Australian Government
Australian Accounting Standards Board

XRB EXTERNAL REPORTING BOARD Te Kāwai Ārahi Pūrongo Mōwaho
NZ ACCOUNTING STANDARDS BOARD

Staff paper

Project	**Insurance contracts**	**Meeting**	AASB (M179) / NZASB February 2021
Topic	Scope of application of AASB 17/PBE IFRS 17 to public sector entities	**Agenda item**	AASB 3.1 NZASB 4.1
		Date	29 January 2021
Contacts	Angus Thomson athomson@aasb.gov.au Vanessa Sealy-Fisher vanessa.sealy-fisher@xrb.govt.nz Patricia Au pau@aasb.gov.au	**Project priority**	Medium
		Decision-making	High
		Project status	Stakeholder outreach and identifying specific technical issues for board deliberation

Objectives of this agenda item

1. This Agenda Paper is being presented to the respective February 2021 meetings of the AASB and the NZASB. It provides context to the Boards' future deliberations on the potential impacts on public sector entities engaged in insurance and 'insurance-like' activities if they were to move from the standards currently applied to the new insurance standards.

2. The objectives of this agenda item are for the AASB and the NZASB to:

   (a) provide the Boards the background to the project (this Agenda Paper);

   (b) confirm the objectives of this joint AASB-NZASB project (Agenda Paper AASB 3.2/NZASB 4.2);

   (c) agree the key issues to be deliberated at future meetings (this Agenda Paper);

   (d) receive an update from staff on outreach undertaken in 2020 (Agenda Paper AASB 3.2/NZASB 4.2);

   (e) consider an indicative project timeline (Agenda Paper AASB 3.2/NZASB 4.2); and

   (f) identify Board member advisors for the project from each Board (Agenda Paper AASB 3.2/NZASB 4.2).

3. The NZASB meets in mid-February 2021 and the AASB meets in late February 2021. Staff will keep each Board apprised of the progress of the other Board. In addition, Board member advisors for the project would help each Board remain informed of progress across both jurisdictions.

Attachment

Agenda Paper AASB 3.2/NZASB 4.2 — Staff paper: Joint AASB-NZASB project objectives and next steps

Background and reasons for bringing this agenda item to the AASB/NZASB at this meeting

4. AASB 17 *Insurance Contracts* (as amended by AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts*) and NZ IFRS 17 *Insurance Contracts* (August 2020) have a mandatory application date of annual reporting periods beginning on or after 1 January 2023.

5. Currently, AASB 17 does not apply to not-for-profit public sector entities [under paragraph 6A of AASB 1057 *Application of Australian Accounting Standards* (July 2015, as amended by AASB 17)]. In addition, there is an apparent inconsistency in Australia in the application of standards as some Australian public sector entities conducting insurance and insurance-like activities are currently applying AASB 1023 *General Insurance Contracts* and others are applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

6. PBE IFRS 17 *Insurance Contracts* currently applies to not-for-profit public benefit entities [PBE IFRS 17.2.1]; however, it is not regarded as applying to 'insurance-like' activities of public benefit entities.

7. The AASB and the NZASB have each commenced a project in 2017/2018 to consider expanding the scope of AASB 17/PBE IFRS 17 to include insurance contracts and arrangements that have similar characteristics to insurance contracts in the public sector as well as addressing any public-sector-specific issues. Each Board has issued a public consultation document (AASB Discussion Paper *Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities* and NZASB Exposure Draft 2018-7 *PBE IFRS 17 Insurance Contracts*) and have considered respondents' comments. A brief project history of each of these projects is contained in Appendix B for Board members' information.

8. In 2020, the AASB and the NZASB decided to work jointly to progress the project. At this meeting, staff ask the Boards to confirm the project objectives and consider the next steps. This is discussed in Agenda Paper AASB 3.2/NZASB 4.2.

9. Both Boards instructed staff to conduct outreach with public sector stakeholders that have insurance or insurance-like activities. A summary of outreach activities undertaken in quarter 4 of 2020 is contained in Appendix A of Agenda Paper AASB 3.2/NZASB 4.2.

