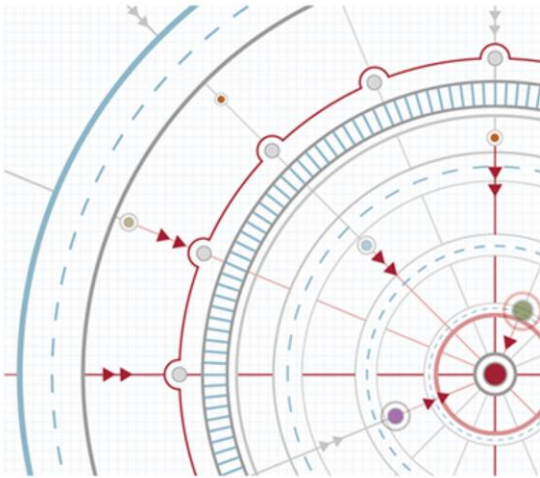




IFRS 17 *Insurance Contracts*

Core requirements:
Recognition and derecognition
November 2017

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IFRS 17 webinars

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This webinar

Nov 2017 Core requirements: Recognition and derecognition

Previous webinars

May 2017	Introducing IFRS 17
May 2017	Understanding IFRS 17
Jun 2017	Core requirements: scope of IFRS 17
Jul 2017	Core requirements: measurement essentials of IFRS 17
Aug 2017	Simplified accounting for contracts with short coverage periods
Sep 2017	Reinsurance contracts held



Further information:

go.ifrs.org/IFRS-17-implementation and

IFRS 17 webcasts youtube playlist:

<https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn>

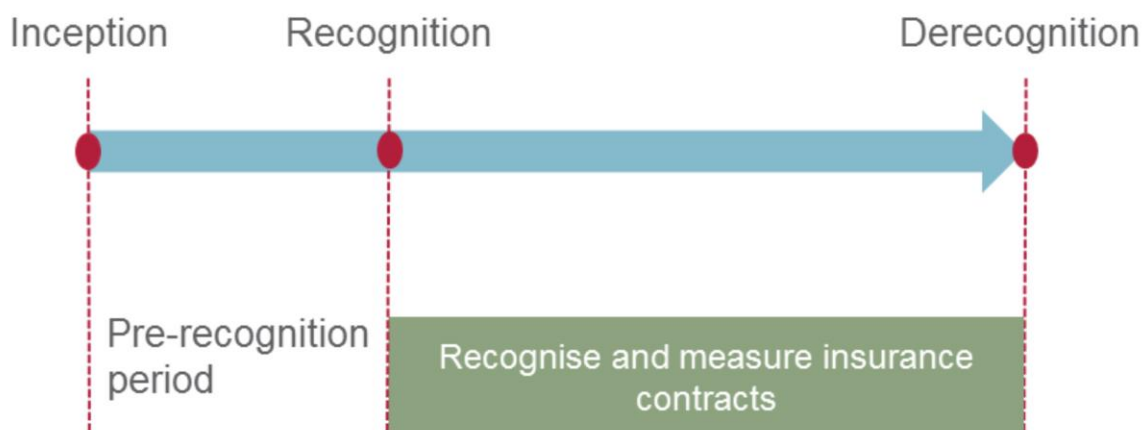
IFRS 17 Effects Analysis available at <http://www.ifrs.org/-/media/project/insurance-contracts/ifrs-standard/ifrs-17-effects-analysis.pdf>

IFRS 17 Project Summary available at <http://www.ifrs.org/-/media/project/insurance-contracts/ifrs-standard/ifrs-17-project-summary.pdf>

IFRS 17 Feedback Statement available at <http://www.ifrs.org/-/media/project/insurance-contracts/ifrs-standard/ifrs-17-feedback-statement.pdf>

