

**Meeting Summary**  
**Insurance Advisory Panel (IAP)**  
**28 October 2024**

**Attendance**

***HKICPA representatives***

Joe Ng, Deputy Chairman, Financial Reporting Standards Committee  
Carrie Lau, Associate Director, Standard Setting  
Kennis Lee, Associate Director, Standard Setting

***IAP members and designees***

Sam Ho, AIA Company Limited  
Alexander Wong, HSBC Life  
Cynthia Yeung, Manulife Financial Asia Limited  
HuangHan, Ping An Insurance (Group) Company of China, Ltd.  
Matthew Sims, Prudential Hong Kong Limited  
Francesco Nagari, Deloitte China  
Steve Cheung, EY Hong Kong  
David Kwok, KPMG China  
Albert Chai, KPMG China  
Ian Farrar, PwC Hong Kong  
Jason Li, PwC Hong Kong

***Apologies***

Issac Tong, AIA Group Limited  
Ronnie Ng, China Overseas Insurance Limited  
Maggie Au, FWD Life Insurance Company (Bermuda) Limited  
Bingwen Zhang, Ping An Insurance (Group) Company of China, Ltd.  
Benjamin Peter Hucklebridge, Deloitte China  
Peter Telders, EY Hong Kong

**Discussion objectives:**

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

The meeting summaries of IAP discussions are solely to provide a forum for stakeholders to follow the discussion of questions raised. Stakeholders may reference IAP 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.

**1. Submission 1: Consideration of whether a catastrophe bond falls within the scope of IFRS 17 *Insurance Contracts* or IFRS 9 *Financial Instruments* from the investor's perspective**

This summary should be read in conjunction with the local submission ([Paper 1](#)). The Paper considers, from the perspective of an investor, whether a catastrophe bond with the features outlined in [Paper 1](#) falls within the scope of IFRS 17 or IFRS 9.

The submitter provided background information and reasons for discussing this submission in the meeting. He explained the two views set out in the Paper and that his firm is in View 2 based on the rationale set out in the Paper.

Two other attendees from audit firms are in favour of View 2 on the premise that the catastrophe bond is an insurance contract within the scope of IFRS 17 where the transfer of insurance risk is significant. They shared similar views as set out in the Paper for View 2. Specifically, they noted that the maximum amount that the investor would need to settle the obligation of the bond issuer is the amount held in the SPV, and therefore the accounting policy choice under IFRS 17.8A is applicable. They opined that IFRS 17.8A should not be restricted to loans with death waivers which is only an example provided in IFRS 17.8A.

An attendee from an audit firm considered that, based on the fact pattern, it might be possible to argue that, from the perspective of the investor, the arrangement simply involves the transfer of credit risk of the SPV to the investors rather than being 'a contractual provision for reduced payments of principal, interest or both' as required by IFRS 17.B26(j). In this case, the bond would be accounted for as a financial instrument under IFRS 9. However, the bond would be unlikely meet the solely payment of principal and interest (SPPI) test under IFRS 9 and thus should be required to be accounted for at fair value through profit or loss, which would give an outcome similar to View 2.

The submitter responded to other questions or comments raised by other attendees from an insurer and two audit firms relating to catastrophe bonds. They shared the view about the importance of proper accounting for these bonds, given the increasing prevalence in the Hong Kong market.

**2. No AOB were raised.**