10. Based on respondents' comments on the AASB Discussion Paper and NZASB Exposure Draft and feedback received in outreach activities, staff have identified six key issues the Boards are likely to need to consider at future meetings.

Structure of this paper

11. This paper is structured as follows:
    (a) Section 1: Measurement of insurance liabilities
        - Significance of insurance liabilities
        - Key similarities and differences in liability measurement under current and new standards
        - Liability for incurred claims (relating to Topics 1 and 2)
        - Liability for remaining coverage (relating to Topics 3 and 4)
    (b) Section 2: Insurance and 'insurance-like' activities conducted by public sector entities (relating to Topics 5 and 6)
    (c) Section 3: Issues unlikely to require discussion by the Boards
    (d) Appendix A: The standards currently applied by public sector entities with insurance and 'insurance-like' activities (for information only)
    (e) Appendix B: Summary of project history (for information only)

Section 1: Measurement of insurance liabilities

Significance of insurance liabilities

12. Under AASB 1023/PBE IFRS 4 and AASB 17/PBE IFRS 17, each insurance contract is considered to potentially give rise to two liabilities:

(1) a liability for remaining coverage; and

(2) a liability for incurred claims.

For example, 10 policyholders each pay a premium of $900 to insure the risk associated with the vehicle they own being involved in an incident in the period from 1 April 20X1 to 31 March 20X2 that causes personal injury to themselves or a third party.

13. In this case, the insurer has:

(1) a liability for remaining coverage (similar to deferred revenue) – a liability to stand ready to provide coverage for personal injury risks, whether or not any relevant incidents arise – initially measured at $9,000 (10 x $900); and

(2) in the event that an incident arises and a valid claim is made, a liability to settle that claim (that is, a liability for incurred claims) – measured based on estimated future cash flows.

14. Due to the long-term nature of the claims settlement process for risks borne by many public sector insurers, the liability for incurred claims is often very large and the liability for remaining coverage relatively small. That is, the premiums or levies received in any particular reporting period are often a small proportion of the liabilities for incurred claims, which may relate to claims that were incurred over past decades.

15. The following Table identifies information on:

(a) the liability for remaining coverage; over

(b) both the liability for remaining coverage and the liability for incurred claims;

for some typical cases among public sector entities compared with two private sector New Zealand insurers, the three largest listed Australian general insurers, and the largest listed Australian health insurer.

Entity reports 2020	*Coverage liability (A)*	*Claims liability (B)*	*A/A+B*
Accident Compensation Comm	NZD 3,482 million	NZD 61,463 million	5.4%
Earthquake Commission	NZD 265 million	NZD 1,263 million	17.3%
ComCare	nil[1]	AUD 2,867 million	0.0%
Lifetime Care (iCare NSW)	nil[2]	AUD 7,354 million	0.0%
Transport Accident Comm (VIC)	AUD 783 million	AUD 21,374 million	3.5%
WorkCover Queensland	AUD 12 million	AUD 3,487 million	0.0%

1 The levies received by ComCare are typically all expired by the balance date of 30 June, because ‘policies’ run from 1 July to 30 June each year.

2 The levies received by Lifetime Support are typically all expired by the balance date of 30 June, because ‘policies’ run from 1 July to 30 June each year.

Entity reports 2020	***Coverage liability (A)***	***Claims liability (B)***	***A/A+B***
Southern Cross Group	NZD 139 million	NZD 13 million	91.4%
FMG	NZD 179 million	NZD 93 million	65.8%
Insurance Australia Group	AUD 6,276 million	AUD 10,584 million	37.2%
QBE Group (half-year)	AUD 7,799 million	AUD 20,836 million	27.2%
SunCorp	AUD 5,219 million	AUD 10,598 million	33.0%
Medibank Private	AUD 746 million	AUD 639 million	54.0%

16. Accordingly, the measurement of the liability for incurred claims is typically a more crucial issue than the measurement of the liability for remaining coverage.

Key similarities and differences in liability measurement under current and new Standards

17. Currently, public sector entities apply the following standards to measure various types of insurance or 'insurance-like' activities:

- AASB 1023/PBE IFRS 4[3]; or
- AASB 137/PBE IPSAS 19[4].

