



07 August 2013

The Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West Victoria 8007  
Australia

Dear Sir,

**Response to the AASB's Exposure Draft (ED 241) *Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders***

This letter sets out the response from AMP Limited (AMP) to the Australian Accounting Standards Board's (AASB's) Exposure Draft (ED 241) *Amendments to AASB 1038 Life Insurance Contracts arising from AASB 10 Consolidated Financial Statements in relation to consolidation and interests of policyholders* dated May 2013.

It is AMP's view that it is appropriate to remove the consolidation requirements from AASB 1038 and leave AASB 10 as the sole source of consolidation requirements applicable to life insurer entities. Consequently, AMP supports this proposal.

The attached Appendix sets out AMP's responses to the specific questions for respondents included in ED 241.

AMP would like to thank the AASB for this opportunity to provide input on the changes proposed in the ED. We would appreciate any further opportunity to assist the AASB in further developing its final standard.

**Further discussion**

Please do not hesitate to contact either myself or Graham Duff on (02) 9257 6784 if you would like to discuss any of the matters in this document.

Yours faithfully

A handwritten signature in black ink that reads "L Mamelok".

Lesley Mamelok  
Head of Statutory Reporting

## **Appendix: Responses to specific matters for comment identified by the AASB**

### **1) Whether the proposals in this Exposure Draft are supported;**

*AMP supports the proposals in this Exposure Draft because:*

#### *1- The proposals remove a potential inconsistency between standards*

*AASB 10 contains a revised definition of control and has specific requirements in relation to control of specified assets in deemed separate entities, which may apply to investment linked statutory funds of life insurers. This Exposure Draft removes the consolidation requirements from AASB 1038, including the explicit requirements for a life insurer to consolidate policyholders' interests, which could conflict with the requirements of AASB 10 in some circumstances. Therefore, the removal of these paragraphs would leave AASB 10 as the sole source of consolidation requirements applicable to life insurance entities and remove the potential conflict between the standards.*

#### *2- Australian specific standards are not necessary*

*We believe it is inappropriate to have Australian specific requirements for this matter, as there are no significant Australian specific circumstances which support divergence from the IFRS treatment.*

### **2) Whether the amendments proposed in this Exposure Draft would result in a change from current practice, and, if so, why;**

*Where it is determined that an Australian life insurer encompasses a "deemed separate entity" (as defined in AASB 10), which is operated for the benefit of policyholders, the proposals allow the insurer not to consolidate the "deemed separate entity". If the proposals of ED 241 do not proceed the insurer would, in accordance with AASB 1038, still control the "deemed separate entity" and hence be required to consolidate it. This would result in non-compliance with IFRS (i.e. IAS 10).*

### **3) Whether paragraph 4.1.2 of AASB 1038 should be retained;**

*AMP believes this paragraph should be retained because it does not contradict AASB 10 and it provides useful guidance on the classification of policyholders retained profits.*

### **4) Whether, overall, the proposals would result in financial statements that would be useful to users;**

*The proposals eliminate a potential conflict between AASB 10 and AASB 1038 which, if not addressed, could result in non-compliance with IFRS by Australian life insurers in certain circumstances. We believe that removing those paragraphs from AASB 1038 would eliminate the potential inconsistency between AASB 10 and AASB 1038.*

### **5) Whether there are any regulatory issues or other issues in the Australian environment that may affect the implementation of the proposals, particularly any issues in relation to:**

- (a) Not-for-profit entities; and**
- (b) Public sector entities.**

*We are not aware of any regulatory issues or other issues arising in the Australian environment that might affect the implementation of the proposals.*

### **6) Whether the proposals are in the best interest of the Australian economy;**

*We believe these proposals are in the best interest of the Australian economy because they ensure that Australian life insurers are able to continue to comply with IFRS in the event that they encompass a "deemed separate entity" as defined in AASB 10.*

- 7) Unless already provided in response to specific matters for comments 1- 6 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.**

*It is our view that the key benefit of the proposals is to eliminate a potential conflict between AASB 10 and AASB 1038 which, if not addressed, could result in non-compliance with IFRS by Australian life insurers in certain circumstances.*

*We have not identified any significant costs of adopting the proposals.*