Milestones in the life of insurance contracts

3



Core requirements

Modifications to achieve IFRS 17’s fundamental objectives

Insurance contracts with direct participation features

Reinsurance contracts held

Investment contracts with discretionary participation features

Simplified accounting for contracts with short coverage periods

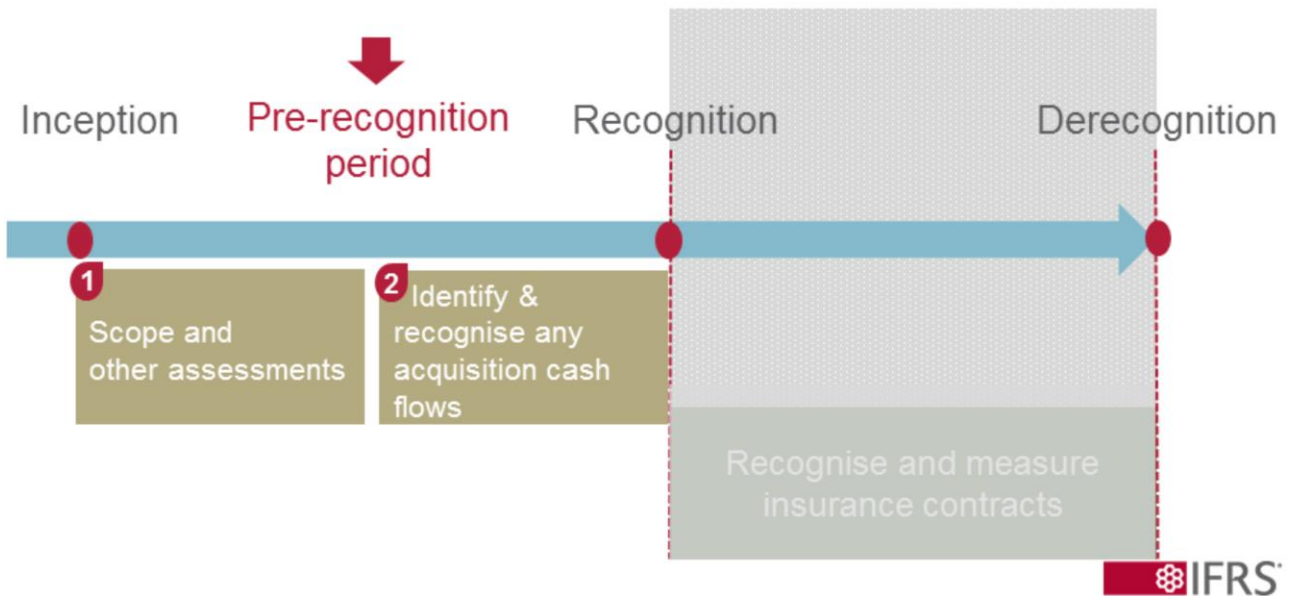


Further information:

IFRS 17 paragraphs 29

Pre-recognition period

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Further information:

IFRS 17 paragraphs 3 and 25–27

IFRS 17 Basis for Conclusions paragraphs BC140–BC141

1 Scope and other assessments

- Assess whether the contracts are within the scope of IFRS 17
 - Insurance and reinsurance contracts issued
 - Reinsurance contracts held
 - Investment contracts with discretionary participation features



Further information:

IFRS 17 paragraphs 3–8, B2–B30

IFRS 17 Appendix A definitions:

- Insurance contract
- Investment contract with discretionary participation features
- Reinsurance contract

IFRS 17 Basis for Conclusions paragraphs BC63–BC97

Webcast *Core requirements: scope of IFRS 17* at go.ifrs.org/IFRS-17-implementation and

IFRS 17 youtube playlist:

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1 Scope and other assessments

- At inception:
 - determine whether eligible contracts will be accounted for under the premium allocation approach
 - assess whether a contract meets the definition of insurance contracts with direct participation features
 - for specified contracts without direct participation features specify the basis on which the entity expects to determine its commitment



Further information:

