



25 September 2017

**TO: ALL GENERAL INSURERS, LIFE INSURERS AND PRIVATE HEALTH INSURERS**

**APRA'S APPROACH TO AASB 16 LEASES AND AASB 17 INSURANCE CONTRACTS**

The purpose of this letter is to inform all APRA-regulated insurers of APRA's planned response to the issuance of AASB 16 *Leases* (AASB 16) and AASB 17 *Insurance Contracts* (AASB 17).

**Background**

In July 2017, the Australian Accounting Standards Board issued AASB 17. The new requirements apply to all insurers for reporting periods beginning on or after 1 January 2021.

AASB 17 requires all insurance contracts to be accounted for in a consistent manner, thereby facilitating comparisons across similar insurance companies. The requirements are designed to help users of financial statements better understand an insurer's exposure, profitability and financial position.

**APRA's initial response**

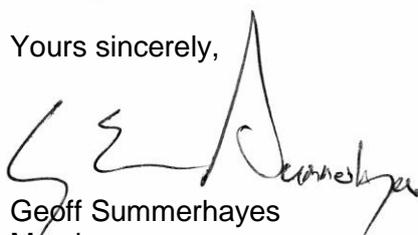
AASB 17 is a complex standard and potentially affects insurers in different sectors in different ways. Accordingly, APRA intends to seek information from a number of insurers from each sector to better understand the impacts of AASB 17 on their operations. As part of that outreach activity, APRA also intends to seek information on the impact of accounting standard AASB 16 on insurers<sup>1</sup>.

APRA does not intend to alter its prudential or reporting framework for either AASB 17 or AASB 16 until their impacts are better understood and expects insurers to maintain their APRA reporting obligations.

APRA recognises that some entities may be considering early adoption of the AASB 17 requirements. APRA expects that these entities would analyse the impacts of the new standards and contact APRA to discuss their approach to early adoption prior to proceeding.

If you have any questions on the matters discussed in this letter please contact Robert Sharma ([robert.sharma@apra.gov.au](mailto:robert.sharma@apra.gov.au) or 02 9210 3899), Peter Kohlhagen ([peter.kohlhagen@apra.gov.au](mailto:peter.kohlhagen@apra.gov.au) or 02 9210 3363) or your responsible supervisor.

Yours sincerely,



Geoff Summerhayes  
Member

<sup>1</sup> AASB 16 introduces a right-of-use asset on the balance sheet of insurers as lessees. These right-of-use assets are potentially subject to an asset risk charge under the LAGIC capital framework.