

## ENDORSEMENT

**2017 Insurance IFRS Seminar**

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**Session 24**

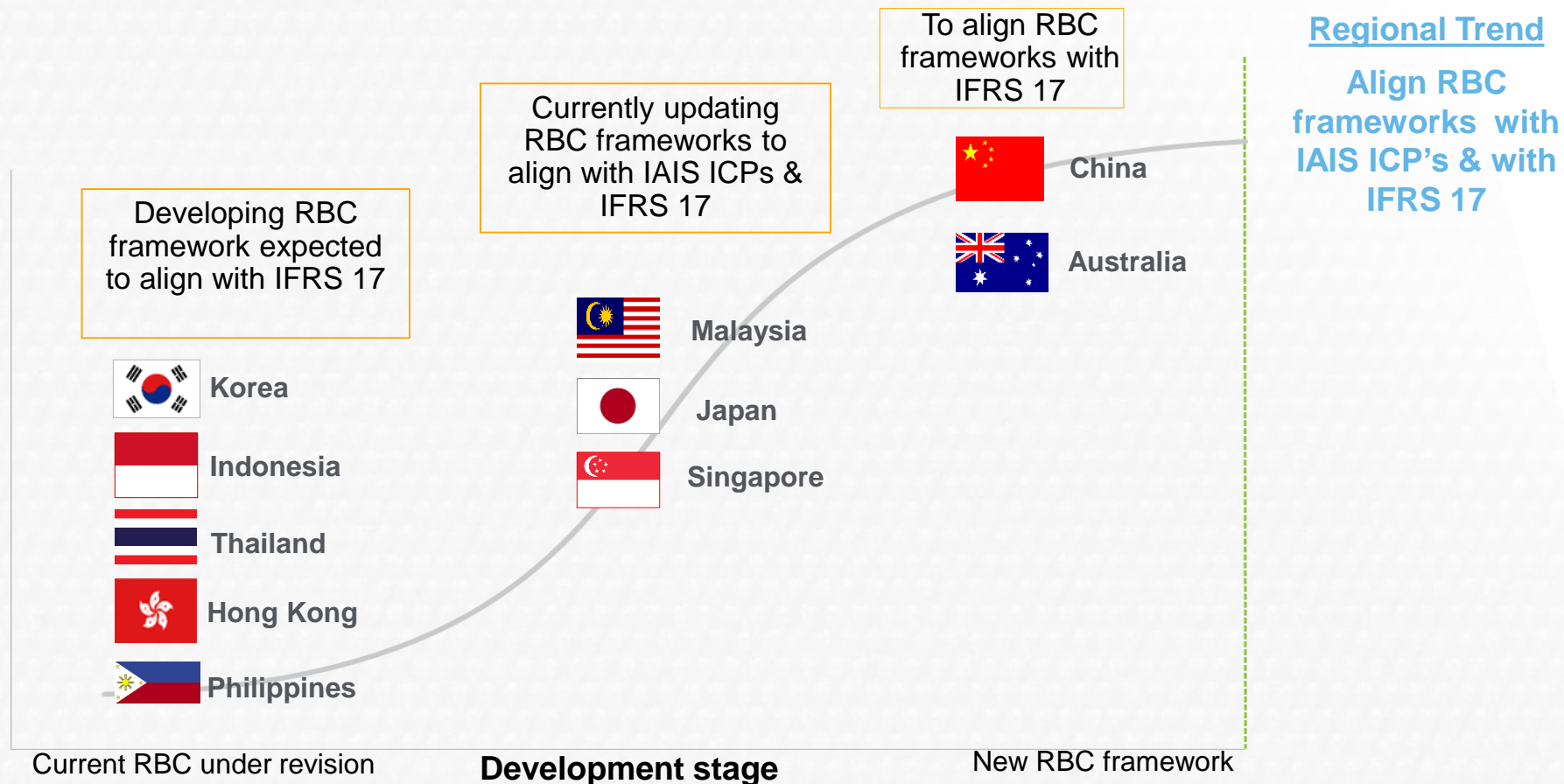


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# RBC Reform

Achieve alignment with IFRS Insurance in most Asian countries

## Asian RBC reform



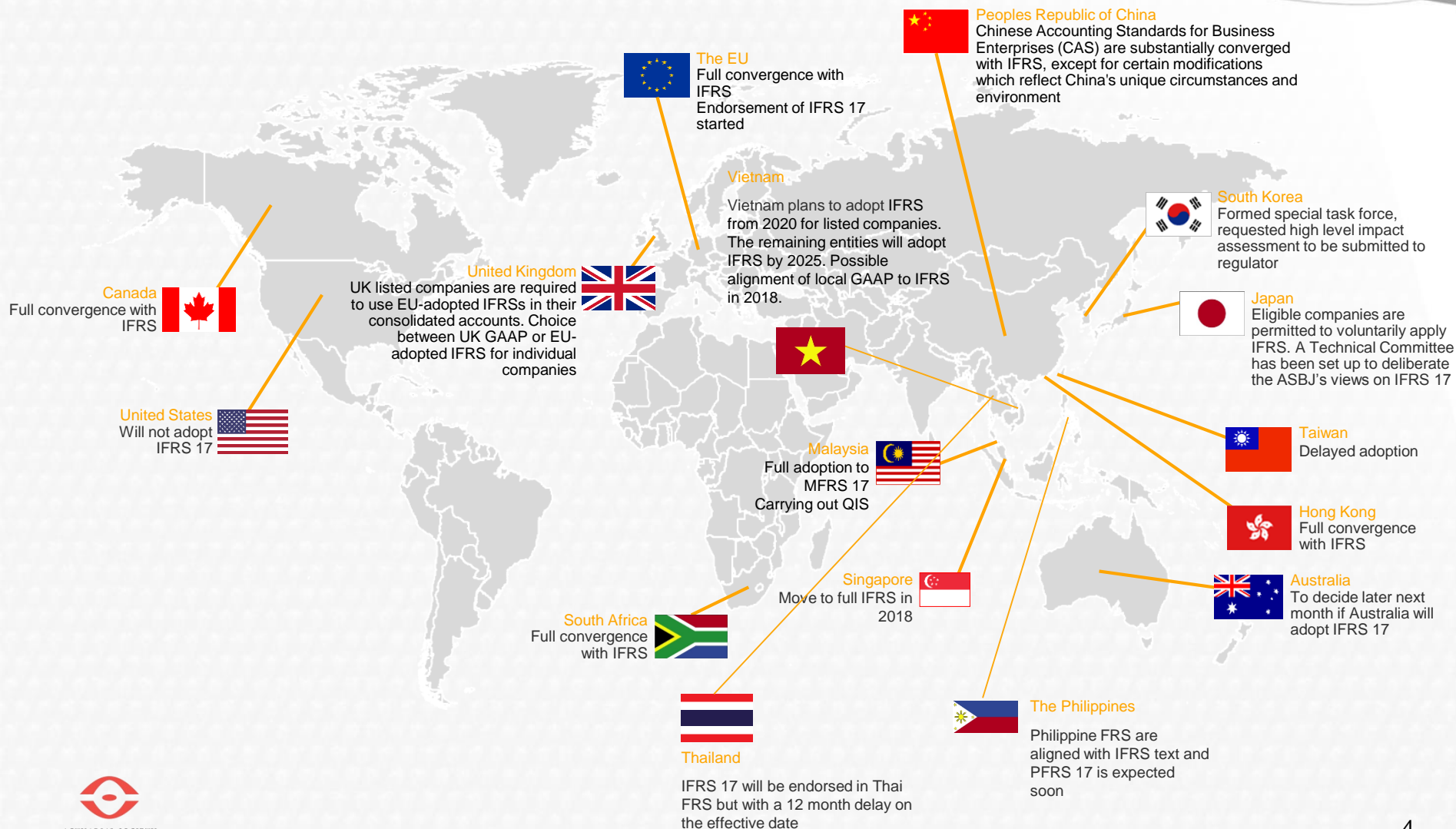
# IFRS 17 adoption in Asia

Several Asian nations have embraced IFRS to report to investors. Endorsement will take place in a fairly automatic way in most jurisdictions.

- The adoption of IFRS across the world for the past several years has allowed many Asian companies to **expand their access to capital markets**
- Insurance IFRS has not yet provided the same benefits due to the **grandfathering of pre-IFRS practices for insurance contracts** leaving a material gap between investors and insurance companies

**IFRS 17** will fill the information gap between investors and insurance companies. It is expected to have a material impact on financial reporting.

