



**Meeting Summary**  
**Hong Kong Insurance Implementation Support Group (HKIISG)**  
**23 January 2020**

**Attendance**

***HKICPA representatives***

Gary Stevenson, Financial Reporting Standards Committee (FRSC)  
Christina Ng, Director, Standard Setting  
Michelle Fisher, Deputy Director, Standard Setting  
Tiernan Ketchum, Associate Director, Standard Setting

***HKIISG members***

Wing-Yin Yim, (representing Sai-Cheong Foong), AIA Group Limited  
Marcus Chung (representing Norman Yao), AXA China Region Insurance Company Limited  
Sally Wang, Dajia Insurance Group  
Kevin Wong, FWD Life Insurance Company (Bermuda) Limited  
Carrie Yip (representing Alexander Wong), HSBC Life  
Steven To (representing Kenneth Dai), Manulife Asia  
Wenhao Zhao (representing Candy Ding), Ping An Insurance (Group)  
Matsuta Ng (representing Nigel Knowles), Prudential Hong Kong Limited  
Joyce Lau, Target Insurance Company Limited  
Doru Pantea, EY Hong Kong  
Francesco Nagari, Deloitte Hong Kong  
Erik Bleekrode, KPMG China  
Rachel Pang (representing Chris Hancorn), PwC Hong Kong

***Apologies***

Ronnie Ng, China Overseas Insurance Limited

**Discussion objectives:**

Readers are reminded that the objective of the HKIISG is not to form a group consensus or decision on how to apply the requirements of HKFRS/IFRS 17 *Insurance Contracts*. The purpose of HKIISG is to share views on questions raised by stakeholders on the implementation of HKFRS 17. Refer to HKIISG [terms of reference](#).

The meeting summaries of HKIISG discussions are solely to provide a forum for stakeholders to follow the discussion of questions raised. Stakeholders may reference HKIISG member views when reconsidering their own implementation questions—but should note that the meeting summaries do not form any interpretation or guidance of HKFRS/IFRS 17.

The objective of this meeting was to discuss the IASB's preliminary response to comments on the Exposure Draft *Amendments to IFRS 17*, including the January 2020 IASB meeting agenda papers. The purpose of this discussion was to assess whether there are any further views or concerns to help inform the HKICPA in its ongoing discussions with the IASB.

**1. Update on next steps from the December 2019 HKIISG**

HKICPA representatives updated the HKIISG members on steps taken since the December 2019 HKIISG meeting. These included:

- Meeting with the Hong Kong Federation of Insurers on the effective date of HKFRS 17. The HKICPA continues to closely monitor the debate surrounding the effective date at the IASB and the related debate on the effective date that will be taken by the other national standard setters.
- Conference call with IASB staff to discuss comments received from

HKIISG members on December 2019 IASB agenda papers. For more information on these comments, refer to the [December 2019 HKIISG meeting summary](#).

- Conference call with the IASB staff to discuss the CSM submission raised during the December 2019 HKIISG meeting (Paper 3).
- A few HKIISG members commented on the status of redeliberation for the effective date. HKICPA representatives explained that the HKICPA is closely monitoring this issue and is in contact with local stakeholders, AOSSG members and other standard setters. HKICPA representatives explained that the IASB is intending to address effective date at its March 2020 IASB meeting.

## 2. Discussion on January 2020 IASB agenda papers

This summary should be read in conjunction with the [IASB staff papers for the January 2020 IASB meeting](#) on the IASB's *Amendments to IFRS 17* project.

The HKIISG was briefed on and discussed the January 2020 IASB agenda papers for *Amendments to IFRS 17*.

### AP2A: Scope exclusion from IFRS 17 for some credit card contracts

No members commented on this agenda paper. It was noted this is not a prevalent issue to members in Hong Kong.

### AP2B: Transition—the prohibition from applying the risk mitigation option

No members objected to the IASB staff recommendation in this agenda paper.

### AP2C: Business combinations—contracts acquired in their settlement period

Among HKIISG members who commented on this agenda paper it was noted:

- A member suggested (also in their organisation's comment letter to the IASB) that a presentation-based solution be utilized for this issue. This member stated that analysts consulted by the member, did not consider that what would be presented as revenue under the IASB staff's proposed approach would be a faithful representation of the underlying economic phenomenon and they would adjust the insurance revenue figure in their analysis of the financial statements.
- A member explained that the IASB staff's recommendation could result in distortions arising due to business combination activity. Namely, acquiring another insurer could result in recognizing revenue for a significant period of time while the acquirer merely settles the acquired incurred claims. This would be especially notable in the general insurance sector rather than the life insurance sector, because the general insurance sector tends to have relatively higher, longer-lived liabilities for incurred claims. This member thought this would inflate revenue and impair comparability.
- A member stated that the IASB staff's recommendation in AP2C was reasonable and consistent with what was noted during the prior TRG discussions.

### AP2D: Interim financial statements

Members generally agreed that the staff recommendation in this agenda paper



was a welcome and positive development.

AP2E: Asset for insurance acquisition cash flows—transition and business combinations

Among HKIISG members who commented on this agenda paper it was noted:

- A member disagreed with the IASB staff's suggested approach for measuring the asset of insurance acquisition cash flows under the fair value approach (AP2E paragraph 27). This member commented that the fair value approach for transition is designed to calculate the CSM of in force business on transition. However, the asset in question relates to future new business rather than in force business. This creates an artificial link to a fair value notion for an amount that would have been paid before transition but fair valued at transition date. This restatement approach will be difficult to implement, understand and audit. This member argued that it would be better to only allow the use of the modified retrospective approach to restate this asset, and considered that preparers would default to using the calculation method under the modified retrospective approach.
- A member commented that the proposed measurement under the fair value approach did not appear to be consistent with fair value principles in general. This member considers that this proposal is perhaps a practical concession, but that linking it to fair value is likely to raise negative comments.
- A member commented that the proposed fair value approach presented a higher threshold to implementation than the modified retrospective approach, given the latter provided the recourse to use nil as the adjustment for the CSM or asset or insurance acquisition cash flows.

Next steps

The HKICPA staff will share members' key comments with IASB staff before the January 2020 IASB meeting.