



**Actuaries  
Institute**

# Insurance Contracts Accounting Standard AASB 17

Workshop

3 April 2018

# Agenda today

Indicative Time	Section	Content	Who
9:00 – 9:15am	Introduction		Ian Laughlin
9:15 – 9:30am	Work of other bodies	<ul style="list-style-type: none"> <li>Update on work of other bodies</li> <li>Challenges in reaching a definitive position</li> </ul>	Brendan Counsell and Anne Driver
9:30 – 9:45am	Comments from other bodies	<ul style="list-style-type: none"> <li>APRA</li> <li>AASB</li> </ul>	Adrian Rees Janri Pretorius
9:45 – 10:10am	Core Requirements	Aggregation; Contract Boundary; Contract modification; Derecognition	Francis Beens
10:10 – 10:30am		Current estimates; Contractual service margin; Onerous contracts	Grant Robinson
10:30 – 10:45am		Risk adjustments; Discount rate	Brett Pickett and Andrew Scott
10:45 – 11:00am		Break	
11:00 – 11:20am	Variations to Core Requirements	PAA	Brendan Counsell
11:20 – 11:35am		VFA	David Rush
11:35 – 11:45am		Reinsurance	Andrew Scott
11:45 – 12:15pm	Presentation	Statements; Disclosure; Transition	Briallen Cummings
12:15 – 12:45pm	Commercial Implications	Panel discussion	Anne Driver, Briallen Cummings and Lisa Simpson
12:45 – 1:00pm	Close	Conclusions and next steps	

# TF and IN

- **Purpose of Workshop**
- **TF so far**
- **Purpose of IN**
- **Current status of IN**
- **Your Input**

# Work of other bodies

- **Update**
- **Resolving issues**
- **Comments from APRA**
- **Comments from AASB**

# IFRS 17 and the role of the TRGs

Anne Driver

# AASB 17 has an application date of 1 Jan 2021 and requires comparatives

- IASB TRG
- AASB TRG
- Current AASB TRG areas of focus



# IASB TRG – who they are and why we care!

**IASB TRG is implementation support for IFRS 17. The TRG cannot make changes to the standard. The TRG informs the IASB who have the option to (1) provide more education support (2) refer matters to IFRIC and (3) change IFRS 17 – a high bar.**

*The preparers*  
*The auditors*

Allianz (EU), AXA (EU), Generali (EU), Aviva (UK/EU), AIA (HK), Samsung Life (Korea), Sun Life (Canada), China Life (China), QBE (Australia)

KPMG (EU), EY (UK), Deloitte (HK), PwC (UK), BDO (EU), Grant Thornton (UK/EU)

*The IASB*

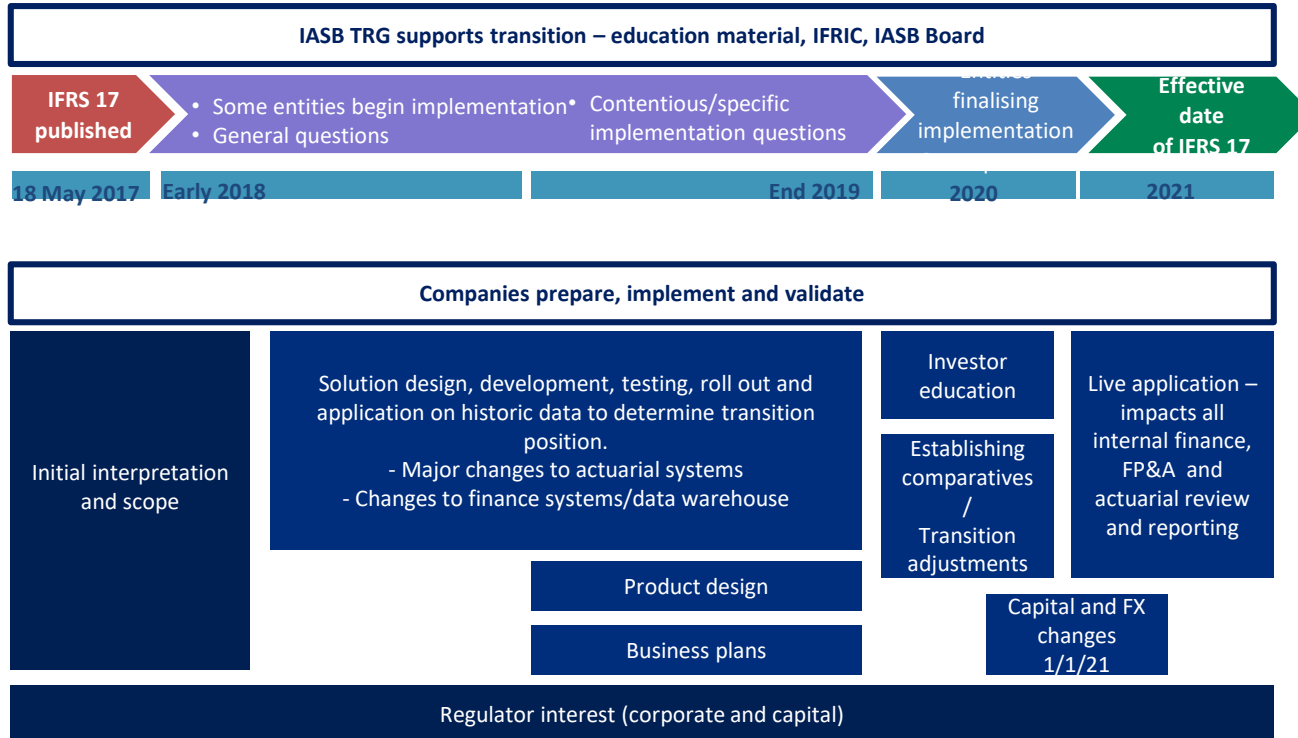
Board members - Sue Lloyd, Darrel Scott, Martin Edelman (Chair of TRG)  
Supported by IASB staff lead by Andrea Pryde

*The official  
observers*

International Actuarial Association, International Organisation of Securities Commissions,  
International Association of Insurance Supervisors

*The rest*

Can attend in person. Live webcast. Minutes and papers on IASB website.



# AASB provides a transparent forum to support the Australian insurance industry through transition

- Established by the AASB
- Will run concurrent with the IASB TRG
- Review papers issued by the IASB TRG
  - AASB TRG meets to discuss papers
  - Allows local increase of understanding of the issues
  - Allows a broader view to be presented to the IASB TRG
- Review local issues with IFRS 17 implementation/interpretation
  - Insurance Council of Australia
  - Contract boundary/AALC
- Can also deal with localised issues and interpretations to assist Australian users e.g. for local products
- Transparent and leverages great market experience

# AASB TRG – our forum!

**AASB TRG is implementation support by AASB for AASB 17. The TRG provides a public forum for stakeholders to follow discussions on implementation issues. Stakeholders can submit questions related to AASB 17 interpretation. This TRG informs the AASB on actions they may need to take including referral to the IASB and education support.**

*The preparers*

Suncorp, IAG, QBE (Chair), AMP, Swiss Re, iCare, Department of Treasury and Finance (Vic), HCF, NSW Treasury, Pacific Life re, QLD Treasury

