



Project:	Insurance Activities in the Public Sector	Meeting	AASB November 2022 (M191)
Topic:	Consequential amendments	Agenda Item:	5.1
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		Project Priority:	Medium
		Decision-Making:	High
		Project Status:	Consider changes to the amending Standard

Objectives of this agenda item

- 1 In respect of consequential amendments to various AASB pronouncements arising from the application of AASB 17 *Insurance Contracts* to all public sector entities from 1 July 2025, the objectives of this agenda item are for the Board to:
 - (a) consider staff's recommended changes to the Fatal-Flaw Review (FFR) draft version of the proposed amending Standard for the final version of the Standard, as shown in marked-up text in Agenda Paper 5.2; and
 - (b) confirm the amendments to be made through the final Standard.
- 2 Based on the Board's decisions at its November 2022 meeting, staff will prepare a ballot draft of the amending Standard for voting in session at the December 2022 meeting.

Papers for this agenda item

Agenda Paper 5.2 Marked-up version of draft Standard showing suggested changes to make to the FFR draft version for the final Standard

Reasons for bringing this agenda item to the Board

- 3 In March 2022, in addition to Exposure Draft ED 319,¹ the Board issued for comment the [FFR draft version](#) of proposed amending Standard AASB 2022-X *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments for Public Sector Entities*.
- 4 The FFR draft Standard proposed:
 - (a) amending various AASB pronouncements that refer to AASB 17, AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts* to clarify that AASB 4 and AASB 1023 would continue to apply to public sector entities for annual periods beginning on or after 1 January 2023 but before 1 July 2025 (the proposed deferred AASB 17 application date for public sector entities); and

1 ED 319 *Insurance Contracts in the Public Sector* proposed public-sector-specific modifications to AASB 17.

- (b) withdrawing AASB 1038 *Life Insurance Contracts* and Interpretation 1047 *Professional Indemnity Claims Liabilities in Medical Defence Organisations*, which would no longer be needed for annual reporting periods beginning on or after 1 January 2023. This is because AASB 1038 and Interpretation 1047 are not relevant to public sector entities and private sector entities will be applying AASB 17 for annual periods beginning on or after 1 January 2023 instead of AASB 1038 and Interpretation 1047.
- 5 No formal submissions were received on the FFR draft Standard. The Board did receive informal feedback, all of which was supportive and included editorial suggestions.
- 6 In addition to other editorial changes, staff are proposing four main changes from the proposed consequential amendments Standard (i.e. the FFR draft Standard), as described below. These changes do not alter the substance of the proposals exposed in the FFR draft Standard. To assist Board members' review, Agenda Paper 5.2 includes marked-up text showing all changes staff recommend making to the FFR draft version for the final Standard (AASB 2022-X), including the addition of a draft Basis for Conclusions.
- 7 With the exception of the amendments to AASB 17 (i.e. the withdrawal of AASB 1038 and Interpretation 1047 and the deferral of the AASB 17 application date for public sector entities), all the other proposed consequential amendments made by AASB 2022-X (which will apply to periods beginning on or after 1 January 2023) should be reversed in the Standard making public sector modifications to AASB 17 (which will apply to periods beginning on or after 1 July 2025).
- 8 The Board is expected to finalise the public sector modifications to AASB 17 at its December 2022 meeting in the form of another amending Standard, *AASB 2022-Y Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*.² Consequently, to facilitate cross-references between the two amending Standards, staff are asking the Board to:
- (a) confirm at its November 2022 meeting the consequential amendments to be made in AASB 2022-X; but
- (b) defer voting on a ballot draft of this Standard to its December 2022 meeting.

Main changes for the final Standard (AASB 2022-X)

Title of the amending Standard

- 9 The title of the FFR draft Standard was 'Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments for Public Sector Entities', which suggests that all the amendments relate to the public sector. However, the withdrawal of AASB 1038 and Interpretation 1047 (via the consequential amendments in the Standard to AASB 17) is not public-sector specific. Therefore, staff recommend changing the title of the Standard to 'Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments', i.e. deleting the public sector entity reference, to avoid the potential for confusion.

Mandatory application date of AASB 17 for public sector entities

- 10 The Board decided to defer the mandatory application date of AASB 17 for public sector entities to annual reporting periods beginning on or after 1 July 2025, with earlier application permitted. Accordingly, in ED 319, the Board proposed adding paragraph AusC1.1 to AASB 17 about the deferral. That proposed paragraph has been retained in the [Fatal-Flaw Review draft version of AASB 2022-Y](#) to facilitate discussion with stakeholders.
- 11 However, staff consider that AASB 17 would be more helpful to readers if it showed in compilations from 1 January 2023 that AASB 17 has been deferred for public sector entities until 1 July 2025. Therefore, paragraph AusC1.1 should be added to AASB 17 via the Standard

2 The [Fatal-Flaw Review draft version](#) of AASB 2022-Y is currently open for comment until 11 November 2022.

making consequential amendments (AASB 2022-X). This is because AASB 2022-X will have an earlier application date than the Standard making public-sector-specific modifications (AASB 2022-Y) and therefore paragraph AusC1.1 would be compiled into AASB 17 earlier than if the paragraph is added via AASB 2022-Y.

- 12 If paragraph AusC1.1 is added to AASB 17 only via the Standard making public-sector-specific modifications, then prior to 1 July 2025 readers would have to read other Accounting Standards, such as AASB 1057 *Application of Australian Accounting Standards*, in order to learn about the deferral of AASB 17 for public sector entities. Therefore, staff recommend adding paragraph AusC1.1 to AASB 17 via the Standard making consequential amendments (AASB 2022-X).

References to ‘AASB 4 (when applicable)’

- 13 In the FFR draft Standard, the text ‘(when applicable)’ was added to some references to AASB 4 in some of the proposed amendments. On reflection, staff consider that ‘(when applicable)’ is redundant because AASB 4 references would be relevant only for an entity applying AASB 4 as permitted by AASB 1057. As amended by this Standard, AASB 1057 would permit public sector entities to apply either AASB 4 or AASB 17 for periods beginning before 1 July 2025, but obviously not both. Therefore, staff recommend omitting ‘(when applicable)’ in the references to AASB 4.

Application dates for AASB 4 and AASB 1023 in AASB 1057

- 14 The amendments to paragraphs 5A and 11A of AASB 1057 to permit public sector entities to continue to apply AASB 4 and AASB 1023 for periods beginning *on or after* 1 January 2023 but before 1 July 2025 have been revised to refer only to the closing date, since such entities are currently permitted to apply those Standards to periods beginning on or after 1 January 2023 (subject to electing to apply AASB 17 early). The 1 January 2023 date therefore is redundant. Consequently, it is best to exclude that date from the two paragraphs so that anyone looking at a compiled version of AASB 1057 that incorporates the amendments without noticing the 1 January 2023 effective date of that compilation would not be misled into thinking that AASB 4 and AASB 1023 do not apply to periods beginning *before* 1 January 2023. It is the closing-off date that is important.

Questions for Board members

- Q1: Do Board members agree with the staff-recommended changes for the consequential amendments Standard (AASB 2022-X), i.e. changing the title of the Standard, adding paragraph AusC1.1 to AASB 17, and the wording of the references to AASB 4 and the application dates for AASB 4 and AASB 1023 in AASB 1057?
- Q2: Do Board members have any comments on the drafting of the amending Standard or on the Basis for Conclusions?
- Q3: Do Board members agree to defer voting on a ballot draft of the amending Standard (AASB 2022-X) to the December 2022 meeting, when AASB 2022-Y *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* is also expected to be available for voting?