# IFRS 17 adoption globally



# IFRS Adoption – Latest developments

## Mainland China

- China is working towards full adoption of IFRS
- On 22 June 2017 the Ministry of Finance in China endorsed the IFRS 9 deferral for all dual-listed insurance companies and overseas listed insurance companies subject to the predominance test
- The remaining insurance companies can defer the adoption of IFRS 9 until 1 January 2021 without the predominance restrictions

## Japan

- IFRS 9 deferral is not available for application yet: the Financial Services Agency (the FSA) seek public comments until March 2017
- However, the IFRS 9 deferral is allowed for insurers in Japan; the IFRS 9 Regulation needs to be amended to allow banks to voluntarily adopt

# IFRS Adoption – Latest developments

## South Korea

- K-IFRS mirrors IFRS
- Formed special task force; in Feb 2016, requested high level impact assessment to be submitted to regulator
- Full adoption of IFRS 17 is expected to be endorsed as K-IFRS during the period June-July 2018
- A request was made from the insurance industry to the FSS to delay the adoption of IFRS 17, at least for small and medium sized companies. The FSS has denied this request. The FSS issued the first specifications for the first QIS in H1 2017. The field test was finalised in July 2017. An impact study will proceed during 2018

# IFRS regulatory updates

## Latest news

### IASB – Transition Resource Group

Since the issuance of IFRS 17, The IASB has launched a public call for nominations for an IFRS 17 Transition Resource Group (“TRG”). The submission deadline is 31 July 2017. Early July, 104 applications had already been submitted.

The TRG is expected to hold twelve members, chaired by one of the IASB members, that will be mainly composed in equal portions of auditors and preparers (e.g. 6 vs. 6). Regulators, such as ESMA and EIOPA, are expected to receive observer status. The IASB is expected to adhere to appoint candidates from a broad spread of geographical areas similar to the TRG for Impairment (IFRS 9).

### IFRS 9 Impairment TRG Group Composition (For reference)

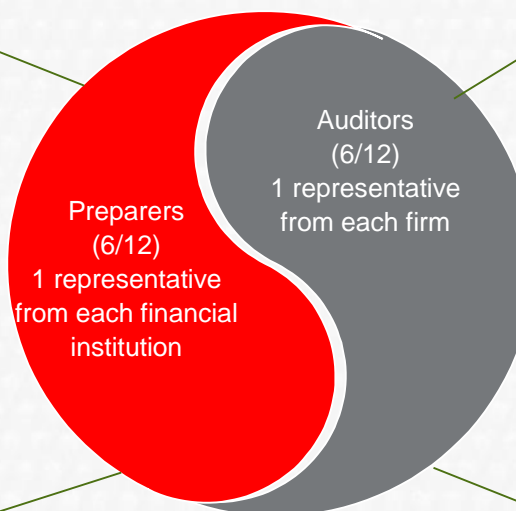
#### Geographical spread

Asia: 2  
EMEA: 3 (EU-2, Africa-1)  
America: 1

#### Observers

- Karen Stothers (Basel Committee on Banking Supervision)
- Pablo Perez (Basel Committee on Banking Supervision)
- Ton Meershoek (IOSCO)

- Paul Fallon (Standard Bank Group)
- William Hayward (Barclays)
- Helen Killoch (Bank of Montreal)
- Masahiro Sugiura (Bank of Tokyo-Mitsubishi)
- Jorg Michael Scharpe (Deutsche Bank)
- Yu, Allen Xiaofei (Bank of China)



- Wayne Basford (BDO)
- Graham Dyer (Grant Thornton)
- John McDonnell (PwC)
- Herve Phaure (Deloitte)
- George Prieksaitis (Ernst & Young)
- Chris Spall (KPMG)

# IFRS regulatory updates

## Latest news

### European Union

#### **IFRS 4 adoption – scope change**

The Accounting Regulatory Committee (ARC), which provides an opinion to the European Commission on the adoption of IFRS, has voted favorably towards a proposal to amend the scope of the amendment to IFRS 4. The scope change referred to as the “top-up solution” will allow financial conglomerates to apply the IFRS 9 deferral for its insurance subsidiaries that qualify under the IFRS 9 deferral requirements.

#### **IFRS 17 endorsement debate**

The Board of the European Financial Reporting Advisory Group (EFRAG), which advised the European Commission on the endorsement of IFRS, is hearing the presentations of a number of CFO’s in the insurance industry to understand their perspective on the endorsement of IFRS 17. Such meetings are scheduled until October 2017 at which point 4 CFO’s will have presented their views.

The European Insurance industry in the meantime has argued for an sufficiently long endorsement process in the European such that the European insurance industry can provide its testing results as a support the EFRAG’s final endorsement advice. In order to do so, the industry has request that the endorsement debate should allow the industry testing to take place throughout 2018.

We expect, if the request is granted, that the EFRAG’s endorsement advice would not be completed before mid to end 2019.