IFRS 17 *Insurance Contracts* sets out the accounting requirements for insurance contracts, including reinsurance contracts held. Under IFRS 17, a reinsurance contract held is accounted for as a standalone contract, independent of the accounting for the underlying insurance contracts.

For many entities, IFRS 17 represents a significant change. Common existing practice is to account for reinsurance contracts held using a ‘mirroring approach’, essentially matching reinsurance contract revenue, costs, assets and liabilities to the underlying insurance contracts.

In determining the IFRS 17 approach to reinsurance, the Board took note of existing practice. However, the Board concluded that separate accounting is necessary to truly reflect the economics of an entity’s rights and obligations under insurance contracts it issues and reinsurance contracts it holds. The primary insurer is obligated to pay the full amount of the claims to the policyholder under the insurance contract, irrespective of whether the reinsurer is obliged to perform or able to meet its obligations. Thus, the performance risks for reinsurance contracts held differ from those for underlying insurance contracts even when their terms and cash flows are identical. In addition, few reinsurance contracts have terms and cash flows that are identical to the terms and cash flows of the underlying contracts, making separate accounting even more relevant.

IFRS 17 includes requirements specific to reinsurance contracts held to reflect the fact that the contracts are held rather than issued. This pocket guide is a helpful reference tool on how IFRS 17 applies to reinsurance contracts held and includes useful insights on implementing IFRS 17 from the discussions of the Transition Resource Group for IFRS 17 (TRG).
# Content

<table>
<thead>
<tr>
<th></th>
<th>Scope</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Level of aggregation</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>Recognition</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Measurement—estimates of future cash flows</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>Measurement—risk adjustment for non-financial risk</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>Measurement—contractual service margin</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>Premium allocation approach</td>
<td>15</td>
</tr>
<tr>
<td>8</td>
<td>Variable fee approach</td>
<td>18</td>
</tr>
<tr>
<td>9</td>
<td>Presentation</td>
<td>19</td>
</tr>
<tr>
<td>10</td>
<td>Disclosures</td>
<td>21</td>
</tr>
<tr>
<td>11</td>
<td>Resources available</td>
<td>22</td>
</tr>
</tbody>
</table>
1. Scope

Requirements

IFRS 17 applies to:

(a) insurance contracts issued (including reinsurance contracts issued);
(b) reinsurance contracts held; and
(c) investment contracts with discretionary participation features issued by an entity that also issues insurance contracts.

A contract is an insurance contract if it transfers significant insurance risk. A contract transfers significant insurance risk only if there is a scenario\(^2\) in which the issuer has a possibility of a loss on a present value basis.

What is significant insurance risk?

Insurance risk is significant if an insured event could cause the issuer to pay additional amounts that are significant in any single scenario\(^2\) even if:

(a) the insured event is extremely unlikely; or
(b) the expected (ie probability-weighted) present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

Definitions

<table>
<thead>
<tr>
<th>Contract</th>
<th>A contract is an agreement between two or more parties that creates enforceable rights and obligations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance contract</td>
<td>A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.</td>
</tr>
<tr>
<td>Reinsurance contract</td>
<td>An insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying insurance contracts).</td>
</tr>
</tbody>
</table>

---

2 Applying paragraph B18 of IFRS 17 the scenario must have commercial substance, ie a discernible effect on the economics of the transaction.
Reinsurance contracts held

IFRS 17 requires a reinsurance contract held to be accounted for separately from the underlying insurance contracts to which it relates. This is because an entity that holds a reinsurance contract does not normally have a right to reduce the amounts it owes to the underlying policyholder by amounts it expects to receive from the reinsurer.

Reinsurance contracts often provide coverage for many underlying contracts, and so the issuer (ie the reinsurer) may not be exposed to the possibility of a significant loss even if each individual underlying contract exposes the insurer to significant insurance risk. However, applying IFRS 17, even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, it is still deemed to transfer significant insurance risk if it transfers substantially all the insurance risk relating to the reinsured portion of the underlying insurance contracts to the reinsurer.

Some contracts that are, in legal form, financial reinsurance contracts return all significant risks to the policyholder. Such contracts are normally financial instruments or service contracts and would therefore fall outside the scope of IFRS 17.

TRG insights—separating components of a reinsurance contract held

Reinsurance contracts held can provide coverage for underlying insurance contracts that are included in different groups of insurance contracts.

In February 2018, the TRG discussed an implementation question on whether a reinsurance contract held should be separated into components for measurement purposes to reflect the underlying insurance contracts covered.

