

PAPER 5 – STAFF UPDATE AND QUESTIONS FOR HKIISG

1. This memo contains updates on, and questions for the HKIISG regarding:
 - a) A letter from Hong Kong Federation of Insurers to the IASB;
 - b) Year-end Reflections of HKIISG and next steps;
 - c) The proposed 2019 meeting schedule;
 - d) The technical issues paper the HKICPA sent to IASB staff;
 - e) IASB developments; and
 - f) Other matters.

Attachments:

Annex 1 – Proposed 2019 meeting schedule

Annex 2 – [Technical issues paper sent to IASB staff](#) (hyperlink)

Annex 3 – Letter from the Hong Kong Federation of Insurers to the IASB

Annex 4 – [Proposed one-year deferral in effective date of IFRS 17, and what it means for Hong Kong](#) (hyperlink)

Year-end Reflections of HKIISG and next steps

2. The HKIISG was established in late February 2018 (it's first meeting in March 2018) with the objectives of:
 - a) soliciting, analysing, and discussing stakeholder questions raised regarding implementation of HKFRS 17;
 - b) providing a forum for stakeholders to follow the discussion of questions raised;
 - c) identifying implementation issues which need to be brought to the attention of the IASB TRG;
 - d) identifying areas of focus for educational activities; and
 - e) providing recommendation's for the Institute's Financial Reporting Standards Committee to consider, which may include submitting a question to the IFRS Interpretations Committee or writing to the IASB.

As a reminder, the HKIISG was not established to have any authority—no decisions, interpretation or guidance will be issued by the HKIISG.

3. In November, SSD sought feedback of HKIISG members on the workings and objectives of the HKIISG meetings so far. This feedback is summarised below:

Did members find HKIISG useful and did it meet its objectives?

- a) Most members found HKIISG to be very useful. They also think that HKIISG has met its objectives.

What did members think about HKIISG's membership composition?

- b) Most members thought that HKIISG has a strong composition of members, as it represents a mix of larger/smaller life/non-life international MNC/local companies which are both listed and private.
- c) However, a few members observed that HKIISG does not have reinsurance representatives, and thought that having reinsurer members would be useful. These members noted that having a reinsurer guest in the last few HKIISG meetings was helpful.
- d) One member thought that it would be helpful to have very small insurers represented.

Did members have any comments on the quality of papers or timing of the meetings?

- e) Most members are happy with the quality of papers and timing of meetings.
- f) One member noted that the papers could be improved with a more technical and logical analysis on the fact patterns so that it is easier for members to understand.

How do members plan to contribute in the future?

- g) All members said that they would like to continue with HKIISG in 2019.
- h) However, at least two HKIISG members questioned the usefulness of HKIISG after the IASB's

TRG is disbanded—they believe that HKIISG has been most useful to discuss IASB TRG papers only. These members said they may not continue with HKIISG once the IASB's TRG is dissolved. Nonetheless, other members believed that continuing with HKIISG after the IASB's TRG ends will be useful for Hong Kong stakeholders. This is consistent with the results of the HKFI survey which indicate that small general insurers want a platform to ask questions, Annex 1 (Annex A - item 5).

- i) For the coming year, some members suggested:
 - i) topics that they may like HKIISG to discuss;
 - ii) types of education/sharing sessions they would like HKIISG to arrange; and
 - iii) potential avenues of soliciting local submissions / promoting HKIISG.

4. Based on the feedback above, SSD proposed to the FRSC at its December meeting that:
 - a) HKIISG continues operating for at least 6 to 12 months after the last IASB TRG meeting;
 - b) Reinsurers will continue to be invited as guests on an as need basis; and
 - c) the Chair can facilitate the meeting so that each member has an equal opportunity to contribute.A verbal update of the FRSC's decision will be provided at the HKIISG meeting.

Does HKIISG have any comments on the feedback received from HKIISG members and next steps suggested by the SSD?

Some HKIISG members have suggested the following topics for discussion at next year's HKIISG meetings. Are there any volunteers for submitting a paper on these suggested topics for next year's HKIISG meetings?

- Coverage units for multiple risks
- Eligibility for variable fee approach
- Reinsurance
- Investment component for general insurance products
- Eligibility for the premium allocation model / when to recognize onerous contracts
- Policy loans

Are there any other topics that should be covered?

Are there any comments on the following suggestions received by HKIISG members?

