



NOBLEOAK

AASB 17
INVESTOR INFORMATION SESSION
UNAUDITED
February 2024

Agenda and presenters

- 01 Introduction and key messages
- 02 Accounting concepts and impacts
- 03 Financial impacts on transition
- 04 Financial statement presentation
- 05 Q&A



Anthony Brown
Chief Executive Officer



Scott Pearson
Chief Financial Officer



01 | Key messages

01 | Introduction to AASB 17

New global accounting standard for insurance contracts



Introduces consistent accounting for all types of insurance contracts



NobleOak to report on AASB 17 basis from 1 July 2023



Enhanced comparability with non-insurance reporting and across jurisdictions



NobleOak to restate comparative from 1 July 2022 to 30 June 2023



Greater transparency in financial information

01 | Key messages for NobleOak

No change to underlying business economic fundamentals or strategy

Balance sheet

Lower net assets at transition (1 July 2022) \$64m and creation of Deferred Tax Asset (DTA) of \$27m
Increased policy liabilities – (write down of opening deferred acquisition costs)

Capital

No change in regulatory capital requirements
Improved capital position due to lower tax payments

Cash

No change in policy cash flows
Lower tax payments until carried forward tax losses are utilised

Profitability

Underlying net profit brought forward, more volatility in statutory profit
Pattern of profit release changes over time with variability between segments
Interest rate movement and loss recognition movements to be normalised

Financial statement presentation

Changes to income statement – management analysis to be provided in disclosures to enable insurance metrics
Limited changes to balance sheet – changes to policy liability disclosures



02 | Key accounting concepts and impacts

02 | Profit release pattern

Contract boundary defines the cash flows included in the valuation

	Contract boundary	
	Strategic Partners	Direct
Gross insurance contracts	Long <i>(all cash flow to end contract)</i> GMM ¹	Short <i>(1 year cash flow)</i> PAA ²
Reinsurance contracts	Long <i>(all cash flow to end contract)</i> GMM	Long <i>(all cash flow to end contract)</i> GMM

The prior accounting standard AASB 1038 implicitly assumed a long contract boundary for all gross policy and reinsurance cashflow based on gross policies

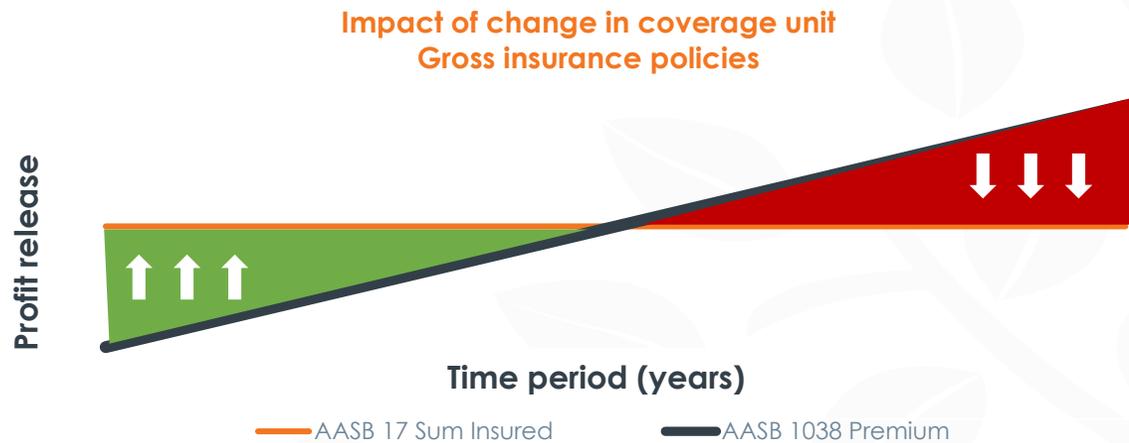
Strategic Partners – contract boundary remains long due to partner agreements requiring collaboration on product and pricing changes

Direct Channel – mismatch between valuation of cash flows from insurance contracts (short) and reinsurance contracts (long)

¹General measurement model
²Premium allocation approach

02 | Profit release pattern

Different treatment for gross insurance contracts and reinsurance contracts under AASB 17

