
Explanatory Memorandum to updated Professional Standard 201 Actuarial Advice to a Life Insurance Company or Friendly Society

January 2023

1. About this Explanatory Memorandum

This Explanatory Memorandum has been prepared by the Professional Practice Committee (PCC) to accompany the updating of Professional Standard 201 Actuarial Advice to a Life Insurance Company or Friendly Society (PS 201) due to the introduction of AASB 17 Insurance Contracts (AASB 17).

2. Background

AASB 17 replaces AASB 1038 Life Insurance Contracts for general purpose financial reports covering annual periods beginning on or after 1 January 2023. Minor changes have been made to Section 9.4 (Expense Apportionment) to reflect the new accounting Standard.

APRA has updated LPS 340 Valuation of Policy Liabilities and other prudential standards (including the reporting framework) to integrate AASB 17. The changes are effective from 1 July 2023. No changes have been made to PS 201 to reflect the new updated prudential standards.

3. Changes to the Standard

The key changes to the Standard are as follows.

- Clause 9.4.1 has been amended to reference the expenses in a Friendly Society Management Fund.
- A new Clause 9.4.4 has been added to reference the need to split expenses between directly attributable and not directly attributable for determination of assumptions for calculation of insurance liabilities under AASB 17.
- Clause 9.4.5 has been amended to reference directly attributable and not directly attributable expenses under AASB 17.
- Changes have been made to the "Previous Versions" section.
- Changes have been made to the "Commencement Date".

4. Consultation Undertaken

The changes to the Standard were drafted by the Life Insurance Practice Committee (LIPC) and reviewed by the PPC.

The LIPC and PPC considered that the changes to the Standard were relatively minor and did not change their intent; hence, the PCC concluded that there was no need for prior exposure of the changes to Members.

5. Commencement date

The commencement date of the updated version of the Standard is 1 January 2023 to align with the effective date of AASB 17.

End of Explanatory Memorandum