18. Appendix A outlines, in broad terms, whether AASB 1023/PBE IFRS 4 or AASB 137/PBE IPSAS 19 is applied to measuring various types of insurance or 'insurance-like' activities for a selection of public sector entities.

19. The following Table provides a **highly-simplified** outline of the bases for measuring insurance liabilities under current standards and the new standards (AASB 17/PBE IFRS 17[5]).

	Standards currently applied		***AASB 17/PBE IFRS 17***	
	AASB 1023 PBE IFRS 4	***AASB 137 PBE IPSAS 19***	***General model***	***Simplified***
Coverage liability	Deferred premium (**received or receivable**)	Not applicable	Expected cash flows from ***future*** events	Deferred premium (**received only**)
Claims liability	Expected cash flows from incurred claims	Expected cash flows from incurred claims	Expected cash flows from incurred claims	Not applicable

3 AASB 1023 *General Insurance Contracts* and PBE IFRS 4 *Insurance Contracts* Appendix D.

4 AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*.

5 AASB 17 *Insurance Contracts* and PBE IFRS 17 *Insurance Contracts*.

Liability for incurred claims

20. All the standards (AASB 1023/PBE IFRS 4; AASB 17/PBE IFRS 17; and AASB 137/PBE IPSAS 19) would measure the liability for incurred claims using a present value calculation for incurred claims.

21. However, the specific present value might differ for two main reasons.

(1) AASB 1023/PBE IFRS 4 and AASB 17/PBE IFRS 17 require the liability for incurred claims to be measured as the central estimate of the present value of expected future payments with an additional ***risk adjustment*** to allow for the inherent uncertainty in the central estimate. (Therefore, staff consider it important to consider whether or not there is a need for a risk adjustment under AASB 17/PBE IFRS 17 for public sector entities. See Topic 1 below.)

AASB 137/PBE IPSAS 19 does not require a risk adjustment for inherent uncertainty to be included in the measurement of provisions. However, for some insurance-like activities, some entities identify that they apply AASB 137, and also have a risk margin (usually benchmarked to a 75% probability of adequacy).[6]

(2) AASB 1023/PBE IFRS 4 and AASB 17/PBE IFRS 17 require the estimated cash flows used to measure the liability for incurred claims to be ***discounted*** for the time value of money (generally interpreted as being a **risk-free rate**). Under AASB 17/PBE IFRS 17, the risk-free rate, when relevant, is adjusted for illiquidity.[7]

AASB 137/PBE IPSAS 19 requires the estimated cash flows used to measure a provision to be discounted for the time value of money that is a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability.[8]

22. In theory, the discount rates under AASB 17/PBE IFRS 17 and AASB 137/PBE IPSAS 19 could be highly similar. However, there is generally considered to be more flexibility in determining the rate under AASB 137/PBE IPSAS 19 than there is under AASB 1023/PBE IFRS 4 or under AASB 17/PBE IFRS 17. However, some interpret the requirement in AASB 137/PBE IPSAS 19 to incorporate in the discount rate the risks specific to the liability as being similar to the AASB 17/PBE IFRS 17 requirement for an illiquidity adjustment.

23. Therefore, staff consider it important for the Boards to deliberate on whether there is a need for a risk adjustment under AASB 17/PBE IFRS 17 and issues regarding discount rates. If Board members agree, staff will present a paper on each of these topics:

Topic	***Remarks based on outreach***
Topic 1: Relevance and measurement of risk adjustments	Some entities have explicit government funding guarantees (others are implicit). Some entities have monopoly power to enable price smoothing over successive periods. These factors may affect the relevance of risk adjustments. Some stakeholders hold strong views either for or against including risk adjustments in insurance liabilities of public sector entities. Some stakeholders consider risk adjustments might only be relevant in particular circumstances.
Topic 2: Discount rates	Some stakeholders hold strong views on the need for long-run discount rates, usually due to the pricing models adopted and a

6 This is the accounting policy applied to the Nominal Defendant fund operated by the Queensland Motor Insurance Commission and the CTP Care Fund operated by NSW iCare.