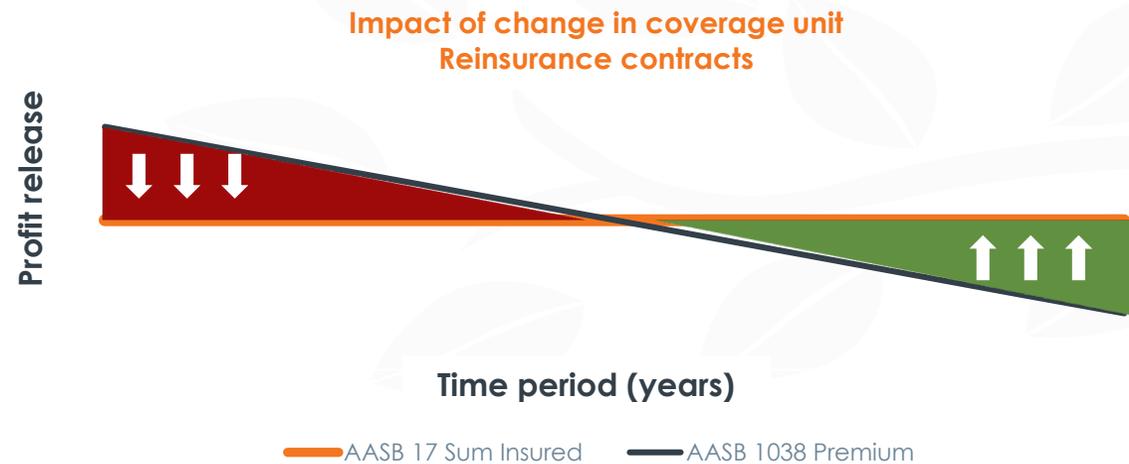


AASB 1038 (old standard)

- **Premium** used as the profit carrier
- Stepped premium (increases with age) results in profit margins increasing over time

AASB 17 (new standard)

- Coverage unit (**predominantly sum insured**) used as the profit carrier
- Sum insured typically consistent over time (ex-CPI adjustments)



Impact of change

- **Gross insurance policies** – coverage units brings profits forward (same over time)
- **Reinsurance contracts** – coverage units brings costs forward (same over time)
- **Net impact** – where gross and reinsurance match, net profits brought forward

02 | Profit release pattern

Different impacts for NobleOak's Strategic Partner and Direct segments

Strategic Partner segment

Impact of change in coverage unit



Strategic Partner segment

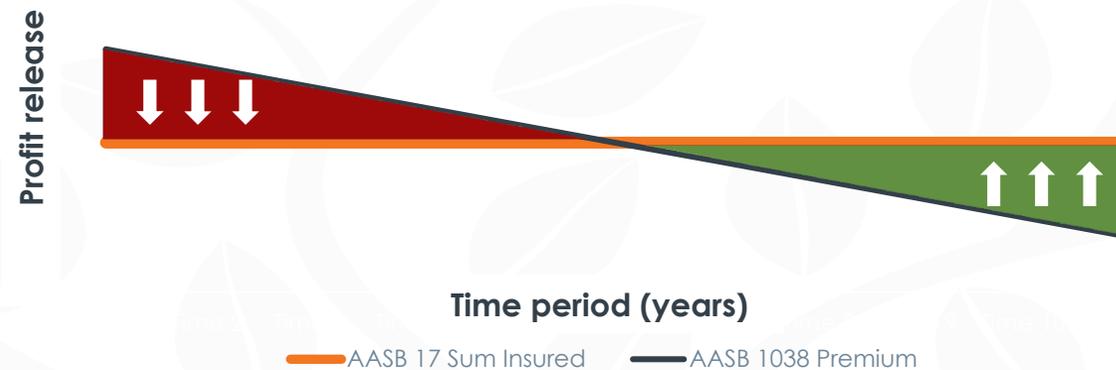
1. Long contract boundary remains for gross and reinsurance
2. Gross and reinsurance match

