

Explanatory Statement

Accounting Standard AASB 17 *Insurance Contracts*

July 2017



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Main Features of AASB 17

AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of AASB 17 have on the financial position, financial performance and cash flows of the entity.

Application Date

AASB 17 is applicable to annual reporting periods beginning on or after 1 January 2021, with early application permitted, for both for-profit and not-for-profit entities. Through a separate due process, the AASB will consider the relief from certain disclosure requirements that should be provided to entities that adopt Tier 2 Reduced Disclosure Requirements.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Standards Amended by AASB 17

This Standard makes amendments to 20 Australian Accounting Standards and four Interpretations as set out in Appendix D to the Standard.

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

Consultation Prior to Issuing this Standard

The AASB issued Invitation to Comment ITC 13 *Request for Comment on IASB Discussion Paper Preliminary Views on Insurance Contracts* in May 2007. The purpose of this ITC was to elicit views from constituents on the main components of an accounting model for insurance contracts. The AASB received ten comment letters in response to this consultation. Respondents were generally supportive of the IASB's efforts in addressing international accounting for insurance but expressed concerns on some of the alternatives proposed in the discussion paper. All of this feedback was reflected in the AASB's comment letter to the IASB. Those views formed part of the IASB's exposure draft on Insurance Contracts, which was incorporated into AASB ED 201 *Insurance Contracts* in August 2010. The AASB received seventeen submissions in response to ED 201, which were again incorporated into the AASB's comment letter to the IASB that indicated strong support for the IASB's proposals.

AASB 17 was issued in July 2017 as a consequence of the IASB issuing IFRS 17 *Insurance Contracts* in May 2017. AASB 17 is the result of all the outreach and feedback considered as noted above.

The AASB has completed a certified independent review in place of a Regulatory Impact Statement in relation to AASB 17.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 17 Insurance Contracts

Overview of the Accounting Standard

AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of AASB 17 have on the financial position, financial performance and cash flows of the entity.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.