7 The illiquidity adjustment would be expected to increase the discount rate (reducing the present value amount) on the basis that the less liquid is a liability, the more predicable the cash flows.

8 The discount rate(s) does not reflect risks for which future cash flow estimates have been adjusted [AASB 137.47/PBE IPSAS 19.56]

Topic	Remarks based on outreach
	desire to see the financial statements align with the accountability of some entities for achieving long-run breakeven operating results.

Liability for remaining coverage

24. Most public sector insurers receive most of their premiums in advance of providing coverage, or at least receive them prior to balance date for a coverage period ending on 30 June. Accordingly, for annual reporting purposes, the fact that AASB 1023/PBE IFRS 4 measure the coverage liability based on premium both received and receivable; whereas the AASB 17/PBE IFRS 17 simplified approach is based on only premiums received, would typically make little or no difference.

25. Using the example noted above, assuming that coverage commences on 1 April and is provided evenly over 12 months:

    (a) AASB 1023/PBE IFRS 4 measures the liability for remaining coverage based on 'unexpired' premium; and

    (b) AASB 17/PBE IFRS 17 measure the liability for remaining coverage under the simplified approach based on 'unexpired' premium received.[9]

Date	Liability (unexpired premium)	Revenue to date (expired premium)
1 April 20X1	$9,000	$0
30 June 20X1	(9/12 months x $9,000) $6,750	(3/12 months x $9,000) $2,250

26. The possible use of the general model for measuring coverage liabilities is not addressed here as it would rarely be expected to apply in the public sector. (This is on the basis that the outreach to date indicates most insurance or insurance-like arrangements in the public sector are for periods of a year or less, and would be automatically eligible for the simplified approach if they were to be accounted for using the new standards.)

27. There are other potential reasons for differences between the measures of the coverage liability; however, they would not generally be significant for public sector entities. For example, the treatments for acquisition costs differ between AASB 1023/PBE IFRS 4 versus AASB 17/PBE IFRS 17 versus AASB 137/PBE IPSAS 19.[10] (Typically, acquisition costs are not material for public sector insurers.)

9 For the purposes of applying AASB 17/PBE IFRS 17, this illustration assumes premiums are received on or before 1 April 20X1 and there are no relevant acquisition costs or other complicating factors.

10 Under AASB 17/PBE IFRS 17, acquisition costs are generally included in measuring the liability for remaining coverage, although there is also an option to expense them immediately when contracts have coverage periods of a year or less (which is normally the case in the public sector). In contrast, under AASB 1023/PBE IFRS 4, a separate asset is recognised for relevant acquisition costs. Under AASB 137/PBE IPSAS 19, acquisition costs would be expensed immediately.

28. Therefore, staff recommend the Boards consider these topics at a future meeting:

Topic	***Remarks based on outreach***
Topic 3: Eligibility for the 'simplified' premium allocation approach to measuring liabilities for remaining coverage	There appear to be very few instances of contracts that might be ineligible for 'simplified' measurement (and that might need to apply the general measurement model).[11] In any case, those contracts are typically not material to the financial statements as a whole. Staff note: as the name suggests, the 'simplified' premium allocation approach is typically much less complex to apply than the general measurement model in respect of a liability for remaining coverage.
Topic 4: Classification of 'non-insurance' costs	There may be a need to provide guidance on whether costs relating to risk mitigation, which can be a separate (community-focused) statutory objective of the entity, should be presented within the 'insurance service result'. Relative to AASB 1023/PBE IFRS 4, AASB 17/PBE IFRS 17 has a strong focus on subclassification of income statement line items.

Section 2: Insurance and 'insurance-like' activities conducted by public sector entities

29. Ideally, in considering the application of AASB 17/PBE IFRS 17 to public sector entities, all the relevant insurance and 'insurance-like' activities can be addressed consistently, regardless of the way in which those activities are structured or performed.

30. In that context, it is useful to note that public sector entities engaged in insurance or 'insurance-like' activities in Australia and New Zealand are structured and operate in variety of ways. The table below outlines that variety.