*The auditors*

KPMG, EY, Deloitte, PwC, NSW Audit office

*The AASB*

AASB Board members – Regina Fikkers, Andrew Kearnan

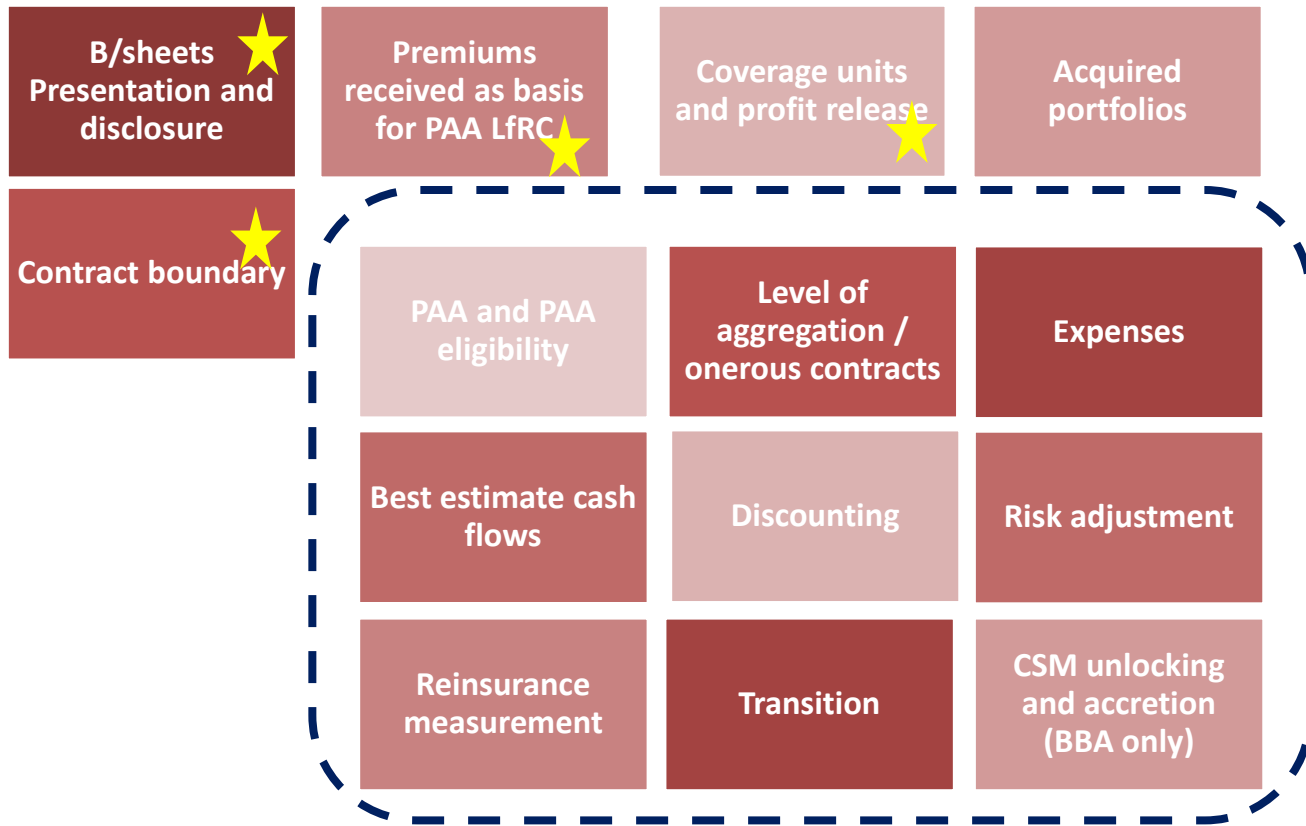
*Other interested parties*

ATO, NZASB, ICA, FSC, Analyst, Non-Exec Director, IAA, APRA, Advisors

*The rest*

Can attend in person or dial in. Minutes and papers on AASB website.

# AASB TRG – current and expected future topics



# “Why can’t I just have the answer?”

Reaching a definitive position on interpretations is challenging for many reasons:

- IFRS 17 is an international standard covering *all* insurance contracts.
  - **Everybody is starting from a different base.**
- Rightly or wrongly, **many stakeholders focus on outcomes** which can result in a diversity of views.
- While the IASB had a *very* long consultation process before IFRS 17 was issued, **this was possibly counterproductive**:
  - many had disengaged by the time the Standard was being finalised.
  - now that the Standard has been issued, the IASB is reluctant to make changes.
- The IASB is predominantly comprised of accounting specialists, not insurance specialists:
  - **We need to communicate issues to them in “their language” .**
  - The AASB is helping us with this.
- **The IASB does not interpret the Standard.**
  - IFRIC can provide interpretations
  - However IFRIC has only issued 23 interpretations since 2004 across all accounting standards!

# Example of process – contract boundaries

- Diverse range of views, potentially a number of products and organisations affected.
- Many arguments supporting both sides of the debate, however:
  - Should be clearly articulated with minimal use of insurance-specific jargon.
  - Should be supported, where possible, by wording in the Standard and related IASB materials.
  - Should focus on underlying principles first, then apply to specific “fact patterns” (e.g. YRT, health), not vice versa.
- AASB TRG has submitted a paper on contract boundaries submitted to IASB TRG for May meeting:
  - Summarises contentious points into four specific interpretive questions.
  - Sets out support for alternative views, based on the Standard.
  - Indicates questions for which the AASB TRG broadly supported a particular view (2 of the 4 questions).
  - Applies interpretative questions to 3 fact patterns (YRT, health, CTP) and considers possible contract boundary outcomes.
- The paper is available here: [http://www.aasb.gov.au/admin/file/content102/c3/IASB\\_TRG\\_Submission-Contract\\_boundary\\_for\\_Australian\\_insurance\\_products.pdf](http://www.aasb.gov.au/admin/file/content102/c3/IASB_TRG_Submission-Contract_boundary_for_Australian_insurance_products.pdf)

# International Actuarial Association

- International Standard of Actuarial Practice 4 (ISAP 4)
- International Accounting Committee
  - Communication with Australian Actuaries Institute representatives
- Development of International Actuarial Note (IAN)
  - Actuarial guidance for member associations
  - 16 chapters, topics broadly aligned to Australian IN
  - 12 of 16 chapters have been released in draft to IAA members
  - Feedback sought by 18 May.



# Comments from APRA

# Comments from AASB

# Core Requirements

# Core Requirements

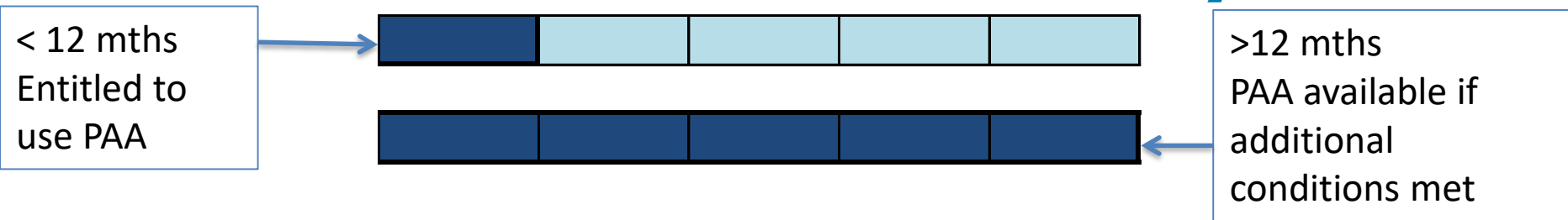
## Aggregation, Contract Boundary, Modification, Derecognition

- Do the two chapters (chapter 2 and chapter 10) covering these work for you?
  - Readable?
  - Cover relevant topics in sufficient detail?
  - Is the relationship to AASB 17 clear?

# Aggregation – portfolios and groups

- **Portfolios:** *subject to similar risks and managed together*
  - (For the actuaries) Is your company / client expecting you will be involved in setting portfolio definitions?
  - Have you considered your portfolios in light of the draft IN?
  - Do you have enough information to assign contracts to portfolios?
  - Do you foresee any issues with particular products / types of insurance
  - Would any further guidance be helpful?

