

Life insurance (Prudential rules) Determination No. 1 of 2005: Prudential Rules No. 47 applying to friendly societies

EXPLANATORY STATEMENT

Issued by the authority of the Australian Prudential Regulation Authority ('APRA')

Life Insurance Act 1995, subsection 252(1)

Acts Interpretation Act 1901, subsection 33(3)

Subsection 82(1) of the *Life Insurance Act 1995* ('the Act') requires every life company (including friendly societies) to give APRA financial statements as at the end of each financial year of the company. Paragraphs 82(5)(a) and (b) of the Act provide that these financial statements must be in the form prescribed, and signed, in accordance with the Prudential Rules made under subsection 252(1) of the Act. (Although section 82 does not appear in some published compilations of the Act, it will continue to form part of the Act until it is repealed by Items 48 and 75 of Schedule 2 to the *Financial Sector (Collection of Data – Consequential and Transitional Provisions) Act 2001*. The repeal will not occur until APRA makes a reporting standard in relation to life insurers under section 13 of the *Financial Sector (Collection of Data) Act 2001* and, under section 15 of that Act, the reporting standard begins to apply to life insurers. Accordingly, section 82 remains in effect.)

Under subsection 252(1) of the Act, the Australian Prudential Regulation Authority ('APRA') has the power to determine (in writing) Prudential Rules relating to all matters required or permitted by the Act that must be complied with by all life insurers (including friendly societies).

Subsection 33(3) of the *Acts Interpretation Act 1901* provides that where an Act confers a power to issue an instrument the power shall, unless the contrary intention appears, be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to revoke any such instrument.

The original version of Prudential Rules No 47 was made on 26 August 1999 for the purposes of subsection 82(5) of the Act. It prescribed (inter alia) the form of (annual) financial statements for friendly societies.

The Determination

Life insurance (Prudential Rules) Determination No 1 of 2005 ('the Determination') revokes the original Prudential Rules No. 47 and replaces them with a new version.

The Determination will come into effect from the date of registration on the Federal Register of Legislative Instruments. It will apply to all annual financial statements provided by friendly societies under section 82 of the Act on or after the date of Registration.

The new Prudential Rules No. 47 essentially replicate the former Prudential Rules No. 47, the only material change being that the definitions of 'AASB' and 'accounting standards' are amended to provide that references to accounting standards in the Prudential Rules are taken to be references to those accounting standards as they apply in respect of reporting periods (within the meaning of the accounting standards) commencing immediately before 1 January 2005.

This means that certain changes to the accounting standards, which have been made to account for the adoption of International Financial Reporting Standards ('IFRS'), will not feed through into the requirements in the new version of Prudential Rules No. 47.

Accordingly, the new Australian Accounting Standards Board ('AASB') standards for 2005 are not to be applied by friendly societies when completing financial statements under Prudential Rules No. 47. Instead, friendly societies will complete returns by applying the pre-2005 accounting standards in much the same way as they have in past years.

The new Prudential Rules No. 47 are intended as a temporary measure. APRA is reviewing all its reporting requirements to take into account the new IFRS.

The Office of Regulation Review has determined that a Regulation Impact Statement is not required for the Determination.