IFRS 17 paragraphs 53–54, B98, B100–B102

IFRS 17 Appendix A definitions:

- Insurance contract with direct participation features
- Insurance contracts without direct participation features

Webcast *IFRS 17 Simplified accounting for contracts with short*

coverage periods at go.ifrs.org/IFRS-17-implementation and

IFRS 17 youtube playlist:

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Pre-recognition period: acquisition cash flows

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2 Identify and recognise any acquisition cash flows

- Insurance acquisition cash flows are sometimes paid or received by the entity before the group of contracts is recognised
- Recognise those cash flows as an asset or liability*
- Present any assets or liabilities for insurance acquisition cash flows in the carrying amount of the related groups of insurance contracts issued

*For eligible contracts under the premium allocation approach, a practical expedient is available.



Further information:

IFRS 17 paragraphs 27, 59(a), 79, 97(c) and 103(b)(ii)

IFRS 17 Appendix A definition:

- Insurance acquisition cash flows

IFRS 17 Basis for Conclusions paragraphs BC145 and BC292(c)

Webcast *IFRS 17 Simplified accounting for contracts with short coverage periods* at go.ifrs.org/IFRS-17-implementation and

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Recognition



Recognition date

10

The **earliest date** of any of the following:*

Typical recognition

Early recognition

1

the beginning
of the coverage
period of a
group of
contracts

2

when first
payment due
from a
policyholder in
the group

3

when a group
of contracts
becomes
onerous

*These requirements are modified for reinsurance contracts held and investment contracts with discretionary participation features.



Further information:

IFRS 17 paragraphs 25 , 26, 62 and 71(a)

IFRS 17 Basis for Conclusions paragraphs BC140–BC145 and
BC304–BC305

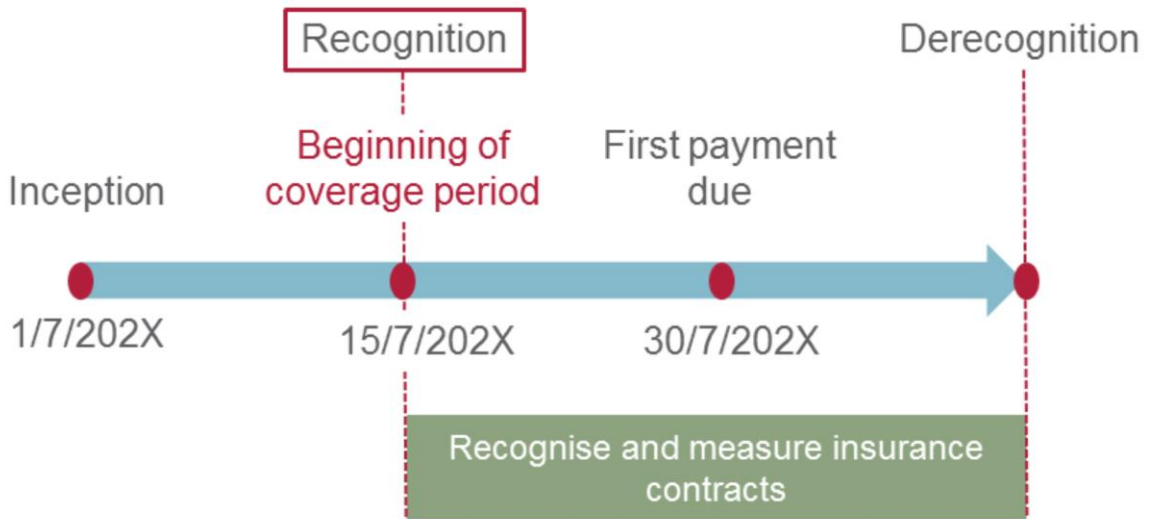
Webcast *Reinsurance contracts held* at [go.ifrs.org/IFRS-17-](https://go.ifrs.org/IFRS-17-implementation)
implementation and

IFRS 17 youtube playlist:

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1 Typical recognition—Example 1

