

# **HKFRS 17 survey conducted by IA**

## **Sharing of observations**

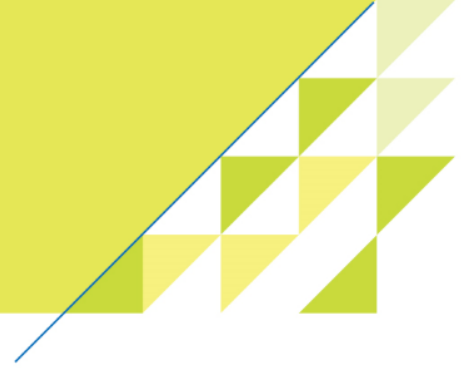
**Tony Chan**

**Associate Director, Policy & Development**  
**Insurance Authority**

**26 October 2018**

# **HKFRS 17 *Insurance Contracts***

## **Readiness Assessment Survey**



Purpose:

- understand industry-wide general readiness;
- major challenges in HKFRS 17 implementation

Target: all authorized insurers

As at Oct 19, 2018:

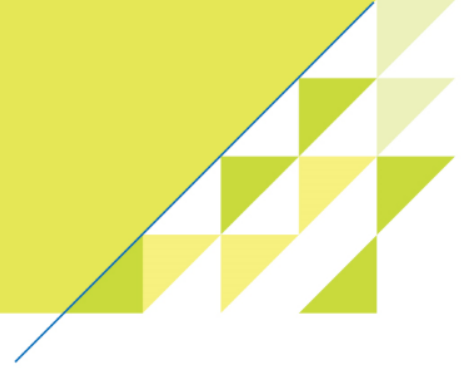
No. of Responses: 113\* (37 Life; 76 Non-life)

Response Rate: 80%

\* Excluded 19 Insurers which ceased to write business

# HKFRS 17 *Insurance Contracts*

## Readiness Assessment Survey



### Implementation stages

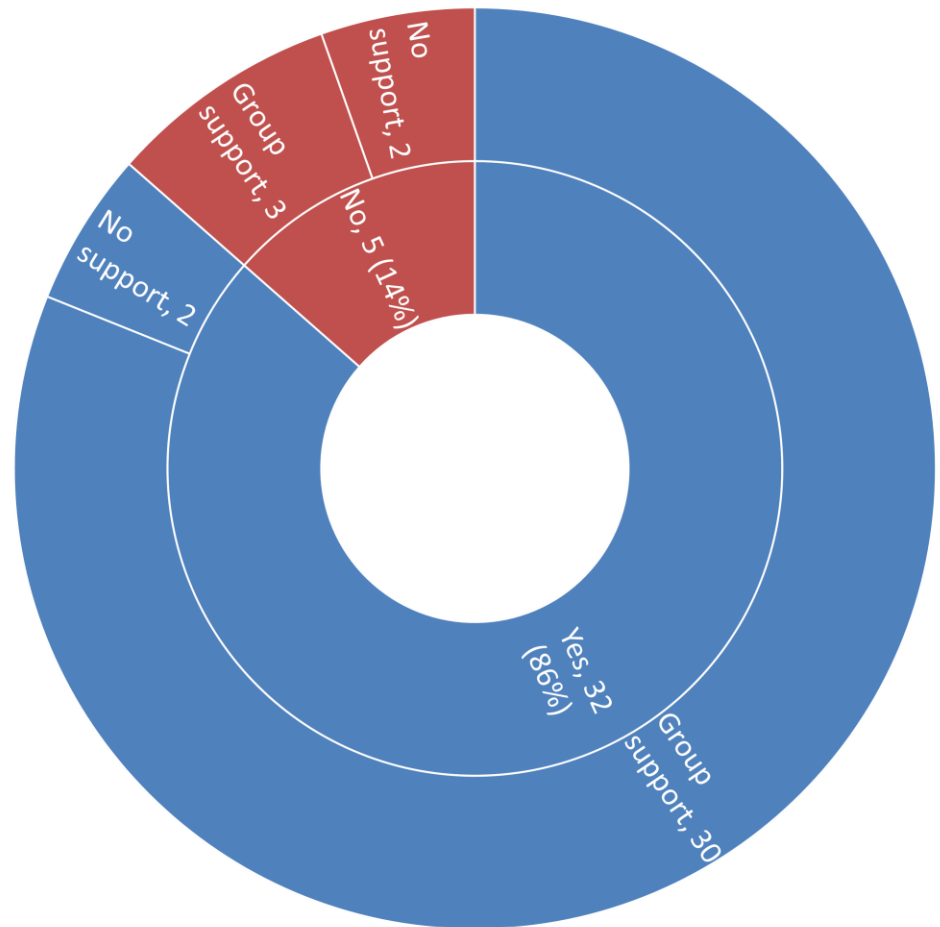
- 1) Just start
- 2) Work on the gap analysis
- 3) Work on the impact analysis
- 4) Design and building
- 5) Implementation
- 6) Test / parallel run
- 7) Launch to the production



