

# Memo

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- Meeting:** The AASB 17 Transition Resource Group
- Date:** 14 September 2022
- Objective:** To provide an update on the AASB-NZASB Insurance Activities in the Public Sector project following the August 2022 meetings of the AASB and the NZASB.

The AASB and NZASB issued an Exposure Draft proposing public-sector-specific modifications to AASB 17 *Insurance Contracts* and PBE IFRS 17 *Insurance Contracts* in March 2022 and received eleven [comment letters](#) across both jurisdictions.

The Boards commenced re-deliberating the ED proposals at their August 2022 meetings and will consider the balance of the issues at their next meetings.

The AASB will meet again on 21–22 September 2022 and the NZASB will meet on 18 October 2022. The Boards will consider the following agenda papers:

1. [Cover memo](#)
2. [Sub-grouping of insurance contracts](#)
3. [Initial recognition when insurance contracts are onerous](#)
4. [Coverage period and eligibility for the premium allocation approach](#)
5. [Indicators for identifying arrangements within the scope of the Standard](#)
6. [Risk adjustments](#)
7. [Captive insurers](#)
8. [Regulatory and other issues](#)

*The papers can be accessed by clicking on the hyperlinks.*

## Next steps

It is planned to have a Draft Standard available for public comment for a limited time, probably 14 days, in late October/early November 2022 and to publish the final Standard by 31 December 2022.

A TRG Public Sector Focus Group meeting will be planned for late September/early October to discuss the latest proposals.

## The Boards' re-deliberations to date

The following table includes a summary of the ED proposals and responses along with an outline of the Boards' re-deliberations at their August 2022 meetings and staff recommendations in the abovementioned agenda papers.

***Please note the Boards decisions outlined in the table are not final and the Boards have yet to consider the abovementioned September/October 2022 agenda papers.***

ED topic	ED responses	Boards' re-deliberations August 2022 Staff recommendations in the September/October 2022 agenda papers
<b>APPLICATION DATE:</b> The Boards proposed application by public sector entities for periods beginning on or after 1 July 2025 (AASB) and 1 January 2025 (NZASB).	General support for the proposed application date, provided the project timeline is realised	Still aiming to have a final revised Standard by 31 December 2022
<b>SCOPE:</b> The Boards proposed public sector activities within scope be identified based on a collective assessment of the following proposed indicators: (a) similarity of risks covered/benefits provided; (b) identifiable coverage period; (c) enforceable nature of arrangement; (d) source and extent of funding; (e) management practices and assessing financial performance; and (f) assets held to pay benefits.	General agreement with the proposed indicators No new indicators suggested Ranking of indicators widely supported, rather than a collective assessment approach Many favour 'identifiable coverage period' and 'enforceable nature of arrangement' as pre-requisites Many regard 'management practices and assessing financial performance' and 'assets held to pay benefits' as least important	<b>August 2022 meeting:</b> Boards agreed <ul style="list-style-type: none"> <li>• 'identifiable coverage period' and 'enforceable nature of arrangement' would be pre-requisites</li> <li>• 'similarity of risks covered/benefits provided' and 'source and extent of funding' would be important indicators</li> <li>• 'management practices and assessing financial performance' and 'assets held to pay benefits' would be considered when the other factors are not definitive</li> </ul> <b>September/October 2022 agenda papers:</b> Staff recommend adding text in the 'Scope' section of the Standard to clearly state how the ranking of pre-requisites, indicators and other considerations should be applied in determining whether an arrangement is within the scope of the Standard
<b>SUB-GROUPING:</b> The Boards proposed no requirement to sub-group onerous versus non-onerous contracts; or, contracts issued more than a year apart	Widespread support for the proposed exemption	<b>September/October 2022 agenda papers:</b> Proceed with the proposals not to require sub-grouping Provide context, when relevant, for applying the Standard when it refers to 'groups'

ED topic	ED responses	Boards' re-deliberations August 2022 Staff recommendations in the September/October 2022 agenda papers
<p><b>INITIAL RECOGNITION:</b> The Boards proposed to not require initial recognition when contracts are known to be onerous</p>	<p>Widespread support for the proposed exemption</p>	<p><b>September/October 2022 agenda papers:</b> Proceed with the proposal not to require initial recognition when contracts are known to be onerous</p>
<p><b>RISK ADJUSTMENT:</b> The AASB proposed no modifications on risk adjustments. The NZASB proposed a rebuttable 75% confidence level for risk adjustments</p>	<p>General support for making no modifications to the requirements for a risk adjustment, but some support for providing guidance for applying the requirements in a public sector context, including whether a risk adjustment could be zero</p>	<p><b>August 2022 meeting:</b> Boards agreed not to make specific public sector modifications <b>September/October 2022 agenda papers:</b> Suggested background information to be included in the Basis for Conclusions</p>
<p><b>COVERAGE PERIODS:</b> The Boards proposed guidance that addresses public sector circumstances, including in respect of: (a) how prices and benefits are set; (b) a public sector entity's monopoly position; (c) legislated obligations to stand-ready; (d) medium to long term view pricing and government policy frameworks.</p>	<p>Widespread support for the proposed guidance Concerns about the, albeit limited, cases of long-term contracts giving rise to a need to either apply the general measurement model, or at least the need to test for PAA eligibility</p>	<p><b>September/October 2022 agenda papers:</b></p> <ul style="list-style-type: none"> <li>• Proceed with the proposals with some amendments to the proposed guidance</li> <li>• Provide an accounting policy choice to apply the PAA without the need to consider the eligibility criteria</li> </ul>
<p><b>CAPTIVE INSURERS:</b> The Boards proposed no specific requirements/modifications</p>	<p>Some concerns about having to report under AASB 17 at the stand-alone entity level and AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> at the Whole of Government consolidated level</p>	<p><b>September/October 2022 agenda papers:</b> For administered item disclosures under AASB 1050 <i>Administered Items</i>, permit an accounting policy choice to apply either AASB 17 or AASB 137 to prepare the disclosure</p>