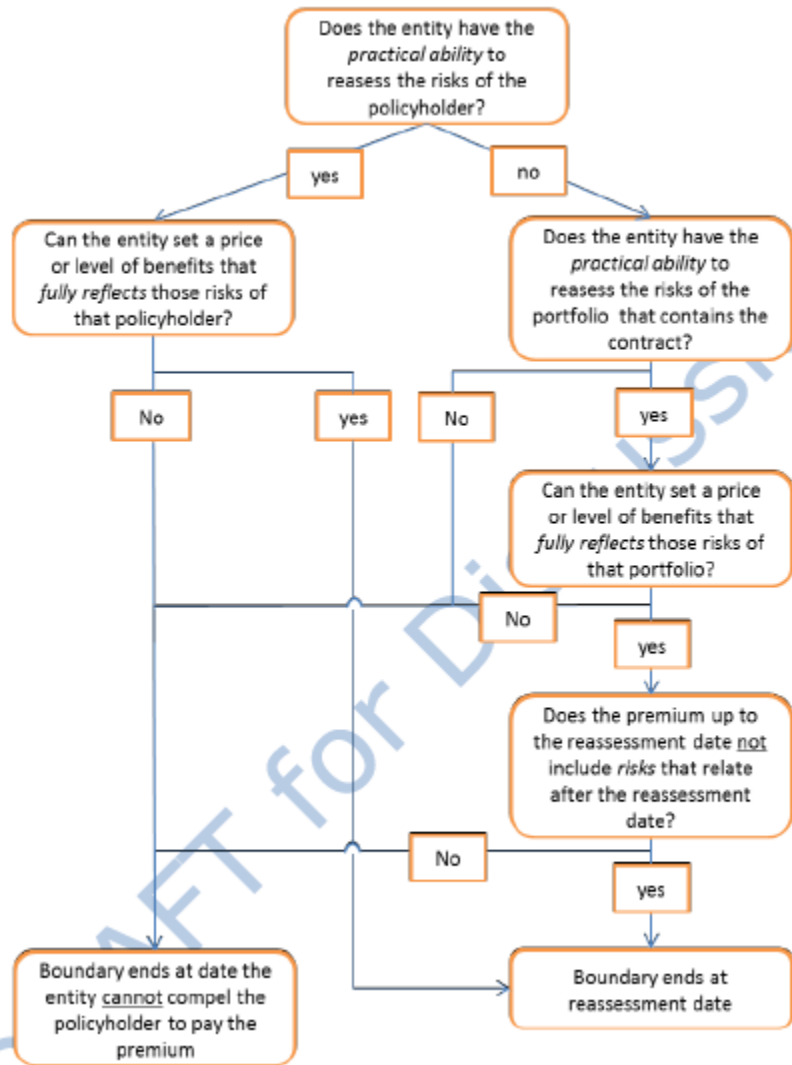
# Contract Boundary



- **Contract boundary:** *determines the cashflows to be included in calculations, as well as an important consideration for PAA eligibility*
  - Do you have any products where contract boundary likely to be an issue?
  - As discussed in YRT context, this is still an area of uncertainty

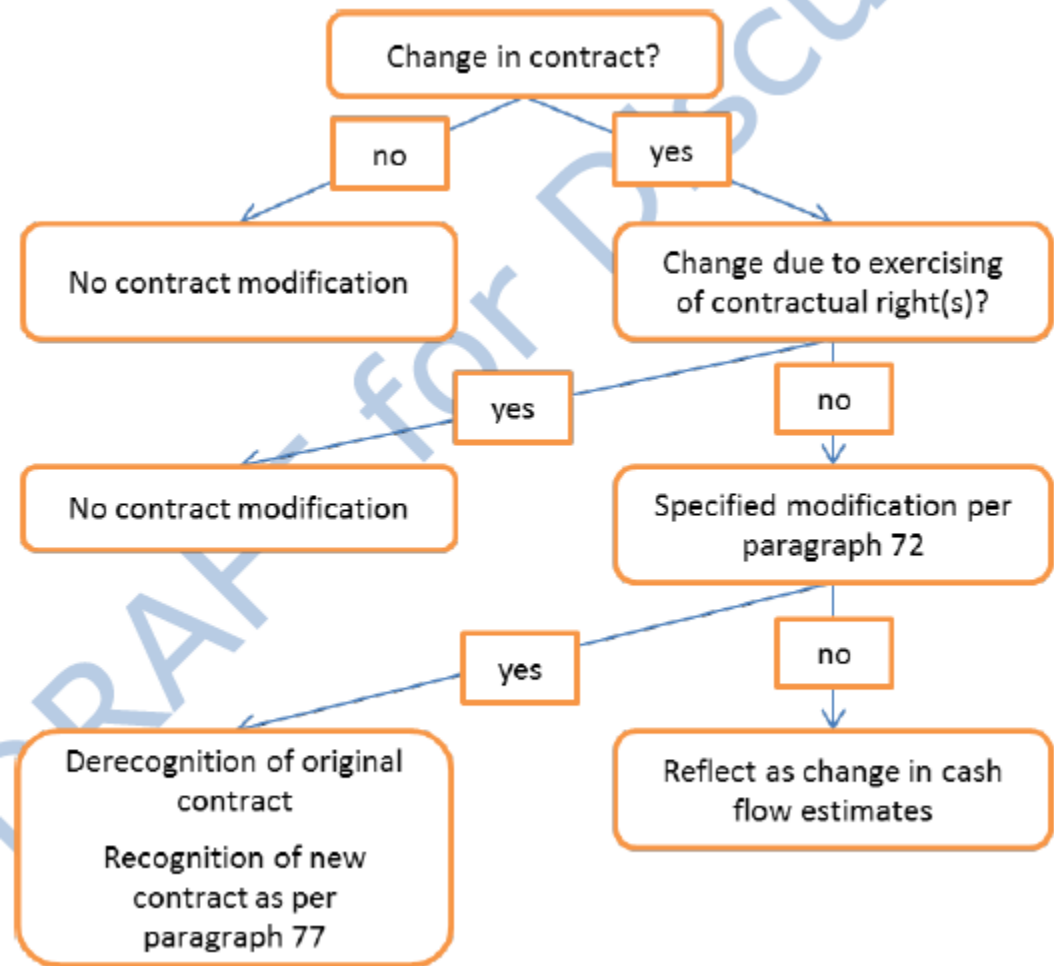
# Contract Boundary – flowchart

- (Under Q 2.23 in the draft IN)
  - Does the draft IN appropriately guide you through assessing contract boundary?
  - Would any further guidance be helpful?



# Modification and Derecognition

- **Modification:** *agreement between parties or change in law or regulation*
  - In the past few years have you had contracts modified that would be captured?
  - Can be complex – does the draft IN provide sufficient guidance?





# Core Requirements

## Current estimates, CSM & Onerous contracts

- Do the two chapters covering these work for you?
  - Readable?
  - Cover important things ?
  - Relationship to AASB 17
  - Options and uncertainties clear?

# Core Requirements – Current Estimates

- **Current Estimates** – familiar actuarial ground?
  - Contractual cash flows up to the contract boundary?
    - Loans on policies, profit shares, tax
  - Expected value means?

# Core Requirements – Current Estimates

- **Current Estimates** – familiar actuarial ground?
  - Contractual cash flows up to the contract boundary?
    - Loans on policies, profit shares, tax
  - Expected value means?
  - What level – portfolio, group, individual?
    - Allocate down, Aggregate Up or ??
  - What expenses?
  - What taxes?