Risks	**Remarks**
Government buildings, government employees, government projects, and government-related public liability and professional indemnity risks	In some jurisdictions (for example, Victoria), a separate reporting entity receives 'premiums' from other government agencies and is responsible for managing and, typically, reinsuring those risks. These entities are effectively captive insurers. Their purpose is to aggregate the insurable exposures across government and seek to obtain the best reinsurance rates available.
	As above, except in some jurisdictions (for example, Queensland, ComCover), the agency is not a separate reporting entity.
	In some jurisdictions (for example, New Zealand), these risks are self-insured.
Motor accident personal injury	In some jurisdictions (for example, Western Australia), a separate reporting entity receives 'premiums' from motorists and provides coverage for all types of injuries that result from accidents involving motor vehicles.
	In some jurisdictions (for example, New South Wales), only serious injuries are insured through a public sector scheme. Non-serious injuries are insured through 'approved' private sector insurers (usually at regulated rates).

11 An entity can choose to apply the general measurement model or the simplified approach to measuring the liability for remaining coverage for eligible contracts. Based on the outreach performed so far, there is no appetite among public sector entities for applying the general measurement model other than to measure the liability for incurred claims.

Risks	Remarks
	In New Zealand, these risks are insured by a reporting entity that also covers a wide range of personal injury risks unrelated to motor vehicle accidents.
Private sector employees	In some jurisdictions (for example, most Australian States and Territories), a separate reporting entity receives 'premiums' from employers and provides coverage for all types of injuries that arise from the workplace. Typically, large employers (particularly those that operate across State and Territory borders) can be approved to self-insure.
Multiple risk exposures	In some jurisdictions, one reporting entity covers several portfolios of risks. For example: (a) New Zealand's Accident Compensation Commission, which presents consolidated financial statements plus portfolio-by-portfolio information in the notes (b) NSW iCare, which is a service entity that presents financial statements and notes that show results for each portfolio. Separate financial statements are not publicly available for each of the portfolio entities.
Special risks	In New Zealand, a separate reporting entity receives 'levies' on private household insurance policies to cover earthquake risks to residential property.
	In Australia, a separate reporting entity receives 'levies' on private commercial building policies to cover terrorism risks to commercial property.

31. In common with the existing standards, AASB 17/PBE IFRS 17 apply to 'insurance contracts', not insurance entities. Accordingly, in theory, the way in which insurance and 'insurance-like' activities are structured should not affect the accounting. However, there are at least two structural issues that can impact on the accounting.

 (1) In respect of captive insurers, whether or not a reporting entity is identified that is separate from the government entities being insured will determine whether AASB 17/PBE IFRS 17 can be applied.

 (2) Having serious injury risks covered in a separate reporting entity seems to affect judgements about whether AASB 1023 is applied in Australian jurisdictions. The typical reasoning is that entities dealing solely with serious injury risks are more likely to be in the nature of ongoing compensation schemes funded by levies and not regarded as insurance. As noted in Appendix A, typically, it appears that the liability arising from these type of compensation schemes is currently being recognised under AASB 137.

32. Therefore, staff recommend the Boards consider these issues at future meetings:

Topic	*Remarks*
Topic 5: Identifying relevant 'insurance-like' activities that should be accounted for by applying AASB 17/PBE IFRS 17	The stakeholder outreach has produced useful input to this topic. There are reasonably strong views held by some stakeholders – not all of which are consistent with one another. There is a general recognition that there may be no 'bright line' for identifying activities that should be accounted for by applying AASB 17/PBE IFRS 17.

Topic	*Remarks*
Topic 6: Identifying insurance entities that should prepare financial statements	Stand-alone financial statements are not prepared for all insurance or insurance-like activities, even though they involve covering risks outside the government itself. Generally, the information appears in the financial statements of the relevant managing Department and/or is incorporated into the consolidated financial statements of the controlling government. Captive insurers were the subject of a specific question in the AASB's 2017 Discussion Paper[12]: 9 Where subsidiaries apply AASB 17 to insurance and insurance-like contracts in the subsidiary's separate financial statements, but at the consolidated group level such contracts are regarded as self-insurance and consequently outside the scope of AASB 17, should such arrangements be scoped out of AASB 17 for the subsidiary's separate financial statements? Most of the feedback indicated that captive insurers should be given the option to not apply AASB 17 in their stand-alone financial statements. However, a key stakeholder disagreed. The AASB agreed to perform more outreach. Although the New Zealand government does not currently have a captive insurance arrangement, consideration has periodically been given to the idea. Accordingly, the issue might be relevant at some stage to the NZASB.