Net impact = Net profit brought forward

No impact over full life of policy
Simply a change in timing of recognition

Direct segment

Impact of change in coverage unit



Direct segment

1. Gross policies move to short contract boundary
2. Reinsurance contracts remain long contract boundary
3. Gross and reinsurance do not match

Net impact = Net profit delayed
(due to reinsurance costs being brought forward)

No impact over full life of policy
Simply a change in timing of recognition



02 | Onerous contracts

AASB 17 requires more granular assessment of onerous contracts - that create some volatility

Loss recognition

More granular assessment of onerous contracts



- **Onerous contract provisions** are recorded for groups of contracts that are assessed as onerous at inception
- Does not impact ultimate profitability of a portfolio, but the timing of revenue recognition (future losses are booked up front)
- More granular assessment will identify onerous contracts that would not have been recognised at the portfolio level
- On transition (at 1 July 2022) NobleOak recognised a provision for onerous contracts. The movement in loss recognition provisions will be excluded from management results

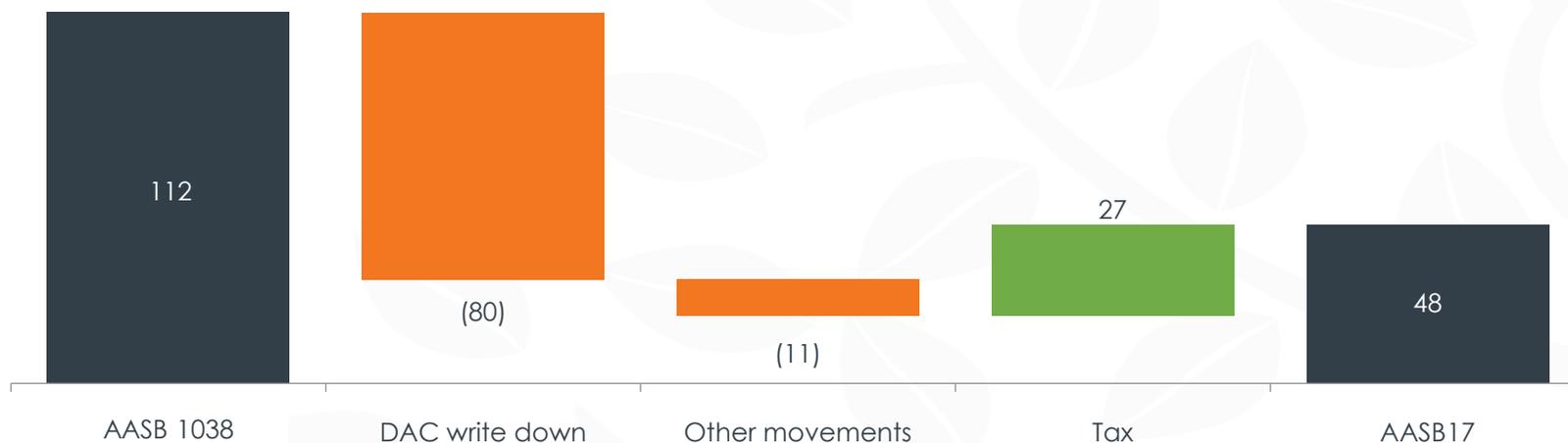


03 | Financial impacts on transition

03 | Impact on adoption – opening balance sheet

Net assets decrease by \$64 million at 1 July 2022 (Deferred Tax asset created \$27m)

Change in net assets at 1 July 2022



Key drivers

1. Deferred acquisition costs (DAC) written off at transition date (\$80m)
2. Other Incomes
 - a) Fair value adjustments
 - b) Loss recognition
3. Tax treatment unchanged under AASB 17, deferred tax loss of \$27.3m created at transition

DAC write down

Where there is insufficient information to determine the AIACF on a fully retrospective basis, it is set to nil

Onerous contracts

Applying a fully retrospective approach requires immediate recognition of losses on onerous contracts assessed at transition.

