Hong Kong Institute of Certified Public Accountants
香港會計師公會

Meeting Summary
Insurance Advisory Panel (IAP)
27 April 2023

Attendance
HKICPA representatives
Gary Stevenson, Financial Reporting Standards Committee (FRSC)
Cecilia Kwei, Director, Standard Setting
Eky Liu, Deputy Director, Standard Setting
Carrie Lau, Associate Director, Standard Setting
Kennis Lee, Associate Director, Standard Setting

IAP members and designees
Sam Ho, AIA Group Limited
Ronnie Ng, China Overseas Insurance Limited
Kevin Wong, FWD Life Insurance Company (Bermuda) Limited
Alvin SIU, FWD Life Insurance Company (Bermuda) Limited
Alexander Wong, HSBC Life
Qiaohan Zhao, Ping An Insurance (Group) Company of China, Ltd.
Maggie Li, Prudential Hong Kong Limited
Francesco Nagari, Deloitte Hong Kong
Liza Gonzalo, Deloitte Hong Kong
Peter Telders, EY Hong Kong
Steve Cheung, EY Hong Kong
David Kwok, KPMG Hong Kong
Albert Chai, KPMG Hong Kong
Ian Farrar, PwC Hong Kong
Jason Li, PwC Hong Kong

Apologies
Chris Hancorn, AIA Group Limited
Zhang Xia, Ping An Insurance (Group) Company of China, Ltd.
Edmond Mok, Manulife Financial Asia Limited

Discussion objectives:
Readers are reminded that the objective of the IAP is not to form a group consensus or decision on how to apply the requirements of HKFRS/IFRS 17 *Insurance Contracts*. The purpose of IAP is to share views on questions raised by stakeholders on the implementation of HKFRS 17. Refer to IAP terms of reference.

The meeting summaries of IAP discussions are solely to provide a forum for stakeholders to follow the discussion of questions raised. Stakeholders may reference IAP member views when reconsidering their own implementation questions—but should note that the meeting summaries do not form any interpretation or guidance of HKFRS/IFRS 17.

1. **Submission 1: Change from equity accounting to fair value through profit or loss for an associate held by the underlying items of VFA contracts upon transition to IFRS 17**

This summary should be read in conjunction with the local submission (Paper 1). The Paper discusses whether an entity can change the accounting for an associate from equity method to fair value through profit or loss (FVTPL) upon transition to IFRS 17. The associate in question is held indirectly by the entity through a fund. Apart from the associate, the fund comprises the underlying items of a portfolio of insurance contracts with direct participation features that qualify for the variable fee approach.

One attendee from an audit firm was in View 1 based on his reading of IFRS 17.BC65(c) and on the fact that he could not find justification in IFRS 17 Appendix C or other accounting standards to permit View 2. However, he noted that there may be merit in reviewing past IASB staff papers to understand the rationale for amending IAS 28.18 to its current wording as part of the IFRS 17 consequential amendments to IAS 28 and to understand the way in which such consequential amendments were (or were not) considered when discussing the transition provisions in IFRS 17 Appendix C. This research may enable one to ascertain the intention of the IASB behind the amendments in the context of transitioning to IFRS 17.

The submitter who is from an audit firm was in View 2 and three other attendees (one preparer and two from audit firms) could appreciate the merits of View 2 for similar reasons as described in the Paper. They considered that View 2 would provide a more reasonable accounting outcome and also better reflect the intention as well as the objective of the IASB to avoid accounting mismatches when it made the amendments to IAS 28 at the time when IFRS 17 was issued. One of them believed that View 2 could not be ‘unconditionally rejected’ based on the consideration of avoiding accounting mismatches.

One attendee who is a preparer asked if an entity could use the voluntary change in accounting policy under IAS 8 to change the accounting from equity method to FVTPL. Two attendees from audit firms noted that this is not allowed. The submitter further clarified that their paper asks the question in the context of the initial application of IFRS 17 and it is only in that context that they believe that View 2 is acceptable.

2. **No AOB were raised.**