Questions to Board members

Q1: Do Board members agree with staff's recommendation for the Boards to deliberate on the following six topics at future meetings?

Topic 1: Relevance and measurement of risk adjustments

Topic 2: Discount rates

Topic 3: Eligibility for the 'simplified' premium allocation approach to measuring liabilities for remaining coverage

Topic 4: Classification of 'non-insurance' cost

Topic 5: Identifying relevant 'insurance-like' activities that should be accounted for by applying AASB 17/PBE IFRS 17

Topic 6: Identifying insurance entities that should prepare financial statements

Q2: Other issues may emerge as the project progresses. At this stage, are there any other issues Board members wish to raise for consideration?

12 Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities (November 2017)

Section 3: Issues unlikely to require discussion by the Boards

Topic 7: Groups of onerous contracts

33. In the commercial (private sector) context, much has been made of the emphasis in AASB 17/PBE IFRS 17 on identifying onerous groups of contracts at initial recognition – meaning there is early loss recognition.

34. Some public sector insurers engage in deliberate cross-subsidisation between different (distinguishable) groups of contracts, and could therefore identify up-front those groups of contracts that are loss-making. However, all the entities staff have so far encountered effectively have the pricing imposed upon them from an outside regulatory source and would be able to take advantage of the relief from recognising a loss-making group available in AASB 17.20/PBE IFRS 17.20.[13]

35. Accordingly, onerous contract recognition is not expected to be a particular concern for public sector entities.

Topic 8: Measurement of investments

36. A key difference between AASB 1023/PBE IFRS 4 versus AASB 17/PBE IFRS 17 is that the existing standards mandate the measurement of investments backing insurance liabilities at fair value through profit or loss (FVPL), when that basis is available in the standards. However, this is not expected to be an issue the Boards will need to consider.

37. The stakeholder feedback indicates that public sector insurers holding investments will continue to measure them at FVPL. This seems due to the following.

    (a) In some cases, the entity's investments are managed by a sister government agency that only applies FVPL accounting.

    (b) In some cases, the entity's performance is measured, in part, on the basis of its investment performance and FVPL is regarded as the only relevant measure.

    (c) Fair value is a favoured measure of many asset types in the Australian and New Zealand public sector (and, for Australia, is consistent with GAAP-GFS reporting).

Question to Board members

Q3: Do Board members agree that Topic 7 and Topic 8 described in paragraphs 33–37 are unlikely to require Board deliberation?

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13 AASB 17/NZ IFRS 17 says:

> 20 If, applying paragraphs 14–19, contracts within a portfolio would fall into different groups [onerous versus non-onerous] only because law or regulation specifically constrains the entity's practical ability to set a different price or level of benefits for policyholders with different characteristics, the entity may include those contracts in the same group. …

Appendix A: The standards currently applied by public sector entities with insurance and 'insurance-like' activities

For a selection of public sector entities, the table below outlines, in broad terms, whether AASB 1023/PBE IFRS 4 or AASB 137/PBE IPSAS 19 is applied to measuring various types of insurance or 'insurance-like' activities.