# Survey Observations

## Level of Readiness – Life Insurers

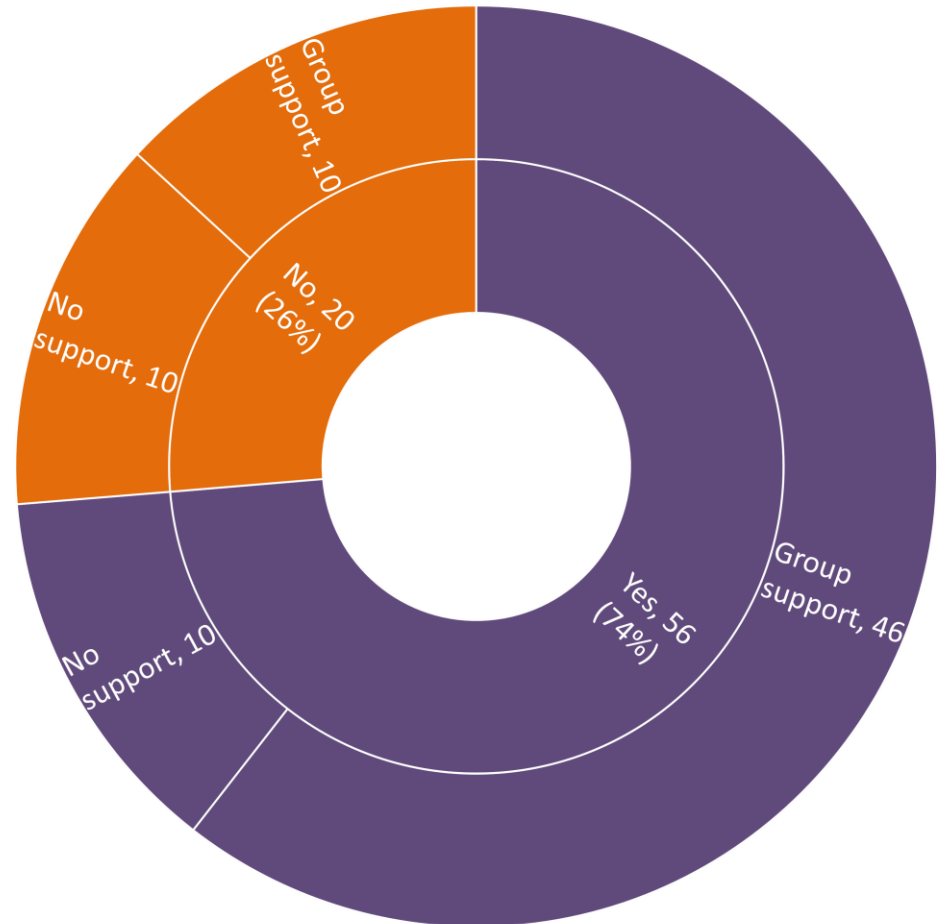
**Do you expect your company can implement HKFRS 17 by the effective date 1 January 2021?**



