



Insurance Activities in the Public Sector

Project summary

AASB 17 *Insurance Contracts* is effective for annual reporting periods beginning on or after 1 January 2023. It replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*.

The AASB issued a Discussion Paper in 2017 to elicit views on:

- how AASB 17 should be applied in the public sector; and
- whether any public-sector-specific modifications or guidance might be required.

The AASB considered comments on the Discussion Paper and noted more work is needed on both matters before proposing any amendments to AASB 17.

The AASB decided to work jointly with the New Zealand Accounting Standards Board to progress the project.

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Project priority: Medium

Issued documents

- AASB 17 *Insurance Contracts*
- Discussion Paper *Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities*

Project status

- To conduct further field testing

- [Link to IASB project page](#)
- [Link to AASB 17 project page](#)
- [Link to Discussion Paper](#)
- [Link to AASB 17 TRG page](#)

AASB outreach

- Public sector outreach
- Submissions received on Discussion Paper

Board deliberations

- AASB Action Alert Update and AASB Board papers

AASB communications

- Media Release *Insurance Contracts – more transparency for investors*

Project news

Date

News

24-25 February 2021

[February 2021 Action Alert](#)

4 September 2018

[September 2018 Action Alert](#)

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
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February 2021	<p>The Board confirmed the objective of this project is to consider whether it would be appropriate to apply AASB 17 <i>Insurance Contracts</i> to public sector entities in accordance with the <i>AASB Not-for-Profit Entity Standard-Setting Framework</i> and its transaction neutrality principle; and as far as possible to achieve a consistent accounting outcome in the Australian and New Zealand public sectors.</p> <p>The Board instructed staff to address the following issues for deliberation at future meetings:</p> <ul style="list-style-type: none">• identifying relevant ‘insurance-like’ activities that should be accounted for under AASB 17;• identifying insurance entities that should prepare financial statements;• 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. <p>The Board’s decisions are broadly consistent with the decisions made by the NZASB at its February 2021 meeting.</p> <p>3.1 Staff Paper: Scope of application of AASB 17/ PBE IFRS 17 to public sector entities</p> <p>3.2 Staff paper: Joint AASB-NZASB project objectives and next steps</p>
September 2018	<p>The Board considered a summary of constituent feedback on the Discussion Paper <i>Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities</i> and decided to carry out the following activities:</p> <ol style="list-style-type: none">(a) conduct further field testing of the ‘insurance-like’ criteria;(b) based on the field testing, consider whether clarifications of the ‘insurance-like’ criteria are required, particularly the ‘funding’ criteria;(c) consider the assumptions used in determining discount rates for public sector entities; and(d) consider the assumptions used in determining risk margins for public sector entities. <p>8.1 Staff Paper: Summary of comments on Insurance Discussion Paper</p> <p>8.2 For noting: Discussion Paper <i>Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities</i></p>

AASB Action Alert Update, Minutes and Board Papers

Meeting Date

Update

October 2017

The Board agreed that the proposed amendments to AASB 17 *Insurance Contracts* to include insurance risk created by statute rather than contract should apply to both for-profit and NFP public sector entities, as insurance-like arrangements arising from statute are sufficiently prevalent in both sectors.

To finalise the Discussion Paper proposals, the Board decided to clarify that:

- (a) in determining whether an arrangement is insurance-like, criteria that are classified as 'mandatory' must be satisfied, but this is not sufficient to conclude that an arrangement is insurance-like (ie the non-mandatory indicators must also be considered); and
- (b) guidance should specify that a public sector entity's risk adjustment for non-financial risk should reflect the specific risk appetite and cost of capital of the entity in line with the general principles of AASB 17, and therefore it may be necessary to consider aspects such as government guarantees supported by taxing powers or monopoly status.

In addition, the Board decided in relation to Australian-specific amendments to AASB 17:

- (a) a project timeline, which includes both a discussion paper and exposure draft, with a view to completing the project by November 2018;
- (b) to include illustrative examples as an appendix to the discussion paper to help entities determine when arrangements are insurance-like;
- (c) to expose in the discussion paper regulatory disclosures currently required in AASB 1038, which were not carried forward when superseded by AASB 17, with a recommendation to not carry forward the disclosures to AASB 1054 Australian Additional Disclosures; and
- (d) to do no further work on the interaction between AASB 17 Insurance Contracts and AASB 1056 Superannuation Entities when a superannuation entity has to consolidate an subsidiary issuing insurance contracts.

