



Cover Memo

Project	Insurance Activities in the Public Sector	Meeting	AASB (M180)/ NZASB April 2021
Topic	Applying AASB 17 / NZ IFRS 17 in public sector entities	Agenda item	AASB 10.1 NZASB 5.1
		Date	31 March 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	Addressing specific technical issues for board deliberation

April 2021 Board meetings – attachments

For the April meeting of the AASB and the NZASB, staff have prepared papers on the following topics:

- **Scope:** identifying activities of public sector entities that should be accounted for under AASB 17/PBE IFRS 17 *Insurance Contracts* (Agenda Paper AASB 10.2/NZASB 5.2); and
- **Risk adjustments:** relevance and measurement of risk adjustments in respect of activities of public sector entities accounted for under AASB 17/PBE IFRS 17 (Agenda Paper AASB 10.3/NZASB 5.3).

February 2021 Board meeting decisions

At their February 2021 meetings, the Boards:

- confirmed the project objective – to consider whether it would be appropriate to apply AASB 17/PBE IFRS 17 to public sector entities in accordance with the Boards’ respective frameworks for promulgating Standards in the public sector; and as far as possible to achieve a consistent accounting outcome in Australia and New Zealand; and
- instructed staff to address the following issues for deliberation at future meetings:
 - identifying relevant ‘insurance-like’ activities that should be accounted for under AASB 17/PBE IFRS 17;**
 - identifying insurance entities that should prepare financial statements;
 - eligibility for the ‘simplified’ premium allocation approach to measuring liabilities for remaining coverage;
 - discount rates;
 - relevance and measurement of risk adjustments for the liability for incurred claims;**
 - the classification of ‘non-insurance’ cost;
 - the recognition of onerous contracts; and
 - the measurement of investments backing insurance liabilities.



Questions for April 2021 meetings

Agenda Paper AASB 10.2/NZASB 5.2: Scope of application of AASB 17/PBE IFRS 17	
Number & para	Questions
S1 Paragraph 3.8	Do the Boards agree that: (a) activities of a for-profit nature could not be regarded as social benefits; however, (b) the for-profit <i>versus</i> not-for-profit distinction should not be an indicator that AASB 17/PBE IFRS 17 would apply in the public sector?
S2 Paragraph 4.18	Do the Boards agree that: (a) the similarity of insurance risks covered with the risks covered by for-profit private sector insurance contracts; and (b) the similarity of benefits provided with the benefits provided by for-profit private sector insurance contracts; should be identified as a pre-requisite for determining that AASB 17/PBE IFRS 17 would apply in the public sector?
S3 Paragraph 4.19	Do the Boards agree that, in practical terms, transaction neutrality would be determined by reference to whether the same types of ‘contracts’ are issued in both the private and public sectors?
S4 Paragraph 4.20	Are the Boards comfortable with the manner in which AASB 17/PBE IFRS 17 would address arrangements in the public sector that are a bundle of services, some of which might be insurance and some of which might not?
S5 Paragraph 5.8	Do the Boards agree that it would be useful to specifically identify public sector schemes that are not within the scope of AASB 17/PBE IFRS 17?
S6 Paragraph 6.16	Do the Boards agree that the extent to which an arrangement is binding on the public sector entity should be an indicator that the arrangements should be within the scope of AASB 17/PBE IFRS 17?
S7 Paragraph 6.17	Do the Boards agree with the staff view on identifying the extent to which an arrangement is binding based on whether the public sector entity (or its controlling government) has the practical ability to change a benefit retrospectively?
S8 Paragraph 7.7	Do the Boards agree that the existence of an identifiable coverage period would be a useful indicator for determining when AASB 17/PBE IFRS 17 should apply in the public sector?
S9 Paragraph 8.4	Do the Boards agree that the fault-based versus no-fault nature of coverage is not a useful indicator for determining when AASB 17/PBE IFRS 17 would apply in the public sector?
S10 Paragraph 9.12	Do the Boards agree that the absence of a ‘contract’ (rather than statute/regulation) should not be an indicator for determining when AASB 17/PBE IFRS 17 would apply in the public sector?
S11 Paragraph 9.13	Do the Boards agree that the existence of a stand-alone ‘contract’ that includes substantive terms relating to risks and benefits (that go well beyond the detail in any relevant statute/regulation) should be an indicator for determining when AASB 17/PBE IFRS 17 would apply in the public sector?



Agenda Paper AASB 10.2/NZASB 5.2: Scope of application of AASB 17/PBE IFRS 17	
Number & para	Questions
S12 Paragraph 9.14	If the Boards agree to Question S10 in paragraph 9.12, technically, there may or may not be a need to amend, or supplement, AASB 17.2/PBE IFRS 17.2. However, to ensure clarity, do the Boards agree we should specifically note that AASB 17/PBE IFRS 17 applies to statutory arrangements that meet the (other) relevant indicators either in guidance to the Standard or a Basis for Conclusions to the Standard?
S13 Paragraph 10.15	Do the Boards agree that the existence of a contribution from a scheme participant should be an indicator for determining when AASB 17/PBE IFRS 17 should apply in the public sector?
S14 Paragraph 10.16	Do the Boards agree that the absence of any dedicated funding (from participants or government) for an activity should be an indicator that AASB 17/PBE IFRS 17 does not apply?
S15 Paragraph 11.5	Do the Boards agree that useful indicators for determining when AASB 17/PBE IFRS 17 would apply in the public sector would be: (a) the extent to which claims are assessed to cater specifically for a beneficiary's needs, rather than being broadly-determined standardised amounts; and (b) the extent to which the focus of cost management is on both income and costs, rather than simply cost minimisation?
S16 Paragraph 12.9	Do the Boards agree that the existence of a practice of an entity assessing financial performance and financial position on a regular basis (as noted above) is not a useful indicator for determining when AASB 17/PBE IFRS 17 would apply in the public sector?
S17 Paragraph 12.10	Do the Boards agree that the existence of insurance liability management practices (such as underwriting) would be a useful indicator that AASB 17/PBE IFRS 17 should apply?
S18 Paragraph 13.6	Do the Boards agree that the existence of assets being held in a separate fund, or an entity having access to earmarked assets, that are restricted to being used to provide benefits is a useful indicator for determining when AASB 17/PBE IFRS 17 would apply in the public sector?

Agenda Paper AASB 10.3/NZASB 5.3: Risk adjustments under AASB 17/PBE IFRS 17	
Number & para	Questions
R1 Paragraph 4.11	Do Board members agree that Approach 1 would be the most relevant approach – to require each public sector entity to apply AASB 17/PBE IFRS 17 with no specific public sector modifications?
R2 Paragraph 5.4	Do Board members agree that there is no need for public sector specific guidance on consolidated group level risk adjustments, but that a reference in the Basis for Conclusions could be helpful?
R3 Paragraph 5.8	Do Board members agree that it would be most relevant to require each public sector entity to apply the AASB 17/PBE IFRS 17 disclosures on risk adjustments with no specific public sector modifications?