



20 December 2013

Tony Dale  
Chief Executive  
External Reporting Board  
PO Box 11250  
Manners St Central  
Wellington 6142  
New Zealand

Dear Tony

**Submission on Exposure Draft NZASB 2013-4 Statutory Funds**

The New Zealand Society of Actuaries (NZSA) welcomes the opportunity to comment on Exposure Draft NZASB 2013-4 Statutory Funds (Amendments to Appendix C of NZ IFRS 4).

The NZSA is the professional body for actuaries practising in New Zealand. Our purpose is to establish, promote and maintain high standards of competence and conduct within the actuarial profession and to provide a source of reference on actuarial matters for government and various official and interested bodies.

This submission has been prepared by members of the NZSA's Life Insurance Practice Committee and has been approved by the Council. Overall, the NZSA is supportive of the proposals in the Exposure Draft. Our submission (attached as an Appendix) focuses on specific comments that we have on the proposals and on the specific questions posed by the XRB.

We would be happy to discuss any of the points raised in our submission. Please contact Catherine Johnston in the first instance ([catherine\\_johnston@amp.co.nz](mailto:catherine_johnston@amp.co.nz) or phone 04-498-8551).

Yours sincerely  
For New Zealand Society of Actuaries (Inc)

Catherine Johnston  
Convenor, Life Insurance Practice Committee

Paul Rhodes  
President



## APPENDIX

### NZSA Submission on Exposure Draft NZASB 2013-4 Statutory Funds

The NZSA have the following comments to make on Exposure Draft NZASB 2013-4.

#### 1. Amendment to paragraph 18.1

*For each life fund the following must be disclosed:*

- (a) investment assets*
- (b) other assets*
- (c) life insurance liabilities*
- (d) life investment contract liabilities and assets or liabilities arising in respect of the management services element of life investment contracts;*
- (e) liabilities other than life insurance liabilities or life investment contract liabilities*
- (f) retained earnings, showing the amount directly attributable to shareholders and other retained earnings*
- (g) premium revenue split between life insurance contracts and life investment contracts;*
- (h) investment income*
- (i) claims expense split between life insurance contracts and life investment contracts*
- (j) other operating expenses*
- (k) investment income paid or allocated to policyholders*
- (l) profit or loss before tax*
- (m) profit or loss after tax; and*
- (n) Transfers to or from other funds*

Comments:

- Under (c) and (e), we believe the correct reference should be to “life insurance **contract** liabilities” rather than “life insurance liabilities”. “Life insurance contract liability” is the terminology used in Appendix C – refer Definitions in paragraph 20.1.

The XRB could consider disclosure requirements around allocation of profit as per the Insurance Prudential Supervision Act (IPSA) regulations. Rather than “retained earnings”, the terminology used in the regulations is “retained profits”, split between policyholders’ retained profits, shareholders’ retained profits (participating) and shareholders’ retained profits (non-participating). In changing the terminology in paragraph 18.1 from “retained profits” to “retained earnings” it is unclear whether the XRB is intending the disclosure to include disclosure of policyholder retained profits as defined under the regulations (as “other retained earnings”) or not.

It also may be useful to consider requiring disaggregation by category of business as per the IPSA regulations (ie between participating and non-participating business).



- The proposed amendments to sections (g) and (i) require premium revenue and claims expense to be split between life insurance contracts and life investment contracts. It should be noted by the XRB that it is very unlikely that there is any premium revenue or claims expense in the income statement for life investment contracts as these are in effect deposits and withdrawals and recognised as changes in life investment contract liabilities, and therefore this requirement is likely to be redundant.
- Investment income paid or allocated to policyholders (section (k)) is a component of the change in either life insurance or life investment contract liabilities. It is not a separate item in the income statement and as such it is unclear exactly what should be disclosed.

## 2. New paragraph 18.1.1

*Disaggregated information for each life fund is useful because, under the Insurance (Prudential Supervision) Act 2010, each life insurer may have more than one **fund** and, in general, the assets of each life fund are only available to meet the liabilities and expenses of that life fund.*

Comment: Highlighted “fund” should be “life fund”.

### Questions for Respondents

1. The amendments proposed to Appendix C of NZ IFRS 4 seek to require disclosure about statutory funds that is aligned with both: (i) the RBNZ’s solvency standards for life insurers; and (ii) as far as possible, the equivalent Australian requirements. Do the benefits of this alignment outweigh any incremental costs? If not, why not?

Yes. We do not believe there will be significant extra cost incurred as a result of the proposed amendments.

2. Are there any regulatory issues or other issues arising in the New Zealand environment that may affect the implementation of the proposed amendments?

The amendments need to reflect the legislation, solvency standard and regulations appropriately. We are not aware of any particular issues, not already addressed, that would affect the implementation of the proposed amendments.

3. Do you agree that no equivalent amendments need to be made to the PBE Standard on insurance, NZ IFRS 4 (PBE) Insurance Contracts and PBE IFRS 4 Insurance Contracts? If not, why not?

No comment. We are not aware of any existing PBE life insurers.