Explanatory Statement

Accounting Standard AASB 2017-3  
*Amendments to Australian Accounting Standards – Clarifications to AASB 4*

**July 2017**



# EXPLANATORY STATEMENT

## Standards Amended by AASB 2017-3

This Standard makes amendments to Accounting Standard AASB 4 *Insurance Contracts* (August 2015).

These amendments are made in conjunction with the issuance by the AASB of the new Standard AASB 17 *Insurance Contracts*, which incorporates International Financial Reporting Standard IFRS 17 *Insurance Contracts*, issued by the International Accounting Standards Board.

### Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

## Main Features of AASB 2017-3

### Main Requirements

This Standard amends AASB 4 to confirm that in Australia compliance with AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* ensures simultaneous compliance with AASB 4. AASB 1023 and AASB 1038 address all aspects of recognition, measurement and disclosure of general and life insurance contracts. These Standards address a wider range of accounting requirements than AASB 4.

This Standard also amends AASB 4 to ensure that the relief available to issuers of insurance contracts set out in AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9* Financial Instruments *with AASB 4* Insurance Contracts can be applied by an entity applying either AASB 1023 or AASB 1038 if the entity otherwise meets the qualifying criteria. This relief relates to periods prior to the application of AASB 17 (which applies to annual periods beginning on or after 1 January 2021), modifying the application of AASB 9 *Financial Instruments* for insurers in certain circumstances. AASB 2016-6 did not explicitly extend the application of the relief to insurers complying with AASB 1023 or AASB 1038.

### Application Date

AASB 2017-3 applies to annual periods beginning on or after 1 January 2018. Earlier application is not permitted.

### References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

## Consultation Prior to Issuing this Standard

In developing AASB 2016-6, the AASB issued Exposure Draft ED 274 *Applying AASB 9* Financial Instruments *with AASB 4* Insurance Contracts in December 2015 for comment by 18 January 2016. ED 274 incorporated IASB Exposure Draft ED/2015/11 *Applying IFRS 9* Financial Instruments *with IFRS 4* Insurance Contracts*.* Two submissions were received by the AASB in respect of the proposals in ED 274. There was general support from constituents for adopting the proposal. No comments were received at the time in relation to applying the relief in conjunction with AASB 1023 and AASB 1038. Subsequently, the issue was raised and the Board determined that it was appropriate to extend the availability of the relief and to clarify that, as had always been expected, compliance with AASB 1023 and AASB 1038 ensured compliance with AASB 4 and International Financial Reporting Standards.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2017-3 as the amendments made do not have a substantial direct or indirect impact on business or competition. The application of the amendments to AASB 4 is optional as they permit entities applying AASB 1023 and AASB 1038 to elect to adopt simplified approaches to applying AASB 9 as a transitional measure.

## Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the   
*Human Rights (Parliamentary Scrutiny) Act 2011*

### Accounting Standard AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*

### Overview of the Accounting Standard

AASB 2017-3 amends AASB 4 *Insurance Contracts* to confirm that in Australia compliance with AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* ensures simultaneous compliance with AASB 4. AASB 1023 and AASB 1038 address all aspects of recognition, measurement and disclosure of general and life insurance contracts. These Standards address a wider range of accounting requirements than AASB 4.

This Standard also amends AASB 4 to ensure that the relief available to issuers of insurance contracts set out in AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9* Financial Instruments *with AASB 4* Insurance Contracts can be applied by an entity applying either AASB 1023 or AASB 1038 if the entity otherwise meets the qualifying criteria. This relief relates to periods prior to the application of AASB 17 *Insurance Contracts* (which applies to annual periods beginning on or after 1 January 2021), modifying the application of AASB 9 *Financial Instruments* for insurers in certain circumstances. AASB 2016-6 did not explicitly extend the application of the relief to insurers complying with AASB 1023 or AASB 1038.

### Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

### Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.