Insurance Advisory Panel (formerly Hong Kong Insurance Implementation Support Group) - Submission Log (as at 27 April 2023)

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<tr><td>1</td><td>20/3/18 Paper 05A</td><td>Unit of account – separation and combination of contracts</td><td>Whether the lowest level of the unit of account used in IFRS17 must be the legal form of the contract after separating non-insurance components? We observe the following business practices in the China market which may result in impractical implementation when applying the legal form of contract as lowest level unit of account under IFRS17.

Example 1. A new whole life participating contract with a one-year accidental rider.
Example 2. A new 20-year term life contract also with the same one-year accidental rider.
Example 3. A 20-year term life (already inforce for 10 years) newly attached with the same one-year accidental rider.</td><td rowspan="2"><u>Unit of account</u>
• If insurance components in the same legal contract are considered to have different substance, then it can be treated as separate contracts.
• However, there is a high hurdle to cross before overriding the legal contract as the lowest unit of account.

<u>Coverage units</u>
The May IASB TRG meeting summary (paragraphs 26 to 39) discussed how to determine coverage units. Specifically, paragraph 35(h) of the May IASB meeting summary outlined possible methods to reflect the services provided. The June IASB meeting proposed a tentative narrow amendment on the definition of coverage period in determining coverage units.

<u>Overall</u>
• Members confirmed that they were comfortable with the IASB TRG meeting outcomes in February and May which discussed these topics.</td><td rowspan="2">Staff will include this topic in future training seminars and educational materials.</td><td rowspan="2">Closed</td></tr>
<tr><td>2</td><td>20/3/18 Paper 05B</td><td>Determining coverage units for a unit of account – base contract and additional riders</td><td>#1. Under IFRS 17, there might be circumstances where the legal form of a single contract does not reflect the substance of its contractual rights and obligations and hence permits insurers to separate different insurance components of a single contract for measurement purposes. Do the common features of riders in HK market provide sufficient evidence to permit or prohibit the separation of insurance components?

#2. If a contract with different rider coverage is considered as a single contract for measurement purposes, how should the coverage unit of this contract be determined? For example, how should we determine the coverage unit of a contract that offers a death benefit of CU10m and medical coverage for annual medical cost up to CU1m? How should we determine the coverage unit for different contracts within this group?</td></tr>
<tr><td>3</td><td>20/2/18 Paper 05C
&
10/5/18
Paper 04</td><td>Discount rate on initial recognition of contracts</td><td>Whether an entity can use a weighted average discount rate at initial recognition of a contract?</td><td>IASB staff have confirmed that the current discount rate is applied for the initial recognition of fulfillment cash flows (paragraph B72(a)).</td><td>None.</td><td>Closed</td></tr>
<tr><td>4</td><td>20/4/18 Paper 02A</td><td>Disaggregating finance income and expenses - Systematic allocation</td><td>IFRS 17 allows the OCI option to be taken and specifies how it shall be applied to different types of insurance contracts. B132(a)(i) and (ii) stipulates that either a constant rate or a pattern following crediting rate shall be used to determine the</td><td>Members generally shared the view that there should be different constant rates for the positive and negative cash flows.</td><td>None</td><td>Closed</td></tr>
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			systematic allocation. However, an insurance contract normally has both positive and negative cash flow arising at different future time points, and there may be situations where a constant rate (or a fixed margin above or below crediting rate) is mathematically insolvable which deems the OCI approach impracticable for some contracts. The question is whether alternative ways to apply systematic allocation still fulfill the requirement of IFRS 17?			
5	20/2/18 Paper 02B	Allocation of management expenses	If a group of contracts accounted for under the PAA model becomes onerous (i.e. loss making) subsequent to initial recognition, then measurement under the PAA model is essentially discontinued and replaced with measurement principles consistent with the GMM (with limited exceptions). This means that even if an entity solely issues short-duration insurance contracts, the entity must still have the ability to apply the GMM if situations arise where a group of their contracts become onerous. In addition to the cash flow directly associated to the insurance contracts (acquisition costs, underwriting expenses, insurance claims and loss adjustment expenses), should management expenses be allocated to the insurance contracts when considering if they are onerous or not? If yes, is there any basis for such allocation?	Members generally shared the view that paragraph B65 in IFRS 17 is applicable and noted that judgment is required in determining what is directly attributable.	Staff will include this topic in future training seminars and/or educational materials.	Closed
6	10/5/18 Paper 03 & 26/6/18 Paper 3a & 12/9/18 Paper 4 & 25/1/19 Paper 2	Onerous contracts - Unlocking of loss component	IFRS 17 distinguishes contracts expected to be profitable or loss making at initial measurement date. CSM will be established for a profitable contract as a measure of unearned profit while the loss component is an equivalent item when a loss is expected. This relationship between the two is illustrated by the fact that CSM will only be re-established when loss component becomes zero. Following the above logic, the factors leading to unlocking of CSM and loss component shall be highly similar. However, according to wording of the standard, the list of changes triggering adjustment of CSM in B96 (for insurance contracts without direct participation features) is not entirely the same as the one for loss component in 50(b). 50(b) is equivalent to item (b) and (d) under B96 only. The question is, shall the other items, i.e. experience variance on premium-related cash flow and investment component (B96 (a) and (c)) be considered for adjustment of the loss component?	Members generally agreed that there appeared to be a contradiction within IFRS 17, in terms of the appropriate accounting treatment for a group of onerous contracts where there are: • experience adjustments from premiums received in the period that relate to future service; and consequently • there is a subsequent reversal of the loss component from the same onerous group of insurance contracts. For example, should the experience adjustments and the reversal of loss component be reflected in the income statement as two	Submitted to the IASB TRG's April 2019 meeting for further clarification. Addressed in April 2019 IASB TRG paper 02, submission S125: “Paragraph 103(b) and 104(a) of IFRS 17 require an entity to provide disclosure of changes that relate to future service separately from those related to current or past service. In this example all the changes relate to future service.”	Closed