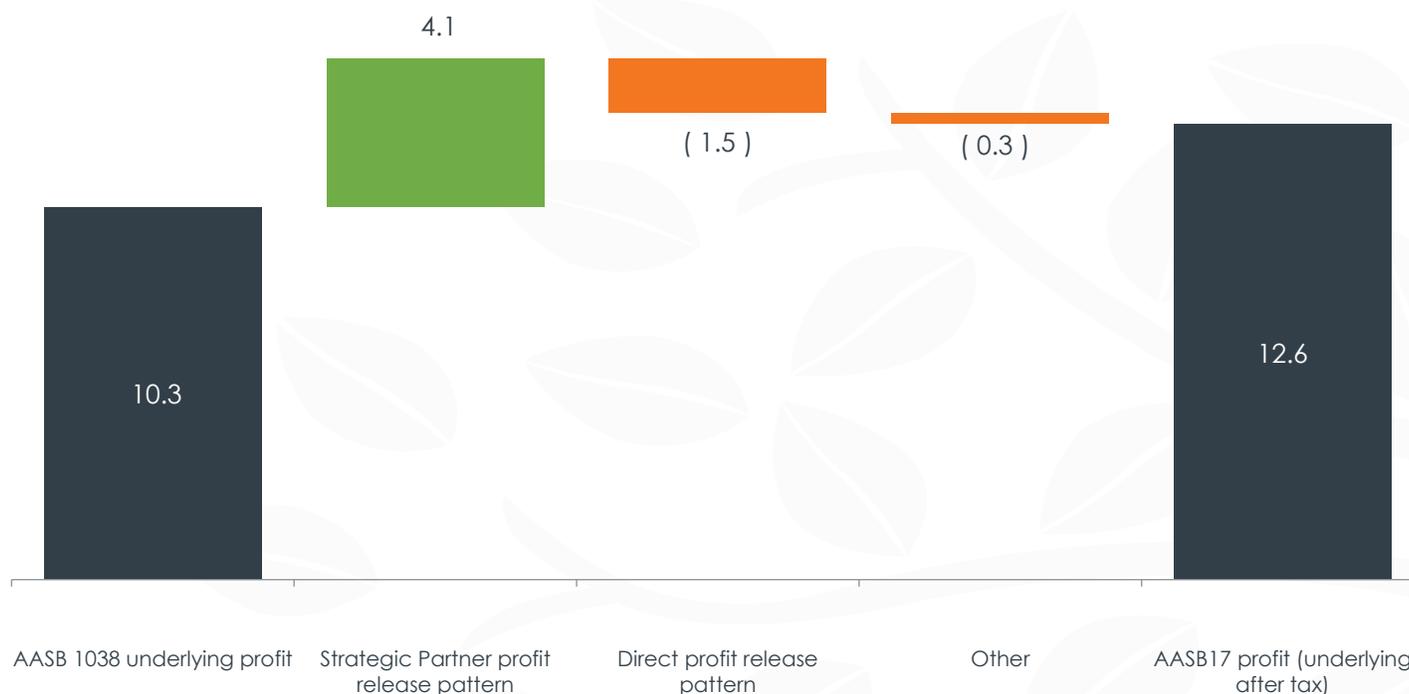
Fair value approach

Where there is insufficient information to determine the CSM on a fully retrospective basis, fair value can be determined using an arms length view

03 | Restatement of comparatives (FY23 results)

Underlying net profit brought forward

Change in comparative period profit



Key drivers

- 1. Strategic Partner** – Profit brought forward due to coverage units profit release pattern
- 2. Direct** – Lower near-term profit due to the benefit from opening DAC balance write off, more than offset by the coverage unit on reinsurance contract delaying the profit release pattern
- 3. Other** refinements including adding risk margins to claims reserves

	AASB 1038 \$m	AASB17 \$m
Year Ended 30 June 2023		
Statutory Profit after Tax	8.0	13.5
Normalisation Adjustments		
- Economic Assumption Change	0.4	(3.3)
- Loss Recognition Movement	0.0	0.5
- One-Off Items	1.9	1.9
Underlying Profit after Tax	10.3	12.6

