



Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007
via email: standard@asb.gov.au

28 September 2011

Dear Kevin

Re: Tier 2 Supplement to AASB ED 201 *Insurance Contracts*

We are responding to your request for comment on the Tier 2 Supplement to the Australian Accounting Standards Board (AASB) Exposure Draft (ED) 201 *Insurance Contracts*.

We support the Board's aim to ensure that new standards and amendments to existing Australian Accounting Standards provide consistent disclosure relief for Tier 2 entities reporting under the reduced disclosure regime on a timely basis.

We generally agree with the AASB's approach of not specifying Tier 2 disclosures for insurance contracts, based on the assumption that an insurance company required to prepare general purpose financial statements would generally be a publicly accountable entity.

However, this approach is only appropriate while the reporting entity concept as we know it is still in place. Should the Board decide in the future to remove the reporting entity concept, all entities with insurance contracts would be required to apply the proposed insurance contracts disclosures regardless of whether they are publicly accountable or not and whether users of the financial statements would require this kind of information. This would be an additional burden for captive insurers who are generally wholly-owned subsidiaries without external stakeholders.

The Board will therefore need to review the application of the proposed disclosures to non-publicly accountable insurers using the *Tier 2 Disclosure Principles* should the reporting entity concept be removed at a future point in time.

I would welcome the opportunity to discuss our firm's views at your convenience. Please contact me on (03) 8603 3868 or Regina Fickers on (02) 8266 8350 if you would like to discuss our comments further.

Yours sincerely,

A handwritten signature in cursive script that reads 'Jan McCahey'.

Jan McCahey
Partner, PricewaterhouseCoopers

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, **SOUTHBANK VIC 3006**, GPO Box 1331, **MELBOURNE VIC 3001**
DX 77 Melbourne, Australia
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au



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Chairman
Australian Accounting Standards Board
PO Box 204,
Collins Street
WEST VICTORIA 8007

By Email: standard@asb.gov.au

30 September 2011

Grant Thornton Australia Limited
ABN 41 127 556 389

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Dear Kevin

EXPOSURE DRAFT TIER 2 SUPPLEMENT TO ED 201 INSURANCE CONTRACTS

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board (AASB) with its comments on ED Tier 2 Supplement to ED 201 Insurance Contracts (the ED).

Grant Thornton's response reflects our position as auditors and business advisers to the Australian business community. We work with listed and privately held companies, government, industry, and not-for-profit organisations (NFPs). This submission has benefited with input from our clients, Grant Thornton International, and discussions with key constituents.

We generally support the view of the AASB that most insurance entities would be publicly accountable as outlined in the IFRS for SMEs Basis for Conclusions (BC 56) which stated that "...An entity has public accountability (and therefore should use full IFRSs) if:
(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies..."

However we also recognize that, as detailed in the ED, some particularly small or specialized insurance entities such as captive insurers, do not currently prepare general purpose financial reports. On that basis Grant Thornton believes that the AASB should allow the IFRS for SMEs accounting standard as an option for such non-publicly accountable entities. Adoption of IFRS recognition and measurement principles and increased disclosures compared to IFRS for SMEs, does add significant complexity and costs that would not be borne by similar structured overseas entities.

If you require any further information or comment, please contact me.

Yours sincerely

GRANT THORNTON AUSTRALIA LIMITED

A handwritten signature in black ink that reads "Keith Reilly".

Keith Reilly
National Head of Professional Standards