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				separate events or as one single event?		
7	27/6/18 Paper 02a	Amortisation of CSM for contracts with investment services which are accounted for under the general model	IFRS 17:B75 states that "Paragraph B74(b) requires cash flows that vary based on the returns on underlying items to be discounted using rates that reflect that variability, or to be adjusted for the effect of that variability and discounted at a rate that reflects the adjustment made. The variability is a relevant factor regardless of whether it arises because of contractual terms or because the entity exercises discretion, and regardless of whether the entity holds the underlying items." The accounting and the interpretation of IFRS 17 for other contracts such as those described in IFRS 17:B75 that do not meet the VFA criteria remains unclear and the possibility of materially different revenue and profit from insurance contracts that have economically similar characteristics to those that meet the VFA criteria remains in place.	Submitted to the IASB TRG and addressed in September IASB TRG meeting paper AP11, which noted that the examples contained in the submission received appear to be similar to those contained in the May IASB TRG meeting paper AP05. The IASB Staff confirmed in the September IASB TRG meeting that this issue is to be addressed by the IASB, and it is not for the TRG discussion. HKICPA's Financial Reporting Standards Committee submitted a technical issues paper to the IASB on 15 October 2018, which covered this issue. Refer to the paper here.	Largely addressed at the January 2019 IASB meeting, when the IASB tentatively decided to amend IFRS 17 so that in the general model the CSM is recognised in profit or loss on the basis of coverage units that are determined by considering both insurance coverage and investment return service, if any. For details, prefer to the meeting summary.	Closed. The ED Amendments to IFRS 17 proposes the concept of investment-return services for contracts without discretionary participation features.
8	26/7/18 Paper 03	Disaggregating finance income and expenses - Interaction of IFRS 9 and IFRS 17 at transition	IFRS17.B134 stipulates that for insurance contracts with direct participation features and for which the entity holds the underlying items, the amount to be included under insurance finance income or expense shall exactly match the income or expense included in profit or loss for the underlying items, resulting in the net of the two separately presented items being nil. The amount to be recognized in OCI for these contracts will therefore depend on the historical P&L recognized for asset. For IFRS 9, entities should classify their financial assets on the basis of the entity's business model and contractual cash flow characteristics of the financial asset. Therefore, designations previously made in accordance with IAS 39 may no longer be appropriate. In addition, if entities elect not to restate prior periods under IFRS 9; then the difference between the previous reported carrying amounts under IAS 39 and new carrying amounts under IFRS 9 should be recognised in the opening retained	Members generally shared the view that it is preferable to apply IFRS 9 retrospectively as part of the retrospective application of IFRS 17 in this specific fact pattern. This way, there is no impact to the OCI.	None	Closed

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			earnings (or other component of equity) in the period of initial application of IFRS 9.[1] Given that this one time adjustment does not go through P&L, it may result in a mismatch of the cumulative OCI balance between the asset and liability.			
9	9/10/18 Paper 4	Interaction with IFRS 9	There are scenarios where the financial statements of an insurer would carry a permanent difference in OCI, which is caused by a mismatch in accounting for insurance contracts under IFRS 17, as compared to financial assets that are accounted for at fair value through OCI under IFRS 9. The submission captures those scenarios for HKIISG consideration.	Discussion deferred to a later meeting.	Expanded paper to be presented at a later meeting	In progress
10	14/12/18 Paper 2	Employee Compensation Insurance	Hong Kong employers are required to take out employee compensation insurance under Hong Kong law. Entities writing employee compensation insurance are members of an Employee Compensation Residual Scheme (Scheme). The Scheme is a co-insurance scheme whereby the Scheme's Appointed Service Provider (also a participant of the Scheme) issues a co-insurance policy on behalf of its participants (insurers that write Employee Compensation insurance). The participants each record the underwriting result allocated to them (based on their respective market share) as direct business on their respective books. The question is what risk adjustment should be applied to such Schemes from the individual insurers' perspective?	There was insufficient information provided for a detailed assessment. However, it appears that based on the terms and conditions provided, there was a strong view that a single collective risk adjustment should be used by all participants in the Scheme, unless other terms and conditions support otherwise.	None	Closed
11	14/12/18 Paper 3	Contract Boundary	The paper discusses whether the short termination clauses (for example, 7 days or 30 days) contained in many general insurance contracts in Hong Kong will create multiple short contract boundaries under IFRS 17.	Members generally observed that when applying IFRS 17 requirements to these contracts, it is quite clear that the termination clauses (refer to extracts in Appendix A to Paper 3) will create a contract boundary.	Staff will discuss the business and financial implications of having multiple short contract boundaries with the HKICPA's Insurance Regulatory Advisory Panel, and include this topic in future training seminars and/or educational materials.	Closed
12	25/1/19 Paper 3 and 26/4/19 Paper 5	CSM calculation	For contracts that have multiple service patterns, the paper proposes to determine the CSM for each service component separately and amortize each service component CSM based on the services provided. Each service component CSM would be determined on a standalone basis and aggregated to the CSM at the group level in order to meet the requirements of IFRS 17. The question is whether	Members agreed that there is more than one method that can be used to determine coverage units under IFRS 17 paragraph B119. However, in general, there appeared to be concerns with the proposed method in the paper because	Expanded paper was brought to the April 2019 HKIISG meeting.	Closed. See related discussions on this issue under item 17

