



Our Ref.: C/FRSC

Sent through electronic mail

3 January 2018

Mr Hans Hoogervorst
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Hans,

IFRS 17 Insurance Contracts

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is the only body authorised by law to set and promulgate standards relating to financial reporting, auditing, and ethics for professional accountants, in Hong Kong.

In accordance with our convergence policy, HKICPA has approved the issuance of HKFRS 17 *Insurance Contracts*, a word-for-word adoption of IFRS 17 including transitional provisions and effective date. HKICPA's strong commitment to high quality global standards that are principle-based, understandable and implementable is unchanged. However, the adoption of HKFRS 17 has presented the HKICPA with circumstances that we wish to share with the IASB.

Hong Kong's insurance regulator is developing its new regulatory capital requirements, expected to be rolled out in phases during 2021 to 2022. Hong Kong insurers will also be required to provide detailed data for quantitative impact studies in the period leading up to the effective date of HKFRS 17. Our insurance regulator is therefore concerned that this would put Hong Kong insurers, particularly the smaller insurers in the non-life insurance sector, under substantial strain, as they would be required to implement new financial reporting and regulatory capital requirements at the same time.

Additionally, our insurance regulator has observed that smaller insurers in particular do not typically have the in-house actuarial expertise required to cope with the significant changes in financial reporting requirements that HKFRS 17 introduces. Given the anticipated surge in demand for actuarial expertise from all insurers in the market, it would be difficult, particularly for these smaller insurers, to recruit experienced actuarial staff or engage well-qualified consultants to ensure implementation of HKFRS 17 by its effective date. HKICPA is aware that this shortage in actuarial expertise and other implementation resource challenges, such as the availability of IT solutions, is not unique to Hong Kong insurers, and is a concern shared across the Asia-Oceania region.

HKICPA is aware of concerns among Hong Kong stakeholders about the possibility of inconsistent adoption or application of IFRS 17 globally. As one of the leading global financial centres, Hong Kong is home to many multinational insurance companies that operate a wide network of insurance businesses in Asia and other jurisdictions that apply IFRS Standards. The key concern from our stakeholders, in this regard, is that other national or regional standard-setters or regulators may introduce guidance or pronouncements that would give more time to implement IFRS 17 or allow the application of its requirement in a way that is simpler than permitted under IFRS 17. This could create



an unfair competitive disadvantage for entities reporting under HKFRS. HKICPA is also aware that these concerns are not unique to Hong Kong insurers.

HKICPA considers that having a globally consistent standard, including effective date, is extremely important to Hong Kong as an international finance centre and is monitoring the progress of implementation and any issues that may arise. However, should there be a need in the future, HKICPA may consider whether it is necessary to deviate from IFRS 17, which we can do in some exceptional cases. HKICPA would also be supportive of the IASB modifying IFRS 17 if pervasive issues that prevent companies from complying with IFRS 17 were identified.

In these circumstances, HKICPA encourages the IASB to continue its monitoring of adoption and outreach activities, and proactively seek feedback from reporting entities as they progress with their implementation projects. HKICPA would also be supportive of the IASB using the outcome of this outreach activity to promptly decide, where appropriate, amendments or simplifications to IFRS 17, especially if the requirements of the new standard were operationally difficult to meet.

Finally, HKICPA appreciates the ongoing support the IASB has offered to HKICPA and its stakeholders in relation to IFRS 17, such as the investor and regulator education sessions held in Hong Kong in the second half of 2017. HKICPA urges the IASB to continue its education efforts with preparers, investors, regulators and governments around the world to rally support behind IFRS 17. The IASB is also recommended to monitor the status of available IT solutions, actuarial and other specialist resources for insurers globally as this will impact the companies' ability to practically implement IFRS 17 by 2021. Jurisdictions and companies that are implementing IFRS 17 would, to some extent, be reassured by this level of IASB support.

HKICPA supports the establishment of IASB's IFRS 17 Transition Resource Group and appreciates the appointment of Hong Kong-based insurance representatives as members of this Group. HKICPA is setting up a HKFRS 17 implementation support group with similar objectives to the IASB's TRG. We will continue to assess implementation developments in Hong Kong, share with the IASB's TRG the challenges with implementing HKFRS 17 and work together with the IASB in resolving those challenges.

If you have any questions regarding the matters raised in this letter, please contact me (christinang@hki CPA.org.hk), or Kam Leung (kamleung@hki CPA.org.hk), Associate Director of our Standard Setting Department.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'CNg'.

Christina Ng
Director, Standard Setting Department