

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board’s considerations in reaching the conclusions in this Standard. It sets out the reasons why the Board developed the Standard, the approach taken to developing the Standard and the key decisions made. In making decisions, individual Board members gave greater weight to some factors than to others.

Reasons for issuing this Standard

Consequential amendments for public sector entities

BC2 Prior to these amendments, for-profit public sector entities were required to apply AASB 17 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. However, the Board decided to defer the mandatory application date of AASB 17 for for-profit public sector entities to annual periods beginning on or after 1 July 2026. Therefore, the Board issued this Standard to amend relevant Australian Accounting Standards so that for-profit public sector entities would be permitted to continue applying AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts* until required to apply AASB 17. The Board is issuing another amending Standard to make public-sector-specific modifications to AASB 17 for application to annual periods beginning on or after 1 July 2026.

BC3 Prior to these amendments, no date had been set for the application of AASB 17 by not-for-profit public sector entities: AASB 4 and AASB 1023 would just continue to apply in the absence of a withdrawal date. The amendments made by this Standard to AASB 17 and AASB 1057 *Application of Australian Accounting Standards* mean that not-for-profit public sector entities will be required to apply AASB 17 for annual periods beginning on or after 1 July 2026. The public sector modifications to AASB 17 will also assist not-for-profit public sector entities in applying AASB 17.

BC4 When AASB 17 applies to all entities – for annual periods beginning on or after 1 July 2026 – AASB 4 and AASB 1023 will cease to have any application. Those Standards will then be repealed through AASB 17 and the paragraphs referring to AASB 4 and AASB 1023 that have been added or amended by this Standard will be deleted from the various Standards.

Withdrawal of AASB 1038 and Interpretation 1047

BC5 In addition, the Board observed that AASB 1038 *Life Insurance Contracts* and Interpretation 1047 *Professional Indemnity Claims Liabilities in Medical Defence Organisations* are not relevant to public sector entities. Since private sector entities will be applying AASB 17 for annual periods beginning on or after 1 January 2023, AASB 1038 and Interpretation 1047 would become redundant for such periods.

BC6 Therefore, this Standard also repeals AASB 1038 and supersedes Interpretation 1047 for annual reporting periods beginning on or after 1 January 2023.

Due process

BC7 In March 2022, the Board issued a Fatal-Flaw Review (FFR) draft version of the Standard to propose the amendments described above.

BC8 The comment period for the FFR draft closed on 8 June 2022. No formal submissions were received on the FFR draft; however, the Board received supportive informal feedback. Accordingly, the Board concluded that it would proceed with the amendments.