[1] This is paragraph has been rephrased from that in the submission to better reflect the requirements of IFRS 9

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			HKIISG viewed the proposed method as appropriate.	CSM is unlikely to be an appropriate proxy for reflecting the services provided and it introduces an unbundling or separation of coverages within a contract, which may lead to structuring of the contract to manipulate the allocation of profit.		
13	25/1/19 Paper 4	Investment component	The paper asks if an indirect participating insurance product which pays annual dividends to policyholders is considered to have an investment component. • If viewed as yes, the paper asks if the dividend payment experience adjustments arising from changes in financial risks in the current period can be recognized in the insurance finance income and expenses instead of the CSM. • If viewed as no, the paper asks how the dividend payments (and its related experience adjustments) should be accounted for.	There appears to be general support amongst members that there is a non-distinct investment component in the fact pattern provided, and that changes in the investment component should be adjusted in the CSM according to IFRS 17.	None	Closed
14	26/4/19 Paper 3	Contract Boundary when applying the Fair Value Approach on transition	The paper then asks if, at transition applying the fair value approach, the contract boundary for IFRS 13 fair value measurement (FVM) should be the same as the contract boundary for IFRS 17 fulfilment cash flows (FCF).	There were mixed views as to whether the contract boundary should follow IFRS 13 or IFRS 17. Ultimately members supported following the IFRS 17 contract boundary because it is a fundamental characteristic of an insurance contract.	None	Closed
15	26/4/19 Paper 4	Premium-based profits tax when measuring fulfillment cash flows	This paper discusses whether profits taxes assessed on a deemed basis of 5% of premiums should be included in the estimation of fulfilment cash flows under IFRS 17 or accounted for an income tax under IAS 12.	Members generally commented that the premium-based profits taxes should be assessed under IAS 12 as a starting point. That is, are the premium-based profits tax considered to be in the scope of IAS 12? If it is, then it should be recognized in accordance with IAS 12.	HKICPA Staff will provide an update on the ongoing discussions at a future HKIISG meeting (including on future discussions by IRAP, the Income Tax Advisory Panel, and FRSC).	In progress. A separate paper analysing this issue from the perspective of IAS 12, including an analysis of whether recognition of deferred tax is possible has been discussed at the HKICPA's Insurance Regulatory

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						Advisory Panel and has been brought to the FRSC for further due diligence.
16	29/5/19 Paper 2	Underlying items	The paper asks whether non-financial items fit the definition of underlying items and presents four different views for the accounting treatment for non-financial underlying items under the variable fee approach.	No conclusions drawn. However, there appears to be some support among members that IFRS 17 would allow more than one approach for accounting for non-financial underlying items under the variable fee approach, provided the approach is applied consistently	None	Closed
17	11/12/19 Paper 3	Examples of additional complexity due to the requirement to "weight" multiple services	This paper discusses practical difficulties in determining coverage units for insurance contracts with investment-return service (without direct participation features), in particular the relative weighting of benefits per IFRS 17.117. It proceeds to analyze the determination of coverage units for two typical APAC products and illustrates possible methods to accomplish this. Finally, it proposes a practical expedient or modification of IFRS 17.117 to ease implementation challenges and support comparable implementation.	Members agreed this is an operationally challenging area subject to significant management judgment.	HKICPA Staff to raise this paper with IASB staff and other national standard setters for consideration during redeliberations.	In progress.
18	13/03/2020 Paper 3	Release of derecognised coverage units	This submission analyses the derecognition requirements in IFRS 17, and how the derecognition of an insurance contract from a group of contracts should affect the amount recognised in profit or loss associated with the coverage units from derecognized contracts. The submission presents two views on the topic and illustrates how they would apply to a simple scenario: • View 1: The amount of contractual service margin (CSM) recognised in profit or loss considers the expected and unexpected coverage units deducted from the coverage units in the group at the beginning of the period so that they align them with the coverage units remaining at the end of the period for future services. Here, the total number of coverage units for the group remains unchanged, and the amount of CSM that relates to the coverage units from the derecognized contracts will be released in the period when derecognition	Members providing views generally supported View 2. One member commented that either view may be acceptable if an entity can justify the treatment, and that the difference between views may not be material.	The HKICPA staff will share members' key comments on items 2 and 3 and Paper 3 with IASB staff.	Closed.

