



Cover Memo

Project	Insurance Activities in the Public Sector	Meeting	AASB (M183)/ NZASB September 2021
Topic	Applying AASB 17/NZ IFRS 17 in public sector entities	Agenda item	AASB 11.1 NZASB 3.1
		Date	23 August 2021
Contacts	Angus Thomson athomson@asb.gov.au Vanessa Sealy-Fisher vanessa.sealy-fisher@xrb.govt.nz Patricia Au pau@asb.gov.au	Project priority	Medium
		Decision-making	High
		Project status	Board deliberation

Objectives of this agenda item

1. The objectives of this agenda item are for the AASB and the NZASB to:
 - (a) **decide** whether public-sector-specific modifications or guidance is needed in AASB 17/PBE IFRS 17 in respect of:
 - (i) Onerous contracts;
 - (ii) Measurement of investments backing insurance liabilities;
 - (iii) Classification and presentation of risk mitigation program costs and other similar costs;
 - (iv) Captive insurers;
 - (b) **redeliberate** some of the decisions the Boards made on:
 - (i) scope of application of AASB 17/PBE IFRS 17 to public sector entities;
 - (ii) risk adjustments for non-financial risk in respect of public sector entities; and
 - (c) **decide** whether to defer the mandatory application date of AASB 17/PBE IFRS 17 for public sector entities.
2. The papers in this agenda item are being presented to the September 2021 AASB and NZASB meetings.

Reasons for bringing this agenda item to the Boards

3. The AASB and the NZASB decided at their February 2021 meetings the key issues to be deliberated in this project.¹ The following table outlines the issues:

¹ The AASB project summary is available [here](#).



- (a) the Board meetings at which topics have been, and are expected to be, considered; and
 - (b) other activities needed to progress the project;
- with comments on progress against the timetable identified in February 2021.

4. There have been no changes to the timetable since the June 2021 meetings.

Activity / Topic	AASB	NZASB	Comment
Scope: public sector activities to which AASB 17/PBE IFRS 17 should apply	April 2021	April 2021	
Risk adjustment: relevance and measurement	April 2021	May 2021	
Discounting/inflating: used to measure insurance liabilities	June 2021	June 2021	
PAA eligibility: criteria for using 'simplified' measure of liabilities for remaining coverage	June 2021	June 2021	
Reporting entities: identifying 'insurance entities' that should prepare financial statements	Sept 2021	Sept 2021	
Non-contract costs: classification	Sept 2021	Sept 2021	
Onerous contracts: recognition basis	Sept 2021	Sept 2021	
Investments: measurement for those backing insurance liabilities	Sept 2021	Sept 2021	
Targeted redeliberation on scope and risk adjustment	Sept 2021	Sept 2021	
Agree on Consultation document	Planned Nov 2021	Planned Dec 2021	Originally Sept 2021
Issue Consultation document	Planned Feb 2022	Planned Feb 2022	Originally Oct 2021
Consider feedback on Consultation document and proposals for addressing issues raised	Planned April 2022	Planned April 2022	Originally Feb 2022
Address any sweep issues and agree on revised Standards	Planned May-July 2022	Planned May-July 2022	Originally April 2022
Issue revised Standards	Planned Sept 2022	Planned Sept 2022	Originally May 2022

Communicating the timeframe to stakeholders

- 5. The mandatory application date of AASB 17/PBE IFRS 17 is annual periods beginning on or after 1 January 2023. As noted at the Boards' previous meetings, there may be a need to defer the mandatory application date for public sector entities.
- 6. The NZASB's policy is to decide on an effective date depending on the complexity of the relevant Standard, and the Board has a history of allowing a reasonable period between issuing a Standard and its mandatory application date to facilitate the transition to new requirements.



7. Paragraph 7.9.2 of the *AASB Due Process Framework for Setting Standards* (September 2019) states (emphasis added):
 - 7.9.2 When determining the effective date of Standards, the AASB seeks to ensure that stakeholders have adequate time to prepare for their implementation. Typically, the AASB will issue a Standard with at least 2 years before its effective date (eg a year before the beginning of the comparative reporting period) and generally permits entities to apply those requirements early should they wish to do so.
8. Based on this benchmark, for public sector entities with July to June financial years, periods beginning on or after 1 January 2023 effectively means 1 July 2023, with a comparative period beginning 1 July 2022. Using the timetable outlined above, the earliest date the Boards expect to finalise any amendments to AASB 17/PBE IFRS 17 is September 2022, which is two months after the beginning of the benchmark comparative reporting period.
9. If the revised AASB 17/PBE IFRS 17 is issued in September 2022, providing a window of at least one year before the beginning of the comparative reporting period would mean a mandatory application date of 1 July 2025 with a comparative year beginning 1 July 2024.
10. Although a decision about the mandatory application date of a Standard is not required to be made until the finalisation of the Standard, staff consider appropriate to communicate with public sector stakeholders that the mandatory date for applying AASB 17/PBE IFRS 17 will be extended at least until 1 July 2025. This is because some public sector stakeholders have informed staff that they would like some certainty about when AASB 17/PBE IFRS 17 is expected to become mandatory for their entities, to assist their planning of the implementation of the Standard.

Question for Board members

- Q1 Do Board members agree with the staff view in paragraph 10 to provide certainty to stakeholders that the mandatory date for applying AASB 17/PBE IFRS 17 for public sector entities will be extended at least until 1 July 2025?

Papers for this agenda item

- Agenda Paper AASB 11.2/NZASB 3.2: Identifying and accounting for onerous contracts and related unit of account issues
- Agenda Paper AASB 11.3/NZASB 3.3: Redeliberation of Scope and Risk Adjustments topics
- Agenda Paper AASB 11.4/NZASB 3.4: Measurement of investments backing insurance liabilities
- Agenda Paper AASB 11.5/NZASB 3.5: Risk mitigation program costs and other similar costs
- Agenda Paper AASB 11.6/NZASB 3.6: Captive insurers