



Australian Government

**Australian Accounting
Standards Board**

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Mr Tony Simovski
A/g Deputy Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Dear Mr Simovski

Forthcoming Australian Accounting Standard AASB 17 *Insurance Contracts*

This letter certifies that the process undertaken by both the International Accounting Standards Board (IASB) the Australian Accounting Standards Board (AASB) to issue IFRS 17 *Insurance Contracts* and AASB 17 *Insurance Contracts* (respectively) represents a process and analysis equivalent to a Regulatory Impact Statement as set out in *The Australian Government Guide to Regulation* (the Guide). The process is documented in:

- (a) the IASB's Basis for Conclusions to IFRS 17;
- (b) the IASB's *Effects Analysis* accompanying IFRS 17; and
- (c) the AASB's additional Australian Basis for Conclusions to AASB 17.

AASB 17 will incorporate IFRS 17 issued by the IASB.

Background to the Standard

When Australia adopted IFRS, the IASB had a project considering insurance accounting on its agenda with the intention to replace IFRS 4 *Insurance Contracts* (incorporated into AASB 4 *Insurance Contracts*) with a more comprehensive set of requirements. Given that position, as permitted by AASB 4, the AASB decided to retain AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* pending the outcome of the IASB's project to replace IFRS 4.

At the international level, the IASB was aware that the approach in IFRS 4 allowed entities in other jurisdictions to use a wide variety of accounting practices for insurance contracts, reflecting national accounting requirements and variations of those requirements. The differences in accounting treatment across jurisdictions and products made it difficult for investors and analysts to understand and compare insurers' results across various jurisdictions. Most stakeholders, including insurers, agreed on the need for a common global insurance accounting standard even though opinions varied as to what it should be.

IFRS 17 is the conclusion of a project that began in 1997, which sought input from numerous stakeholders around the world to develop a set of comprehensive, global accounting requirements.

Involvement of the AASB

The AASB received a broad strategic direction from the Financial Reporting Council (FRC) in September 2002 to incorporate International Financial Reporting Standards (IFRSs) into Australian Accounting Standards to be applied from 2005. These accounting standards apply to reporting entities preparing financial statements in accordance with Part 2M.3 of the *Corporations Act 2001*, general purpose financial statements of other reporting entities and any other set of financial statements that are, or are held out to be, general purpose financial statements.

The development of an IFRS begins with the IASB, who follow a thorough, open, participatory and transparent due process. As part of that due process, the IASB engages with investors, regulators, business and the global accountancy profession at every stage. The AASB and Australian stakeholders are active participants in the IASB's due process as each new IFRS is developed.

The AASB's – and other Australian stakeholders' – focus is on contributing to the IASB's due process so that any domestic concerns with an IASB proposal can be addressed by the IASB when it makes the final IFRS. In order to obtain Australian stakeholder views on an IASB proposal, the AASB releases consultative documents, conducts roundtables and receives informal feedback.

The final step when incorporating an IFRS into an Australian Accounting Standard is for the AASB to formally make the Standard under section 334 of the Corporations Act, giving legal enforceability to the standard. Amendments to the IFRS are made to address any remaining domestic concerns relating to the Not-for-profit sector. The AASB is expected to decide on the making of the forthcoming AASB 17 in mid-July 2017.

Estimation of the regulatory burden

The table below sets out the additional regulatory burden that would arise from the issuance of AASB 17 that was agreed with OBPR on 28 June 2017.

Average annual regulatory costs (from business as usual)				
Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$44.3	\$0.1	\$-	\$44.4

A regulatory offset has not been identified. However, Treasury is seeking to pursue net reductions in compliance costs and will work with affected stakeholders and across Government to identify regulatory burden reductions where appropriate.

Should you have any queries in relation to this matter please contact Shaun Steenkamp on 03 9617 7640 (ssteenkamp@aab.gov.au) or Kala Kandiah 03 9617 7626 (kkandiah@aab.gov.au).

Yours sincerely,



Kris Peach
Chair and CEO