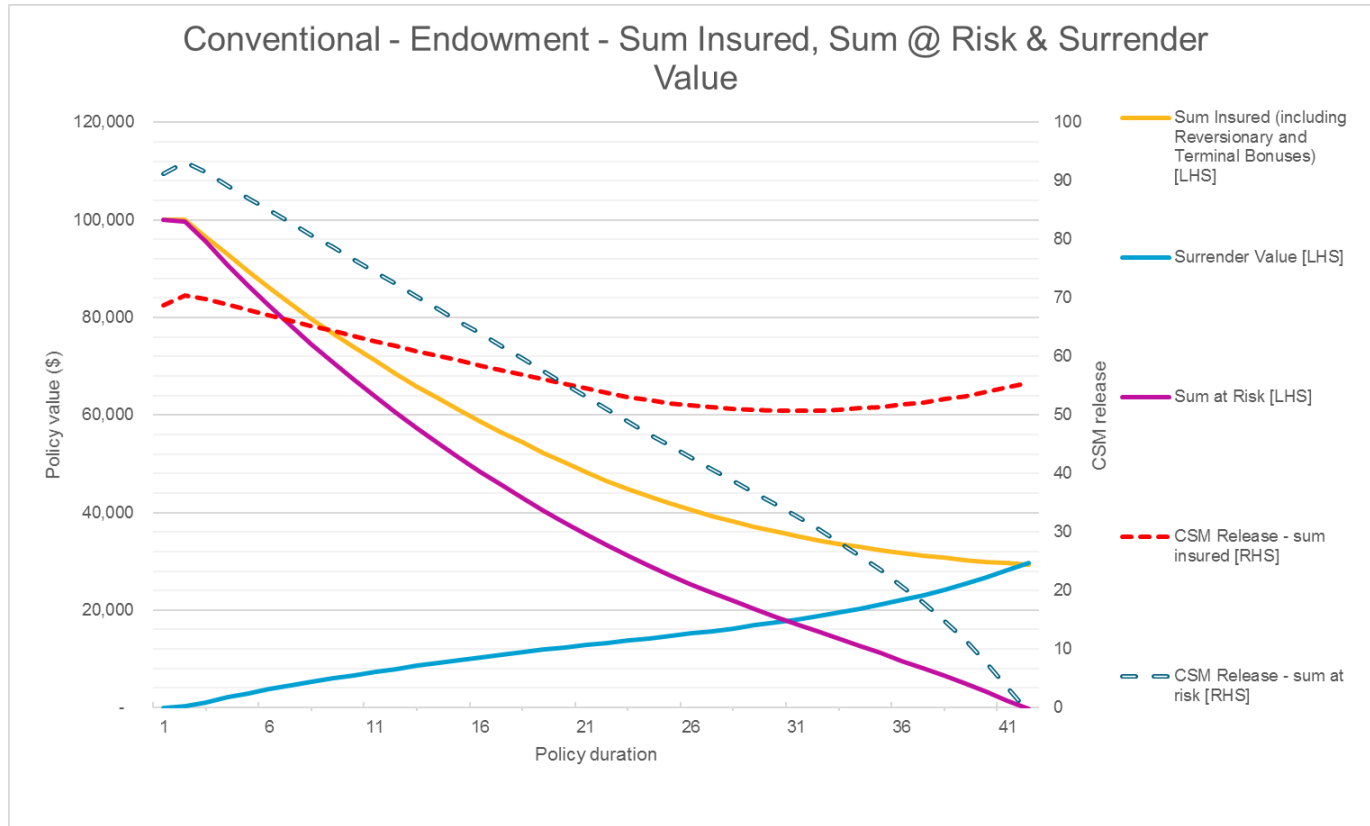
# Core Requirements – Contractual Service Margin

- Straight forward at inception?
- Challenges in Updating?
  - Premium and Investment Component Experience?
  - Changes in fulfilment cash flows relating to future service
    - Expected value of future cash flows for future service excluding time value of money?
    - Risk adjustment for future service (option of not excluding time value)?
  - Release in proportion to ***coverage units*** (after above)?

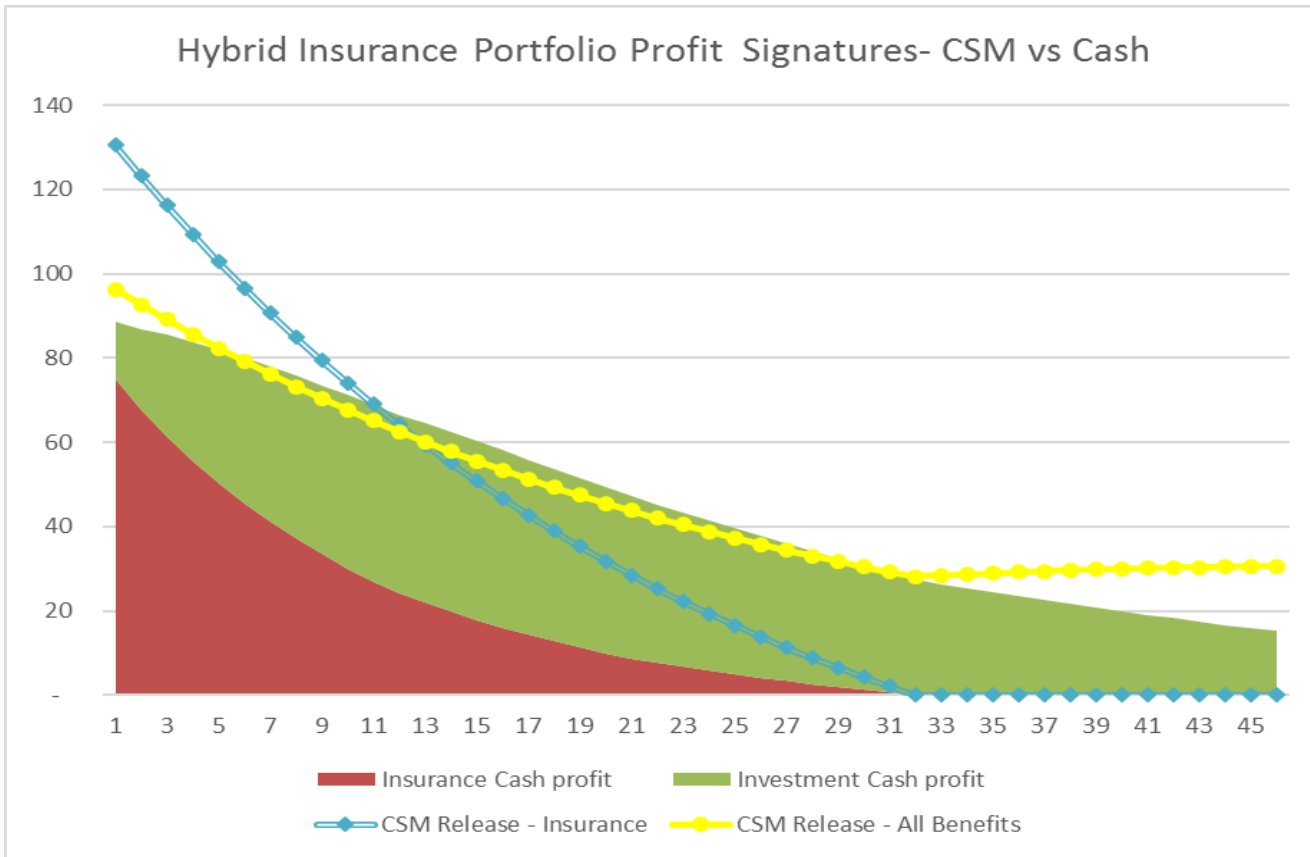
# Core Requirements – Contractual Service Margin

