



NZ ACCOUNTING
STANDARDS
BOARD

Amendments to Appendix C of NZ IFRS 4 arising from NZ IFRS 10

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This Standard is a disallowable instrument for the purposes of the Legislation Act 2012.

Amendments to Appendix C of NZ IFRS 4 arising from NZ IFRS 10

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Amendment to Appendix C *Life insurance entities*

Paragraph 1.1.1 is deleted.

1.1.1 ~~[Deleted] This Appendix applies to the consolidated financial statements of a group in relation to a life insurer subsidiary. Paragraph 4.2 is of particular relevance in these cases. This Appendix does not apply to reporting by a group for its activities other than its life insurance business. In measuring and reporting business other than life insurance business as well as aspects of life insurance business where this Appendix contains no requirements, a group that includes a life insurer should follow appropriate financial reporting standards.~~

Paragraph 1.2C is inserted.

1.2C **Paragraphs 1.1.1, 4.1, 4.1.1, and 4.2 – 4.2.2 were deleted or amended by *Amendments to Appendix C of NZ IFRS 4 arising from NZ IFRS 10*. An entity shall apply those amendments to annual reporting periods beginning on or after 1 January 2014. Early application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.**

The sub-heading above paragraph 4.1 is deleted and the heading above paragraph 4.1 is amended to read as shown. New text is underlined and deleted text is struck through.

~~Entity and Consolidation Issues~~ **Equity in a Shareholder-Owned Life Insurer**

~~The life insurer entity~~

Paragraphs 4.1 and 4.1.1 are deleted.

4.1–4.1.1 ~~[Deleted] A life insurer shall recognise in its financial statement the assets, liabilities, income, expenses and equity of the entity, whether they are designated as relating to policyholders or to shareholders.~~

4.1.1 ~~Life insurers may have both policyholders and shareholders with a financial interest in the entity. It is sometimes argued that the interests of policyholders and the interests of shareholders form the bases of separate entities that should prepare separate primary financial statements. However, the view adopted in this Appendix is that the interests of policyholders and shareholders are intertwined and form the basis of a single entity. The boundaries of this entity are defined by control. The directors of the life insurer, in pursuing its objectives, govern the decision making in relation to the financial and operating policies of the life insurer, which includes the assets of the entity, whether they are designated as relating to policyholders or to shareholders.~~

Paragraphs 4.2, 4.2.1 and 4.2.2 and the heading above paragraph 4.2 are deleted.

~~Financial statements of groups that include a life insurer subsidiary~~

4.2–4.2.2 ~~[Deleted] The consolidated financial statement of a group that includes a life insurer subsidiary shall recognise all of the assets, liabilities, income and expenses of that subsidiary, whether they are designated as relating to the policyholders or to the shareholders of that life insurer. The insurance contracts, investment contracts, assets and other financial liabilities of a life insurer subsidiary and its group recognised in the consolidated financial statement of a group shall be measured in accordance with this Appendix.~~

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- ~~4.2.1 For the same reasons that a life insurer entity is considered to comprise both policyholder and shareholder interests, the view adopted in this Appendix is that the parent entity controls the interests of both policyholders and shareholders and, accordingly, the consolidated financial statements of the group include all of those interests. The parent of a life insurer effectively uses all of the resources of shareholders and policyholders in achieving its objectives and effectively controls policyholder interests for the benefit of both policyholders and shareholders.~~
- ~~4.2.2 Some life insurers are subsidiaries of entities other than life insurers, such as banks, and some are subsidiaries of other life insurers. The character of the parent entity of a life insurer has no bearing on whether consolidated financial statements, prepared in accordance with paragraph 4.2, are required.~~