TRG members observed that a contract with the legal form of a single contract is generally considered a single contract in substance, however:

(a) in some circumstances, the legal form of a single contract might not reflect the substance of its contractual rights and obligations;

(b) overriding the presumption that the legal form of a single contract reflects the substance of its contractual rights and obligations involves significant judgement and careful consideration of all relevant facts and circumstances; and

(c) the fact that a reinsurance contract held provides cover for underlying insurance contracts that are included in different groups is not, in itself, sufficient to conclude that accounting for the reinsurance contract held as a single contract does not reflect the substance of its contractual rights and obligations.

---

3 Paragraph B19 of IFRS 17 and BC298 of the Basis for Conclusions on IFRS 17.
4 The Transition Resource Group for IFRS 17 (TRG) provides a public forum for stakeholders to follow the discussions of questions raised on the implementation of IFRS 17. Meeting recordings, agenda papers, meeting summaries and a submissions log are available on the TRG page at https://www.ifrs.org/groups/transition-resource-group-for-insurance-contracts/
5 Groups of insurance contracts are discussed in Section 2 (Level of aggregation).
2. Level of aggregation

Requirements

To recognise and measure insurance contracts, portfolios of insurance contracts are identified and divided into groups of insurance contracts issued no more than one year apart. At a minimum, a portfolio is divided into:

(a) a group of contracts that are onerous at initial recognition, if any;
(b) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
(c) a group of remaining contracts in the portfolio, if any.

Reinsurance contracts held

A reinsurance contract held cannot be considered onerous applying IFRS 17. Therefore, the requirements for dividing a portfolio into groups are modified for reinsurance contracts held. For a group of reinsurance contracts held, an insurer expects either to incur a net cost of purchasing the reinsurance or, sometimes, make a net gain from purchasing the reinsurance. As such, applying the grouping requirements to reinsurance contracts held, at a minimum, a portfolio is divided into:

(a) a group of contracts on which there is a net gain at initial recognition, if any;
(b) a group of contracts on which at initial recognition there is no significant possibility of a net gain arising subsequently, if any; and
(c) a group of remaining contracts in the portfolio, if any.

For some reinsurance contracts held, applying the requirements in IFRS 17 will result in a group that comprises a single contract.

---

6 Paragraphs 14–24 of IFRS 17 and paragraphs BC115–BC139 of the Basis for Conclusions on IFRS 17.
7 A portfolio comprises contracts subject to similar risks and managed together.
8 Paragraph 61 of IFRS 17.
9 Gains and losses on reinsurance contracts held are discussed in Section 6 (Measurement—contractual service margin).
3. Recognition

Requirements

A group of insurance contracts issued is recognised from the earliest of:

(a) the beginning of the coverage period of the group of insurance contracts;
(b) the date the first payment from a policyholder in the group becomes due; or
(c) for a group of onerous contracts, when the group becomes onerous.

Reinsurance contracts held

The requirements on when to recognise a group of reinsurance contracts held are different depending on whether the reinsurance contract held covers the losses of separate insurance contracts on a proportionate basis (proportionate reinsurance contracts) or the reinsurance contract held covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts).

A group of proportionate reinsurance contracts held is recognised at the later of:

(a) the beginning of the coverage period of the group; or
(b) the initial recognition of any underlying insurance contract.

This means an entity will not recognise a group of proportionate reinsurance contracts held until it has recognised at least one of the underlying insurance contracts.

A group of non-proportionate reinsurance contracts held is recognised at the beginning of the coverage period of the group.

11 Paragraph 62 of IFRS 17 and paragraphs BC304–BC305 of the Basis for Conclusions on IFRS 17.
4. Measurement—estimates of future cash flows

Requirements

The measurement of a group of insurance contracts includes the present value of all future cash flows within the boundary of each contract in the group. The estimates of future cash flows are:

(a) a probability-weighted mean of the full range of possible outcomes;
(b) determined from the perspective of the entity, provided the estimate are consistent with observable market prices for market variables;
(c) current—estimates reflect conditions existing at the measurement date; and
(d) explicit—the risk adjustment for non-financial risk is estimated separately from the other estimates.