# Survey Observations

## Level of Readiness – Non life Insurers

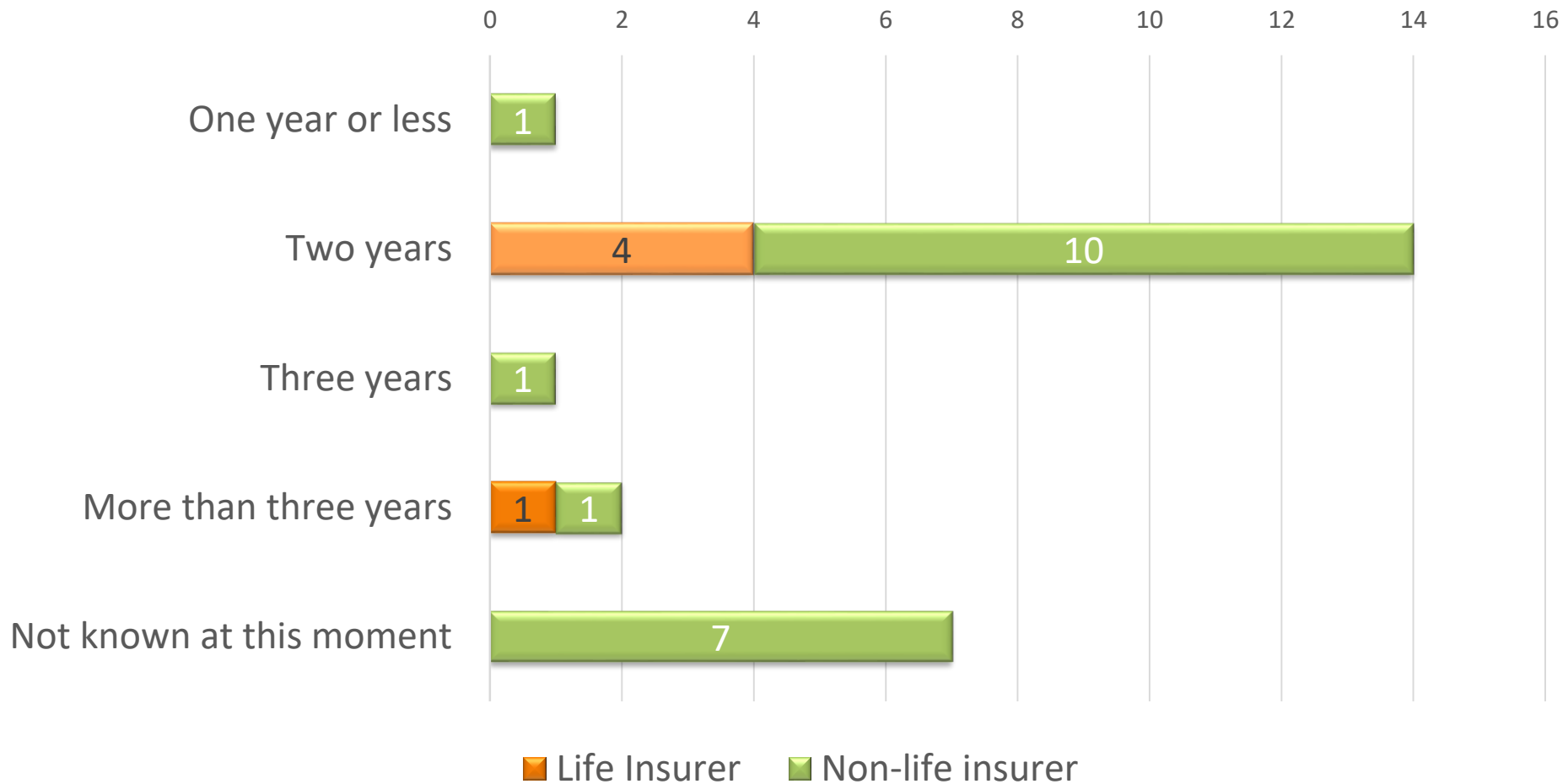
**Do you expect your company can implement HKFRS 17 by the effective date 1 January 2021?**