03 | Capital

No impact on capital position at transition

	AASB 1038 Jun-23 \$m	Adjustment \$m	AASB 17 Jun-23 \$m
Net assets	119.5	(58.2)	61.3
Regulatory adjustments	(79.2)	58.2	(21.0)
Capital base	40.3	0.0	40.3
Prescribed capital amount (PCA)	21.1		21.1
Capital in excess of PCA	19.2		19.2
Capital adequacy multiple (%)	191%		191%
Target capital	32.6		32.6
Capital in excess of target	7.7		7.7

Key takeaways

1. No change to capital position
2. No change to regulatory capital base and PCA
3. Capital position expected to benefit from lower tax payments until new deferred tax losses are fully utilized



04 | Financial statement presentation

04 | Profit or loss format

AASB 17 P&L presents a different approach to analysing financial performance

Key features of AASB 17 statutory income statement

AASB 17 statutory income statement	FY23 \$m
Insurance services revenue	313.2
Insurance services expenses	(204.4)
Reinsurance expenses	(239.5)
Reinsurance income	158.8
Insurance service result	28.1
Net insurance finance income/expense	4.3
Other expenses	(20.4)
Other income`	3.8
Insurance operating result	15.8
Investment income	3.4
Profit before income tax	19.2

Gross view of revenue/
underwriting result

Standalone
reinsurance result

Policy Liability discounting

Non-attributable income
and expenses

Investment income

- **Insurance services revenue** represents the premium recognised as relating to service provided in the period and recovery of acquisition costs
- **Insurance services expenses** represents incurred claims, ongoing expenses and changes in losses recognised
- **Reinsurance expense** represents the reinsurance premium recognised as relating to service received in the period and recovery of initial financing
- **Reinsurance income** represents recovery of incurred claims, ongoing financing and changes in the recovery of losses recognised
- Impact of interest rate changes applied to policy liability discounting will be reported as a **financing income or expense**.
- Benefit of discount applied to new claims and policy liabilities recorded as **insurance services income**, with unwind of this discount over time recorded through **insurance financing income**
- Expenses not directly attributable to the fulfilment of individual insurance contracts are disclosed separately from the insurance result
- Accounting for investment income consistent with AASB 1038
- AASB 9 also requires valuation of investment assets at fair value

04 | Management analysis and purpose

Management analysis to be presented for discussion and analysis of metrics

Statutory	Management analysis
AASB 17 statutory income statement	Analysed as Insurance metrics
Insurance revenue	A Insurance premium revenue
Insurance service expenses	B Reinsurance revenue
Reinsurance expenses	C Net insurance revenue
Reinsurance income	D Net claims expense
Insurance service result	E Net commission and other income
Net insurance finance income	F Policy acquisition costs
Other operating expenses	G Change in policy liabilities
Fees and Other income	H Underwriting result H/A = gross insurance margin
Insurance operating result	I Administration expense I / A = expense ratio
Investment income	J Insurance operating profit K / A = investment return (% prem)
Profit before income tax	K Investment income L / A = NPAT margin
Profit before income tax	L Profit before income tax

Management analysis designed to:

1. Maintain visibility of key insurance metrics
2. Support a clear and transparent basis for performance assessment

04 | Management result

Introducing NobleOak's management reporting framework

AASB 17 Statutory Profit and Loss Statement For the Year Ended 30 June 2023 (restated)

Management \$m

Insurance Revenue	313.2
Insurance Service Expenses	(204.4)
Reinsurance Expenses	(239.5)
Reinsurance Income	158.8
Insurance Service Results	28.1
Net insurance finance income	4.3
Other operating expenses	(20.4)
Fees & other revenue	3.8
Insurance Operating Result	15.8
Management Analysed as	
Insurance premium revenue	330.3
Reinsurance expenses	(252.7)
Net insurance premium revenue	77.6
Net claims expense	(17.8)
Net commissions and other income	22.4
Policy acquisition costs	(52.6)
Change in net policy liabilities	13.5
Insurance Underwriting Result	43.1
Administration expenses	(27.3)
Insurance Operating Profit	15.8
Investment Income	3.4
Profit before tax	19.2
Income tax expense	(5.7)
Profit After Tax	13.5