Reinsurance contracts held

The amount an entity pays for a reinsurance contract held consists of premiums it pays minus any amounts paid by the reinsurer to the entity as compensation for expenses incurred (for example, ceding commissions). The amount an entity recognises for reinsurance contracts held can be viewed as:

(a) the reinsurer’s share of the risk-adjusted expected present value of the cash flows generated by the underlying insurance contracts; and
(b) a contractual service margin (CSM) that makes the initial measurement of the reinsurance asset equal to the amount the entity pays for the reinsurance contract.\(^\text{14}\)

Consistent assumptions are used when measuring estimates of the present value of future cash flows for a group of reinsurance contracts held and estimates of the present value of future cash flows for the group(s) of underlying insurance contracts. This includes any associated adjustments for the financial risk and the time value of money arising from the reinsurance contracts held. As a result, the cash flows used to measure the reinsurance contracts held reflect the extent to which those cash flows depend on the cash flows of the underlying contracts that the reinsurance contract held covers.

In addition, the expected present value of future cash flows includes an adjustment for the risk that the reinsurer may fail to satisfy its obligations under the reinsurance contract held. Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the reinsurer do not adjust the contractual service margin. Instead, these changes are reflected in profit or loss when they occur.

---

12 Paragraphs 33–36 and B36–B85 of IFRS 17 and paragraphs BC147–BC205 of the Basis for Conclusions on IFRS 17.
14 See Section 6 (Measurement—contractual service margin).
TRG insights—boundary of reinsurance contracts held

IFRS 17 specifies which cash flows are within the boundary of an insurance contract. In February 2018 and May 2018, the TRG discussed implementation questions on how the contract boundary requirements in IFRS 17 apply to reinsurance contracts held.

TRG members observed that:

(a) cash flows are within the contract boundary if they arise from substantive rights and obligations of the entity that exist during the reporting period in which the entity is compelled to pay amounts to the reinsurer or in which the entity has a substantive right to receive services from the reinsurer; and

(b) the boundary of a reinsurance contract held might include cash flows related to underlying insurance contracts that are expected to be issued in the future.

TRG members discussed whether including all expected future cash flows within the boundary of reinsurance contracts held, including those relating to future underlying insurance contracts, is consistent with the measurement of the underlying insurance contracts. This is consistent because all expected future cash flows within the contract boundary are included in the measurement of a group of insurance contracts issued. Including expected future cash flows related to underlying insurance contracts that are expected to be issued in the future in the measurement of reinsurance contracts held reflects the entity’s substantive right to receive services from the reinsurer related to those future underlying contracts.
5. Measurement—risk adjustment for non-financial risk

Requirements

The risk adjustment for non-financial risk reflects the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the entity fulfils insurance contracts.

Reinsurance contracts held

The requirements in IFRS 17 for the risk adjustment for non-financial risk are modified for reinsurance contracts held. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the holder of the group of reinsurance contracts to the reinsurer.

The following illustration demonstrates the transfers of risk between the insurer and the reinsurer.

---

15 Paragraphs 37 and B86–B92 of IFRS 17 and paragraphs BC206–BC217 of the Basis for Conclusions on IFRS 17.

16 Paragraph 64 of IFRS 17.
6. Measurement—contractual service margin

Requirements

The contractual service margin for a group of insurance contracts represents the unearned profit the entity will recognise as it provides services in the future. At initial recognition, the contractual service margin is the amount that results in no income or expenses arising from:

(a) the initial recognition of the fulfilment cash flows;
(b) the derecognition of any asset or liability recognised for insurance acquisition cash flows; and
(c) any cash flows arising from the contracts in the group at that date.

At the end of the reporting period, the carrying amount of the contractual service margin is adjusted to reflect:

(a) the effect of any new contracts added to the group;
(b) interest accreted on the carrying amount of the contractual service margin;
(c) changes in the fulfilment cash flows relating to future service;\(^\text{18}\)
(d) the effect of any currency exchange differences; and
(e) the amount recognised as insurance revenue because of the transfer of services in the period.

The amount of the contractual service margin recognised as insurance revenue because of the transfer of services in the period is determined by the allocation of the contractual service margin remaining at the end of the reporting period over the current and remaining coverage period of the group of reinsurance contracts held based on coverage units.

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, determined by considering for each contract the quantity of benefits and expected coverage period.

For insurance contracts issued, IFRS 17 prohibits the contractual service margin from becoming negative (ie when contracts are in an expected loss position). Therefore, expected losses on a group of insurance contracts issued are recognised immediately in profit or loss. This provides timely information about loss-making groups of insurance contracts.

---

17 Paragraphs 43–46 and B96–B119 of IFRS 17 and paragraphs BC218–BC287 of the Basis for Conclusions on IFRS 17.
18 Except to the extent that such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
Reinsurance contracts held

The contractual service margin for a reinsurance contract held represents the cost of purchasing reinsurance. This is different from the contractual service margin for underlying insurance contracts which represents unearned profit on those contracts.

