

## “ What do equity markets think about AASB 17?”

### Presentation to Actuaries FSF 2018

**Siddharth Parameswaran** <sup>AC</sup>

+61-2-9003-8629

siddharth.x.parameswaran@jpmorgan.com

Bloomberg: JPMA PARAMESWARAN <GO>

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### KEY MESSAGES

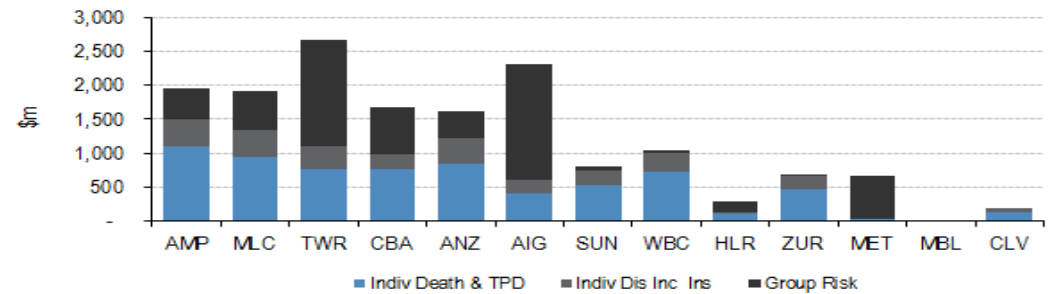
- Attention span to understand nuances of accounting is limited in investors' minds
- Problems with interpreting accounts
- Real outcomes can be influenced by accounting treatments
- Some suggestions

## Attention span for nuances in accounting is limited

### Sales / reinsurance transactions

- **Comminsure / AIA**
- **MLC / Nippon Life**
- **AMP – reinsurance / sale?**
- **SUN – reinsurance / sale?**
- **CVW – Sony Life ?**
- **Macquarie / Zurich**
- **ANZ / Zurich**

Market  
Inflows - Premium (\$m)



### Did accounting play a part?

- **How well understood is MoS? 18x PE; 1 x EV.**

### Awareness... of IFRS 17

- **How many of my clients know the accounting standards are changing?**

### Reasons for limited attention...

- **AMP, SUN life and CVW. Ev 4bn out of market caps \$2.2tn in ASX 200**
- **<1% of Financial stocks, and ~ 0.2% of the listed market**

- **Gross mismatch between profit and cash... when ultimately cash is what matters. MoS allows this through DAC!**
- **Not understanding sustainability - detail**
- **Not understanding volatility in a series of cashflows or earnings – use of normalised earnings**
- **Not understanding embedded options**

Some issues....

- **Contract structure in YRT with high upfront commission allows mismatch in incentives – and not reflected in MoS.**

Some comments....

- **Contract structure in YRT with high upfront commission allows mismatch in incentives – and not reflected in MoS.**
- **Markets usually like more detail... as long as we can use it.**
- **Engage with investment community – we really appreciate the efforts. Keep us in mind as an end user!**

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