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  - Premium and Investment Component Experience?
  - Changes in fulfilment cash flows relating to future service
    - Expected value of future cash flows for future service excluding time value of money?
    - Risk adjustment for future service (option of not excluding time value)?
  - Release in proportion to **coverage units** (after above)?
- What are the Challenges for **coverage units**?
  - Investment Component (convention & IL/IA with insurance)
  - Maximum Benefits vs valid claim
  - Common Currency – eg Lump Sum and Income Protection
  - Annuities with guarantee period

# Core Requirements – Coverage Units

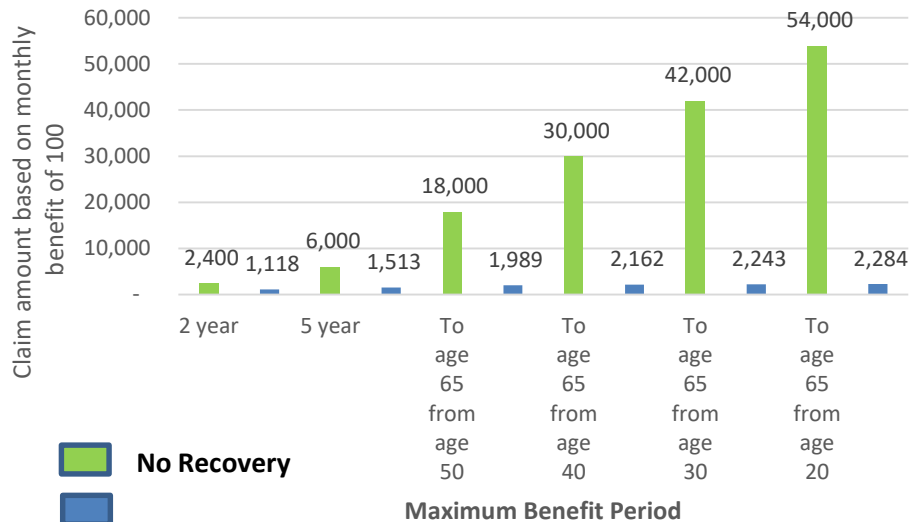


# Core Requirements – Coverage Units

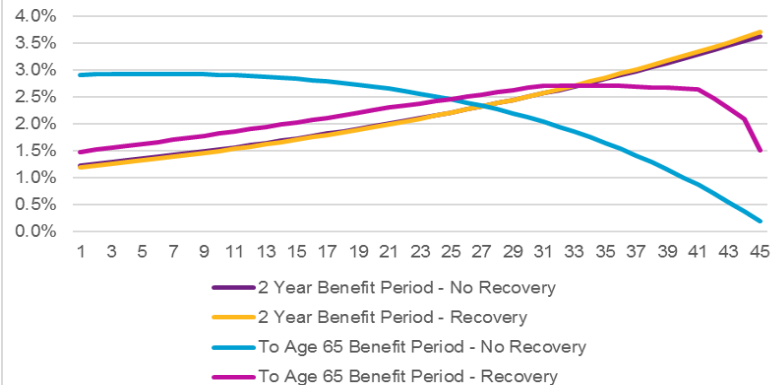


# Core Requirements – Coverage Units

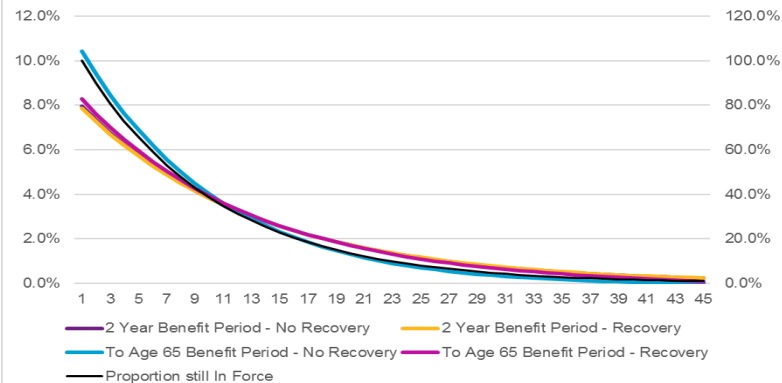
IP Claim Amount - No recovery & with recovery



CSM Release Amount - with & without recovery



CSM Release Amount allowing for lapses





# Core Requirements – Onerous Contracts

- Challenges when CSM hits zero?
  - Loss component?
  - Tracking and releasing loss component?
  - Other?

# Risk Adjustment

# Risk Adjustment (1)

- Does the Risk Adjustment chapter (Chapter 5) work for you?
  - Readable?
  - Cover important things and no material omission?
  - Technical content – too much / too little?
  - Interaction with other chapters
    - Role of risk adjustment in variability covered in PAA Chapter 7
    - Reinsurance held risk adjustment covered in Chapter 9
    - Determining the risk adjustment at transition in Chapter 12

# Risk Adjustment (2)

- Calculation steps – any material omissions?
  - Uncertainty and variability – risks covered?
  - Risk aversion – confidence level < 70%, 70-80%, > 80%?
  - Diversification benefits – enterprise, portfolio, other?
  - Quantification – confidence level, CoC, other?
  - Communication – disclosure?
- Risk mitigation – types and implications?
- Examples – less / more?

# Discount Rates

**Brett Pickett – Theory**  
**Andrew Scott - Implementation**

# Discount Rates – Theory

- Does the Discount Rate Chapter 4 work for you?
  - Readable?
  - Cover important things and no material omission?
  - Technical content – too much / too little?

# Discount Rate – Theory

- Discount rates (DR) under core requirements and variations
- Calculation when DR are not dependent on the return on the underlying items
  - Bottom-up versus top-down methodologies
  - Risk free rate determination
  - Extrapolation approaches
  - Illiquidity premium calculation and basis of inclusion
  - Grouping
- Calculation when DR are dependent on the return on the underlying items
  - DR vary solely on return of underlying items
  - DR partially vary on return of underlying items (e.g. subject to minimum guarantees)

# Discount Rates – Implementation

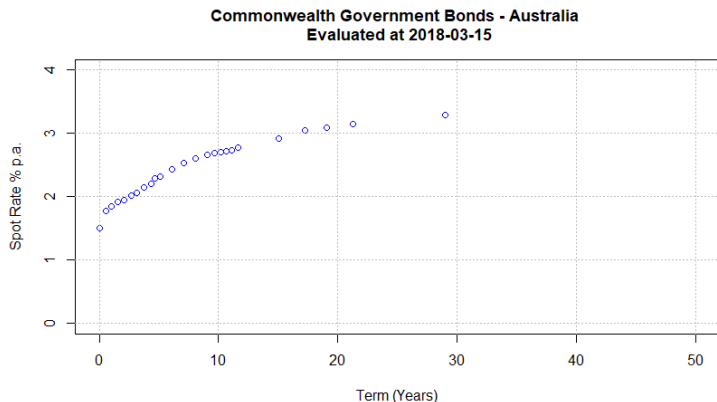
- Fitting / Projection Methods
- Allocation to Financials / Unwinding
- Application to Groups of Contracts



# Discount Rates – Implementation

## Fitting / Projection Methods

- Some commonly accepted mathematical models include:
  - Nelson-Siegel. Ref: Nelson, C.R., and A.F. Siegel (1987), Parsimonious Modelling of Yield Curve, The Journal of Business, 60, 473-489
  - Svensson. Ref: Svensson, L.E. (1994), Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994, IMF Working Paper



Mathematical curves allow for projection points beyond the available market data.

