



Report on AASB-NZASB project: Insurance Activities in the Public Sector

Working draft Exposure Draft

1. At its November 2021 meeting, the Board considered a working draft ED 'Accounting for insurance contracts in the public sector – Proposed Amendments to AASB 17/PBE IFRS 17 *Insurance Contracts*' [[Agenda paper 5.2](#)] and a paper on the use of confidence levels in measuring risk adjustments [[Agenda paper 5.3](#)].
2. Subject to a number of suggested clarifications, the Board agreed the working draft ED is a fair reflection of its decisions to date for proposed public sector modifications to AASB 17 and the Board's reasoning for proposing modifications on some issues and rejecting the need for modifications on other issues.
3. The Board noted that the NZASB will consider the working draft ED at its 16 December 2021 meeting and the plan is for both Boards to approve the Exposure Draft for publication at their respective February 2022 meetings.
4. The Board acknowledged that stakeholder outreach on the draft ED will be conducted during November and December 2021. **The working draft ED was discussed at a AASB 17 TRG Public Sector Focus Group meeting on 24 November 2021** and members:
 - (a) agreed that a priority is to field test the proposed indicators – and AASB and NZASB staff are in the process of sending requests for input to Public Sector Focus Group members and are asking for feedback by mid-January 2022;
 - (b) generally supported the draft proposals to:
 - (i) not require sub-grouping of: onerous vs non-onerous contracts; or, contracts issued more than a year apart;
 - (ii) not require initial recognition when contracts are known to be onerous; and
 - (iii) provide guidance on coverage periods, and the practical ability to fully price for risks or benefits, including: impact of monopoly market position, legislated stand-ready obligations, medium to long term pricing strategies and broad government policy frameworks.
 - (c) discussed the potential impacts of the AASB proposal for no modifications on risk adjustments and the NZASB proposal for a rebuttable 75% confidence level for risk adjustments.

Risk adjustment confidence levels

5. The Board also noted an interpretation issue on whether the confidence levels used in measuring risk adjustments for liabilities for remaining coverage and for liabilities for incurred claims need to be aligned under AASB 17 and decided to:
 - (a) note the issue in the Basis for Conclusions to the forthcoming Exposure Draft without expressing a view on the manner in which AASB 17 should be interpreted; and
 - (b) not propose any public sector guidance or modifications on the matter.



Timetable

Activity / Topic	AASB	NZASB
Field testing of proposed indicators of when activities are within the scope of AASB 17/PBE IFRS 17	Dec-Jan-2022	Dec-Jan-2022
Issue Exposure Draft	Planned Mar-2022	Planned Mar-2022
Consider feedback on Exposure Draft and proposals for addressing issues raised	Planned Jun-2022	Planned Jun-2022
Address any sweep issues and agree on final Standards	Planned Aug-2022	Planned Aug-2022
Issue final Standards	Planned Sep-2022	Planned Sep-2022