- b) ensuring that the same recognition and measurement requirements are applied.

We consider that consistency across the financial reporting spectrum, to the extent feasible, helps users to readily understand the financial statements of a potentially wide range of entities.

In respect of wholly-owned subsidiaries that have no material borrowings, we suggest a reduced level of disclosure than the level the AASB has identified by applying the *IFRS for SMEs*, which has been designed for stand-alone reporting entities (i.e. entities which are not part of a Group). Wholly-owned subsidiaries that do not have material borrowings are not stand-alone entities; as such, the focus for users is the consolidated Group financial statements. Accordingly, we consider that there is scope for further disclosure reduction for wholly-owned subsidiaries and believe this should be addressed in the current AASB project. We note this has been recognised by the IASB, which has launched a project on subsidiaries that are SMEs.

Comment on question 3 (e)

We do not agree with retaining any of the disclosures from the *IFRS for SMEs* that are not currently required under the RDR framework or Australian Accounting Standards. This would appear to undermine the concept of the proposed Tier 2 framework. It might also create issues in sourcing the additional information given that Tier 2 subsidiaries would generally need to create new systems to capture the information and it could be difficult and costly for the Tier 2 subsidiaries to do so, particularly since the disclosures are additional to those provided by their Tier 1 parents.

Comment on question 11

Our preference is for an effective date for reporting periods on or after 1 July 2021. This would allow time for preparation of comparative information which we consider would provide users with improved information.

Appendix 2 – General matters for comment (questions 13 to 17)

We do not have any issues with the way in which the ED 295 proposals have been developed and believe that the proposals will result in general-purpose financial statements being more useful to users and are in the best interests of the Australian economy.

Except for the issue outlined in specific matters above, we do not envisage these requirements adding materially to costs. However, we have a keen interest in seeing whether any further efficiencies will be developed in the context of the project on subsidiaries that are SMEs.