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Subject: Invitation to comment on IASB Exposure Draft Amendments to IFRS 17

Dear Sir/Madam

The Financial Reporting Standards Committee of the Hong Kong Institute of Certified Public Accountants ("HKICPA") is seeking comments on the proposal as set out in the IASB Exposure Draft. The proposed amendments to IFRS 17 will have direct impact on our implementation of the standard. As one of the key reinsurer in Hong Kong, Swiss Re would provide our comment on the proposed amendments to IFRS 17 as listed below.

Overall, the IASB's amendment and approach is welcome by Swiss Re. The only point Swiss Re would like to raise in related to the definition of reinsurance held with proportionate coverage:

1. The definition of reinsurance held with **proportionate** coverage is crucial for two reasons:
 - The E.D. on "Reinsurance contract held – recovery on underlying insurance contracts" recognizes that P/L losses created by an onerous portfolio at initial recognition can be recovered by P/L gains if the underlying group is covered by **proportionate** reinsurance.
 - A **proportionate** reinsurance contract cannot start before the recognition of the first underlying insurance contract.
2. Issues with the definition of proportionate coverage

E.D definition of the reinsurance that provides proportionate coverage:

*"A reinsurance contract held that provides an entity with the right to recover from the issuer a percentage of all claim incurred on groups of underlying insurance contracts.
The percentage the entity has a right to recover is fixed for underlying insurance contract in a single group of underlying insurance contracts, but can vary between groups of underlying insurance contracts."*

Swiss Re considers the E.D definition to be too restrictive as it covers only the full quota share reinsurance on the full scope of the group of underlying insurance contracts.

We believe that proportionate coverage should include reinsurance contracts which

- have a direct relationship on single claims incurred
- are based on individual underlying insurance contracts (and not a group of underlying insurance contract)

This will help to increase the comparability of financial statements amongst peers, as we believe that a small difference in the reinsurance terms (e.g. including a retention) or scope (e.g. excluding one underlying insurance contract from the scope) should not impact the proportionate coverage classification and create substantial difference in financial statements and disclosures.

3. Swiss Re is proposing to make the following changes:

- A change to the definition is needed to ensure that commonly used proportional structures such as quota share cum surplus and single risk (individual) XoL are included, whereas clearly non-proportional cover such as aggregate XoL, cat XoL, and stop-loss are appropriately excluded. The IASB's current proposed definition would only include first dollar quota share, which is a seldom used structure.
- Rather than a fixed percentage, something along the lines of a "contractually defined" percentage should be used.
- Important that both the definition and B119D (which we propose to retain) refer to individual underlying contracts rather than the whole group
- Swiss Re is currently working on a proposal of what the wording of updated standards could look like.

If you have any enquiry, please contact Anson Wong at 22775346, Alain Béland at 22775091 or Gloria Lo at 25823925

Yours sincerely,



Victor Kuk
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Cc: Insurance Authority, Hong Kong Federation of Insurers