# Survey Observations

## Level of Readiness

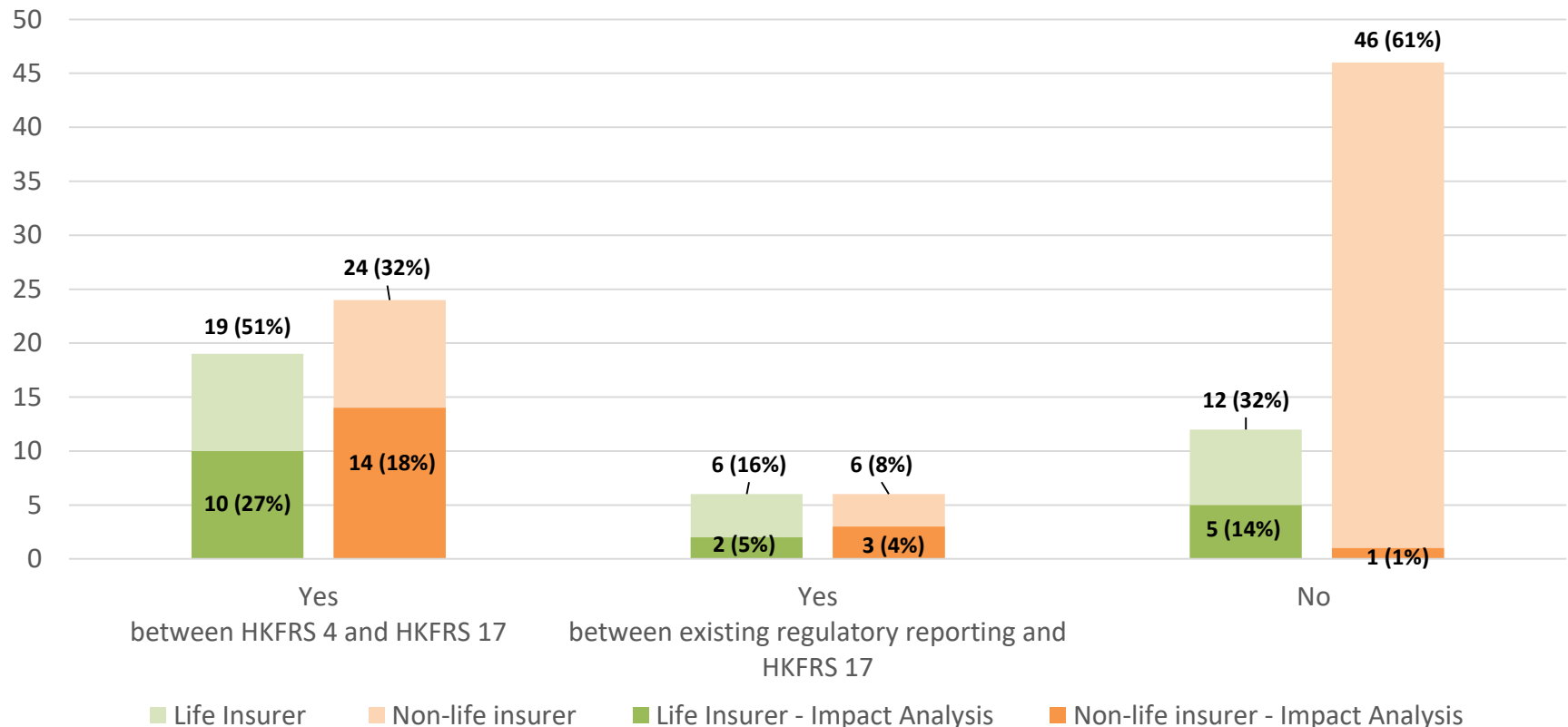
How long do you expect to delay from 1 January 2021?



