



Memorandum

To:	AASB members	Date:	23 June 2015
From:	Angus Thomson & David Ji	Agenda Item:	7.1 (M146)
Subject:	Insurance papers for ASAF	File:	

Action

Note a brief report on the AASB-NZASB staff papers that have been provided to the IASB for the Accounting Standards Advisory Forum (ASAF) meeting on 16 and 17 July 2015.

Discuss input, issues or questions that members may have on the papers and on why we are presenting them at the ASAF

Attachments

- ~ AASB-NZASB staff memorandum dated 18 June 2015 to ASAF members and IASB members – Agenda Paper 7.2
- ~ AASB-NZASB staff paper: Contractual Service Margin recognition – non-participating insurance contracts – Agenda Paper 7.3
- ~ AASB-NZASB staff paper: Disclosure of discount rate impacts and accretion of interest on the Contractual Service Margin – non-participating insurance contracts – Agenda Paper 7.4

At the time of writing this memo, we have not been advised of the relevant ASAF agenda numbers for the papers.

Background

The IASB is continuing to deliberate on the responses to its ED/2013/7 *Insurance Contracts* and issues that have arisen over the last two years. The IASB has made tentative decisions on most of the issues connected with non-participating insurance contracts¹ and is currently focusing on issues related to participating insurance contracts.²

The two issues on which AASB staff are scheduled to present to the ASAF both relate to non-participating contracts and are on:

- ~ contractual service margin (CSM) recognition; and
- ~ presentation and disclosure of discount rate impacts and accretion of interest on the CSM.

1 An example of a non-participating contract is a household contents policy under which the insurer bears all the risk of loss, or all the risk of loss above a set excess.

2 An example of a participating contract would be a term life product that also accumulates investment returns for the policyholder under which the insurer and policyholder share the returns from a pool of longevity and investment risks and the policyholder/beneficiary is also covered for loss of life.

These are the two key issues that were identified at the AASB's Insurance Roundtable conducted in Sydney in May 2015, which was attended by Ian Mackintosh (IASB Vice-Chair), some AASB board members and staff, and a wide range of stakeholders. They are also the issues that are most frequently raised in other outreach on insurance contracts and are among the issues of concern previously identified by the Board. That outreach involved a wide range of constituents, including users of financial statements.

The IASB plans to reconsider its tentative decisions on non-participating contracts once it has made tentative decisions on participating contracts, and this is an opportune time to try and contribute to that final decision-making stage.

We understand that the IASB currently plans to have completed a revised (or replacement) IFRS 4 *Insurance Contracts* in early 2016.

In preparing the ASAF papers, AASB staff have liaised with the NZASB staff and staff at the UK, German and Canadian standard setting Boards.

AASB staff also received considerable assistance from a number of key Australian insurance industry constituents in preparing the papers for which we are most thankful.