The cost of purchasing reinsurance is recognised as services are received under the reinsurance contract held. As an exception, if the reinsurance contract held covers events that have already occurred, the net cost at initial recognition is recognised immediately in profit or loss.

The amount an entity pays for reinsurance typically exceeds the expected present value of cash flows generated from that reinsurance plus the risk adjustment for non-financial risk. As such, the contractual service margin for a group of reinsurance contracts held at initial recognition typically represents a net cost of purchasing reinsurance.

In some cases, the contractual service margin for a group of reinsurance contracts held may represent a net gain on purchasing reinsurance (ie the expected cash inflows from the reinsurer are higher than the expected cash outflows to the reinsurer plus the risk adjustment for non-financial risk). In these cases, IFRS 17 treats the apparent gain on initial recognition as a reduction in the cost of purchasing reinsurance, or in other words, as though the entity receives a discount on the reinsurance premiums it expects to pay. Accordingly, the apparent net gain is recognised as services are received under the reinsurance contract held.

In some of these cases, at initial recognition, an entity might expect to make a loss on the underlying insurance contracts issued and a net gain on the reinsurance contract held. The treatment of an expected loss on the underlying contracts and the apparent net gain on initial recognition of a reinsurance contract held is asymmetric:

(a) an expected loss on the underlying insurance contracts is recognised immediately. This provides users of the financial statements with timely information about losses related to those contracts.

(b) the reduction in the cost of purchasing reinsurance is recognised as services are received under the reinsurance contract held. This is consistent with the principle that expenses are recognised when services are received. This treatment results in the appropriate recognition of the net cost or gain on purchasing reinsurance as the reinsurance services are received.

continued...
At the end of each reporting period, the carrying amount of the contractual service margin for a group of reinsurance contracts held is adjusted to reflect changes in estimates in the same manner as a group of insurance contracts issued, but with one modification. In some situations, an underlying group of insurance contracts becomes onerous after initial recognition because of adverse changes in estimates of fulfilment cash flows relating to future service and the entity recognises a loss on the group of underlying contracts. In these situations, for reinsurance contracts held, the corresponding changes in cash inflows would not adjust the contractual service margin of the group of reinsurance contracts held. The result is that the entity recognises no net effect of the loss and gain in the profit or loss for the period to the extent that the change in the fulfilment cash flows of the group of underlying contracts is matched with a change in the fulfilment cash flows on the group of reinsurance contracts held.

Applying IFRS 17, reinsurance contracts held cannot be onerous. Accordingly, the requirements on onerous contracts do not apply.

The following illustration demonstrates the contractual service margin of a group of reinsurance contracts held as a net cost on initial recognition and as a net gain on initial recognition.

---

**Examples—CSM on initial recognition of a group of reinsurance contracts held**

<table>
<thead>
<tr>
<th>Net cost on purchasing reinsurance</th>
<th>Net gain on purchasing reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSM—net cost</strong></td>
<td><strong>CSM—net gain</strong></td>
</tr>
<tr>
<td>Expected cash outflow to reinsurer</td>
<td>Expected cash inflow from reinsurer</td>
</tr>
<tr>
<td>Risk adjustment</td>
<td>Risk adjustment</td>
</tr>
<tr>
<td>Expected cash inflow from reinsurer</td>
<td>Expected cash inflow from reinsurer</td>
</tr>
</tbody>
</table>
For reinsurance contracts held, an amount of the contractual service margin is recognised in profit or loss as services are received in the period.

In May 2018, the TRG discussed an implementation question on how to determine the quantity of benefits for identifying coverage units. The TRG observed that the principle of coverage units is to reflect the services provided in a period under a group of insurance contracts. The same principle applies to all insurance contracts within the scope of IFRS 17, including reinsurance contracts held. For reinsurance contracts held, the principle relates to services received from the reinsurer rather than services provided by the insurer. In applying this principle for reinsurance contracts held, the terms of the contract should be considered, for example, the existence of an aggregate limit, as well as the relevant facts and circumstances relating to the underlying insurance contracts.
7. Premium allocation approach

Requirements

IFRS 17 allows an entity to simplify the measurement of some groups of insurance contracts by applying the premium allocation approach (PAA). The premium allocation approach can be used to measure a group of insurance contracts only if at inception of the group:

(a) the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general model; or

(b) the coverage period for each contract in the group is one year or less.

The following illustration demonstrates the application of these eligibility criteria.