# Survey Observations

## Level of Readiness

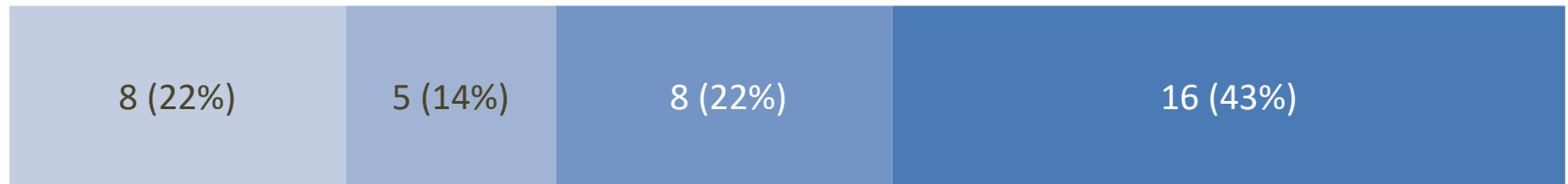
### Have you performed any gap analysis of HKFRS 17?



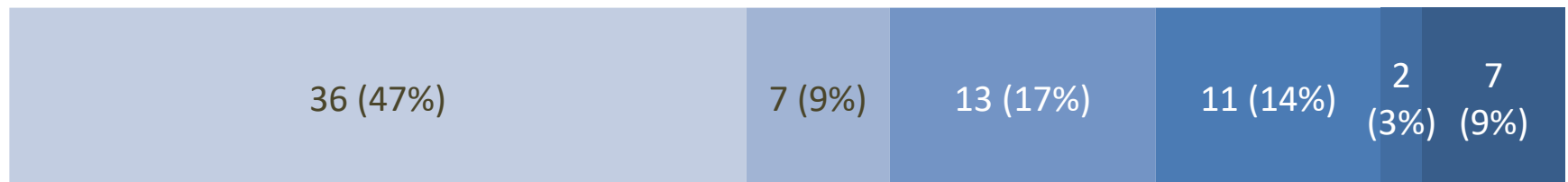
# Survey Observations

## Level of Readiness

### Readiness Status in Preparing Implementation



#### Life Insurers



#### Non-life Insurers

- Just started
- Working on gap analysis
- Working on impact analysis
- At design and building stage
- At implementation stage
- Others



