



28 May 2020

Dear HKICPA insurance subscribers,

**Updates on HKFRS/IFRS 17 Insurance Contracts
From the Standard Setting Department of the Hong Kong Institute of Certified Public Accountants**

**1. International and domestic developments on the IASB Exposure Draft
Amendments to IFRS 17 ('ED')**

The comment period on the *ED Amendments to IFRS 17* ended 25 September 2019 (the Institute's comment letter can be found on [our website](#)). Since then, the International Accounting Standards Board (IASB) has undergone its redeliberations of the amendments, taking into account the feedback received from outreach and comment letters.

Redeliberations have taken place at IASB meetings from November 2019 to May 2020. In March 2020, the IASB substantively completed its tentative decisions on all amendments, and provided permission for the IASB staff to proceed to ballot and finalise the amendments to IFRS 17.

A summary of the IASB's tentative decisions on the amendments to IFRS 17 is available in the IASB [March 2020 Agenda Paper 2C](#). In brief, the timeline of topics discussed has been as follows (with links to the respective IASB *Update*, which provides a staff summary of the tentative decisions reached by the IASB at the meeting):

- [November 2019](#): The IASB received a summary of comment letters on the Exposure Draft and established its redeliberation plan.
- [December 2019](#):
 - a scope exclusion for loans;
 - the contractual service margin attributable to investment services—coverage units for insurance contracts with direct participation features;
 - presentation in the statement of financial position—by portfolio instead of group level;
 - the applicability of the risk mitigation option—for reinsurance contracts held;
 - transition reliefs for business combinations; and
 - transition reliefs for the risk mitigation option—the application from the transition date and the option to apply the fair value approach.
- [January 2020](#):
 - scope exclusion for some credit card contracts;
 - transition—the prohibition from applying the risk mitigation option retrospectively;
 - business combinations—contracts acquired in their settlement period;
 - interim financial statements; and
 - asset for insurance acquisition cash flows—transition and business combinations.

- [February 2020](#):
 - contractual service margin attributable to investment services;
 - level of aggregation—annual cohorts for insurance contracts with intergenerational sharing of risks between policyholders;
 - applicability of the risk mitigation option—non-derivative financial instruments at fair value through profit or loss;
 - minor amendments;
 - additional specific transition modifications and reliefs; and
 - other topics raised by respondents to the Exposure Draft.
- [March 2020](#):
 - the effective date of IFRS 17; and
 - the IFRS 9 temporary exemption in IFRS 4.
- [May 2020](#): The IASB tentatively decided to finalise its redeliberations on various sweep issues.

Further information about the amendments can be found on the [IASB's website](#).

Effective date deferral

Especially notable for many stakeholders is the decision from the March 2020 IASB meeting to defer of the effective date of IFRS 17 by two years. Hence, entities will now be required to apply IFRS 17 for annual periods beginning on or after [1 January 2023](#).

This decision helps respond to comments the Institute heard from stakeholders in Hong Kong and globally about the effective date of IFRS/HKFRS 17. The Institute recommends that entities make constructive use of this deferral and continue their implementation efforts in order to be in the position to successfully apply IFRS/HKFRS 17 by the revised effective date.

Next steps

The amendments to IFRS 17 are expected to be issued by the IASB in June 2020.

The Institute will continue to monitor the IASB's progress and, in accordance with the Institute's convergence policy for IFRS Standards, consider its own endorsement process for equivalent amendments to HKFRS 17 in the coming months. Updates will be provided on our [website](#).

2. Hong Kong Insurance Implementation Support Group (HKIISG) Update

The HKIISG continues to meet regularly to discuss implementation issues related to HKFRS/IFRS 17. During recent meetings, the HKIISG discussed the IASB meeting agenda papers on insurance in order for the Institute to provide the IASB staff with timely feedback to help to inform the IASB's redeliberations. Additionally, a number of substantive technical discussions were held on local interpretation issues.

Stakeholders interested in HKFRS 17 implementation are invited to:

- register as an observer to attend a meeting;
- submit an implementation question; and/or
- follow meeting outcomes.

[Agenda papers and meeting summaries for all HKIISG meetings](#), [information how to register as an observer](#) and [details on how to submit an implementation question](#) may be

found on our website.

3. Training and other resources on HKFRS/IFRS 17

Resources and educational materials may be found on the Institute's [webpage](#). Due to the coronavirus situation, various recent face-to-face trainings at the Institute have been postponed and/or cancelled. As we confirm new trainings, information will be available on our insurance project website. Further details from the Institute on the coronavirus situation are available at our [COVID-19 CPA Information Centre](#).

Additionally, the IASB's [implementation support webpage](#) contains a series of educational webcasts and webinars on the requirements of the Standard. The IASB also has [published regular podcasts](#) covering decisions made during the amendments to IFRS 17 project.

New IFRS 17 e-course available

The Institute, in collaboration with KPMG, is pleased to offer a new e-course covering technical topics on IFRS 17. The course consists of multiple interactive modules to allow flexible learning. Institute members can register at preferential rates using a discount code in the [members' area](#) of the Institute's website.

Annual cohorts – why?

Last month, the IASB [published an article](#) on the rationale behind the decision to require use of annual cohorts as part of the accounting for insurance contracts. The article explains some of the accounting theory behind the level of aggregation (unit of account), why the IASB thinks annual cohorts help improve the usefulness of the information resulting from IFRS 17, and responds to some common arguments against annual cohorts.

Conclusion

If you have colleagues or peers that would like to receive these updates, please ask them to subscribe by e-mailing insurance@hkicpa.org.hk. Past newsletters are available [here](#).

Sincerely,

Standard Setting Department
Hong Kong Institute of CPAs