Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

NZASB Exposure Draft 2022-3

Insurance Contracts in the Public Sector

(NZASB ED 2022-3)

Invitation to Comment

March 2022

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Information for respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)[1] is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the proposals for application by public sector entities that issue insurance contracts.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to comment on only those questions, or issues that are relevant to you.

Comments should be submitted electronically using our 'Open for comment' page at: https://www.xrb.govt.nz/accounting-standards/standards-in-development/open-for-comment/.

Please indicate whether the comments are made on your own behalf, or on behalf of a group of people, or an entity.

The closing date for submissions is **8 June 2022.**

Working with Australia

The NZASB and the Australian Accounting Standards Board (AASB) have worked together in developing these proposals. Although this ITC refers to the proposals of both Boards, each Board has issued its own exposure draft.

Publication of submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

[1] The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

List of abbreviations

The following abbreviations are used in this Invitation to Comment.

AASB	Australian Accounting Standards Board
ED	Exposure Draft
IASB	International Accounting Standards Board
ITC	Invitation to Comment
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
PBE	Public benefit entity

Questions for respondents

Paragraphs

Sub-grouping of contracts

1 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.

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2 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.

Initial recognition when contracts are onerous

3 Do you agree with the proposal to amend the PBE IFRS 17 initial recognition requirements in a public sector context to not depend on when contracts become onerous? Please provide your reasons. 20 to 22

Determining contract boundaries, coverage periods and eligibility for the premium allocation approach (PAA)

4 Do you agree with the proposed guidance on coverage periods, which would impact on applying the eligibility criteria for using the premium allocation approach (PAA) in a public sector context? In particular, do you agree with the Boards' proposals to provide guidance that:

(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; 23 to 28

(d) arrangements would not be regarded as failing to meet the criterion in PBE IFRS 17.34(b)(ii) simply because premium pricing for coverage up to the date when the risks are reassessed takes into account:

(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.

Please provide your reasons.

5 Do you agree with the proposals to:

(a) require disclosure of information about the nature of the pricing process, including:

(i) the manner in which pricing/benefits are determined;

(ii) the timeframes for which they are typically determined; and

(iii) any other relevant constraints under which an entity operates;

when a public sector entity takes into account risks that relate to periods after the reassessment date based on having a policy of determining prices and benefits over a period longer than a single coverage period; and 27(d)

(b) permit the disclosure to be located either:

(i) in the notes to the financial statements; or

(ii) by reference to an authoritative source that is available to users of the financial statements on the same terms as the financial statements and at the same time?

Please provide your reasons.

Risk adjustment

6 The NZASB is proposing a modification to require a risk adjustment that reflects an amount that is estimated to achieve a 75 per cent confidence level for a liability for incurred claims, which can be rebutted. The proposed paragraph 37.1 of PBE IFRS 17 states:

> 37.1 **Notwithstanding paragraph 37, for a public sector entity, there is a rebuttable presumption that the compensation the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk is an adjustment to reflect a 75% confidence level (that is, a 75% probability of liabilities for incurred claims being adequate to meet actual claims).**

In contrast, the AASB is proposing no modification to the AASB 17 requirement for a risk adjustment that reflects the compensation the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. 29 to 34

(a) Do you support:

(i) the NZASB approach of specifying a rebuttable presumption that a risk adjustment reflecting an amount that is estimated to achieve a 75 per cent confidence level is included when measuring a liability for incurred claims; or

(ii) the AASB approach of not modifying AASB 17 regarding the risk adjustment requirement?

Please provide your reasons.

(b) Do you have a suggested alternative approach? If so, please outline the approach and provide supporting reasoning.

Paragraphs

Scope

7 The Boards propose that the public sector arrangements to which PBE IFRS 17 should apply would be identified based on a collective assessment of the following proposed indicators [paragraphs AG16.1 to AG16.25]:

(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.

Do you agree with these proposed indicators? If you disagree with the proposed indicators, which of them would you exclude?

35 to 36

8 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.

9 The proposed paragraph AG16.2 requires that the indicators outlined in paragraphs AG16.3 to AG16.25 are considered collectively so that a balanced judgement can be made. The Boards considered that the proposed indicators should not be ranked or be assigned a relative significance because their relative significance is expected to depend on the circumstances. 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:

(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 PBE IFRS 17 and, if so, which ones, and why?

