



Private Health Insurance Focus Group (“PHI FG”)

AASB 17 TRG Meeting 14 September 2022

Presenter
Anna Donoghoe



Private Health Insurance Focus Group

- A focus group of the AASB TRG
- The purpose and function is to provide a forum for communication and discussion of PHI specific topics or issues
- Preparers will drive problem statements for discussion, and where such problems may be deadlocked, the focus group can facilitate discussions with the AALC and AASB 17 TRG

Membership	Role
HCF, HBF, BUPA, Medibank, Teachers Health, NIB, GMHBA, Australian Unity, Finity Consulting	Preparers
Big 4 participants and Grant Thornton	Provides input
Anne Driver	Chair of the AASB TRG
Anna Donoghoe	Co-ordinator

Status of previous papers and discussions:

Issue/topic	Status
Contract boundary	Tabled in March 2021 AASB TRG Meeting
Level of Aggregation / Portfolios	Tabled in March 2021 AASB TRG Meeting
Onerous contracts	Tabled in March 2021 AASB TRG Meeting
Risk equalisation scheme	Tabled in June 2021 AASB TRG Meeting
PAA Eligibility	Tabled in June 2021 AASB TRG Meeting
Annual cohorts	Final draft circulated
Premium reduction scheme	Tabled in September 2021 AASB TRG Meeting
Business combinations	Tabled in September 2021 AASB TRG Meeting
Contractual cashflows and insurance service result	Tabled in March 2022 AASB TRG Meeting
Risk adjustment	Tabled in the December 2021 AASB TRG Meeting as a broader industry paper



Private Health Insurance Focus Group

September 2022 Update

Treatment of Deferred Claim Liability (DCL) and give-backs now and under AASB 17

- The DCL has been recognised on PHIs balance sheets since June 2020 to recognise insured events that policyholders were unable to obtain due to Covid-19 lockdowns and the suspension of non-urgent surgeries.
- AASB TRG – PHI Focus Group was leveraged to provide input into the possible treatments of DCL under AASB 17 – this discussion also touched on treatment of existing DCL under current accounting standards (generally AASB 1023) given it was still a relevant topic for PHI.
- There has been general agreement that the anticipated treatment under AASB 17 will be:
 - Liability for Incurred Claims (LIC) will include claims that have occurred based on the contractual arrangements and the claims that occur in each of the coverage years (i.e. are within the contract boundary).
 - On that basis, there is no DCL under AASB 17 and the DCL will likely be a transitional adjustment.
 - There is recognised complexity in how give-backs being provided by PHI will be accounted for under IFRS 17, and this will come down to the underlying terms and conditions of each give-back.
 - We are sharing these discussion points to urge PHIs to reach out to their auditors and, if relevant, AASB 17 advisors to ensure they are aligned in approach.
- Separately, all PHIs still need to consider the ACCC requirement that they do not profit from Covid-19 and as such PHI will need to demonstrate how this requirement is being satisfied (e.g. via claims rebound, give backs, changed terms or benefits, lowered premiums etc)

Upcoming discussions and actions

- Financial statement proforma accounts and approach to disclosures
- Practical application of 'facts and circumstances' for onerous contract grouping under PAA