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			occurs. • View 2: The amount of CSM recognised in profit or loss considers the expected coverage units deducted from the coverage units in the group at the beginning of the period so that they are adjusted at that date for the unexpected derecognised coverage units occurred in the period. Here, the total number of coverage units for the group is adjusted at the beginning of the period for the unexpected coverage units derecognised in the period and the number of coverage units for the service rendered in the period remains unchanged.			
19	07/05/2020 Paper 2	**Accounting for premium received upfront**	This submission analyses the accounting for premium received upfront relating to an insurance contract that is a single contract for legal purposes, but which comprises several contracts in substance for accounting purposes. The single legal contract is viewed as comprising several contracts in substance because of a unilateral cancellation clause held by the issuer, which gives the issuer the practical ability to terminate its substantive obligations with 30 days' notice, in exchange for providing the policyholder a pro-rata refund of the premium received. As such, a 1 year legal contract is seen for accounting purposes as comprising 12 in-substance contracts. The submission presents two views: • View A: Each of the 12 in-substance contracts should be recognised at the time the premium is received (day 1). As such, the liability for remaining coverage should be recognised at the same time for all 12 in-substance contracts, albeit with future start dates for their respective coverage periods. • View B: The upfront premium relates entirely to the initial 30-day in-substance contract. The remaining 11 in-substance contracts would not be recognised until the first contract ends. As such, the liability for remaining coverage will include the expected claims for the current 30-day period, as well as an estimated refund of premium.	There were mixed views among members. Both View A and View B received support from different members based generally on the rationale presented in Paper 2. Members generally agreed cancellation/termination clauses like that described in Paper 2 would create a contract boundary.	The HKICPA staff will share the paper and members' key comments with IASB staff.	Closed.
20	07/05/2020 Paper 3	**Accounting treatment for onerous contracts**	This submission asks: • Question 1: What discount rates should be used to calculate the changes to be reported in profit or loss for changes in the estimates of	There were mixed views among members. A few members supported View A for Question 1-2 based on the	The HKICPA staff will share the paper and members' key comments with IASB staff.	Closed.

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			future cash flows relating to future services that establish, increase or reverse a loss component (LC). • Question 2: Should the measurement of the loss component for presentation in the statement of financial position use the same or a different discount rate as the rate determined in Question 1. o View A: The **locked-in rate** described in IFRS 17.B72(c) is used to calculate the changes to be reported in profit or loss. LC is measured in statement of financial position using the **current rate**. o View B: The **current rate** described in IFRS 17.B72(a) is used to calculate the changes to be reported in profit or loss. LC is measured in statement of financial position using the **current rate**. o View C: The **current rate** described in IFRS 17.B72(a) is used to calculate the changes to be reported in profit or loss. LC is measured in statement of financial position using the **current rate** (with modification to how the effect of time value of money is accounted for in other comprehensive income). • Question 3: If the answer to Question 1 is the current rate for profit or loss (View B or C), then when the contractual service margin (CSM) is re-established following a loss reversal event, what is the locked-in discount rate to be used for CSM interest accretion and for measuring the unlocking of the CSM from that date? o View 1: Use interest rate determined for CSM at initial recognition. o View 2: Establish new locked-in rate (current rate as of the date the loss reversal occurred).	logic of the Standard. Another member supported View B for Question 1-2 and argued IFRS 17 does not prescribe the LC to be measured at a locked-in rate. No members expressed support for View C. Among those who commented on Question 3, a few members preferred View 1 on the basis that IFRS 17 requires the CSM to be measured applying the discount rate determined on initial recognition, and a re-establishment of a CSM due to a loss reversal is not an initial recognition event. Another member preferred View 2 and thought that the CSM should be recreated in the same manner as it would be when it was initially established. A couple members took an alternative view from those presented in Paper 3, and commented that IFRS 17 is silent on how to perform the systematic allocation required when allocating subsequent changes in fulfilment cash flows between the loss component and remaining liability for remaining coverage. These members argued that entities should make a policy choice as to how they will elect to perform this allocation,		
21	16/07/2020 Paper 2	**VFA eligibility assessment for contracts written within a participating insurance fund**	This submission analyses at what granularity the conditions under IFRS 17.B101(b) and IFRS 17.B101(c) should be assessed for new contracts written in participating insurance funds. The submission presents two views: • View A: The aforementioned conditions should be assessed at the participating insurance fund	Overall, members acknowledged that the issue covered by the submission was still under consideration by members and other stakeholders, and that, as views were still developing,	The HKICPA staff will share the paper and members' key comments with IASB staff. Members will continue to further consider this technical issue.	Open.

