

7 August 2013

Mr. Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
VIC 8007

Via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Kevin

***ED 241 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders***

Thank you for the opportunity to comment on Exposure Draft (ED) 241 *Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders*. CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the ED and our comments are set out below.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We support the proposal to remove the consolidation requirements from AASB 1038 *Life Insurance Contracts*, including the explicit requirement for a life insurer to consolidate policyholders' interests. We believe that leaving the consolidation requirements in AASB 1038 has the potential to conflict with the requirements of AASB 10 *Consolidated Financial Statements* and therefore, adversely affect the capacity of those charged with the governance of Australian life insurers to make an unreserved statement of compliance with International Financial Reporting Standards (IFRS). We do not consider this possibility to be an acceptable outcome as compliance with IFRS is beneficial to many organisations, particularly listed entities and those with international interests.

In response to the other questions in the ED, we provide the following comments:

- We do not envisage a change in current practice as a result of the change to the standard, but that may depend on materiality and the legal determination of the nature of the policy holder funds for particular types of insurance. If a 'deemed separate entity' (in accordance with AASB 10) was found to exist, current practice would change as these would not be consolidated

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- We see no issue in retaining the current paragraph 4.1.2 of the standard as it provides useful guidance on classification considerations between shareholder funds and policy holder funds.
- We consider the proposals to be in the best interests of Australia, as they seek to maintain IFRS compliance for life insurers
- We do not consider these proposals to have any significant regulatory impact amongst public sector entities or not-for-profit entities.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au) or Kerry Hicks (the Institute) at [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au)

Yours sincerely



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