

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007

7 August 2013

Invitation to comment on AASB Exposure Draft Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders (ED 241)

Dear Chairman

Ernst & Young Australia is pleased to provide comments on the AASB's Exposure Draft 241 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders. (the 'ED').

Overall, we support the proposal in ED 241 to remove the specific requirements in relation to consolidation from AASB 1038, which will leave AASB 10 as the sole source of consolidation requirement applicable to life insurer entities.

Our responses to the specific questions are provided in Appendix A to this letter.

We would be pleased to discuss our comments further with you. Please contact Lynda Tomkins (lynda.tomkins@au.ey.com, or (02) 9276 9605) if you wish to discuss any of the matters in this response.

Yours sincerely



Ernst & Young

APPENDIX A

SPECIFIC MATTERS FOR COMMENT

1. Whether the proposals in this Exposure Draft are supported;

We support the proposals in the ED.

2. Whether the amendments proposed in this Exposure Draft would result in a change from current practice, and, if so, why;

We believe that the proposed amendment may affect life insurers that have deemed separate entities within their business. Specifically the amendments will only affect a life insurer that offers pure investment linked products or have assets that are ring-fenced from the life insurer. However, there will be very few instances where life insurers will have deemed separate entities because most life insurers who offer investment linked or ring-fenced products, include portfolios that are protected by some form of guarantee. In practice it is unlikely that many life insurers will have to consider the issue of deemed separate entities.

3. Whether paragraph 4.1.2 of AASB 1038 should be retained;

We believe that paragraph 4.1.2 of AASB 1038 should be retained. This paragraph provides guidance specific to life insurers in relation to the classification of “policyholder retained profits” which is only relevant to life insurers.

4. Whether, overall, the proposals would result in financial statements that would be useful to users;

We believe that the proposals will clearly align Australian accounting standards to international financial reporting standards.

5. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:

- a. Not-for-profit entities; and
- b. Public sector entities, including GAAP/GFS implications;

We are not aware of any significant regulatory or other issues that are likely to affect the implementation of the proposals contained in this ED.

6. Whether the proposals are in the best interest of the Australian economy; and

We believe that the proposals are in the best interests of the Australian economy.

7. Unless already provided in response to specific matters for comment 1 – 6 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.

We believe that additional costs that may be incurred by life insurers in the limited circumstances, discussed in our response to question 2, to comply with the proposed amendments will not outweigh the benefits to users of financial statements.