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			level. • View B: The aforementioned conditions should be assessed at the contract level	there was no clear preference or agreement. Members acknowledged that there remains the need to consider this issue further and more broadly.		
22	27/11/2020 Paper 3	**Accounting for premiums due after the end of the coverage period**	Question: How will the reinsurer account for premiums that are not yet due/collected (outstanding premiums receivable, either due or past due) but relate to past service? • View 1 – As part of the LfRC. • View 2A – As part of LIC to the extent insurance services have already been provided. • View 2B – As part of the LIC when there is no remaining coverage under the contract.	Overall, members expressed mixed views. It was additionally noted that there were a diversity of views in the market.	The HKICPA Staff will share this and other papers from the November meeting and members' key comments with IASB staff. Paper 3 will be shared with selected national standard setters.	Closed.
23	27/11/2020 Paper 2	**Should the change in credit risk on collectability of premiums be presented in insurance revenue or insurance finance income and expense?**	Question 1 - Should the change in credit risk of premiums in relation to the remaining service be reflected in IR or IFIE? • View A – Change in credit risk should be reflected in IR. • View B – Change in credit risk should be reflected in IFIE. • View C – Entity should make an accounting policy choice as where to present the changes on credit risks in relation to premiums for remaining services, either in IR or IFIE. Question 2: If the conclusion is made that premiums due for past coverage from part of the liability for incurred claims, how do we reflect the non-collectability of premium: as an experience adjustment to IR for past service or IFIE? • View A - The non-collectability of premium should be included in IR as an experience adjustment. • View B - The non-collectability of premium should be adjusted under IFIE as credit risk is a financial risk. • View C - Entity should make an accounting policy choice as where to present the changes on credit risks in relation to past services, either in IR or IFIE.	Question 1: Overall, the members who commented on Question 1 supported View A. Question 2: Overall, the members who commented supported View A, however also acknowledged other views exist or may develop.	None	Closed.
24	27/11/2020 Paper 4	**Accounting for different types of premium repayment transactions**	Question 1: Refund of Premium (ROP) on cancelation of a contract – What is the accounting treatment for an ROP (that is not NDIC) where a policyholder is entitled to obtain the ROP, if and only if, the policyholder cancels the	Question 1: Overall, the members who commented generally preferred View A/C over View B/D. Members expressed mixed support between View A and C.	None	Closed.

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		that do not meet the investment component definition	policy before a point in time within the coverage period? Question 2: No Claim Bonus (NCB) calculated as percentage of premium – What is the accounting treatment for the NCB calculated as a percentage of premiums (that is not a NDIC)? Question 3: NCB as a fixed amount – What is the accounting treatment for the NCB which is a fixed lump sum amount (that is not NDIC) and is this different to your answer to question 2 where the NCB is calculated as a percentage of premiums? Question 4: Experience Refund – If the repayment is structured as an ER payment what is the accounting treatment?	Question 2, 3 and 4: Overall, the majority of members who commented expressed support View B, however; views were mixed. See Paper 4 for details of views.		
25	27/11/2020 Paper 5	**Accounting for the experience variance from non-distinct investment components under the amended paragraph B96(c) of IFRS 17**	Question: Is the amount described in paragraph B96(c) from the experience variance arising from non-distinct investment components becoming payable reported entirely in the insurance finance income or expenses line item? • View A: The entire amount from IFRS 17 paragraph B96(c) is reported as insurance finance income or expenses (IFIE) and it does not adjust the CSM • View B: The amount from IFRS 17 paragraph B96(c) adjusts the CSM and IFIE. However, the IFIE adjustment only captures the time value of money of NDIC at the beginning of the period and the rest adjusts CSM.	The members who commented supported View B.	None	Closed.
26	3/2/2021 Paper 2	**Application of fair value hedge accounting under IAS 39 for portfolio hedges of interest rate risk for insurance contract liabilities**	Question: Can the fair value hedge accounting model under AG 114 to AG 132 of IAS 39 *Financial Instruments: Recognition and Measurement* be applied for portfolio hedges of interest rate risk for insurance contract liabilities? Approach 1 - Apply AG121 – mortality risk is akin to prepayment risk. Question 1 – Is the insured (i.e. mortality risk) akin to prepayment risk in mortgages (AG121)? Question 2 – Is there effectiveness for changes in timing of the cash flows due to the occurrence of the insured event (i.e. mortality)? • View 1 – Yes there is ineffectiveness – AG 126	Overall, the members who commented had mixed views on whether mortality risk is more akin to prepayment risk or credit risk. A small majority of members indicated a preference for analogizing mortality risk to prepayment risk. Those who commented on Question 2 of Approach 1 had mixed views, and those who commented on Question 2 of Approach 2 generally preferred View 2 (that ineffectiveness should be recognized when changes in		

