

Asian Forum of Insurance Regulators

IFRS 17 *Insurance Contracts*: Perspective from Hong Kong's accounting standard-setter



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Financial Reporting in Hong Kong

- All companies domiciled and/or listed in Hong Kong must be audited:
 - ❑ Hong Kong and foreign companies must apply HKFRS (equivalent to IFRS Standards) and/or IFRS Standards.
 - ❑ Companies which are listed on both Hong Kong and mainland China can apply China Accounting Standards for Business Enterprises.
- **Total of 161 insurance companies have to apply HKFRS—because they are considered to have public accountability.**

	No. of companies
Total public companies on Hong Kong Stock Exchange	2,162
Hong Kong incorporated private companies	1,369,614
Hong Kong incorporated guarantee companies	13,607

Mostly foreign and HK incorporated companies

<400 PRC incorporated companies, of which:

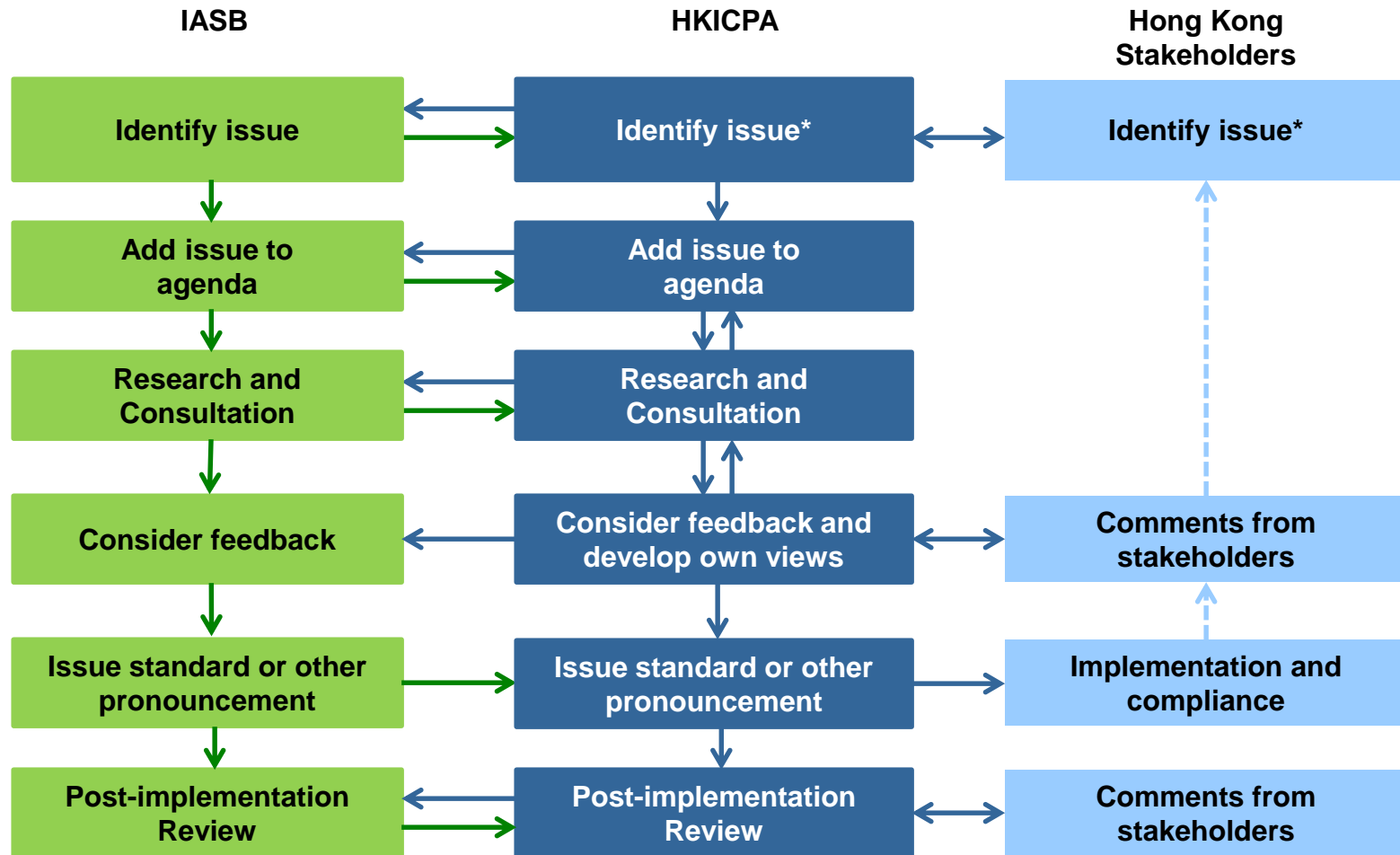
- 65% apply HKFRS
- 21% apply IFRS
- 14% apply CASBE

Source: *The Hong Kong Companies Registry and The Hong Kong Stock Exchange websites, Jan '18*



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Standard-Setting Process



*Technical issues may be identified in the following manner:

- Regular meetings with key stakeholder groups (academics, investors, preparers, practitioners and regulators);
- Committee and Advisory Panel members share emerging issues;
- Stakeholders directly communicating with SSD staff;
- Formal SS consultation documents.



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Adopting HKFRS 17: Hong Kong's Journey

IASB consultations & deliberations

Requested comments → Public roundtable & Advisory Panel input → HKICPA views
Continued industry outreach & IASB staff discussions

IFRS 17 Published (May '17)

Cost-benefits analysis, outreach with insurers & investors
Letters from Hong Kong Federation of Insurers & Insurance Authority :

- Globally inconsistent effective date
- Lack of specialist resources & IT systems
- Concurrent development of new Risk-based Capital

HKFRS 17 Published (Jan '18)

Letters to IASB & all Hong Kong insurers, CFO forums
Established Implementation Support Group

Post-issuance Support

Ongoing monitoring and assessment of international and Hong Kong developments
Forum to raise and discuss questions on and challenges in implementing HKFRS 17
Work closely with HKFI and IA
Continue to communicate and collaborate with other standard-setters & IASB



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Why HKICPA believes HKFRS 17 is needed

High quality standard

- Improve HK insurers' global standing
- Maintain HK as a leading financial centre

Key improvements

- Current value market inputs
- Revenue comparable to other industries
- Source of profits (i.e. insurance or investment) clear and comparable

Why this is important

- Report meaningful information compared to IFRS 4
- Up-to-date market inputs and comparable data better reflects insurers' liabilities and financial wellness
- Offering better protection to investors and enhancing market efficiency

Point to note about standard-setting:

- No new standard is perfect (even a high quality one)
- Standards are improved over time with experience



Snapshot of HKICPA's Implementation Support



Implementation Support Group



Forums



Collaboration



Training workshops



Publications



Communication

Key takeaways:

- Direct interaction with industry to understand & address key issues
 - Communication and collaboration is key to address issues



IFRS 17 Issues So Far

Coverage units for multiple risks

CSM allocation for indirect participating contracts

Level of aggregation

Reinsurance

HR & IT



Latest IASB and HK industry developments



What this mean for Hong Kong

Uncertainty will
continue for a while

Commitment to full
convergence with
IFRS

Interaction
with RBC

Continued
implementation
support



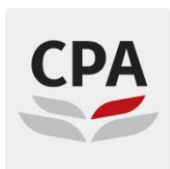
Contact Us



christinang@hki CPA.org.hk
kamleung@hki CPA.org.hk



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