Effective date

10 Do you agree with the proposed mandatory application date for public sector entities of annual periods beginning on or after 1 January 2025, with early application permitted? If not, what alternative application date would you suggest? Please provide your reasons. 37

		Paragraphs
	Other modifications	
11	Do you consider there should be any further modifications to PBE IFRS 17 in respect of public sector arrangements? If so, what modifications would you suggest and on what basis would you justify them? Please provide your reasons. Please note that the Boards considered, but rejected, proposing modifications to PBE IFRS 17 in respect of public sector arrangements on the following topics: (a) specifically exempting 'captive' public sector insurers from applying PBE IFRS 17 in their separate general purpose financial statements [paragraphs BC228 to BC236]; (b) discounting and inflating requirements applied in measuring insurance liabilities [paragraphs BC237 to BC259]; (c) the measurement of investments backing insurance liabilities [paragraphs BC260 to BC265]; and (d) classification and presentation of risk mitigation program and other similar costs [paragraphs BC266 to BC273].	38 to 39
12	Do you have any other comments on the ED?	40

1. Introduction

1.1 Background

1. The New Zealand Accounting Standards Board (NZASB) issued PBE IFRS 17 *Insurance Contracts* in July 2019 and subsequently amended it in August 2020 to maintain alignment with NZ IFRS 17 *Insurance Contracts*. The requirements in PBE IFRS 17 are identical to the requirements in IFRS 17 *Insurance Contracts* and NZ IFRS 17. At present PBE IFRS 17 applies only to not-for-profit public benefit entities (PBEs). The NZASB decided to undertake a separate project to consider public sector-specific issues.

2. In 2020 the Australian Accounting Standards Board (AASB) and the NZASB decided to work jointly to consider whether any amendments are needed to the requirements in AASB 17 *Insurance Contracts* and PBE IFRS 17 for their application by public sector entities in Australia and New Zealand.

3. In developing these proposals, the Boards consulted with external parties that might be affected by the proposals. The Boards considered feedback from these parties in identifying appropriate modifications to AASB 17/PBE IFRS 17. Throughout the course of 2021 the Boards deliberated on the issues outlined in section 2.2 below.

4. To the extent feasible, the Boards will endeavour to achieve a consistent accounting outcome across both jurisdictions. This aligns with the general principles of the Protocol for Co-operation between the Boards.[2]

1.2 Purpose of this Invitation to Comment

5. The purpose of this ITC and associated Exposure Draft (the ED) is to seek comments on proposed amendments to PBE IFRS 17 for public sector PBEs.

6. When finalised, the proposals will amend PBE IFRS 17 by broadening the scope to include public sector PBEs and introducing some public sector specific requirements.

1.3 Timeline and next steps

7. Submissions on NZASB ED 2022-3 are due by **8 June 2022**. Information on how to make submissions is provided on page 2 of this Invitation to Comment.

8. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise and issue the amendments.

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[2] The *Protocol for Co-operation between: the Australian Accounting Standards Board, the Australian Auditing and Assurance Standards Board, the Australian Financial Reporting Council, and the New Zealand External Reporting Board* (2019). Although the Protocol's objective is generally limited to minimising any differences between Standards applying to Tier 1 for-profit entities in each jurisdiction, minimising differences across all sectors is consistent with this objective.

2. Overview of Invitation to Comment and ED

2.1 Summary

10. This Invitation to Comment seeks feedback on proposed modifications to PBE IFRS 17. The proposals are set out in NZASB ED 2022-3 *Insurance Contracts in the Public Sector*. The modifications proposed are:

    (a) an exemption from sub-grouping onerous versus non-onerous contracts at initial recognition;

    (b) an exemption from sub-grouping contracts issued no more than a year apart;

    (c) an amendment to the initial recognition requirements so that they do not depend on when contracts become onerous;

    (d) guidance on coverage periods, which has consequences for assessing eligibility for the premium allocation approach in a public sector context

    (e) indicators for identifying the transactions to which PBE IFRS 17 should apply in a public sector context;

    (f) guidance on determining the cash flows within the contract boundary; and

    (g) require risk adjustments for non-financial risks in measuring insurance liabilities to be measured at a rebuttable 75% confidence level.

11. The AASB's Exposure Draft ED 319 *Insurance Contracts in the Public Sector* proposes identical modifications to AASB 17 except for paragraph 10(g) above. The AASB is proposing no modification to the AASB 17 requirement for a risk adjustment that reflects the compensation the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

12. The issues discussed by the Boards and their rationale for proposing modifications, or making no modification, are detailed in the Basis for Conclusions which accompanies the ED.

2.2 Proposed modifications

Sub-grouping of contracts

Onerous versus non-onerous contracts

13. Paragraph 16 of PBE IFRS 17 requires insurance contracts within each portfolio to be sub-grouped as follows at initial recognition:

    (a) contracts that are onerous at initial recognition, if any;

    (b) contracts that have no significant possibility of becoming onerous subsequently, if any; and

    (c) other (non-onerous) contracts.

