

Straight Away Alert

IFRS bulletin from PwC

4 December 2020

Disclosure of the impact of AASB 17 Insurance Contracts

At a glance

In a media release on 17 November 2020, ASIC asked insurers to make disclosures about AASB 17 Insurance Contracts in their December 2020 financial reports.

APRA is also requesting views by 31 March 2021 on its proposals for insurance capital and reporting under AASB 17.

What is the issue?

AASB 17 fundamentally changes the accounting for entities that issue insurance contracts, both the income statement and balance sheet will change and there are a number of decisions and choices to be made when implementing the new standard.

ASIC have highlighted that insurers should be determining the impact of the new standard now and be able to inform investors and other stakeholders of the expected impact on reported results. ASIC has further stated that Insurers are required to disclose the impacts of the new standard in 31 December 2020 financial reports.

On 25 November, APRA also issued a discussion paper outlining APRA's plans to align insurance capital and reporting frameworks with AASB 17 where appropriate.

What is the impact and for whom?

The accounting standards require that when an entity has not applied a new Australian Accounting Standard the entity shall disclose this fact and requires disclosure of "known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application."

For a major new standard, such as AASB 17, insurers are expected to present specific disclosures about their transition approach and ultimately, once known, also a quantification of the estimated

impact of these standards. If, at 31 December 2020, the impact of the new standard can't be quantified, other qualitative disclosures; such as how the new standard will generally affect the industry and the status of the entity's implementation, should be made. As we saw with AASB 9, the closer to the implementation date, the more information was included in these disclosures. The ASIC release highlights a number of areas that should be considered on the implementation journey including the contracts affected, contract grouping, contract boundary, acquisition costs, the measurement models used, risk adjustments and any components of the contracts that require separation.

The APRA discussion paper outlines how APRA intends to create alignment with the accounting standard and regulatory requirements, dealing with Australian specific issues. APRA has produced draft workbooks for general, life and health insurance industries. APRA's discussion paper is open for comment until 31 March 2021.

When does it apply?

Accounting Standard AASB 17 Insurance Contracts (AASB 17) is effective for reporting periods beginning on or after 1 January 2023. However, ASIC has been clear that stakeholders need to be kept informed of the expected impact and have asked insurers to make disclosures about the impact in their December 2020 financial reports.

Where do I get more details?

PwC [IFRS 17 for insurers](#)

See full ASIC release: [20-286MR Insurers urged to respond to new accounting standard](#)

See APRA Discussion paper: [Integrating AASB 17 into the capital and reporting frameworks for insurers](#)

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