



Meeting Summary
Hong Kong Insurance Implementation Support Group (HKIISG)
29 May 2019

Attendance

HKICPA representatives

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

HKIISG members

Douglas Mason (representing Sai-Cheong Foong), AIA Group Limited
Ronnie Ng, China Overseas Insurance Limited
Kevin Wong, FWD Life Insurance Company (Bermuda) Limited
Zin Macdonald (representing Alexander Wong), HSBC Life
Steven To (representing Kenneth Dai), Manulife Asia
Wanling Xu (representing Candy Ding), Ping An Insurance (Group)
Carrie Yip (representing Nigel Knowles), Prudential Hong Kong Limited
Lal Manglani (representing Francesco Nagari), Deloitte Hong Kong
Doru Pantea, EY Hong Kong
Erik Bleekrode, KPMG China
Chris Hancorn, PwC Hong Kong

Guests

Anthony Lam, AXA China Region Insurance Company Limited
June Chung, AXA China Region Insurance Company Limited
Terisa Yam, Zurich Insurance Company Limited

Apologies

Kevin Lee, AXA China Region Insurance Company Limited
Sally Wang, China Pacific Life Insurance Co., Ltd
Joyce Lau, Target Insurance Company, 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 considering their own implementation questions—but should note that the meeting summaries do not form any interpretation or guidance of HKFRS 17.

Sharing of IFRS 17 implementation experiences for general insurance

Zurich: Teresa Yam, Chief Reserving Actuary, shared an overview of the Zurich Insurance Group's IFRS 17 implementation program and timeline; including key implementation activities, key technical and practical issues, challenges and business benefits,

AXA General Insurance: Anthony Lam, Head of General Insurance Valuation, and June Chung, Head of Accounting, shared an overview of their IFRS 17 implementation progress to date; including the project team structure, key topics and activities for the actuarial and finance workstreams, new data requirements and system development.

Members and observers participated in a question and answers session with the guests.

Local submission: Underlying items ([Paper 2](#))

Insurance contracts with direct participation features are defined based on the concept of underlying items. Underlying items are defined in Appendix A of IFRS 17 as items that determine some of the amounts payable to a policyholder. Appendix A notes that underlying items can comprise any items, for example a reference portfolio of assets, the net assets of the entity, or a specified subset of the net assets of the entity. It is silent on non-economic factors such as expense and lapse experience.

The paper notes that in practice an insurer will consider various experience variances of the insurance portfolio when determining the dividends to share with the policyholders, not only limited to asset returns. The paper asks whether non-financial items fit the definition of underlying items and presents four different views for the accounting treatment of the underlying items under the variable fee approach (VFA)—statutory basis, IFRS basis, fair value basis and ignoring items that are not financial assets. The paper provides two examples in an appendix that illustrates the different views and financial impacts.

In response to the question in the paper, some members noted that they think the Standard allows entities a choice of approach and some discretion on applying the definition of underlying items, for example to eliminate mismatches or unintended profit volatility.

Some members observed that there is a balancing number missing from the examples illustrating the statutory basis. Some noted that the present value of the future non-attributable expenses of 100 should be included in the fulfillment cash flows under the statutory basis, as well as the underlying assets. They noted that correcting the numbers would more closely align the CSM and profit effect between the statutory basis and the other approaches.

The member presenting the paper noted that the issue had been submitted to the April IASB TRG meeting ([Issue S114](#)) and that the IASB staff had applied the requirements in IFRS 17 to conclude that the income or expense on underlying items held is not limited to financial income or expenses.

Some members agreed that underlying items are not limited to financial assets and should include non-financial items if they are part of what is shared with the policyholder. However, members acknowledged this could create measurement issues, because IFRS 17 requires measurement of the fair value of all components of underlying items and it is difficult to determine the fair value of some non-financial items.

Action/Conclusion:

No immediate action. 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.

Staff update and any other business

The HKICPA Director, Standard Setting, noted that invitations had been sent to HKIISG members and all authorised insurers for the IFRS 17 Global Developments Forum on 4 July and the three roundtables on the proposed amendments to IFRS 17 on 4 and 5 July. Meeting confirmations would be sent out shortly. She noted the HKICPA's gratitude to the Insurance Authority and Hong Kong Federation of Insurers for helping to distribute invites to insurers.



Action/Conclusion:

The feedback from the roundtables on the proposed amendments to IFRS 17 will be brought to the HKIISG meeting on 9 July for discussion. At that meeting HKIISG will consider what messages should be fed back to the IASB. Following this, the SSD staff will do further analysis including developing recommendations on the conceptual merits of the proposals, and put together a draft submission for discussion and approval by the Financial Reporting Standards Committee. SSD staff will likely consult HKIISG members further during this analysis, including circulating the draft submission.