# Discount Rates – Implementation

## Recognition in Financial Accounts - Unwinding

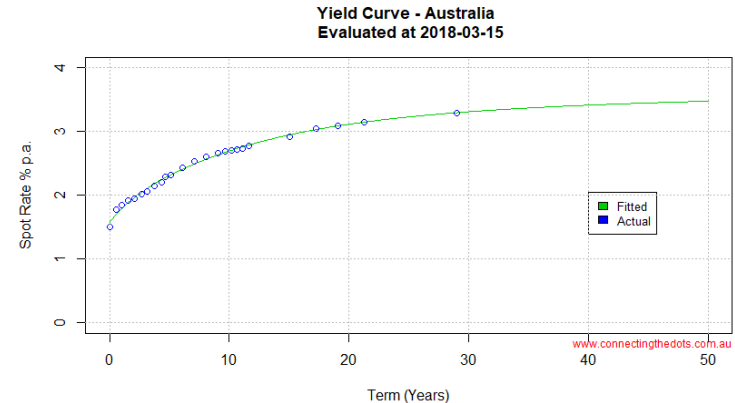
- AASB17 Examples consider only constant and unchanging discount rates
- Discounting applies separately to:-
  - NPV of contract outflows and NPV of CSM in accordance with *coverage*.
  - The shape of contract outflows and CSM can differ over time.
- The implicit value of discounting in NPV's is unwound over time and recognized in the P&L as an expense being, "Insurance Finance Expense".
  - AASB17 Example 2 (linear) and Examples 2A and 3A (non-linear)
- Movements in the yield curve are recognized separately in the P&L as "Changing Financial Assumptions"
  - No specific AASB17 example but Example 6 is useful (crediting rates)

# Discount Rates – Implementation

## Application to Groups of Contracts

- Yield curves are initially set at inception (or at date of claim for PAA).
- Initial yields are likely to follow the chosen grouping of contracts according to class of business and inception year (over 12 month period).
- Initial yields can be expressed as the weighted average across a common group of contracts and expressed as an single point estimate.
- These estimated averages will vary across:
  - Class of business (groups),
  - Inception period, and
  - Contract outflows versus CSM

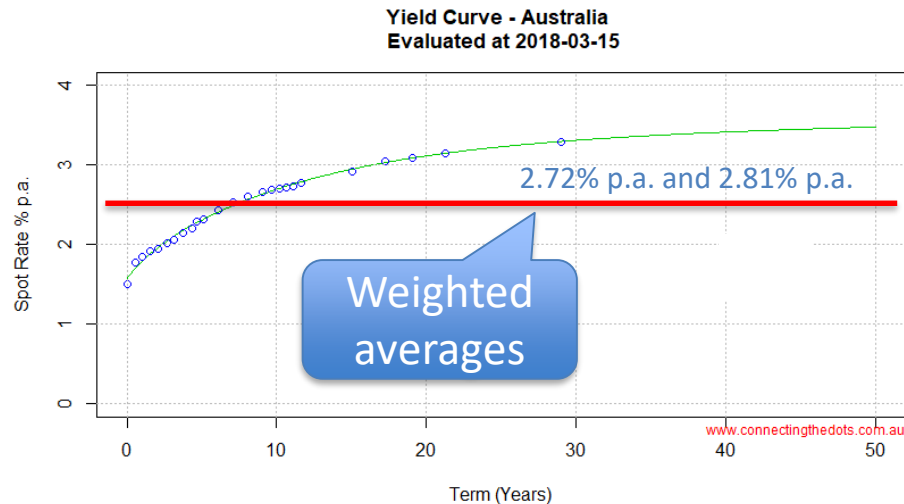
*Suggestion: Record two initial yield estimates against each contract at inception for both:- 1) expected contract outflows and 2) the CSM*



# Discount Rates – Implementation

## Application to Groups of Contracts

- Groups could be chosen to coincide with valuation date (i.e. same end date with a 12-month span).
  - Alternatively, groups could be truncated at the valuation date (i.e. less than 12 months).
- Unwinding of discount could refer to initial point estimate yields – one each for contract outflows and CSM.



# Variations to Core Requirements

# Variations to Core Requirements

- **Premium Allocation Approach (PAA)**
- **Variable Fee Approach (VFA)**
- **Reinsurance Held**
- **Contract Modifications**

# Premium Allocation Approach

- Does the PAA chapter (Chapter 7) work for you?
  - Clear and readable?
  - Is there anything not covered that people need to know about?
  - Specific issues for discussion or feedback?

# Premium Allocation Approach

- Do you have feedback on any topics covered?
  - Materiality considerations (Q7.5)
  - Variability of cash flows (Q7.6)
  - Allocation of revenue (Q7.7)
  - Onerous contracts (Q7.8, Q7.9)
  - Treatment of ‘premiums received’ (Q7.11)



# Variable Fee Approach (1)

- Does the VFA chapter (Chapter 8) work for you?
  - Is it clear what needs to be done – especially what needs to be done differently?
  - Is there anything not covered that people need to know about?

# Variable Fee Approach (2)

- Which products qualify to use the VFA?
  - Is treatment of unbundled IL clear?
  - Treatment of group risk with profit share or participating still needs to be clarified
- Is it clear what are the main differences between VFA and Core Requirements?
  - Non-investment experience
  - Cash flows – bonuses, expenses, tax
  - Accretion of interest
  - Risk adjustment
- Changed profit release will be a commercial consideration
- Friendly Societies and 'Mutualisation' may need more consideration as thinking develops

# Reinsurance

**Andrew Scott** FIAA FNZSA

# Reinsurance

- Terminology Used
- Classification / Grouping
- Special Features
- Examples
- Risk Margins
- Allocation Issues

# Reinsurance - Terminology

## Terminology used by AASB17:

- **Inwards** versus **outwards** reinsurance:
  - *Inwards* is reinsurance **accepted** (for receipt of premium)
  - *Outwards* is reinsurance **held** (for payment of premium)
- One reinsurance contract (or treaty) is typically:
  - Ceded by the insurer (i.e. held by them) to the reinsurer (i.e. accepted by them)
- Reinsurers should account for inwards business as ordinary contracts of insurance under AASB17 from their perspective.
- Insurers typically cede business to reinsurers (as outwards) but can also write their own reinsurance business (as inwards).

# Reinsurance - Grouping

## Non-life business grouping:

- The basis for grouping could adopt the classes as per “Reporting Standard GRS 310.1 - Premium Revenue and Reinsurance Expense”, under the Financial Sector (Collection of Data) (reporting standard) determination No. 18 of 2013
- These refer to the classes used for APRA’s Prudential Standard GPS115 for Capital Adequacy (see right)
- The distinction between proportional and non-proportional is defined further under APRA’s GPS 001 – Definitions, Attachment B, para. 2.

**Table 2: Inwards reinsurance business**

Category	Class of business	Reinsurance type
A	Householders Commercial Motor Domestic Motor	Proportional
		Non-proportional
B	Travel Fire and ISR Marine and Aviation Consumer Credit Other Accident	Proportional
		Non-proportional
C	Mortgage CTP Public and Product Liability Professional Indemnity Employers’ Liability	Proportional
		Non-proportional

# Reinsurance - Grouping

## (a) **Proportional**

This refers to all forms of quota share and surplus reinsurance written either:

- (i) on a treaty reinsurance arrangement basis where the reinsurer is bound to accept all business ceded by the reinsured subject to the terms and conditions of the pre-agreed treaty wording; or
- (ii) on an individual offer and acceptance basis; and

the reinsurer shares in the same proportion of premium and losses of the reinsured.

