



Meeting information

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

10 October 2024

2 pm – 3.15 pm

Objective:

- The TRG-retrospective and future
- Update from APRA on reporting and prudential standards and APRA Connect
- Update on the AASB TRG and public sector focus group
- Industry papers discussion:
 - Business combinations under common control
- IFRS 17 Post Implementation Review
- Update from AALC
- AOB

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	
Welcome and introduction by AASB TRG Chair (“The Chair” hereafter).	
The TRG-retrospective and future	
<ul style="list-style-type: none"> • The Chair noted this is the last scheduled meeting of the TRG and recognised the substantial contributions of TRG members. • The Chair noted that over the past seven years of the TRG, many papers had discussed. Specific papers, including those on coverage units and premiums receivable were highlighted as particularly impactful. Participants shared their experiences and called out specific papers that have been frequently referenced and useful. • Various focus groups, including private health insurance and reinsurance, have contributed significantly to the TRG's work. These groups have been instrumental in addressing industry-specific issues and providing valuable insights. • The Chair acknowledged the contributions of various individuals and organisations, including the AASB Chairs, Ms Kris Peach and Dr Keith Kendall and the volunteers who had taken minutes of the TRG meetings. The crucial role of AASB staff in supporting the TRG's efforts was emphasised. • The Chair encouraged TRG members to continue collaborating and leveraging existing forums like the AALC for future discussions. • AASB Technical Director Helena Simkova expressed gratitude to the TRG members and the TRG Chair on behalf of AASB Chair Dr Keith Kendall. • The establishment of the Insurance Advisory Panel (name TBC) was announced, which (among other things) will support the AASB when the post-implementation review of IFRS 17 is conducted. 	

Topic	Agenda paper
Update from APRA on reporting and prudential standards and APRA Connect	
<ul style="list-style-type: none"> • Engagement with the industry has been ongoing, including a recent APRA Connect survey. 26 respondents from the insurance industry provided feedback, with two clear requests emerging: <ol style="list-style-type: none"> 1. Cross-form validation rules: <ul style="list-style-type: none"> ○ Industry members expressed a strong desire for cross-form validation rules, similar to those previously available in the direct to APRA (D2A) portal. ○ Specific examples of forms were provided, and this feedback was also echoed by regulatory specialists during separate engagement efforts. 2. Batching Forms into Returns: <ul style="list-style-type: none"> ○ The industry expressed dissatisfaction with the current individual form submission requirement, preferring the grouping approach used in D2A. <p><u>Next Steps and Resourcing</u></p> <ul style="list-style-type: none"> • APRA will begin implementing cross-form validation rules and allocate resources accordingly. • A smaller proof-of-concept project is underway to explore the feasibility of batching forms into returns. This will assess whether APRA Connect’s technology can support this functionality without performance issues. • APRA is committed to continuous improvement and ongoing industry engagement. • Once the cross-form validations and potential form batching are implemented, APRA will re-engage with the industry to gather feedback on whether these updates meet expectations and if further improvements are required. 	
Update on Public Sector Focus Group	ATT1
<ul style="list-style-type: none"> • The last Public Sector Focus Group meeting was held in February 2024. • The main topic raised related to challenges in determining the risk adjustment for non-financial risk. Specific issues include how explicit and implicit government guarantees factor into the risk adjustment calculation. This topic is expected to be a major agenda item at the next Focus Group meeting. • Certain entities managing multiple funds are facing scope-related issues. Some of these funds fall clearly under the scope of AASB 17, while others do not. Entities are generally seeking to handle all funds consistently, either all within or all outside its scope, for operational simplicity. • Discount rates and expense allocation were also raised but are not considered unique public sector issues. • The Public Sector Focus Group will continue operating given that AASB 17 applies to public sector entities from 1 July 2026. 	
Industry papers discussion: Business combination	ATT2
<ul style="list-style-type: none"> • IFRS 3 <i>Business Combinations</i> (IFRS 3) does not apply to a business combination of entities or businesses under common control (BCUCC) [IFRS 3.2(c) and B1]. Accordingly, an acquirer can choose to apply the acquisition method under IFRS 3 or an alternative approach, which would typically involve using the predecessor carrying amounts of the acquiree. 	