<table>
<tr><th>Entity (or part of entity)</th><th>Activity</th><th>Standard</th><th>Remarks</th></tr>
<tr><td>NZ Accident Compensation Commission</td><td>Coverage for accidents for Earners, Non-earners, Motor vehicle, Treatment injury and Work</td><td>PBE IFRS 4</td><td>Covers all types of accidents</td></tr>
<tr><td>NZ Earthquake Commission</td><td>Coverage for residential buildings and land forms</td><td>PBE IFRS 4</td><td>Covers damage relating to earthquakes</td></tr>
<tr><td>NSW iCare – CTP Care Fund</td><td rowspan="4">Motor accident serious personal injury</td><td rowspan="4">AASB 137</td><td rowspan="4">Other aspects of motor accident personal injury covered by private sector contracts</td></tr>
<tr><td>SA Lifetime Support Authority</td></tr>
<tr><td>QLD National Injury Insurance Scheme</td></tr>
<tr><td>NT Motor Accidents Compensation Comm.</td></tr>
<tr><td>VIC Transport Accident Commission</td><td rowspan="3">Motor accident personal injury</td><td>AASB 1023</td><td rowspan="3">Covers both serious and non-serious personal injury caused by motor accidents</td></tr>
<tr><td>TAS Motor Accidents Insurance Board</td><td>AASB 1023</td></tr>
<tr><td>WA Insurance Commission</td><td>AASB 137</td></tr>
<tr><td>NSW iCare – Workers' Insurance Fund</td><td rowspan="5">Private sector employee workplace injury</td><td rowspan="5">AASB 1023</td><td rowspan="5">Covers all types of incidents related to workplaces</td></tr>
<tr><td>VIC WorkSafe</td></tr>
<tr><td>QLD WorkSafe</td></tr>
<tr><td>WA WorkCover</td></tr>
<tr><td>Return to Work SA</td></tr>
<tr><td>NSW iCare (Insurance for NSW)</td><td rowspan="4">Government assets, government-related public liability and professional indemnity risks</td><td>AASB 137</td><td rowspan="4">Only relevant when there is a separate reporting entity identified or a segment of a reporting entity</td></tr>
<tr><td>VIC Managed Insurance Authority</td><td>AASB 1023</td></tr>
<tr><td>SA Government Financing Authority (SAiCorp Division)</td><td rowspan="2">AASB 1023</td></tr>
<tr><td>ACT Insurance Authority</td></tr>
</table>

Entity (or part of entity)	Activity	Standard	Remarks
NSW iCare (Home Building Compensation Fund)	Residential construction risks	AASB 1023	Only relevant when there is a separate reporting entity identified or a segment of a reporting entity
VIC Managed Insurance Authority (Domestic Building Insurance)			
QLD Building and Construction Commission			
SA Government Financing Authority (Building Indemnity Insurance)			
Australian Reinsurance Pool Corporation	Terror risks for commercial property	AASB 1023	

Appendix B: Summary of project history

This Appendix contains a brief history of the AASB's project and NZASB's project between 2017–2020.

B.1 Brief project history – AASB

Time	*Milestone*	*Remarks*
July 2017	AASB makes AASB 17 *Insurance Contracts*, which incorporates IFRS 17 *Insurance Contracts* (May 2017) applicable to annual reporting periods beginning on or after 2021	The AASB's Basis for Conclusions notes: AusBC27 … the AASB was aware of key concerns from the NFP public sector in particular that need further consideration before a decision is made about whether those entities should be subject to AASB 17 without amendment. Chiefly among those concerns was AASB 17 applicability to statutory obligations such as Medicare, the National Disability Insurance Scheme or worker's compensation insurance. AusBC28 The AASB acknowledged those concerns and decided to temporarily exclude NFP public sector entities from the scope of AASB 17 pending the outcome of its separate project to address these issues. Until such time as the NFP public sector issues are addressed, those affected entities continue to be subject to AASB 4, AASB 1023 and AASB 1038 (and, potentially, Interpretation 1047).
Nov 2017	Discussion Paper *Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities*	For comment by 28 February 2018 The DP notes in the introduction: The AASB's view is that although AASB 17 applies only to contracts, the *Framework for the Preparation and Presentation of Financial Statements* (Conceptual Framework) does not limit liability recognition to that arising from contracts, and specifically indicates that obligations may arise from statute. In applying its principle of transaction neutrality, the AASB considers that public sector entities with insurance risk created by statute, that are in substance similar to public and private sector entities with insurance risk created by contracts, should account for insurance risk in the same way. The DP specifically sought feedback on: • applying AASB 17 to 'insurance-like' arrangements in the public sector • applying the requirements for a risk adjustment (to insurance liabilities) • determining the contract boundary • captive insurance arrangements
Sep 2018	AASB considers a summary of constituent feedback on the Discussion Paper	The minutes record the Board decided to: (a) conduct further field testing of the 'insurance-like' criteria (b) based on the field testing, consider whether clarifications of the 'insurance-like' criteria are required, particularly the 'funding' criteria (c) consider the assumptions used in determining discount rates for public sector entities (d) consider the assumptions used in determining risk margins for public sector entities. Six formal responses to the DP were received (including from HoTARAC and ACAG).

