



THE 12th ANNUAL AOSSG MEETING
*Joining hands in regional cooperation and the development
of IFRS*
November 23-25, 2020, Virtual Meeting

Insurance Contracts

Korea Accounting Standards Board

25 November 2020

Sub-WG members:

Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Singapore, Sri Lanka, Syria

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1. Survey Objectives

- IASB issued amendments to IFRS 17 Insurance Contracts on 25 June 2020, and accordingly, IFRS 17 including the amendments (hereinafter IFRS 17) is effective from 1 January 2023.
- Against the backdrop, the Korea Accounting Standards Board (KASB), at the suggestion of the HKICPA, conducted a survey on AOSSG member jurisdictions' plans for IFRS 17 adoption and the implementation issues thereof.
- The survey aims to help the AOSSG member jurisdictions decide their implementation timing and method of IFRS 17 adoption.

2. Respondents to the Survey

Jurisdiction	Status of IFRS adoption
Australia	Full adoption of IFRS
Brunei Darussalam	Full adoption of IFRS
Hong Kong	Full adoption of IFRS
Malaysia	Full adoption of IFRS
Korea	Full adoption of IFRS
China	Implementation of Converged-IFRS
Sri Lanka	Implementation of Converged-IFRS
India	Implementation of Converged-IFRS
Japan	Voluntary implementation of IFRS (Insurance companies are required to apply Japanese GAAP for regulatory purposes and cannot apply Designated International Accounting Standards unless they decide to prepare financial statements in addition to those prepared for regulatory purposes. None have chosen to do so.)

3. Summary of the Survey Results

3-1. Implementation date of IFRS 17

When does your jurisdiction plan to implement IFRS 17 (or your national standard converged with IFRS 17)? Or when do your insurers voluntarily plan to implement IFRS 17? (e.g., as of 1 Jan. 2023)

- Malaysia has adopted IFRS 17, word-for-word as MFRS 17 *Insurance Contracts*, including its effective date of 1 January 2023
- Five of the members answered that they tentatively decided or intend to follow the same date as the IFRS 17 effective date which is 1 Jan 2023.
- Hong Kong and Korea have not yet made a decision on endorsement of the amendments of IFRS 17 as of the date of this survey.
- Japan specified IFRS17 as originally issued in 2017 as Designated International Accounting Standards in October 2017. IFRS 17 amended in June 2020 has not been specified yet but is likely to be specified in due course.

3-2. Implementation date of IFRS 17

If your jurisdiction has not yet decided on when to implement IFRS 17 (or your national standard converged with IFRS 17), what are the factors to be considered in determining the implementation timing?

- Seven of the members said that it is not applicable.
- Hong Kong will consider the alignment with the IFRS convergence policy.
- Korea will consider the possible financial effect on the insurance industry in Korea and the global endorsement status of IFRS 17.

3-3. Companies subject to application

How many insurance companies operate in your jurisdiction? (Life insurers and non-life insurers, separately) How many companies are obligated to apply IFRS 17 (or your national standard converged with IFRS 17)?

	Hong Kong	Australia	China	India	Sri Lanka	Brunei Darussalam		Malaysia		Korea	Japan
						I*1	T*2	I*1	T*2		
Life	53	40	89	24	12	3	2	15	11	25	42
Non-life	91	80	98	46	11	4	2	27	5	31	53
Composite	21				2			1	3		
Total	165	120	187	70	25	7	4	43	19	56	95
Subject to IFRS 17	150	120	187	70	25	7	4	43	19	56	0

*1. Insurance companies

*2. Takaful operators

3-4. Companies subject to application

Do all those companies plan to apply IFRS 17 (or your national standard converged with IFRS17) at the same time?

- Five of the members answered that IFRS 17 would be applied to all insurers at the same time. However, Sri Lanka said that insurers might require some extended time (e.g., one year) due to the delay in implementation as result of COVID-19 as well as making the systems operationally available.
- Hong Kong has no plan to allow for exceptions or divergence from IFRS 17's effective date. However, there could be an impact if other jurisdictions choose a different effective date than that required by the IASB. Hong Kong has a number of prominent European insurers.
- China and Japan have no plan to have all insurers apply IFRS 17 at the same time.
- Malaysia is not aware of companies planning to apply MFRS 17 earlier than the mandatory effective date as prescribed in the Standard.

3-4. Companies subject to application

If not, what is the criteria the entities used in deciding the application timing? (e.g., size of total assets, listing status, etc.)

- China said that the listing status was the main criteria in deciding the application timing. It added that the MOF of China would also consult with the regulator about the application timing of CAS X.

3-5-1. Modifications to IFRS 17

Does your jurisdiction plan to modify some part(s) of IFRS 17?

- Six of the members have no plan to modify IFRS 17.
- Australia has a plan to modify IFRS 17 only for public sector entities but not for FP sector.
- Brunei Darussalam anticipates some modifications may be needed for Takaful (Islamic Insurance). However this has not been decided yet and the industry is still studying how to apply IFRS 17 to takaful companies.

3-5-2. Modifications to IFRS 17

If so, what part(s) of the standard do you plan to modify? (e.g., Annual cohort, reinsurance, PAA, VFA, Presentation and disclosure, etc.)

- Brunei Darussalam believes that for Takaful companies it needs the clarification on the following.
 - (a) Definition of insurance contract/transfer of risk
 - (b) Allowance of risks
 - (c) Use of premium allocation approach
 - (d) Contract boundary determination
 - (e) Cost of interest free loan
 - (f) Applicability of mutualization
 - (g) Presentation and disclosure

3-6. Difficulties in adopting IFRS 17

What are the difficulties in adopting and applying IFRS 17?

- Lack of human resources
- Time constraints
- Challenges of resolving taxation issues
- Amendments to insurance laws and regulations
- Covid-19
- IT infrastructure
- Business Impact
- Takaful

3-7. IFRS 17 implementation issue

What are the implementation issues arising in your jurisdiction regarding IFRS 17?

- Contract boundary
- Reinsurance
- Identification of onerous contracts
- The applicable conditions of VFA
- Determination of an illiquidity premium to incorporate in the bottom up discount rate
- Treatment of investment-related expenses as an attributable expense
- Identification and measurement of investment components in reinsurance contracts issued and held

4. Questions to the IASB

- Could you share with us the EU's implementation status of IFRS 17, if you are aware of any?
- Could you share your views on how Covid-19 affects insurers' preparation for implementation of IFRS 17, to the extent you are aware?
- If the IASB has received any implementation questions in relation to IFRS 17 since the last TRG meeting, could you share with us any important issues?

Thank you