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<ul style="list-style-type: none"> • IFRS 17 <i>Insurance Contracts</i> (IFRS 17) paragraph B93 requires an entity acquiring insurance contracts issued in a business combination to be accounted for as if it had entered into the contracts on the date of the transaction. Liabilities for incurred claims are regarded as giving rise to liabilities for remaining coverage under IFRS 17.B5. That is, they become adverse development coverage liabilities. • This paper identifies three potential views of an acquirer’s accounting when it uses predecessor carrying amounts of the acquiree in a BCUCC. <ul style="list-style-type: none"> ○ View A: IFRS 17.B5 does not apply in a BCUCC when an acquirer uses predecessor carrying amounts of the acquiree. The use of those predecessor carrying amounts means also using the predecessor recognition and classification of an acquired liability for incurred claims. ○ View B: IFRS 17.B5 applies in a BCUCC when an acquirer uses predecessor carrying amounts of the acquiree. The use of those predecessor carrying amounts means reclassifying an acquired liability for incurred claims as a liability for remaining coverage measured at the carrying amount of the acquired liability for incurred claims. ○ View C: Either View A or View B is acceptable. • It was noted that the TRG does not provide authoritative guidance and entities are encouraged to reach out to their auditors and advisors. The majority of attendees expressed a preference for View A, but there was also an openness to View C where either approach could be valid depending on circumstances. 	
Update on Post-Implementation Review	
<ul style="list-style-type: none"> • The International Accounting Standards Board (IASB) has not officially begun its Post Implementation Review (PIR) research phase, however, presentations and research papers from various jurisdictions are already being submitted to identify areas of concern. • It was noted that the Canadian Accounting Standards Board (CASB) has conducted research into the issues encountered under IFRS 17. A key concern they have raised relates to contracts acquired in their claims settlement period. The CASB sought the views of analysts in Canada, who have reviewed the cost-benefit of the current approach and found the information generated is potentially confusing, and CASB is urging the IASB to review this area. The Canadian findings align closely with the concerns raised in the Australian market and previously noted to the IAB. Click here to read the paper. <p>Next Steps:</p> <ul style="list-style-type: none"> • The AASB could usefully reprise its Research Report No. 18, which canvassed intended accounting policy choices available in AASB 17, with similar questions that seek to identify the accounting policy choices actually made by Australian insurers in applying AASB 17. • The AASB will convey to the IASB the Australian industry PIR findings so far and, at the same time, monitor issues being raised globally. 	
Update from AALC	
<p style="text-align: right;">ATT3</p> <ul style="list-style-type: none"> • At the last Accountants’ and Actuaries’ Liaison Committee (AALC) meeting, a question was raised regarding the treatment of catastrophe bonds and how investors view them under AASB 17. There was no formal paper on the issue and no conclusion was reached during the session, but the topic was flagged for future exploration. 	

TRG Minutes

Topic	Agenda paper
<ul style="list-style-type: none"> • Changes being made by APRA were noted as relevant topics to be raised in a future AALC meeting. • The industry paper related to business combinations under common control (refer paper discussed at TRG above) may also be included in future discussion. • All participants were encouraged to bring relevant topics or papers forward for future AALC meetings. 	
<p>AOB</p>	
<p><u>AASB Events</u></p> <ul style="list-style-type: none"> • AASB-IASB Q&A session on IFRS 18: <i>Presentation and Disclosure in Financial Statements</i> <ul style="list-style-type: none"> ○ Held in Melbourne, Sydney and virtually on 30 and 31 October. • AASB Research Forum "Accounting and Reporting in Changing Times." <ul style="list-style-type: none"> ○ Held November 6th, 2024, in Sydney and virtually. • IASB Educational Sessions on the New Equity Method ED <ul style="list-style-type: none"> ○ Held 17 October 2024 from 4:30pm to 6:00pm AEDT. • Post-Implementation Review (PIR) on AASB 1060 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities</i> (AASB 1060) <ul style="list-style-type: none"> ○ The PIR will begin in 2025. ○ The AASB will ask for feedback on: <ul style="list-style-type: none"> ▪ Importance of IFRS compliance for subsidiaries. ▪ Whether AASB 1060 should be replaced with the IFRS standard for subsidiaries without public accountability. ○ The delay in PIR is due to the IASB postponing its project on <i>IFRS for SMEs</i>, which was used as the basis for AASB 1060. The PIR will begin once the <i>IFRS for SMEs</i> updates are finalised to align any changes with AASB 1060. • Research on Cash Flow Statements <ul style="list-style-type: none"> ○ The AASB is conducting research on cash flow statements and seeking to interview preparers and auditors for approximately 45 minutes. ○ The objective of this project is to understand challenges in preparing cash flow statements and improve their usefulness for users. ○ The research findings will be shared with the IASB as part of their project on cash flows. 	
<ul style="list-style-type: none"> • End Meeting 	

Attendance

Members

Anne Driver (Chair)
Elaine Hultzer
Angela Rezitis (alternate for Cassandra Cope)
Brendan Counsell
Jennifer Dwyer
Anna Donoghoe (alternate for Scott Hadfield)
Stephen Connors
David Rush
Frank Saliba
Greg Matsin (alternate for Rob Sharma)

Rhian Saunbury (alternate for Rachel Poo)
Warwick Spargo
Leong Tan
Leigh Korbus
James Richardson

Apologies

David Daniels
Ciara Wasley
Toby Langley
Sian Mueller
Tom Lunn
Jennifer Dwyer
Leann Yuen

Other presenters

Angus Thomson
Katie Wingrove

Secretary

David Ji

AASB Staff

Helena Simkova
Eric Lee
Jia Wei