

Transition Resource Group on *Insurance Contracts* –March 2022

Insurance contracts in the public sector

The AASB and NZASB have issued an Exposure Draft proposing public-sector-specific modifications to AASB 17 *Insurance Contracts* and PBE IFRS 17 *Insurance Contracts*.

A Fatal-Flaw Review version of an Amending Standard proposing consequential amendments various AASB Standards (to preserve references to AASB 1023 and AASB 4 between 2023 and 2025) is available for comment.

The comment period closes on 9 June 2022.

Staff plan to conduct rolling stakeholder outreach during the comment period.

The proposals are outlined in the following table.

ED topic	ED questions
<p>APPLICATION DATE: The Boards propose application by public sector entities for periods beginning on or after 1 July 2025 (AASB and 1 January 2025 (NZASB).</p>	<p>Do you agree with this application date? If not, what date would you suggest and why?</p>
<p>SCOPE: The Boards propose public sector activities within scope be identified based on a collective assessment of the following proposed indicators:</p> <ul style="list-style-type: none"> (a) similarity of risks covered and benefits provided; (b) identifiable coverage; (c) enforceable nature of arrangement; (d) source and extent of funding; (e) management practices and assessing financial performance; and (f) assets held to pay benefits. 	<p>Do you agree with these proposed indicators? If you disagree with the proposed indicators, which of them would you exclude?</p> <p>Whether or not you agree or disagree with some or all of the indicators, do you have suggested alternatives or additional indicators? If so, please outline those indicators and provide supporting reasoning.</p> <p>Indicators to be considered collectively so that a balanced judgement can be made. Do you agree with not assigning a relative significance to the indicators or having any other form of ranking approach to indicators? If you disagree:</p> <ul style="list-style-type: none"> (a) which indicators would you identify as being most significant, or how would you otherwise rank the indicators, and why? (b) would you identify some indicators as pre-requisites for applying AASB 17 and, if so, which ones, and why?
<p>SUB-GROUPING: The Boards propose no requirement to sub-group onerous versus non-onerous contracts; or, contracts issued more than a year apart</p>	<p>Do you agree with the proposal to not require the sub-grouping of contracts based on whether they are onerous or non-onerous at initial recognition in a public sector context? Please provide your reasons.</p> <p>Do you agree with the proposal to not require the sub-grouping of contracts based on whether they are issued more than a year apart in a public sector context? Please provide your reasons.</p>
<p>INITIAL RECOGNITION: The Boards propose to not require initial recognition when contracts are known to be onerous</p>	<p>Do you agree with the proposal to amend the initial recognition requirements in a public sector context to not depend on when contracts become onerous? Please provide your reasons</p>
<p>RISK ADJUSTMENT: The AASB proposes no modifications on risk adjustments.</p>	<p>Do you support the AASB approach; or the NZASB approach? Please provide your reasons.</p>



<p>The NZASB proposes a rebuttable 75% confidence level for risk adjustments</p>	<p>Do you have a suggested alternative approach? If so, please outline the approach and provide supporting reasoning.</p>
<p>COVERAGE PERIODS: The Boards propose guidance that:</p> <ul style="list-style-type: none">(a) assessing a public sector entity's practical ability to fully price for risks or benefits would include assessing the ability of its controlling government, and any relevant Minister(s), to decide on pricing or benefits;(b) a public sector entity's monopoly position in providing coverage for risks in a particular community, of itself, would not affect the entity's practical ability to fully price for risks or benefits;(c) any legislated obligation for a public sector entity to stand-ready to insure future policyholders, of itself, is not an obligation that would affect the practical ability to fully price for risks or benefits;(d) arrangements would not be regarded as failing to meet the criterion in AASB 17.34(b)(ii) simply because premium pricing for coverage up to the date when the risks are reassessed takes into account:<ul style="list-style-type: none">(i) risks that relate to periods after the reassessment date based on having a policy of determining prices and benefits using a medium to long term view; and/or(ii) a broad government policy framework that includes considering general economic circumstances and community needs.	<p>Do you agree with the proposed guidance on coverage periods, which could impact on applying the eligibility criteria for using the premium allocation approach (PAA) in a public sector context?</p> <p>Please provide your reasons.</p>