Highlights

- **Statutory** and **Management Analysis** to be provided together
- **Insurance Operating Profit** converted from Statutory to Management analysis
- **Reconciliation** will be provided for transparency

AASB 17 Statutory Profit and Loss Statement For the Year Ended 30 June 2023	Statutory	Net insurance revenue	Net claims	Net commissions and other income	Acquisition Costs	Expense	Change in net policy liabilities
Insurance Revenue	313.2	330.3		(72.9)	(22.0)		77.7
Insurance Service Expenses	(204.4)		(130.3)	(17.8)	(30.6)	(6.9)	(18.8)
Reinsurance Expenses	(239.5)	(252.7)		81.5			(68.4)
Reinsurance Income	158.8		112.5	27.8			18.6
Insurance Service Results	28.1	77.6	(17.8)	18.6	(52.6)	(6.9)	9.2
Net Insurance finance income	4.3						4.3
Other operating expenses	(20.4)					(20.4)	
Fees & other revenue	3.8			3.8			
Insurance Operating Result	15.8	77.6	(17.8)	22.4	(52.6)	(27.3)	13.5

04 | Management result – additional adjustments

Enabling clearer assessment of performance

Management analysis

For the year ended 30 June 2023 (restated)	Statutory	Adjustments			Management	
	Economic Assumptions	Loss Recovery	AASB17 Costs	Project Oakbranch		
	\$m	\$m	\$m	\$m	\$m	
<u>Management Analysis of Operating Profit</u>						
Insurance premium revenue	330.3				330.3	
Reinsurance expenses	(252.7)				(252.7)	
Net insurance premium revenue	77.6				77.6	
Net Claims Expense	(17.8)				(17.8)	
Net Commissions, and Other Revenue	22.4				22.4	
Policy Acquisition Costs	(52.6)				(52.6)	
Change in Policy liabilities	13.5	(4.7)	0.7		9.5	
Insurance Profit	43.1	(4.7)	0.7		39.1	
Administration Expenses	(27.3)			2.2	0.5	(24.6)
Insurance Operating Profit	15.8	(4.7)	0.7	2.2	0.5	14.5
Investment income	3.4					3.4
Profit Before Tax	19.2	(4.7)	0.7	2.2	0.5	17.9
Income tax expense	(5.7)	1.4	(0.2)	(0.7)	(0.1)	(5.3)
Profit After Tax	13.5	(3.3)	0.5	1.5	0.4	12.6

Highlights

- **Normalisation Adjustments**
 - to be kept to a minimum
 - Transparency through disclosure
- **Recurring Adjustments**
 - Economic Assumption Movements
 - Movement in Loss Recognition provision (Onerous Contracts)
- **Non Recurring**
 - One off item such as material expenses

04 | Balance sheet

Simplified presentation for insurance and reinsurance contracts

Old presentation	New presentation	
	\$m	
	30 June 2023	30 June 2022
Assets	Assets	
Cash and cash equivalents	50.4	30.2
Receivables	2.9	3.1
Financial assets	177.7	69.2
Gross policy liabilities ceded under reinsurance	32.7	17.4
Plant and equipment	63.1	40.9
Right of use assets	0.4	0.2
Deferred tax asset	5.7	0.5
Intangibles	28.4	30.9
Total assets	365.8	197.8
Liabilities	Liabilities	
Payables	99.7	5.2
Current tax liabilities	2.9	0.7
Lease liabilities	5.8	0.6
Provisions	138.1	110.1
Gross policy liabilities	57.7	33.3
Total liabilities	304.2	149.9
Net assets	61.6	47.9
Equity	Equity	
Issued share capital	95.7	95.3
Accumulated profits	(35.4)	(48.9)
Share based payment reserve	1.3	1.5
Total equity	61.6	47.9

Key takeaways

- Limited changes to balance sheet
- AASB 1038 presented assets and liabilities that related to insurance and reinsurance contracts separately (i.e. trade payable and receivables)
- AASB17 combine presentation of items that are related to insurance and reinsurance contracts in separate asset and liability categories
- Net assets decrease by \$64 million at 1 July 2022 (Deferred Tax Loss Asset created \$27m)

