
From: Tan, Jason
Sent: Monday, July 22, 2019 10:43 AM
To: P.T. Comment Letter
Cc: Hoke, Heather ; Lau, Winnie
Subject: COMMENT ON IASB EXPOSURE DRAFT - IFRS 17

Dear Sir / Mdm

Please find below Liberty's comments on the proposed ED:

(a) Recognition of income for reinsurance contracts that meet specified criteria on initial recognition of onerous group of underlying insurance contracts, or on addition of onerous contracts to that group

Clarification:

1. Does proportional reinsurance contracts refer to Quota Share and Surplus treaties or strictly limited to quota share treaty only?
2. The offset is "limited to reinsurance contracts entered into before the onerous underlying contracts are issued." This condition is not practicable and does not reflect the actual market practice. Some reinsurance contracts may be concluded after the original risk inception date e.g. facultative reinsurance with a panel of reinsurers. This condition will continue to drive significant accounting mismatches and does not reflect the underlying actual reinsurance benefit.
3. Is the offset limited to reinsurance claims recovery or does it include the recognition of reinsurance commission income to offset the original commission expenses? Reinsurance commission income is typically different from the original commission /acquisition rate depending on the terms of the reinsurance treaty e.g. Original Net Rate or Original Gross Rate. In additional reinsurance treaty contract typically include reinsurance profit commission income. Are ceding company allow to recognise reinsurance commission income in excess of the original acquisition rate/costs? Operationally, it will be impracticable and administratively unworkable to restrict the accounting of reinsurance commission income to defer from

the reinsurance contracts terms and in order to be the same as the original acquisition rate.

Regards,
Jason Tan
Chief Financial Officer

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