14. Based on their deliberations, the Boards concluded that they would propose an exemption for all public sector entities from applying the requirements in paragraph 16 of PBE IFRS 17 (see paragraph 16.1 of the ED).

15. The practical impact of this proposed exemption is that public sector entities would have a basic unit of account that is a portfolio. Accordingly, their liabilities for remaining coverage and liabilities for incurred claims would be measured for each portfolio as a whole (and, for those entities with only one portfolio, effectively at the whole of entity level).

16. Paragraphs BC33 to BC49 explain the Boards' discussions and conclusions on this matter.

Contracts issued more than one year apart

17. Paragraph 22 PBE IFRS 17 requires entities to divide each portfolio of contracts into sub-groups of contracts issued no more than a year apart. The Boards noted that the IASB considers annual grouping by the underwriting year to be important to ensure trends in the profitability of a portfolio of contracts are reflected in the financial statements on a timely basis (paragraph BC136 of IFRS 17).

18. The Boards noted that some of the responses to NZASB ED 2018-7 *PBE IFRS 17 Insurance Contracts* argued that a public sector modification is needed because the requirement in paragraph 22 is not relevant to the circumstances of some public sector insurers that take a long view on pricing. That is, for example, grouping by annual cohort is irrelevant when the insured risk is for highly uncertain and infrequent events where the entity is a monopoly provider (and cannot withdraw from the market).

19. Based on their deliberations, the Boards concluded that they would propose an exemption for all public sector entities from applying the requirements in paragraph 22 of PBE IFRS 17 (see paragraph 22.1 of the ED). Paragraphs BC50 to BC57 explain the Boards' discussions and conclusions on this matter.

Questions for respondents

1. 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.
2. 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.

Initial recognition when contracts are onerous

20. Paragraph 25 of PBE IFRS 17 requires a group of insurance contracts an entity issues to be recognised from the earliest of the following:

    (a) the beginning of the coverage period of the group of contracts;

    (b) the date when the first payment from a policyholder in the group becomes due; and

(c) for a group of onerous contracts, when the group becomes onerous.

21. The Boards noted that, for an entity that has binding arrangements in the weeks before year end for the following 1 July to 30 June coverage period, applying paragraph 25(c) of PBE IFRS 17 would mean all of the onerous contract losses associated with the next year's arrangements would need to be included in the current year's results. While this may not have a major impact year-on-year, the Boards thought it would be a counter-intuitive outcome in a public sector context.

22. Based on their deliberations, the Boards concluded that it would be appropriate to propose an exemption for all public sector entities from applying the requirements in paragraph 25(c) of PBE IFRS 17 (see paragraph 25.1 of the ED). Paragraphs BC58 to BC62 explain the Boards' discussions and conclusions on this matter.

Question for respondents

3. Do you agree with the proposal to amend the PBE IFRS 17 initial recognition requirements in a public sector context to not depend on when contracts become onerous? Please provide your reasons.

Determining contract boundaries, coverage periods and eligibility for the premium allocation approach (PAA)

23. PBE IFRS 17 includes two approaches to measuring liabilities for remaining coverage:

(a) a general measurement model that involves discounting fulfilment cash flows and, when relevant, recognising a 'contractual service margin' (deferred profit/loss); and

(b) the premium allocation approach (PAA), which is a 'simplified approach' and typically much less burdensome to apply than the general measurement model.

24. The Boards noted that identifying contract boundaries and coverage periods under PBE IFRS 17 is crucial for two main reasons:

(a) identifying the cash flows used to measure liabilities for remaining coverage for in-force arrangements; and

(b) determining whether liabilities for remaining coverage for in-force arrangements are eligible to be measured applying the PAA.

25. The Boards observed that, for most public sector entities currently applying PBE IFRS 4, the liability for incurred claims is typically much larger than the liability for remaining coverage. Nonetheless, the liability for remaining coverage would be expected to be a material amount for most public sector entities with arrangements that would be scoped into PBE IFRS 17. Accordingly, eligibility to apply the PAA is a key issue for public sector stakeholders.

26. Under PBE IFRS 17 the 'coverage period' might be different from the stated period in a contract or arrangement because it is determined, in large part, based on identifying the cash flows that are within the 'contract boundary'. In that context, the Boards noted that cash flows are regarded as being within the boundary of an insurance contract to the extent that

the entity can compel the policyholder to pay premiums or the entity has a substantive obligation to provide the policyholder with insurance contract services (see paragraph 34 of PBE IFRS 17).

