

# Financial Reporting Advisory Board Paper

## Secretariat paper

### FRS27 Life Assurance

<b>Issue:</b>	To consider the applicability of FRS27 <i>Life Assurance</i> to the public sector.
<b>Impact on guidance:</b>	There is no impact on the guidance. FRS27 will be included in the list of extant standards are marked not applicable.
<b>UK GAAP adaptation?</b>	No
<b>IAS/IFRS compliant?</b>	N/A: there is no equivalent standard.
<b>IPSAS compliant?</b>	N/A
<b>Impact on budgetary regime?</b>	N/A
<b>Recommendation:</b>	That the Board agree that FRS27 <i>Life Assurance</i> is not applicable in the public sector context and should not be included in the FReM.
<b>Timing:</b>	2005-06

## DETAIL

### Background

1. The Accounting Standards Board issued in December 2004 FRS27 *Life Assurance*. The development of the standard started in March 2004 when, following the Penrose Report into Equitable Life, the then Financial Secretary to the Treasury wrote to the ASB asking it to initiate an urgent study into accounting for with-profits business by life assurers.
2. The standard applies to all entities with a life assurance business (including a life re-insurance business). It is effective for accounting periods ending on or after 23 December 2005.

### *What FRS27 requires*

#### 3. The FRS requires, *Inter alia*:

- large UK with-profits life assurance businesses falling within the scope of the FSA's realistic capital regime to measure in their financial statements liabilities to shareholders on the basis determined in that regime, subject to any adjustments specified in the FRS;
- the fund for future appropriations to be separately presented on the balance sheet with an explanation given of any negative FFA balance;
- a capital statement setting out the total available capital for sections of the life assurance business of the entity; and
- a movements table to show the changes in capital from one reporting period to the next.

#### *Applicability to the public sector*

4. There are no examples (that I know of) of life assurance business being conducted by central government bodies and trading funds. The FRS is not, therefore, applicable.

### **Proposed amendment to the Government Financial Reporting Manual**

5. There is no need to amend the FReM, as the FRS would not sit easily within any of the chapters. The proposal is to include FRS27 in the list of extant standards, published separately on the FReM website

### **Impact of amendment on Department Yellow**

6. There is no impact on *Department Yellow*.

### **Summary and recommendation**

7. FRS27 *Life Assurance* is industry specific. It does not have a read-across to the public sector and does not need, therefore, to be incorporated into the Government Financial Reporting Manual. The Board is invited to agree with this conclusion.

**David Watkins**  
Secretary