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			needs to be followed. • View 2 – No, there is no ineffectiveness due to changes in cash flows as AG 121 applies (changes are uncorrelated to interest risk). Approach 2 - Apply AG 124 – mortality risk is akin to credit risk. Question 1 – Is the insured event (i.e. mortality risk) akin to credit risk in mortgages (AG 124)? Question 2: Is there ineffectiveness for changes in the timing of cash flows due to the occurrence of the insured event (i.e. mortality) and when it should be recorded? • View 1 - Yes, recognize ineffectiveness when the insured event occurs. • View 2 - No, recognize ineffectiveness when changes in expectations of the timing of the insured event occur impact the hedged risk.	expectations of the timing of the insured event occur impact the hedged risk).		
27	3/2/2021 Paper 3	**Impairment test for insurance acquisition cash flows**	Question: How should the Amendments to IFRS 17 (the Amendments) related to the accounting for which insurance acquisition cash flow ("IACF") be applied? Question 1: Using the illustrative scenario in Paper 3, how would an insurer interpret and apply the requirements of IFRS 17, para B35D(a) ["first impairment test"] when performing the impairment test? • View 1 – "By column test". A separate impairment test should be performed for each of the IACF asset balances expected to be allocated to a future group by comparing the future net inflows from that future group of contracts to which it will be allocated to. • View 2 – "By table test". The impairment test for IACF asset should be performed by comparing the outstanding IACF asset balance for the portfolio against the future net cash inflows from that portfolio. Question 2: Using the illustrative scenario in Paper 3, how would an insurer interpret and apply the requirements of IFRS 17, para. B35D(b) ["second	Question 1: Overall, members who commented had mixed views, however the majority of the members who commented supported View 1. Question 2: Members who commented on Question 2 of Paper 3 had mixed views, with a slight majority supporting View 1 as they noted that this view is more in line with the Standard. Some of these members also noted that View 2 and View 3 are not prohibited in the Standard but could bring additional complexities to implement. One member considered that View 1 is not compliant or aligned with the wording of the Standard.	None	Closed.

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			impairment test"] when performing the impairment test? • View 1 – "By column test". The unit of account for the first impairment test is aligned with View 1 for Question 1. • View 2 – "By row test". The impairment test is performed for the total carrying amount of the IACF asset originating from each past group, or renewal group [original contract + future renewals of such contract]. As such, the second impairment test should mirror the guidance of IFRS 17:B35A(a)(ii). • View 3 – "By cell test." An IACF asset is an expected future allocation amount that needs to be tested only against the net inflows of the relevant future group of contracts thus breaking up the renewal group IACF asset in its expected allocation amounts for individual recoverability testing.			
28	3/2/2021 Paper 4	**Allowance for income taxes in fair value measurement**	Question: How are preparers currently allowing for Hong Kong taxes when determining the fair value measurement of insurance contracts for deriving the CSM under fair value approach (FVA) as at transition date? Question 1- Where Section 23 taxes are payable on a premium based approach: How are different preparers allowing for income taxes in the fair value measurement? I. Not allowed for in any way II. Explicitly forecast in cash flow projections III. Allowed for in discount rate / expected return by adjusting these to be pre-tax IV. Implicit / other approach Question 2 - Where Section 23 taxes are payable on an adjusted surplus approach: How are different preparers allowing for income taxes in the fair value measurement? I. Not allowed for in any way II. Explicitly forecast in cash flow projections III. Allowed for in discount rate / expected return by adjusting these to be pre-tax IV. Implicit / other approach Question 3 – Where Section 23 taxes are specifically chargeable to the policyholder	Overall, members who commented on Question 1 and 2 had mixed views. Question 3: Members who commented noted that these cash flows should form part of the cash flows at transition date. Question 4: Members who comments on Question 4 had mixed views.	None	Closed.

#	Meeting	Topic	Extract of the Question	Outcome	Action (27 April 2023)	Status (Updated April 2023)
			Question 4 – Treatment of taxes other than those payable under Section 23 of the Inland Revenue Ordinance			
29	14/4/2021 Paper 2	**Interpretation of "an exercise of a right existing in a contract" in the context of contract modification**	Question: How should "an exercise of a right existing in a contract" in the context of contract modification under IFRS 17:72 be interpreted? The paper sets out three scenarios to illustrate that in applying the guidance, "the exercise of a right included in the terms of a contract" does not necessarily require such a right to be substantive at initial recognition for this right to be scoped out of a contract modification treatment. Scenario 1 – Where "the exercise of a right existing in a contract" by the policyholder obliges the insurer to fulfil while granting to the insurer the practical ability to reprice the whole contract at the right's exercise date Scenario 2 – Where "the exercise of a right existing in a contract" by the policyholder obliges the insurer to fulfill while granting to the insurer the practical ability to set the price for the obligation requested at the right's exercise date Scenario 3 – Where the original terms of the contract are changed such that the policyholder is given a fresh substantive right to purchase additional coverage that did not exist at the issue date of the contract	Overall, members who commented generally considered that if the right is non-substantive, then the right would not trigger a modification under IFRS 17:72.	None	Closed.
30	09/06/2021 Paper 2	**Measurement of coverage units under IFRS 17: B119 and the determination of the relative weighting of the benefits provided by insurance coverage and**	Question: Is the determination of the relative weighting of the benefits referred to in IFRS 17:117(c)(v) one input that needs to be current at the reporting date? • View 1 – The determination of the relative weighting of the benefits provided by insurance coverage and investment-return service or by insurance coverage and investment-related service is a judgment (to be disclosed under IFRS 17:117(c)(v)) and **IFRS 17 does not require the entity to make such determination so that it is current at the**	Overall, a small majority of members who commented favored View 1; however, mixed views were expressed.	None	Closed.