# Reinsurance - Grouping

## (b) **Non-proportional**

This refers to all reinsurance arrangements where either:

- (i) the reinsurer is bound to accept all business ceded by the reinsured;  
or
- (ii) each reinsurance contract is on an individual offer and acceptance basis; and

the reinsurer pays losses only above an agreed predetermined limit (retention) up to an agreed maximum amount.



# Reinsurance - Grouping

## Life business grouping:

- The basis for grouping could adopt the classes as per APRA's, "Life Insurance Reporting Requirements – General Instructions Guide", under the Financial Sector (Collection of Data) (reporting standard) - Section 13
- Separate classes are listed for:-
  - Life insurance classes under section 4.7.1
  - Friendly Society classes under 4.7.2
- These do not distinguish between direct classes and reinsurance classes so it is likely that a common definition applies

### 4.7.1. Life insurers

Ref.	Product Group
L1	Conventional Participating
L2	Participating Investment Account
L3	Annuity with Longevity Risk
L4	Individual Lump Sum Risk

### 4.7.2. Friendly Societies

Ref.	Product Group
F1	Education
F2	Investment Account
F3	Annuity and Superannuation
F4	Defined Benefit Risk
F5	Capital Guaranteed Defined Contribution Funeral

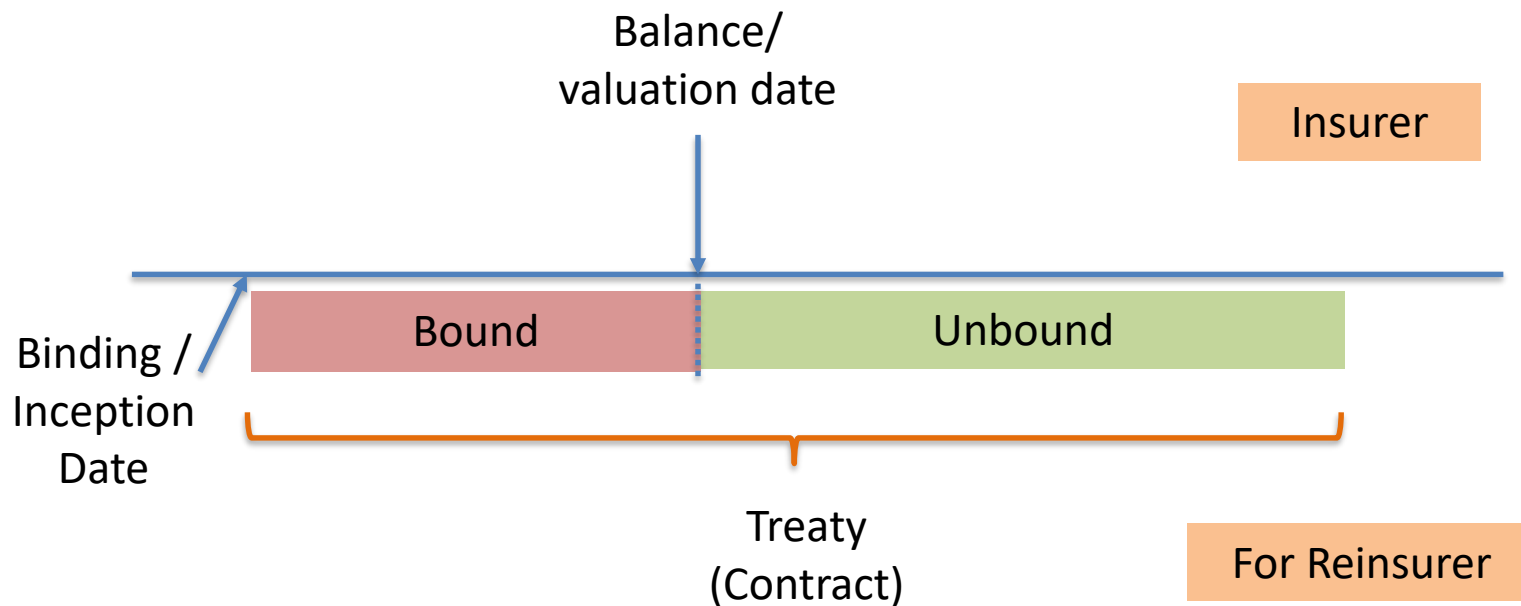
etc.

# Reinsurance – Special Features

- Reinsurance must be accounted for separately as an asset and independent of gross liability.
- Reinsurance treaties of 12 months coincidentally fit with the concept of *groups of contracts*.
- Reinsurance ceded may be accounted for asymmetrically, that is:
  - the asset **held** by the insurer may be different to the **liability** accepted by the reinsurer
  - Asymmetry currently exists between insurers otherwise pricing and accounting for identical risks

# Reinsurance – Special Features

- Reinsurance treaties include unbound risks beyond the balance date



# Reinsurance - Examples

- AASB17 Examples 11 and 12
- Outwards reinsurance (held as an asset) cannot be onerous
- This means the adequacy of reinsurance premium gives rise to a corresponding offset to the gross CSM – either positive or negative
- Consider gross initial position as follows:

## Example 11:

	Initial recognition CU
Estimates of the present value of future cash inflows	(1,000)
Estimates of the present value of future cash outflows	900
	<hr/>
Estimates of the present value of future cash flows	(100)
Risk adjustment for non-financial risk	60
	<hr/>
Fulfilment cash flows	(40)
Contractual service margin	40
	<hr/>
<b>Insurance contract (asset) / liability on initial recognition</b>	<b>–</b>
	<hr/> <hr/>

# Reinsurance - Examples

## Example 11 (cont.)

- Consider a 30% quota share with: A) inadequate premium and B) adequate premium

	Example 11A Reinsurance contract asset CU	Example 11B Reinsurance contract asset CU
Estimates of the present value of future cash inflows (recoveries)	(270)	(270)
Estimates of the present value of future cash outflows (premium paid)	260	300
Estimates of the present value of future cash flows	(10)	30
Risk adjustment for non-financial risk	(18)	(18)
Fulfilment cash flows	(28)	12
Contractual service margin of the reinsurance contract held <sup>(a)</sup>	28	(12)
<b>Reinsurance contract asset on initial recognition</b>	<b>–</b>	<b>–</b>

# Reinsurance - Examples

## Example 12 – After 1 Year

- New example but still with 30% quota-share:

	Insurance contract liability CU	Reinsurance contract asset CU
Fulfilment cash flows (before the effect of any change in estimates)	300	(90)
Contractual service margin	100	(25)
	<hr/>	<hr/>
<b>Insurance contract liability / (reinsurance contract asset) Immediately before the end of Year 1</b>	<b>400</b>	<b>(115)</b>
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# Reinsurance - Examples

## Example 12 (cont.)

- On reassessment to have non-onerous underlying contracts:

	Insurance contract liability CU	Reinsurance contract asset CU
Fulfilment cash flows (including the effect of the change in estimates)	350	(105)
Contractual service margin	50	(10)
<b>Insurance contract liability / (reinsurance contract asset) at the end of Year 1</b>	<b>400</b>	<b>(115)</b>
The effect of the change in estimates on profit or loss will be:		
<b>Profit / (loss) at the end of Year 1</b>	<b>–</b>	<b>–</b>