- Education / implementation sharing sessions with larger general insurers or insurers more advanced in implementation should be arranged
- HKFI can help to promote the upcoming HKIISG meetings to their constituents
- HKFI taskforce can collect and collate the major issues in industry (particularly for smaller insurers) and include them in an HKIISG submission with the issues and relevant fact patterns

Do members have any other suggestions?

The proposed schedule of HKIISG meetings in 2019 is in Annex 1. Do members have any comments?

Technical issues paper to the IASB staff

5. In September, HKIISG provided input as to what are the top technical issues in Hong Kong. These issues were then communicated to the IASB staff in a technical issues paper, which informs Hong Kong stakeholder's top technical issues that FRSC and the Hong Kong industry consider to have technical justification for the IASB's reconsideration. Refer to [Annex 2](#) (hyperlink).

Letter from Hong Kong Federation of Insurers to the IASB

6. On 9 November, the Hong Kong Federation of Insurers sent a letter to the IASB requesting a two-

year deferral of the effective date for IFRS 17, refer to **Annex 3**. The letter reiterates the concerns for smaller insurers over the lack of specialist resources and IT systems. The letter also notes the timing pressure for both larger and smaller insurers due to the concurrent development of the new regulatory capital requirements in Hong Kong. Finally, the letter also contains the results of the market surveys on IFRS 17 readiness that the HKFI conducted, refer to Annex 1 (Annex A).

Do HKIISG members have any comments on the HKFI letter?
--

IASB developments

7. On 24 October, the IASB discussed the next steps in implementation support for IFRS 17. At this meeting, the IASB agreed on the criteria it will use in evaluating potential changes to IFRS 17, namely that any changes should not:
 - a) result in less useful information for investors;
 - b) disrupt existing implementation processes; and
 - c) risk undue delays in the effective date of a Standard that is much-needed to address inadequacies in the current wide range of insurance accounting practices.
8. The IASB will discuss 25 issues in its upcoming meetings in December 2018, January 2019 and possibly February 2019 (including those contained in the technical issues paper sent to IASB staff) and whether there is a need to propose changes to IFRS 17 in the coming months. If any changes were to be proposed, the IASB will follow its normal due process for standard-setting, which includes a public consultation.
9. On 14 November, the IASB tentatively decided to propose a one-year deferral of the effective date for IFRS 17 and extend the temporary exemption for insurers to apply IFRS 9 *Financial Instruments* to 2022. SSD communicated the IASB's tentative decisions and what it means for Hong Kong, to its insurance subscribers and members, refer to [Annex 4](#) (hyperlink).
10. On 22 November, at the annual Asian-Oceanian Standard Setters Group meeting, IASB vice-chair, Sue Lloyd, commented that even though some amendments to IFRS 17 are likely, preparers should continue with implementation because any amendments would not change the fundamentals of the standard.

--

Other matters

11. On 12 December, the FRSC Chair spoke at the Asian Forum of Insurance Regulators. A verbal update will be provided at the HKIISG meeting.
12. The second HKICPA pocket guide will be published in December. The topic is on Contract Boundary. We will continue to work on pocket guides that target IFRS 17 topics of most significance in the Hong Kong industry.
13. A proposed IFRS 17 one-day forum will likely be held in May, June or July of 2019. Martin Edelman (IASB Board member and IASB TRG chair), and Roberta Ravelli (IASB technical staff for IFRS 17) are expected to be speakers at the forum.

ANNEX 1

Proposed 2019 HKIISG meeting schedule

HKIISG members should note the following:

- At the moment, only one IASB TRG meeting is scheduled for 4 April. It is not clear whether more will be scheduled yet;
- The submission deadline for the April IASB TRG meeting is 14 February;
- A full day IFRS 17 forum (with IASB Board member and IASB staff presence) is tentatively planned for May/June/July and HKIISG member participation is recommended/requested;
- Meetings may be cancelled or added.

Date	Time	Focus
25 Jan	PM	Discuss local papers & possible submissions to TRG
25 Mar	Full day	Discuss IASB TRG papers
28 Mar	Full day	Discuss IASB TRG papers
26 Apr	PM	Debrief on IASB TRG meeting & discuss local papers
29 May	Full day	Possible IFRS 17 Forum / Discuss local papers
6 Jun	Full day	Possible IFRS 17 Forum / Discuss local papers
5 Jul	Full day	Possible IFRS 17 Forum / Discuss local papers
13 Sep	PM	Discuss local papers
30 Oct	PM	Discuss local papers
11 Dec	PM	Discuss local papers