

Alert

Updates on financial reporting, auditing, ethics
and sustainability disclosures



Issue 50 (March 2024)

Dear members,

Regulatory reporting under the Insurance Ordinance (Cap. 41) upon implementation of HKFRS 17 during the transitional period before the implementation of the Risk-based Capital Regime¹

This publication is developed in the light of the [Circular](#) issued by the Insurance Authority (IA) and is intended to provide guidance on regulatory reporting by auditors under the Insurance Ordinance upon implementation of HKFRS 17 for the following:

- Parts 4 and 5 of Schedule 3;
- Part 8 of Schedule 3; and
- Insurers incorporated outside Hong Kong

Practitioners are to issue the auditor's reports according to the facts and circumstances of their clients for the regulatory reporting under the Insurance Ordinance (Cap.41). The example auditor's reports below, which pertain to regulatory reporting under Parts 4, 5 and 8 of Schedule 3, as well as the different basis for the preparation of branch accounts highlighted in this publication, are intended to be a one-off consideration for the transitional period before the implementation of the Risk-based Capital Regime, if considered appropriate according to the engagement's facts and circumstances.

The example auditor's reports have been developed following discussions with the IA.

Parts 4 and 5 of Schedule 3

Practitioners auditing long-term insurers or composite insurers are to refer to the [example independent auditor's report](#) on financial information to be submitted by long-term insurers or composite insurers to the IA in accordance with Parts 4 and 5 of Schedule 3 to the Insurance Ordinance if the facts and circumstances of the engagement have changed and as a result, Example 2 and Example 3 in Appendix 2

¹ This Alert is only applicable for regulatory reporting under the Insurance Ordinance upon implementation of HKFRS 17 during the transitional period before the implementation of the Risk-based Capital Regime. Please refer to the website of the Insurance Authority for further information on the Risk-based Capital Regime: https://www.ia.org.hk/en/legislative_framework/overview/latest_legislative_developments.html

of PN 810.2 (Revised) *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance* (PN 810.2) may not be appropriate for the reporting during the transitional period. The example auditor's report is applicable for audits of financial statements for a year beginning on or after 1 January 2023 but ending before 1 July 2024.

Practitioners are to note that this example report is not applicable for long-term insurers that have early adopted the Risk-based Capital Regime. The IA has issued letters to the early adopters setting out the corresponding reporting requirements for the year-end reporting.

Practitioners auditing captive insurers and reinsurers should tailor the example report accordingly when reporting under Parts 4 and 5 of Schedule 3.

Part 8 of Schedule 3

Practitioners auditing general insurers or composite insurers are to refer to the [example auditor's report on forms \(except Form HKL 1\)](#) to be submitted to the IA under Part 8 of Schedule 3 if the facts and circumstances of the engagement have changed and as a result, Example 4(a) or Example 4(b) in Appendix 2 of PN 810.2 may not be appropriate for the reporting during the transitional period. The example auditor's report is applicable for assurance engagements on forms prepared for a year beginning on or after 1 January 2023 but ending before 1 July 2024.

Practitioners auditing captive insurers and reinsurers should tailor the example report accordingly when reporting under Part 8 of Schedule 3.

Insurers incorporated outside Hong Kong

In view of the [Circular](#), insurers incorporated outside Hong Kong should contact their case officer at the IA to request a further variation of regulatory reporting requirements if the insurer following the implementation of HKFRS 17, would prefer to adopt a different basis for the preparation of branch accounts (i.e. a basis other than HKFRS 17). A request to further vary the regulatory reporting requirements may impact the auditor's report for the branch accounts. Practitioners should discuss with their clients the impact to the auditor's report for the year-end reporting.

Sincere regards,

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
CPA: The Success Ingredient

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