
REGULATORY NEWSLETTER

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ComplianceDirect presents you the latest regulatory updates issued by the IA. 'Woohoo!' So exciting right? We get that a lot. Making sure all of you are complying with the IA rules is an ongoing commitment for us, and we'll continue to provide you with our professional services.

See you in 2023!

REGULATORY UPDATES

Regulatory reporting under Insurance Ordinance (Cap. 41) ("the Ordinance") upon implementation of HKFRS/IFRS 17

10 October 2022

The Insurance Authority ("IA") has recently received enquiries from insurers on regulatory reporting requirements upon implementation of HKFRS/IFRS 17, which is effective for annual reporting periods beginning on or after 1 January 2023. This circular seeks to clarify relevant reporting requirements under the Ordinance.

Pursuant to section 17(1) of the Ordinance, every authorized insurer must submit to the IA accounts, statements and other information as required by Schedule 3 to the Ordinance, and the information so submitted shall be in accordance with section 8(4) of the Ordinance. In turn, section 8(4)(b) requires the value of any assets and the amount of any liabilities to be determined in accordance with any applicable rules made under section 129(1)(a) of the Ordinance, and section 8(4)(c) provides that where

no such rules are applicable, regard shall be had –

*"(i) in determining the value of its assets, to their market value and the cost of realizing such assets; and
(ii) in determining the amount of its liabilities, to the cost of the settlement of such liabilities and, where the amount of any such liabilities is assessed or estimated, to the experience of the company or insurer in carrying on any relevant insurance business or of other persons carrying on the same or similar insurance business."*

In light of the foregoing, the basis of reporting for purposes of the Ordinance shall be as follows:

Long term business

For authorized insurers carrying on long term business, the valuation of long-term liabilities is stipulated under the Insurance (Determination of Long-Term Liabilities) Rules (Cap. 41E). Since there are no rules prescribed for the valuation of assets in respect of the long-term business, for purposes of section 8(4)(c)(i), insurers may, after giving regard to the factors referred to in that provision, continue to value assets in respect of long-term business using the accounting valuation basis that was applied for the preceding reporting period (i.e., before the implementation of HKFRS/IFRS 17). Notwithstanding the basis of valuation for regulatory reporting as required by Schedule 3 of the Ordinance, insurers are reminded to submit financial statements under the Companies Ordinance (Cap. 622) or the applicable law of the place in which the insurer is incorporated, if applicable.

General business

Authorized insurers carrying on general business shall continue to apply Insurance (General Business) (Valuation) Rules (Cap. 41G), together with section 8(4)(c) in relation to valuation of any assets and liabilities. Specifically, insurers shall continue to apply section 8(4)(c)(ii) in determining the amount of any liabilities not covered under the Cap. 41G. Accordingly, the basis of valuation and reporting for purposes of the Ordinance shall remain unchanged from that applied for the preceding reporting period (i.e. before the implementation of HKFRS/IFRS 17). Notwithstanding this basis of valuation for regulatory reporting purposes, insurers are reminded to submit financial statements under the Companies Ordinance (Cap. 622) or the applicable law of the place in which the insurer is incorporated, if applicable.

Insurers incorporated outside Hong Kong

Regulatory reporting requirements under Schedule 3 may have been modified previously under section 17(2) of the Ordinance for certain insurers incorporated outside Hong Kong which carry on business through branch office(s) in Hong Kong. Where such modification in general requires the submission of audited annual Branch Accounts prepared in accordance with HKFRS for the relevant branch office(s), if the insurer in question, following the implementation of HKFRS 17, would prefer to adopt a different basis for the preparation of Branch Accounts (i.e., basis other than HKFRS 17), they may contact their case officer at the IA to request a further variation of regulatory reporting requirements.

Such requests will be considered by the IA on a case-by-case basis.

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Common findings from on-site inspection and off-site monitoring

30 November 2022

Since the commencement of the direct regulatory regime for insurance intermediaries on 23 September 2019, the IA has been conducting on-site inspections on licensed insurance broker companies, pursuant to its powers under the Insurance Ordinance (Cap. 41) ("IO"). The IA has also been reviewing the audited financial statements and compliance reports submitted by broker companies each year.

The IA inspection work provides them with the opportunity to address with a broker company issues identified on its controls and governance regarding compliance with regulatory requirements in the practical context of the company's operations (and to discuss these issues with frontline technical representatives). The IA offsite supervision work compliments this, by enabling them to follow up on rectifications of matters highlighted by a broker company's auditors and also to identify trends on non-compliances or other conduct indicators emerging from a holistic review of all financial statements and other reporting (such as CPD declarations), that may require increased regulatory focus going forward. All of this is standard conduct supervision work, aimed at ensuring issues are identified and corrected in advance so as to prevent problems arising, thereby promoting and reinforcing proper standards of conduct

For more details of the common findings from on-site inspection and off-site monitoring, please see the [comprehensive report on common issues requiring improvements and sharing of good practices](#), and the [specific report on new requirements being phased in](#) respectively.

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