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Further information:

IFRS 17 paragraph 25

IFRS 17 Basis for Conclusions paragraphs BC140–BC142 and BC143(a)

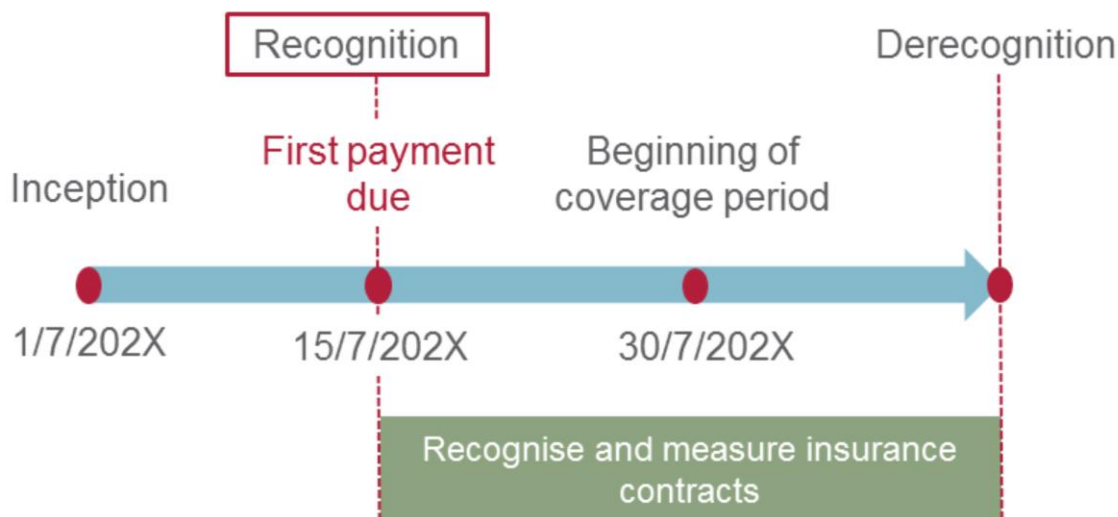
Webcast *Core requirements: measurement essentials of IFRS 17* at go.ifrs.org/IFRS-17-implementation and

IFRS 17 youtube playlist:

<https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn>

2 Typical recognition—Example 2

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Further information:

IFRS 17 paragraph 25

IFRS 17 Basis for Conclusions paragraphs BC140–BC142 and BC143(a)

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<https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn>

3 Early recognition: a group becomes onerous

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An onerous group of contracts?

Do facts and circumstances indicate that some contracts might form an onerous group*?

NO Typical recognition
(see slides 11–12)

YES

Measure the contracts. Are they onerous?

NO

YES

Early recognition: immediately recognise onerous loss (see slide 14)



