

Cost	Consideration (by interest group) as to whether the cost is directly attributable
<p><b>Executive office costs</b></p> <ul style="list-style-type: none"> <li>• Group CEO/CFO / CRO/ CIO salary and benefits</li> <li>• Insurer CEO/ CFO/CRO/ CIO salary and benefits</li> </ul>	<p>It could be argued that the portion of the cost that is directly attributable will be dependent on the organisational structure, lines of business and the various functions and activities of the executives.</p> <p>On that basis, the salary and benefits costs relating to the group executives may not be directly attributable while the insurer executive salary and benefits costs are directly attributable to the group of insurance contracts.</p>
<p><b>Audit fees</b></p> <ul style="list-style-type: none"> <li>• Internal audit</li> <li>• External audit</li> </ul>	<p>Some members believed that an entity would not be able to fulfil a contract without being audited.</p> <p>However, directly attributable does not necessarily mean unavoidable costs incurred by insurers or costs required to run the business of an insurer.</p> <p>On that basis, there should be a good rationale documented as to why audit fees are directly attributable.</p>
<p><b>Compliance, regulatory and finance (CRF)</b></p> <ul style="list-style-type: none"> <li>• Regulatory returns, for example SAM returns</li> <li>• Preparation of financial statements</li> <li>• CIPC filing</li> </ul>	<p>Some argued that regulatory costs incurred by virtue of the entities being insurers are considered to be directly attributable, for example SAM returns.</p> <p>It was also argued that regulatory compliance costs that would have been incurred by any other normal business are not directly attributable.</p> <p>Similarly, as discussed above for audit fees, there should be a good rationale as to why some of the CRF costs are directly attributable.</p>
<p><b>Marketing</b></p> <ul style="list-style-type: none"> <li>• General branding of entity</li> <li>• Specific business line or product</li> </ul>	<p>Some members argued that general marketing cost is not directly attributable as the cost cannot be attributed to a specific contract/product.</p> <p>They further argued that specific marketing cost would be directly attributed when there is a clear link between the cost and the business sold on the basis that the marketing cost is an essential element of starting a group of insurance contracts.</p>

Cost	Consideration (by interest group) as to whether the cost is directly attributable
<p><b>Product development</b></p> <ul style="list-style-type: none"> <li>• Continuous research for new products and benefits</li> <li>• Development costs of new products and benefits</li> </ul>	<p>Some members applied IAS 38 <i>Intangible Assets</i> (IAS 38) principles to determine whether these costs are directly attributable. IAS 38 research and development cost should be expensed and is not a directly attributable cost. However, IFRS 17 does not cross-reference to IAS 38.</p>
<p><b>Training</b></p> <ul style="list-style-type: none"> <li>• Generic such as staff induction to the business</li> <li>• Specific to staff and brokers on the insurance policies, features and benefits</li> </ul>	<p>Members argued that generic staff training is not a directly attributable cost as the training is not necessary to fulfil insurance contracts.</p> <p>Some members believed that the training provided to staff and brokers on insurance products, features and benefits will be directly attributable unless the training is related to new products.</p>
<p><b>Human resources</b></p> <ul style="list-style-type: none"> <li>• The cost associated with hiring and staff management and payroll processing</li> </ul>	<p>Some members argued that where costs are necessary for staff to fulfil the insurance contracts, these costs are directly attributable.</p> <p>Other members argued that human resources cost is an unavoidable cost and will be incurred by any entity and therefore are not directly attributable.</p>
<p><b>Buildings and premises</b></p> <ul style="list-style-type: none"> <li>• For the space associated with the staff and departments that 'are directly attributable'</li> <li>• For the space associated with the staff and departments that 'are not directly attributable</li> </ul>	<p>Some members argued that the cost for the space associated with the staff and departments that are directly attributable relates to fulfilling insurance contracts.</p> <p>On the same basis, the cost for the space associated with the staff and departments that are not directly attributable does not relate to fulfilling insurance contracts.</p>
<p><b>IT costs</b></p> <ul style="list-style-type: none"> <li>• General IT costs such as servers, networks, general software licences</li> <li>• IT costs incurred for the development of the IFRS 17 software</li> </ul>	<p>Members argued that some of the general IT costs may be allocated to the fulfilment of insurance contracts as the costs are directly attributable.</p> <p>Members argued that IT costs incurred for the development of IFRS 17 software are not a fulfilment cash flow as it is an expense that will be incurred once-off to prepare for the implementation of IFRS 17.</p>
<p><b>Employee benefits and salaries</b></p> <ul style="list-style-type: none"> <li>• Salary + incentives + reimbursements</li> <li>• Staff entertainment – including team building and year-end party</li> <li>• Professional fees (SAICA + actuarial)</li> <li>• Recruitment costs</li> </ul>	<p>Some members argued that most of the salary costs and benefits will be directly attributable to fulfil insurance contracts for staff that are involved in fulfilling the insurance contract, that is, brokers and the insurer finance team.</p>