Time	*Milestone*	*Remarks*
Jun 2019	Exposure Draft of proposed amendments to AASB 17	AASB ED 292 incorporated amendments to IFRS 17 proposed by the IASB. For comment to AASB by 30 August 2019 and to the IASB by 25 September 2019
Jul 2020	AASB makes AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts*	AASB 2020-5 amends AASB 17 to be in line with an amended IFRS 17 issued by the IASB in June 2020. Key amendments to AASB 17 and IFRS 17 are: • a revised mandatory application date of annual reporting periods beginning on or after 1 January 2023 • requiring separate presentation of insurance assets and liabilities by 'portfolio' rather than 'group of contracts' • permitting the recognition of a separate acquisition costs asset in particular circumstances • recognising reinsurance contract held gains relating to onerous underlying contract losses in particular circumstances • entities preparing interim financial statements can choose to apply the 'year-to-date' measurement principle in AASB 134 / IAS 34 *Interim Financial Reporting*

1.2 Brief project history – NZASB

Time	*Milestone*	*Remarks*
Aug 2017	NZASB issues NZ IFRS 17 *Insurance Contracts*, which incorporates IFRS 17 *Insurance Contracts* (May 2017) applicable to annual reporting periods beginning on or after 2021	NZ IFRS 17 applies only to for-profit entities.
Feb 2018	NZASB agrees to develop a PBE Standard based on IFRS 17	
Dec 2018	NZASB ED 2018-7 PBE IFRS 17 *Insurance Contracts*	For comment by 17 May 2019 NZASB ED 2018-7 proposed amending the scope of PBE IFRS 17 to capture schemes that are eligible to apply the insurance approach under IPSAS 42 *Social Benefits* (i.e. intended to be fully funded from contributions and levies; and there is evidence the entity manages the scheme in the same way as an issuer of insurance contracts, including assessing the financial performance and financial position of the arrangement on a regular basis). NZASB ED 2018-7 sought feedback on • appropriateness of a risk adjustment for certain PBEs • whether the 'contract boundary' is clear for entities funded through levies • whether 'portfolios' and 'onerous contract groups' are appropriate for PBEs • relevant discount rates for PBEs.

Time	***Milestone***	***Remarks***
June 2019	NZASB considers constituent feedback on NZASB ED 2018-7	Six formal responses to the ED were received. The Board: (a) NOTED the feedback received on NZASB ED 2018-7 PBE IFRS 17 *Insurance Contracts*; and (b) AGREED to: (i) add a public sector-specific PBE insurance project to its workplan to consider the public sector-specific issues raised by respondents; and (ii) proceed to issue PBE IFRS 17 *Insurance Contracts* with a proposed scope modification to limit its application to Tier 1 and Tier 2 not-for-profit PBEs.
Aug 2019	NZASB ED 2019-3 Proposed amendments to PBE IFRS 17	NZASB ED 2019-3 proposed to incorporate into PBE IFRS 17 the amendments to IFRS 17 proposed by the IASB in June 2019. Comments were due to the NZASB by 19 November 2019.
Aug 2020	NZASB issues Amendments to NZ IFRS 17 and Amendments to PBE IFRS 17	Key amendments to NZ IFRS 17, PBE IFRS 17 and IFRS 17 are: • a revised mandatory application date of annual reporting periods beginning on or after 1 January 2023 • requiring separate presentation of insurance assets and liabilities by 'portfolio' rather than 'group of contracts' • permitting the recognition of a separate acquisition costs asset in particular circumstances • recognising reinsurance contract held gains relating to onerous underlying contract losses in particular circumstances • entities preparing interim financial statements can choose to apply the 'year-to-date' measurement principle in AASB 134/IAS 34 *Interim Financial Reporting*