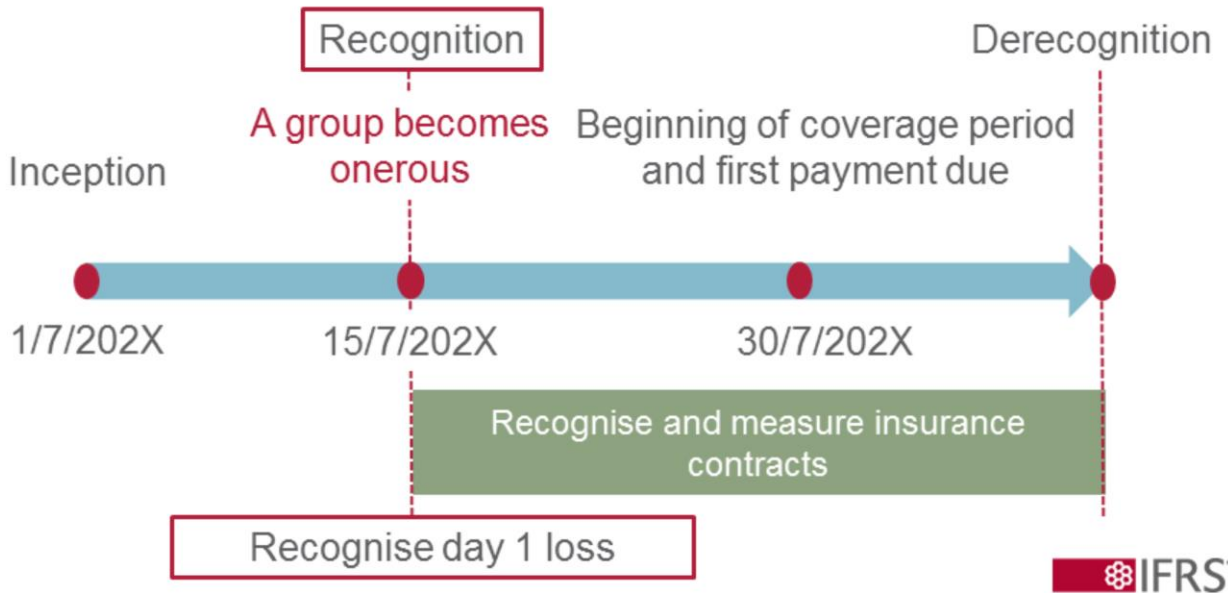
Further information:

IFRS 17 paragraphs 16–18 and 25–26

IFRS 17 Basis for Conclusions paragraphs BC142–BC144 and
BC292(b)

3 Early recognition—Example 3

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Further information:

IFRS 17 paragraph 26 and 47

IFRS 17 Basis for Conclusions paragraphs BC140–BC142, BC143(b), BC144 and BC284

Webcast *Core requirements: measurement essentials of IFRS 17* at

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Contracts acquired in IFRS 3 business combination or a transfer

15

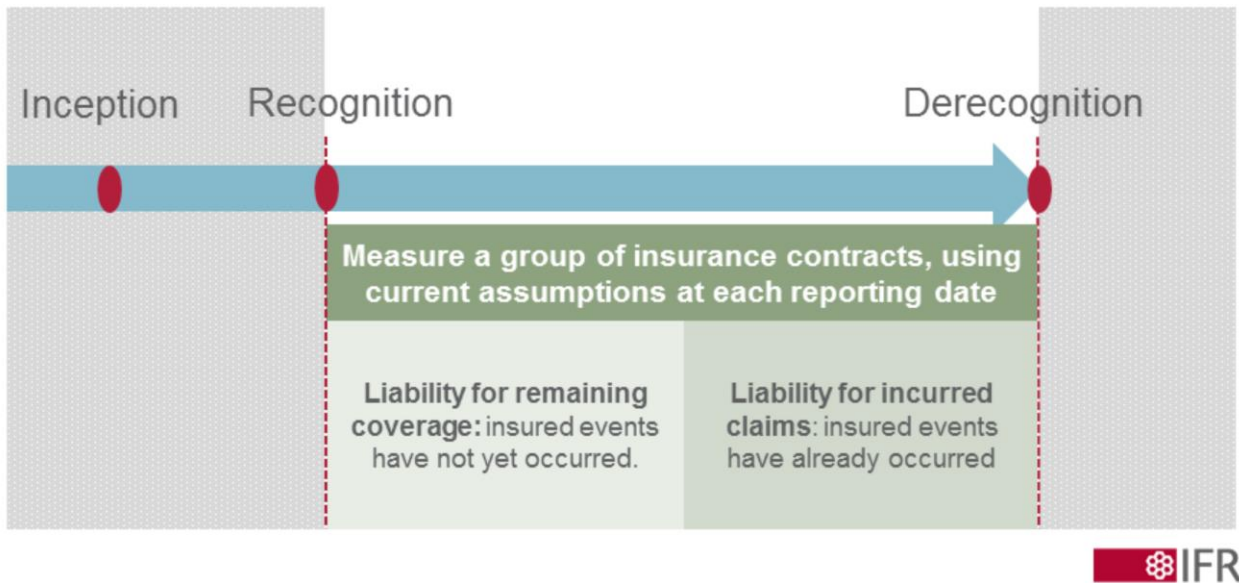


- The consideration received or paid
 - proxy for premiums
 - the fair value of a group of contracts