Summary

No change to underlying business fundamentals or strategy

Balance sheet

Lower net assets at transition (\$64m) and creation of DTA of \$27m
Increased policy liabilities – (write down of opening deferred acquisition costs)

Capital

No change in regulatory capital requirements
Improved capital projections due to lower tax payments

Cash

No change in policy cash flows
Lower tax payments until carried forward tax losses are utilised

Profitability

Underlying net profit brought forward, more volatility in statutory profit
Pattern of profit release changes over time with variability between segments
Interest rate movement and loss recognition movements to be normalised

Financial statement presentation

Changes to income statement – management analysis to be provided in disclosures to enable insurance metrics
Limited changes to balance sheet – changes to policy liability disclosures



05 | Q&A



06 | Appendix

04 | Restated income statement (FY23 results)



Underlying net profit higher in the near-term

Management analysis	Direct		Strategic Partnerships		Genus		Consolidated	
	AASB17	AASB 1038	AASB17	AASB 1038	AASB17	AASB 1038	AASB17	AASB 1038
For the Year Ended 30 June 2023	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Insurance premium revenue	74.2	74.2	244.8	244.8	11.3	11.3	330.3	330.3
Reinsurance expenses	(33.0)	(33.0)	(211.0)	(211.0)	(8.7)	(8.7)	(252.7)	(252.7)
Net insurance premium revenue	41.2	41.2	33.8	33.8	2.6	2.6	77.6	77.6
Net Claims Expense	(12.2)	(12.2)	(5.6)	(5.3)	0.0	0.0	(17.8)	(17.4)
Net commissions and other income	5.3	5.3	13.4	13.0	3.7	3.7	22.4	22.0
Policy acquisition costs	(27.5)	(27.5)	(25.0)	(25.0)	(0.1)	(0.1)	(52.6)	(52.6)
Change in net policy liabilities	11.8	13.9	(2.3)	(8.1)	(0.0)	(0.0)	9.5	5.8
Insurance Profit	18.6	20.8	14.3	8.4	6.3	6.3	39.1	35.5
Administration expenses	(14.5)	(14.5)	(5.0)	(5.0)	(5.2)	(5.2)	(24.6)	(24.6)
Insurance Operating Profit	4.1	6.3	9.3	3.4	1.1	1.1	14.5	10.8
Investment Income	1.6	1.6	1.8	2.2	0.0	0.0	3.4	3.8
Profit Before Tax	5.7	7.9	11.1	5.6	1.1	1.1	17.9	14.7
Income Tax expense	(1.7)	(2.4)	(3.3)	(1.6)	(0.3)	(0.3)	(5.3)	(4.3)
Underlying Profit After Tax	4.0	5.6	7.8	4.0	0.8	0.8	12.6	10.3
Management Adjustments								
Impact of policy liability economic assumption changes (post tax)	2.9	(1.2)	0.4	0.7			3.3	(0.4)
Impact of loss component (post tax)			(0.5)				(0.5)	
Impact of AASB17 expenses (post taxes)							(1.5)	(1.5)
Impact of Project OakBranch	(0.3)	(0.3)			(0.1)	(0.1)	(0.4)	(0.4)
Statutory NPAT	6.6	4.1	7.7	4.7	0.7	0.7	13.5	8.0

Glossary

AASB 17	Australian Accounting Standard AASB 17: <i>Insurance Contracts</i>
AASB 1038	Australian Accounting Standard AASB 1038: <i>Life Insurance Contracts</i>
AIACF	Asset for Insurance Acquisition Cash Flows
BEL	Best Estimate Liabilities
CSM	Contractual Service Margin
DAC	Deferred Acquisition Costs
DTA	Deferred Tax Asset
FCF	Fulfilment Cash Flows
GMM	General Measurement Model
MoS	Margin on Service
PAA	Premium Allocation Approach
PCA	Prescribed Capital Amount
PVFCF	Present Value of Fulfilment Cash Flows
PVFP	Present Value of Future Profit
PVPM	Present Value of Profit Margin
RA	Risk Adjustment
UPR	Unearned Premium Reserve



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