<table>
<thead>
<tr>
<th>PAA eligibility criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the coverage period for each contract one year or less?</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Is the measurement expected to differ materially applying PAA</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>· Eligible for PAA</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>· Not eligible for PAA</td>
</tr>
</tbody>
</table>

Reinsurance contracts held

An entity may use the premium allocation approach to simplify the measurement of a group of reinsurance contracts held, if at inception of the group:

(a) the entity reasonably expects that the resulting measurement would not differ materially from the measurement applying the general model; or

continued...
(b) the coverage period for each contract in the group of reinsurance contracts held is one year or less.

Because groups of reinsurance contracts held are separate from groups of underlying insurance contracts, the assessment of whether a group of reinsurance contracts meets the conditions for applying the premium allocation approach may differ from the assessment of whether the group(s) of underlying contracts meet(s) those conditions.

The following example demonstrates the premium allocation approach eligibility assessment for a group of underlying insurance contracts and a group of reinsurance contracts held that provide reinsurance coverage on the group of underlying contracts.

**Example—PAA eligibility (underlying contracts and reinsurance contracts held)**

1. **Group of underlying insurance contracts**

An entity issues a group of three underlying insurance contracts within a one-year period. These contracts each have a coverage period of one year. The coverage period for the group is two years.

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying contract</td>
<td>Underlying contract</td>
</tr>
<tr>
<td>Underlying contract</td>
<td>Underlying contract</td>
</tr>
</tbody>
</table>

The coverage period for each contract in the group is one year. Therefore, the group of underlying insurance contracts is eligible for the premium allocation approach (meets criterion b).

*continued*...
2. Group of reinsurance contracts held

The entity purchases reinsurance for the group of underlying contracts. In this example, the single reinsurance contract held is the only contract in the group of reinsurance contracts held.

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group of reinsurance contracts held</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Reinsurance contract held</strong></td>
<td></td>
</tr>
</tbody>
</table>

The coverage period for the contract in the group is two years. Therefore, the group of reinsurance contracts held does not meet the criterion for the premium allocation approach of the coverage period being one year or less. However, it may meet the criterion that the entity reasonably expects the resulting measurement not to differ materially from the measurement applying the general model.

To determine whether this criterion is met, the insurer will need to assess the relevant facts and circumstances. The criterion cannot be met if, at inception of the group, the entity expects significant variability in the fulfilment cash flows that would affect the measurement of the reinsurance asset for remaining coverage during the period before a claim is incurred.
8. Variable fee approach

Requirements\textsuperscript{22}

The variable fee approach (VFA) applies to insurance contracts with direct participation features (VFA contracts). VFA contracts are substantially investment-related services contracts under which the entity promises an investment return based on underlying items. An insurance contract meets the definition of a VFA contract if, and only if, at inception:

(a) the contractual terms specify that the policyholder participates in a clearly identified pool of underlying items;

(b) the entity expects to pay the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

(c) a substantial proportion of any changes in the amounts to be paid to the policyholder vary with the change in fair value of the underlying items.

Under a VFA contract, the entity has an obligation to pay policyholders an amount equal in value to specified underlying items minus a variable fee for service. To reflect the different nature of VFA contracts, returns to the entity from underlying items are viewed as part of the compensation that the entity charges to the policyholder for services provided by the insurance contract, rather than as a share of returns from unrelated investments. This is achieved by adjusting the contractual service margin for more changes than those affecting the contractual service margin for insurance contracts that are not VFA contracts.

Reinsurance contracts held\textsuperscript{23}

For reinsurance contracts held, the entity and the reinsurer do not share in the returns on underlying items and so the VFA criteria are not met, even if the underlying insurance contracts issued are VFA contracts. The contractual service margin for a group of reinsurance contracts held represents the net cost (or net gain) of purchasing reinsurance, considering the rights and obligations of the entity under the reinsurance contract. The insurer does not receive investment-related services from the reinsurer.

\textsuperscript{22} Paragraph 45 and B101–B118 of IFRS 17 and paragraphs BC238–BC269 of the Basis for Conclusions on IFRS 17.

\textsuperscript{23} Paragraph BC248 of the Basis for Conclusions on IFRS 17.
9. Presentation

Requirements

An entity presents separately in the statement of financial position:

(a) insurance contracts issued that are assets;
(b) insurance contracts issued that are liabilities;
(c) reinsurance contracts held that are assets; and
(d) reinsurance contracts held that are liabilities.