# Survey Observations

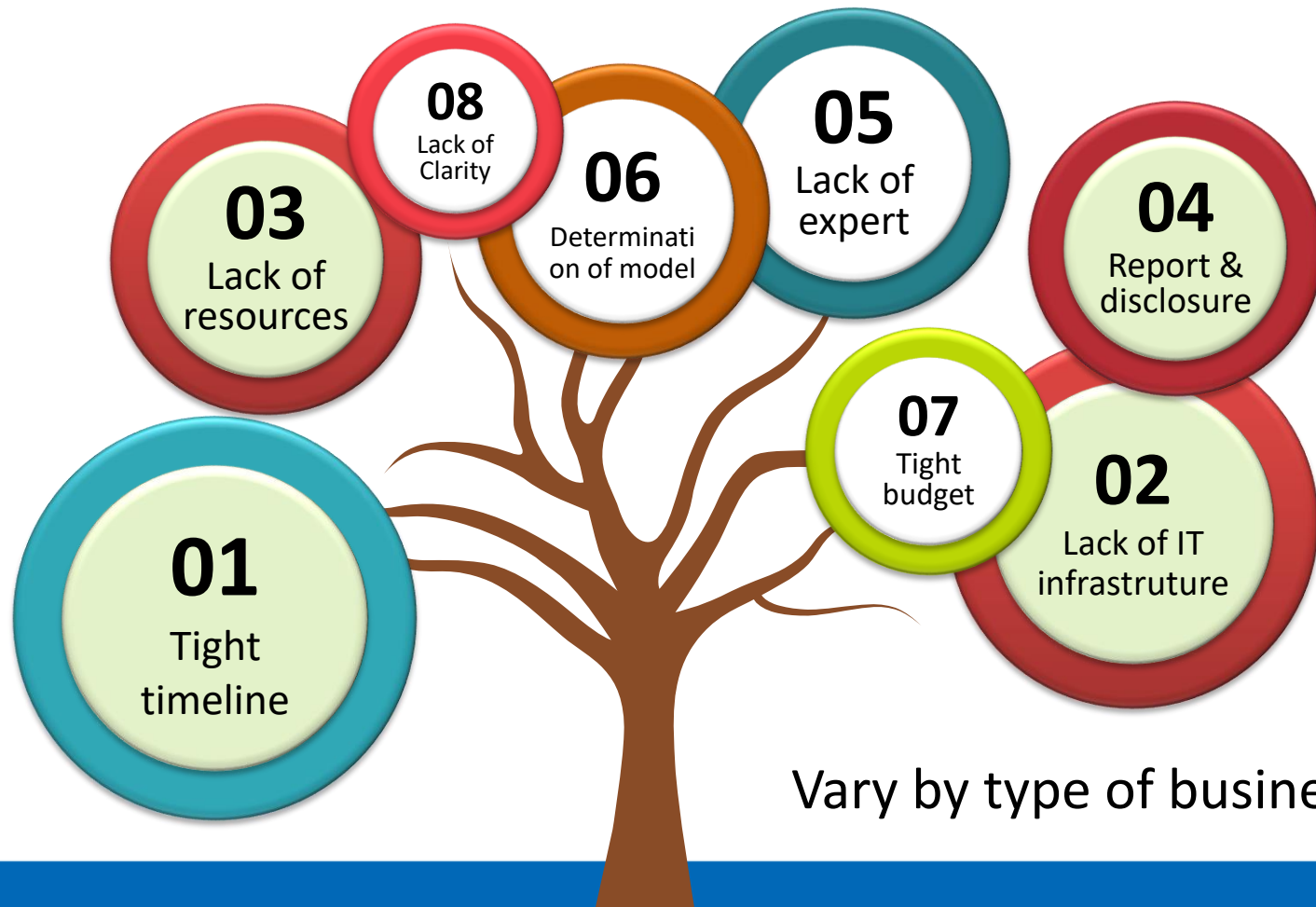
## Level of Readiness – Quick Summary

- Life insurers are more ready than non-life insurers, with a significant portion at design and building stage (compared with non-life insurers, which are at starting stage)
- Those are not confident to get ready by effective date would vote for additional two

# Survey Observations

## Challenges Faced in Implementation

### Top five challenges of implementing HKFRS 17



Vary by type of business

# Survey Observations

## Challenges Faced in Implementation

### Top Five Topics with Need for Further Guidance



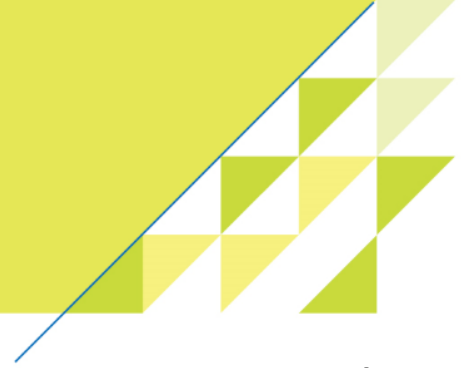
# IFRS 17 *Insurance Contracts*

## International Arena – EU

- **Measurement issues**
  - CSM amortization
    - Requirements on coverage units not being appropriate for all types of contracts → especially for the saving and participating contracts
  - Reinsurance
    - Inconsistencies between insurance and reinsurance accounting → Accounting mismatches
  - Discount rate
  - Scope of the measurement model applied
  - Acquisition cashflows, business combination, etc
- **Operational issues**
  - Level of aggregation

# IFRS 17 *Insurance Contracts*

## International Arena



- European Insurance CFO Forum lobbying European Financial Reporting Advisory Group for an extension of effective date by up to two years
- Similar request by Canadian insurance industry for deferred implementation by two years
- Not applicable to United States
- Level-playing field for multi-national insurance groups

# HKFRS 17 *Insurance Contracts*

## Local Support

- Establishment of common stand among regional counterparts through the Asian Forum of Insurance Regulators (AFIR)
  - Lobby for a postponement of effective date
- Co-operation with HKICPA and HKFI
  - HKICPA is convening a series of meetings to resolve implementation issues with insurers
  - Seminars hosted by HKFI to assist general insurers, especially SMEs

# Thank You!