# Reinsurance - Examples

## Example 12 (cont.)

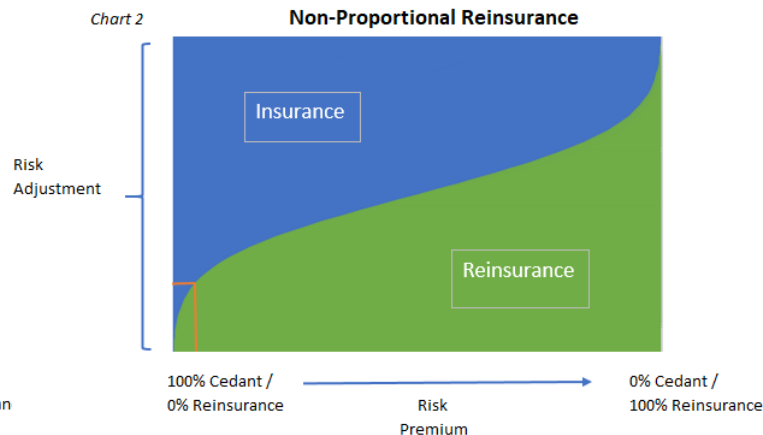
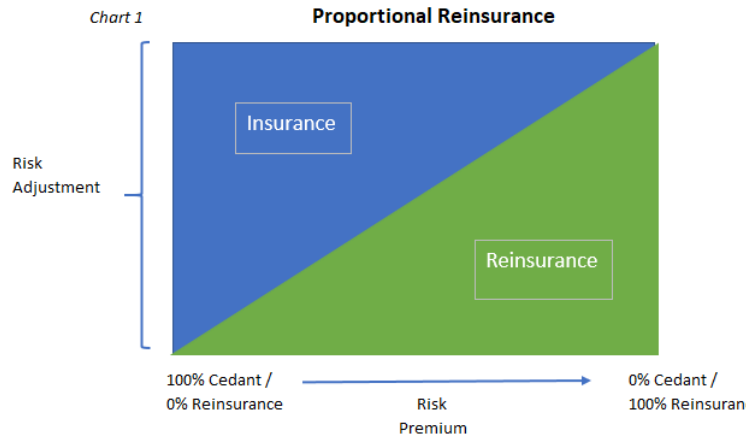
- On reassessment to have onerous underlying contracts:

	Insurance contract liability	Reinsurance contract asset
	CU	CU
Fulfilment cash flows (including the effect of the change in estimates)	460	(138)
Contractual service margin	—	5
	<hr/>	<hr/>
<b>Insurance contract liability / (reinsurance contract asset) at the end of Year 1</b>	<b>460</b>	<b>(133)</b>
	<hr/> <hr/>	<hr/> <hr/>
The effect on profit or loss will be:		
<b>Profit / (loss) at the end of Year 1</b>	<b>(60)</b>	<b>18</b>
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# Reinsurance – Risk Margins

- For proportional reinsurance, the risk margin will be the same proportion to gross margin as the reinsurance premium to the gross premium (assuming parity of rates).
- For non-proportional reinsurance, such as excess-of-loss, the risk margin is likely to represent a significantly higher proportion of its relative premium.



# Reinsurance – Risk Margins

- The assessment of risk margin pertains to the standard deviation of the loss distribution.
- The residual loss distributions should determine the split of the risk margin between insurance and reinsurance, as measured by the residual standard deviations.
- Mathematically this is as follows:

$$\frac{RM_I}{RM_R} = \frac{SD_I}{SD_R}$$

and

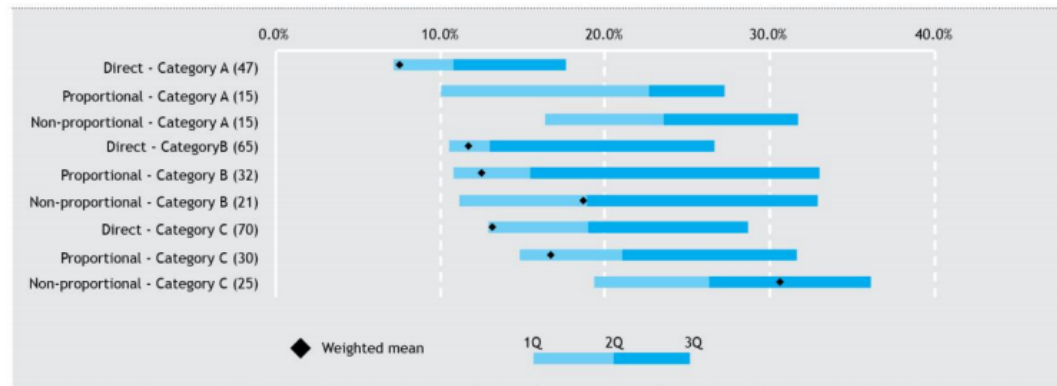
$$RM_I + RM_R = RM_U$$

RM =	Risk Margin for a Group of Contracts
SD =	Estimated Standard Deviation of Residual Loss Distribution
I =	Insurer (Net of Reinsurance)
R =	Reinsurer
U =	Underlying Contracts (Gross of Reinsurance)

# Reinsurance – Risk Margins

- The risk margin (gross of reinsurance) may be higher than that currently adopted.
- For further reference, the following research papers may be useful:
  - “Research and Data Analysis Relevant to the Development of Standards and Guidelines on Liability Valuation for General Insurance” by Robin Bateup and Ian Reed for the Institute of Actuaries, November 2001, and
  - APRA's Survey entitled, “General Insurance Risk Margins – Industry Review Report”, February 2015

Figure 3: OCL Risk Margins for Reinsurance Business (with Direct Business Comparison)



# Reinsurance – Allocation Issues

## Umbrella Covers:

- Coverages that “wrap around” underlying covers or that provide multiple coverage, e.g. catastrophic cover, *portfolio* quota share or aggregate stop-loss.
- Assessment can be calculated for “whole of contract” and then allocated across underlying coverages.
- AASB17 does not specify allocation methodologies which leaves discretion to choose between exposure/coverage or expected loss techniques.

# Reinsurance – Allocation Issues

## Portfolio Transfers / Commutations:

- Multiple underlying covers can be combined into a single contract at a single conversion point in time and usually re-priced.
- Needs to be assessed independently of original contracts including any re-pricing (as a proxy) and using the date of transfer as inception.
- Such contracts are likely to combine multiple years together and require the general approach.
- Refer AASB17 Example 13

# Transition & Financial Statements

# Transition (1)

Does Chapter 12 covering this work for you?

- Readable?
- Cover important things ?
- Options and uncertainties clear?

# Transition (2)

- Full Retrospective Approach  
“or if impracticable”
- Modified Retrospective; or
- Fair Value

The level of CSM at transition may differ materially depending upon the transition approach chosen.



# Transition (3)

## Key Questions the Taskforce Considered:

- What does impracticable mean?
- What modifications are permitted under the Modified Retrospective Approach?
- How are changes to reinsurance contracts treated?

## Areas the Taskforce did not provide detail for:

- How should fair value be calculated?

# Financial Statements & Disclosure

Does Chapter 11 covering this work for you?

- Readable?
- Right level of detail?
- Challenges to create the detail required clear?

# Financial Statements (2)

- Accounting Choice: OCI vs P&L (for changes to discount rates)
- A range of burdensome calculations required in order to meet disclosure requirements.

Success will require very careful detailed planning and co-ordination between accounting and actuarial teams.

## Key Information for “Actuaries”

- Significant increase in detail and complexity of disclosures
- Separate disclosure of the groups of contracts that are issued as assets and that are issued as liabilities
- Detailed reconciliations of opening and closing positions of many elements.

# Financial Statements (3)

## Key Questions the Taskforce Considered:

- How should information be separated between P&L and OCI if relevant?
- What are the key (and burdensome) changes from an actuarial perspective?

## Areas the Taskforce did not provide detail for:

- What the financial statements and disclosures should look like.
- How various elements of the disclosures and components should be calculated.

# Commercial Implications

panel discussion

Close