Amounts recognised in the statements of financial performance are disaggregated into:

(a) an insurance service result (comprising insurance revenue and insurance service expenses); and
(b) insurance finance income or expenses.

Reinsurance contracts held

An entity is prohibited from offsetting reinsurance contract assets held against related underlying insurance contract liabilities in the statement of financial position.

Consistently with prohibiting offsetting of reinsurance contract assets held and insurance contract liabilities, income or expenses from reinsurance contracts held are presented separately from expenses or income from insurance contracts issued. Income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, may be presented either:

(a) as a single amount (net presentation); or
(b) separately as amounts recovered from the reinsurer and an allocation of the premiums paid (gross presentation).

If an entity presents separately amounts recovered from the reinsurer and an allocation of the premiums paid for reinsurance contracts held:

(a) cash flows that are contingent on claims on the underlying contracts are treated as part of the claims that are expected to be reimbursed under the reinsurance contract held; and
(b) cash flows that the entity expects to receive from the reinsurer that are not contingent on claims of underlying contracts are treated as a reduction in the premiums to be paid to the reinsurer.

continued...
The allocation of premiums paid on reinsurance contracts held must not be presented as a reduction in revenue.

The following example illustrates presentation of the insurance service result with income or expenses from reinsurance contracts held presented both net and gross.

### Example—presentation of insurance service result

#### Net presentation example

<table>
<thead>
<tr>
<th>In currency units</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance revenue</td>
<td>10,000</td>
</tr>
<tr>
<td>Insurance service expenses</td>
<td>(7,000)</td>
</tr>
<tr>
<td>Net expense from reinsurance contracts</td>
<td>(500)</td>
</tr>
<tr>
<td><strong>Insurance service result</strong></td>
<td><strong>2,500</strong></td>
</tr>
</tbody>
</table>

#### Gross presentation example

<table>
<thead>
<tr>
<th>In currency units</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance revenue</td>
<td>10,000</td>
</tr>
<tr>
<td>Insurance service expenses</td>
<td>(7,000)</td>
</tr>
<tr>
<td>Amounts recovered from reinsurance</td>
<td>1,000</td>
</tr>
<tr>
<td>Reinsurance premiums</td>
<td>(1,500)</td>
</tr>
<tr>
<td><strong>Insurance service result</strong></td>
<td><strong>2,500</strong></td>
</tr>
</tbody>
</table>
10. Disclosures

Requirements\textsuperscript{26}

The objective of the disclosure requirements is for an entity to disclose information in the notes that, together with the information provided in the financial statements, gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on an entity’s financial position, financial performance and cash flows. Reconciliations are required to provide different types of information about the insurance service result.

Reinsurance contracts held\textsuperscript{27}

The objective of the disclosure requirements in IFRS 17 applies to all contracts within the scope of IFRS 17, including reinsurance contracts held.

Separate reconciliations required by IFRS 17 shall be disclosed for insurance contracts issued and reinsurance contracts held. The reconciliation disclosure requirements shall be adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued; for example, the generation of expenses or reduction in expenses rather than revenue.

Separate information shall be provided for insurance contracts issued and reinsurance contracts held, explaining when an entity expects to recognise the contractual service margin remaining at the end of a reporting period in profit or loss.

Applying IFRS 17, revenue does not arise from reinsurance contracts held. Accordingly, the requirements for revenue, including the related disclosure requirements, do not apply to reinsurance contracts held.

\textsuperscript{26} Paragraphs 93–132 of IFRS 17 and paragraphs BC347–BC366 of the Basis for Conclusions on IFRS 17.

\textsuperscript{27} Paragraphs 98 and 109 of IFRS 17.
Resources available

Reinsurance resources

**Webcast: Reinsurance contracts held**

*Reinsurance contracts held—an example of proportionate reinsurance coverage*

Other educational materials

**IFRS 17 Feedback Statement**

**IFRS 17 Project Summary**

**IFRS 17 Effects Analysis**

**IFRS 17 Fact Sheet**

**IFRS 17 Key Terms**

*The accounting model explained in one page*

*The Essentials—Busting insurance jargon*

**Investor Perspectives: Insurance Contracts—Accounting to reflect economics**

More materials, including webcasts introducing the key requirements in IFRS 17, are available on the IFRS 17 implementation page.

**Transition Resource Group for IFRS 17**

All TRG meeting recordings, agenda papers and meeting summaries are available on the [TRG for IFRS 17 Insurance Contracts page](#) on the IFRS Foundation website.
go.ifrs.org/IFRS-17-implementation