



Report on AASB project: Insurance Activities in the Public Sector

Stakeholder engagement

Between November 2020 to the present, staff have met with a wide range of public sector stakeholders with an interest in insurance and 'insurance-like' activities in the public sector, primarily to gain a better understanding of those activities and views on technical issues.

Across the states, territories and the Commonwealth, there are a range of schemes that share some characteristics with the activities of private sector insurers. Some are currently applying AASB 1023 *General Insurance Contracts* and others are applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to measure their liabilities.

Board meetings

The AASB met in February 2021 and confirmed the objective of this project is to consider whether it would be appropriate to apply AASB 17 *Insurance Contracts* to public sector entities in accordance with the *AASB Not-for-Profit Entity Standard-Setting Framework* and its transaction neutrality principle; and as far as possible to achieve a consistent accounting outcome in the Australian and New Zealand public sectors. The NZASB met earlier in February 2021 and made the same decision. Both Boards have a policy of applying IFRS in the public sector with modifications when relevant.

The AASB agreed that the most significant issue in Australia is identifying relevant 'insurance-like' activities that should be accounted for under AASB 17. This issue is scheduled for detailed consideration at the April 2021 meeting.

The AASB and NZASB also agreed to deliberate on the following issues at future meetings:

- eligibility for the 'simplified' premium allocation approach to measuring liabilities for remaining coverage;
- discount rates;
- the 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.

The AASB's decisions are broadly consistent with the decisions made by the NZASB at its February 2021 meeting.

Next steps

At this stage, it seems likely that there will need to be another Consultation document issued for public comment before the project can be finalised.

There may be a need to extend the mandatory application date beyond 1 January 2023 for affected public sector entities.

AASB 17 TRG involvement

The AASB and NZASB supported the creation of a Sub-group within the AASB 17 TRG to assist staff with the project. It is intended that the Sub-group would be supplemented with additional members from key stakeholder entities in Australia and New Zealand.

The Sub-group would be periodically asked for input on key topics, including commenting on selected draft and final Board papers.