



Wednesday 2 November 2005

Dear

## **GENERAL INSURANCE REGULATORY REPORTING - TRANSITIONAL REPORTING ARRANGEMENTS DURING ADOPTION OF IFRS**

The adoption of International Financial Reporting Standards (IFRS) in Australia has implications for the prudential and regulatory reporting standards for general insurers. APRA is reviewing the prudential and regulatory reporting framework and intends to implement new regulatory reporting standards, as a result of the implementation of IFRS in Australia, as well as other changes from 1 January 2007. Although APRA seeks to minimise duplicate reporting requirements, our ability to prudentially supervise general insurers cannot be compromised. We also seek to minimise the impact to other users of APRA data, most notably the Australian Bureau of Statistics.

The general insurance industry has requested APRA to allow IFRS based reporting of items where there is likely to be no material difference in the resultant calculation of capital. Accordingly, APRA intends to allow reasonable flexibility for general insurers in compiling their regulatory reporting forms from IFRS based financial accounts prior to 1 January 2007.

General insurers have two options for complying with regulatory reporting standards prior to the introduction of revised prudential and regulatory reporting standards on 1 January 2007. These are:

- i) continue to lodge regulatory reporting forms on the existing basis as required by current regulatory reporting standards; or
- ii) apply to APRA for specific transitional reporting arrangements to allow the use of IFRS based financial accounts. This will replace existing items only where pre-2005 AGAAP financial reporting requirements also apply to these items under the current regulatory reporting framework. Where the existing regulatory reporting framework differs from the pre-2005 AGAAP financial reporting framework, the existing regulatory reporting framework will continue to apply.

A general insurer that chooses the second option will be required to analyse and quantify the impact of IFRS related changes on its regulatory reporting forms and the relative ease of adjusting these back to pre-2005 AGAAP based values. It will need to put forward a concise proposal in a specified format to APRA. This format is available from APRA on request.

Based on this proposal, APRA will consider if it is able to agree on a specific transitional reporting arrangement for that general insurer. APRA retains its discretion to refuse or amend any application for a transitional reporting arrangement.

It is unacceptable for a general insurer to commence reporting to APRA on an IFRS basis prior to 1 January 2007 without securing a transitional reporting arrangement. This would violate general insurance regulatory reporting requirements under the *Financial Sector (Collection of Data) Act 2001* and that Act's associated regulatory reporting standards.

Essentially, a general insurer will be required to adjust back in areas that:

- materially affect the determination of regulatory capital;
- are still subject to consultation; or
- would significantly impair the information released to third parties, or the public.

If you wish to apply for a transitional reporting arrangement, please contact Peter Macris at [peter.macris@apra.gov.au](mailto:peter.macris@apra.gov.au) for further details. If you intend to continue regulatory reporting on the prescribed pre-2005 AGAAP basis then you do not need to contact APRA.

Yours sincerely



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