27. Based on their deliberations, the Boards concluded that:

(a) for the avoidance of doubt, it would be appropriate to propose guidance to the effect than an entity's practical ability to fully price for risks/benefits also includes the ability of its controlling government (including any relevant Minister(s) and/or regulatory supervisor) under existing and/or substantively enacted legislation to decide on pricing and benefits;

(b) for the avoidance of doubt, it would be appropriate to propose guidance to the effect than an entity's monopoly status (and the possible inference that there is a legislative obligation to stand-ready to insure future policyholders), of itself, does not affect an entity's practical ability to fully prise for risks/benefits and, therefore, would not affect the coverage period;

(c) for the avoidance of doubt, it would be appropriate to propose guidance that a public sector entity would not fail to meet the criterion that pricing up to the date when the risks are reassessed does not take into account risks for periods after the reassessment date simply because it has a deliberate policy of setting prices and benefits based on a medium to long term view; and

(d) they would require the disclosure of information about the manner in which pricing/benefits are determined.

28. See paragraphs 34.1 to 34.3 and AG64.1 of the ED for the proposed amendments. Paragraphs BC63 to BC97 explain the Boards' discussions and conclusions on this matter.

Questions for respondents

4. Do you agree with the proposed guidance on coverage periods, which would impact on applying the eligibility criteria for using the premium allocation approach (PAA) in a public sector context? In particular, do you agree with the Boards' proposals to provide guidance that:

(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 PBE IFRS 17.34(b)(ii) simply because premium pricing for coverage up to the date when the risks are reassessed takes into account:

(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.

Please provide your reasons.

5. Do you agree with the proposals to:

(a) require disclosure of information about the nature of the pricing process, including:

(i) the manner in which pricing/benefits are determined;

(ii) the timeframes for which they are typically determined; and

(iii) any other relevant constraints under which an entity operates;

when a public sector entity takes into account risks that relate to periods after the reassessment date based on having a policy of determining prices and benefits over a period longer than a single coverage period; and

(b) permit the disclosure to be located either:

(i) in the notes to the financial statements; or

(ii) by reference to an authoritative source that is available to users of the financial statements on the same terms as the financial statements and at the same time?

Please provide your reasons.

Risk adjustments

29. The Boards noted:

(a) that a risk adjustment under PBE IFRS 17 (the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks as the entity fulfils insurance contracts) differs from a risk margin under PBE IFRS 4 *Insurance Contracts* (the inherent uncertainty in the central estimate of the present value of the expected future payments);

(b) that there is a presumption that for-profit private sector entities would need to be compensated for bearing risk and, as risk is released, that revenue would be recognised;

(c) that public sector entities may have a different perspective and not need to be compensated for bearing risk on the basis that (i) they are often monopolies and there may be the opportunity to increase premiums/levies to meet future claims; and (ii) they have explicit or implicit government guarantees of financial support; and

(d) the comments from respondents to NZASB ED 2018-7 and feedback received from stakeholder outreach conducted in 2020 and 2021.

30. The Boards also noted that entities typically use a confidence level (probability of adequacy approach) to measure risk adjustments. The 75% confidence level benchmark originally arose from a minimum prudential reporting benchmark. It has become a widely used reference point in Australia and New Zealand.

31. The Boards observed that:

(a) most of the public sector entities applying PBE IFRS 4 recognise risk margins at a 75% confidence level, or some level close to that benchmark;

(b) some of the Australian public sector entities applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* also recognise risk margins at a 75% confidence level, or some level close to that benchmark; and

(c) in outreach previously conducted, some stakeholders indicated that information about uncertainties in the cash flows are important to them.

32. The Boards considered the following possible approaches regarding the risk adjustment requirements:

(a) Approach 1: require public sector entities to apply AASB 17/PBE IFRS 17 with no modifications or guidance;

(b) Approach 2: require public sector entities to have a zero risk adjustment; and

(c) Approach 3: require a particular confidence level for determining risk adjustment for liabilities for incurred claims for all public sector entities.

33. Based on their deliberations, the Boards reached different conclusions. The AASB has proposed Approach 1 (no modification to AASB 17) while the NZASB has proposed Approach 3 (75% confidence level, as a rebuttable presumption) (see paragraph 37.1 of the ED).