#	Meeting	Topic	Extract of the Question	Outcome	Action (27 April 2023)	Status (Updated April 2023)
		investment-return service or by insurance coverage and investment-related service (subject to disclosure under IFRS 17:117(c)(v))	**reporting date.** • View 2 – The determination of the relative weighting of the benefits provided by insurance coverage and investment-return service or by insurance coverage and investment-related service is a judgment (to be disclosed under IFRS 17:117(c)(v)) and **IFRS 17 requires the entity to make such determination so that it is current at the reporting date.**			
31	09/06/2021 Paper 3	**Measurement of coverage units under IFRS 17:B119 and the use of the non-distinct investment component vs. the expected service expenses as a basis to determine the benefits provided by an investment-return service or by an investment-related service**	Question: Can an insurer use o the non-distinct investment components (NDIC, sometimes referred to as "account balances") or o the expected service expenses that the insurer would include in the fulfilment cash flows of the group of contracts, adjusted to remove the effect of the probability of insured events occurring, if any as a basis to determine the quantity of benefits provided by an investment-return service (whenever the NDIC is present) or by an investment-related service in a group of contracts? • View 1 – The NDIC represents the benefit provided by an investment-return service or by an investment-related service. The expected service expenses do not. • View 2 – The expected service expenses represent the benefit provided by an investment return service or by an investment-related service. The NDIC does not, albeit it may act as a proxy for the benefit provided.	Overall, the members who commented expressed mixed views. A majority of members who commented indicated that this may be a matter of accounting judgement, and that either or both approaches (NDIC and expected expenses) may be valid depending on the facts and circumstances.	None	Closed.

#	Meeting	Topic	Extract of the Question	Outcome	Action (27 April 2023)	Status (Updated April 2023)
32	09/06/2021 Paper 4	**Impact of cash flow settlement arrangement in a reinsurance contract and presentation of insurance revenue and insurance service expenses in the profit or loss statement**	This paper is in two parts. The first part deals with the perspective of the issuer while the second part deals with the perspective of the cedant. The author believes that the conclusion of the discussion on this paper is equally applicable to insurance contracts issued. 1. Impact of cash flow settlement arrangement (net vs. gross) in assessing insurance revenue and insurance service expense on an issued reinsurance contract Question: What is the amount of insurance revenue and insurance service expenses for the issuer of the reinsurance contract when the contractual amounts are based on scenario A above? • View 1 - Insurance Revenue = CU 160; Insurance Service Expenses = nil; (Net = CU 160) • View 2 – Insurance Revenue = CU 800; Insurance Service Expense = CU 640; (Net = CU 160) 2. Impact of cash flow settlement arrangement (net vs. gross) in assessing the presentation of reinsurance service expense on a reinsurance contract held based on IFRS 17:86. Question: What is the amount of reinsurance service expenses disaggregated into the cost of reinsurance and reinsurance claim recoveries to be presented in the profit or loss statement, applying the split presentation choice in IFRS 17:86, where the rights and obligations under the arrangement are settled net per scenario A above? • View 1 - Reinsurance Recoveries = nil; Cost of reinsurance = CU160 expense; (Net reinsurance service expense= CU160) • View 2 - Cost of reinsurance = CU 800; Reinsurance recoveries = CU 640; (Net reinsurance service expense = CU 160)	On part one, overall, the vast majority of members who commented supported View 2. On part two, the majority of members did not object to the notion that View 2 is appropriate under part 2, symmetrical to part 1.	None	Closed.

#	Meeting	Topic	Extract of the Question	Outcome	Action (27 April 2023)	Status (Updated April 2023)
33	09/06/2021 Paper 5	**How to determine the currency denomination of an insurance contract with cash flows denominated in multiple currencies**	Question: In which currency is the estimate of future cash flows from an insurance contract denominated when its cash flows are denominated in different currencies and at which point is that determined? E.g. a contract has its premium in one currency, claims in another currency and expenses in a third currency, with all currencies different to the insurer's functional currency. • View 1 - The insurance contract is denominated in the currency of the premium inflows, with such assessment done at initial recognition of the contract and not subsequently reassessed. • View 2 - The insurance contract is denominated in the currency of the "predominant" cash flows, with such assessment done at initial recognition of the contract and not subsequently reassessed. • View 3 – The insurance contract is not denominated in any particular currency ("dual currency bonds issued" approach), with all foreign currency cash flows translated to the entity's functional currency.	Overall, the members had mixed views and considered that multiple approaches could be allowed.	None	Closed.
34	09/06/2021 Paper 6	**Consideration of foreign currency risk when identifying a portfolio of insurance contracts**	Question: Should foreign currency risk be taken into consideration when assessing "similar risks" for the purpose of determining portfolios of insurance contracts? • View 1 – No, foreign currency risk is not considered a risk that is relevant when assessing whether contracts have similar risks in the identification of portfolios. Contracts with cash flows in different currencies can be included within one portfolio, and consequently, also within a group of contracts (subject to the criteria set out in IFRS 17:22). • View 2 – Yes, currency risk is a relevant risk to consider when assessing whether contracts have similar risks. Depending on the facts and circumstances, the exposure to different currencies could require that insurance contracts within the same product line but with cash flows in different currencies be aggregated in different portfolios.	Overall, a majority of members who commented supported View 2, while a minority favored View 1.	None	Closed.

