

Explanatory Statement

Accounting Standard AASB 2013-7

Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders

October 2013



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2013-7

AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders* makes amendments to AASB 1038 *Life Insurance Contracts*. These amendments remove the consolidation requirements from AASB 1038, including the explicit requirement for a life insurer to consolidate policyholders' interests, and thereby leave AASB 10 as the sole source of consolidation requirements applicable to life insurer entities.

Main Features of AASB 2013-7

Application Date

AASB 2013-7 applies to annual reporting periods beginning on or after 1 January 2014. Early application is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2014.

Main Requirements

AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038 (in particular, paragraphs 1.1.1, 4.1, 4.1.1, and 4.2 – 4.2.2), which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 241 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders* in May 2013 for an 80-day public comment period.

The AASB received 5 submissions from Australian constituents on ED 241. The AASB considered the comments it received in finalising AASB 2013-7.

A Regulation Impact Statement (RIS) has not been prepared specifically in connection with the issuance of AASB 2013-7 as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature or clarify existing requirements.

Statement of Compatibility with Human Rights

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

Accounting Standard AASB 2013-7 ***Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders***

Overview of the Accounting Standard

The amendments remove the specific requirements in relation to consolidation from AASB 1038 (in particular, paragraphs 1.1.1, 4.1, 4.1.1, and 4.2 – 4.2.2), which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.

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*.