Further information:

IFRS 17 paragraphs B93–B95

IFRS 3 *Business Combinations* paragraphs 15–16



Further information:

IFRS 17 Appendix A definitions:

- Liability for remaining coverage
- Liability for incurred claims

Webcast *Core requirements: measurement essentials of IFRS 17* at

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Derecognition

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- Derecognise an insurance contract when:

A

all rights and obligations
are extinguished

OR

B

specified modifications
of the terms of the
contract

- A** Existence of a reinsurance contract does not constitute a derecognition event
- B** The exercise of a right included in the terms of a contract is not a modification



Further information:

IFRS 17 paragraphs 72–77

IFRS 17 Basis for Conclusions paragraphs BC316–BC317 and
BC321–BC322

B Specified modifications resulting in derecognition (1/2)

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If the modified terms had been present at contract inception, the modified contract would have:

been outside
the scope of
IFRS 17

OR

had different
separated
non-insurance
components

OR

had a
substantially
different
contract
boundary

OR

been included
in a different
group of
contracts

See next slide for further specified modifications resulting in derecognition



Further information:

IFRS 17 paragraphs 72(a) and 74

IFRS 17 Basis for Conclusions paragraphs BC316–BC319

B Specified modifications resulting in derecognition (2/2)

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The modified contract no longer meets:

the definition of an insurance contract with direct participation features (vice versa)

OR

the eligibility criteria for the premium allocation approach

After derecognition, the entity treats the modified contract as a 'new' contract under IFRS 17, if the 'new' contract is within the scope of IFRS 17. If so, the modification date is both the recognition and the inception date of the 'new' contract.



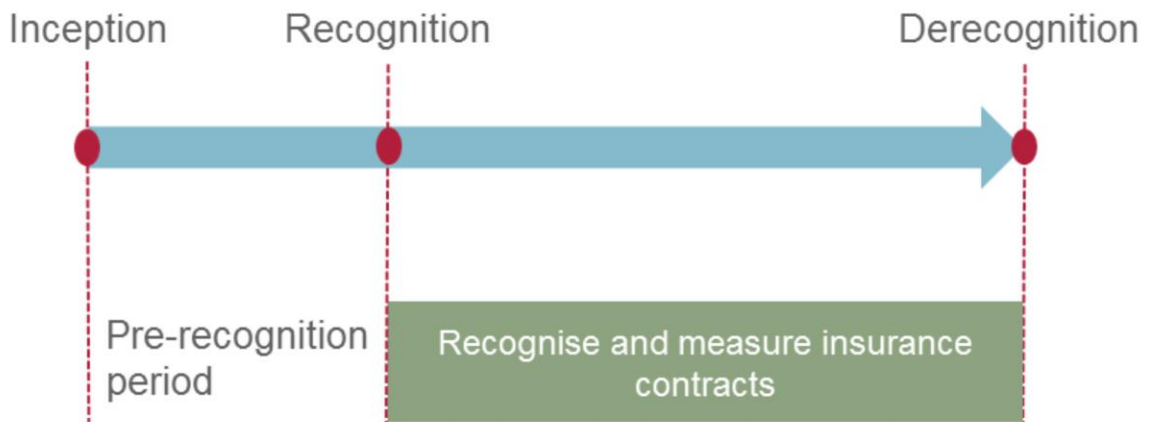
Further information:

IFRS 17 paragraphs 72(b)–72(c), 74, 77 and B101

IFRS 17 Basis for Conclusions paragraphs BC316–BC319

Milestones in the life of insurance contracts

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