#	Meeting	Topic	Extract of the Question	Outcome	Action (27 April 2023)	Status (Updated April 2023)
35	11/08/2021 Paper 2	**Accounting treatment for premium-based profits tax on life insurance business of Hong Kong insurers**	This paper asks two questions: • Question 1 - Whether a premium-based profits tax is within the scope of HKAS 12 Income Taxes. o Paper 2 supports the view that there would be premium profits-based tax is within the scope of HKAS 12. • Question 2 - Whether deferred taxes could arise as a result of applying a premium-based profit tax approach under HKFRS 4 Insurance Contracts. o Paper 2 supports the view that there would not be deferred taxes arising from applying the premium-based profits tax approach under HKFRS 4.	The paper suggested a view that premium-based profits tax is within the scope of HKAS 12. The majority of the members did not raise any particular objections or expressed disagreements with this view. Apart from this view, one member expressed a view that an alternative treatment would also be acceptable (i.e. that premium-based profits tax is outside the scope of HKAS 12) which was echoed by a couple of other members. These three members also found the view presented in the paper as acceptable.	None	Closed.
36.	22/06/2022 Paper 2	**Treatment under HKFRS 17 of the Premium-based profit (PBPT) tax applicable to life insurance entities authorized to issue life insurance contracts in Hong Kong.**	The Paper asked, when the PBPT is judged to be outside the scope of HKAS 12 should it be included in the fulfilment cash flows of a group of insurance contracts under HKFRS 17: • View 1 – Yes • View 2 – No	The submitter observed that there is a potential third view that both View 1 and View 2 are acceptable as an accounting policy choice. Two attendees from audit firms were in View 1 because they believed that when an entity has judged that the PBPT is outside the scope of HKAS 12, it is more logical to conclude that the PBPT is akin to a transaction-based tax such as the one referred to in HKFRS 17.B65(i). On the other hand, two attendees from insurance companies disagreed with the premise in the paper that the PBPT is outside the scope of HKAS 12 and hence found the question irrelevant.	None	Closed

#	Meeting	Topic	Extract of the Question	Outcome	Action (27 April 2023)	Status (Updated April 2023)
37	22/06/2022: To discuss the potential impact of the two IFRS 17 agenda items tabled at IFRS Interpretation Committee's 15 June 2022 meeting on the adoption of HKFRS 17 in Hong Kong: • Multi-currency Groups of Insurance Contracts (IFRS 17 and IAS 21) (which was previously discussed in HKIISG meeting in June 2021) • Transfer of Insurance Coverage under a Group of Annuity Contracts		To discuss the potential impact of the two IFRS 17 agenda items tabled at IFRS Interpretation Committee's 15 June 2022 meeting on the adoption of HKFRS 17 in Hong Kong.	A few attendees exchanged their views on the implications of the above two (tentative) agenda decisions made by IFRS IC on 15 June 2022 on the Hong Kong market.	N/A	N/A
38	13/10/2022 Paper 1	**Presentation of an insurer's income statement when IFRS 17 becomes effective**	The Paper asked whether the insurance service result must be presented as a separate line item in an insurer's income statement when IFRS 17 becomes effective. • View 1 – Yes • View 2 – No	Two attendees from audit firms were in View 1. The submitter, another two attendees considered that it was hard to preclude View 2.	N/A	N/A

#	Meeting	Topic	Extract of the Question	Outcome	Action (27 April 2023)	Status (Updated April 2023)
39	13/10/2022 Paper 2	**Other payments to policyholders in insurance contracts with short-term contract boundary**	The Paper mentioned two types of 'other payments to policyholders' which are with short-term contract boundary: Type 1 – payment of the amount won't be affected by the cancellation / renewal while the measurement of the amount would be affected by the exercise of cancellation / renewal Type 2 – payment of the amount would be affected by cancellation / renewal, ie if the contract were cancelled or not renewed, there would be no payment obligation for the insurer The Paper asked how the two types of 'other payments to policyholders' should be considered in determination of the fulfilment cash flows of each accounting contract. The Paper set out two views: • View 1 – both types shall be treated as fulfilment cash flows of each accounting contract • View 2 – Type 1 shall be treated as fulfilment cash flows of each accounting contract, while Type 2 can only be fulfilment cash flows of the new accounting contract	The question was based on the assumption that the insurance contracts to which the two types of other payments to policyholders relate have a short-term contract boundary. An attendee from an audit firm considered that the question would be valid only on the premise that the contract boundary assessment was based on IFRS 17.34(a) and not on IFRS 17.34(b). On this premise he would support View 2. Two attendees from audit firms and two preparers were in View 2.	N/A	N/A
40	27/04/2023 Paper 1	**Change from equity accounting to fair value through profit or loss for an associate held by the underlying items of VFA contracts upon transition to IFRS 17**	The Paper discussed whether an entity (insurer) can change the accounting for an associate from equity method to fair value through profit or loss (FVTPL) upon transition to IFRS 17. The associate in question is held indirectly by the entity through a fund. Apart from the associate, the fund comprises the underlying items of a portfolio of insurance contracts with direct participation features that qualify for the variable fee approach. The Paper set out two views: • View 1 – No, the entity cannot make the change as the election of FVTPL shall be made at initial recognition of the associate • View 2 – Yes, the entity can change accounting retrospectively from equity method to FVTPL	One attendee from audit firm was in View 1. The submitter and three other attendees (one preparer and two audit firms) were in View 2.	N/A	N/A