[8.0](#) Cover Memo: Insurance Contracts

[8.1](#) AASB Discussion Paper *Australian specific insurance issues – regulatory disclosures and public sector insurers* [DRAFT]

[8.2](#) Analysis of Arrangements Against Insurance-like Criteria [DRAFT]

[8.3](#) Staff collation and analysis of regulatory disclosures being considered for retention

[8.4](#) Meeting minutes of September 2017 Insurance Project Advisory Panel Meeting

June 2017

The Board considered the application of the forthcoming Accounting Standard AASB 17 Insurance Contracts to NFP entities and decided that:

- (a) where a NFP entity issues an insurance contract (as defined in AASB 17), the Board's policy of transaction neutrality will apply and the entity would be required to account for that contract as required by AASB 17;
- (b) the prevalence and magnitude of non-contractual NFP 'insurance-like' arrangements warrants NFP-specific modifications;

AASB Action Alert Update, Minutes and Board Papers

Meeting Date

Update

- (c) 'insurance-like' arrangements should be defined in relation to the manner in which they are managed, for example:
 - (i) whether an arrangement's obligations to the insured parties, including those arising from statutory obligations, is estimated similarly to that of an insurance contract as defined in AASB 17; and
 - (ii) whether the funding for the arrangement is calculated so as to replace premium collections, or whether the funding is calculated on some other basis;
- (d) where the 'insurance-like' arrangement is managed in a similar manner to that of an insurance contract, the entity should apply AASB 17 to account for that arrangement despite not meeting the definition of an insurance contract; and
- (e) apart from the necessary modifications to achieve the above, no other NFP-specific modifications should be made to AASB 17.

In developing the amendments noted above, the Board will have regard to the International Public Sector Accounting Standards Board's continuing work on its Social Benefits project. To the extent possible, that work will be incorporated into the NFP-specific amendments.

[3.1](#) Staff Paper: Public sector scope and modifications

[3.2](#) IPSASB Criteria for insurance contracts

May 2017

The Board received a presentation on the latest developments regarding the forthcoming IFRS 17 Insurance Contracts. In addition, the Board reviewed tentative project timelines to issue IFRS 17 in Australia, initially for for-profit entities, and to consider any further guidance necessary for not-for-profit entities in both the private and public sectors.

August 2016

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Public sector insurers

The Board decided that it will clarify the scope of the forthcoming new AASB insurance standard for public sector entities, to ensure similar activities are treated similarly. The Board asked staff to:

- (a) conduct more thorough outreach through HoTARAC members and with the affected entities directly; and
- (b) prepare a possible exposure draft that would make proposals about the types of arrangements to be accounted for using insurance standards, which would be intended to take effect under the forthcoming AASB standard.

The Board noted there may be a need to address the interaction of the likely contract boundary and onerous contract requirements. If the impact of the forthcoming new AASB insurance standard would be to require public sector insurers to account for some sub-groups of annual contracts as if they were long-term (possibly perpetual) contracts using the 'general model' for liability measurement, there should be a public sector-specific paragraph to avoid this consequence. The Board asked staff to draft a relevant paragraph in case it is needed.

AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
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The Board also noted that similar issues around the interaction of the likely contract boundary and onerous contract requirements may arise for health insurers because of the Australian regulatory regime of 'community rating'.

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[4.3](#) Staff Paper: Analysis of key issues arising from forthcoming IFRS 17 in context of AASB's *Process for Modifying IFRS for NFP*

June 2016

The Board noted that the IASB has completed its substantive decision making on a forthcoming revised IFRS 4 Insurance Contracts that, if adopted, would supersede the existing AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The Board:

...

(c) noted issues of potential significance to the public sector; and

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The Board asked staff to:

(a) prepare a more detailed paper for presentation at the next Board meeting on whether any differences from the revised IFRS 4 might be justified for public sector insurers, following more stakeholder engagement with that sector;

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[10.4](#) Staff paper: Implications for public sector insurers of a revised IFRS 4