34. Paragraphs BC98 to BC134 explain the Boards' discussions and conclusions on this matter.

Question for respondents

6. The NZASB is proposing a modification to require a risk adjustment that reflects an amount that is estimated to achieve a 75 per cent confidence level for a liability for incurred claims, which can be rebutted. The proposed paragraph 37.1 of PBE IFRS 17 states:

> 37.1 **Notwithstanding paragraph 37, for a public sector entity, there is a rebuttable presumption that the compensation the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk is an adjustment to reflect a 75% confidence level (that is, a 75% probability of liabilities for incurred claims being adequate to meet actual claims).**

In contrast, the AASB is proposing no modifications to the AASB 17 requirement for a risk adjustment that reflects the compensation the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

(a) Do you support:

(i) the NZASB approach of specifying a rebuttable presumption that a risk adjustment reflecting an amount that is estimated to achieve a 75 per cent confidence level is included when measuring a liability for incurred claims; or

(ii) the AASB approach of not modifying AASB 17 regarding the risk adjustment requirement?

Please provide your reasons.

(b) Do you have a suggested alternative approach? If so, please outline the approach and provide supporting reasoning.

Scope

35. The Boards have identified a range of indicators for identifying which arrangements in the public sector should be accounted for as insurance contracts. The indicators are to be considered collectively, along with related guidance. The indicators were identified taking into consideration the definitions and guidance on 'insurance contracts', 'insurance contract services' and 'insurance risk' in PBE IFRS 17.

36. Paragraphs AG16.1 to AG16.25 provide guidance on the indicators for identifying arrangements that should be accounted for as insurance contracts. These indicators are:

(a) similarity of risks covered and benefits provided (see paragraphs AG16.4 to AG16.9 and paragraphs BC139 to BC146);

(b) identifiable coverage (see paragraphs AG16.10 to AG16.12 and paragraphs BC147 to BC151);

(c) enforceable nature of arrangement (see paragraphs AG16.13 to AG16.16 and paragraphs BC152 to BC169);

(d) source and extent of funding (see paragraphs AG16.17 to AG16.21 and paragraphs BC170 to BC185);

(e) management practices and assessing financial performance (see paragraph AG16.22 and paragraphs B186 to BC193); and

(f) assets held to pay benefits (see paragraphs AG16.23 to AG16.25 and paragraphs BC194 to BC199).

Question for respondents

7. The Boards propose that the public sector arrangements to which PBE IFRS 17 should apply would be identified based on a collective assessment of the following proposed indicators [paragraphs AG 16.1 to AG16.25]:

(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.

Do you agree with these proposed indicators? If you disagree with the proposed indicators which of them would you exclude?

8. 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.

9. The proposed paragraph AG16.2 requires that the indicators outlined in paragraphs AG16.3 to AG16.25 are considered collectively so that a balanced judgement can be made. The Boards considered that the proposed indicators should not be ranked or be assigned a relative significance because their relative significance is expected to depend on the circumstances. 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:

(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 PBE IFRS 17 and, if so, which ones, and why?

Effective date

37. The proposed effective date of the modified PBE IFRS 17 for public sector entities is annual financial statements covering periods beginning on or after 1 January 2025, with early application permitted (see paragraphs BC224 to BC227).

Question for respondents

10. Do you agree with the proposed mandatory application date for public sector entities of annual periods beginning on or after 1 January 2025, with early application permitted? If not, what alternative application date would you suggest? Please provide your reasons.

Other modifications

38. The Boards considered, but rejected, proposing modifications in respect of public sector arrangements on the following topics:

(a) specifically exempting 'captive' public sector insurers from applying PBE IFRS 17 in their separate general purpose financial statements;

(b) discounting and inflating requirements applied in measuring insurance liabilities;

(c) the measurement of investments backing insurance liabilities; and

(d) classification and presentation of risk mitigation program and other similar costs.

39. The Boards' rationale for not proposing modifications are explained in paragraphs BC228 to BC273.

Question for respondents
11. Do you consider there should be any further modifications to PBE IFRS 17 in respect of public sector arrangements? If so, what modifications would you suggest and on what basis would you justify them? Please provide your reasons. Please note that the Boards considered, but rejected, proposing modifications to PBE IFRS 17 in respect of public sector arrangements on the following topics: (a) specifically exempting 'captive' public sector insurers from applying PBE IFRS 17 in their separate general purpose financial statements [paragraphs BC228 to BC236]; (b) discounting and inflating requirements applied in measuring insurance liabilities [paragraphs BC237 to BC2598]; (c) the measurement of investments backing insurance liabilities [paragraphs BC260 to BC265]; and (d) classification and presentation of risk mitigation program and other similar costs [paragraphs BC2665 to BC273].

2.3 Other comments

40. The Boards welcome any other comments on the ED.

Question for respondents
12. Do you have any other comments on the ED?