Balance sheet

Insurance contract liability

- Liability for remaining coverage + Liability for incurred claims =
  - Fulfilment cash flows¹
    - Present value of future cash flows
    - Cash flows
    - Discount rates
  - Risk adjustment

Contractual service margin

- Profit from coverage to be provided in the future²

Profit or loss

Insurance service result

Insurance contract liability

- Liability for remaining coverage + Liability for incurred claims =
  - Fulfilment cash flows¹
    - Present value of future cash flows
    - Cash flows
    - Discount rates
  - Risk adjustment

Insurance finance expenses

- Unwind of discount rates +/− Changes in discount rates¹

Other comprehensive income (optional)

Insurance finance expenses

+/- Changes in discount rates¹

Modifications for contracts with a ‘variable fee’

Insurance contract liability

- Liability for remaining coverage + Liability for incurred claims =
  - Fulfilment cash flows¹
    - Present value of future cash flows
    - Cash flows
    - Discount rates
  - Risk adjustment

Contractual service margin

- Profit from coverage to be provided in the future² (including changes in the variable fee)

Simplifications for short-term contracts (optional)

Insurance contract liability

- Liability for remaining coverage + Liability for incurred claims =
  - Fulfilment cash flows¹
    - Present value of future cash flows
    - Cash flows
    - Discount rates
  - Risk adjustment

Risk adjustment

Notes

1. The fulfilment cash flows are at current value: cash flows, discount rates and risk adjustment are updated at each reporting date.
2. Changes in cash flows and in risk adjustment that relate to coverage to be provided in the future adjust the contractual service margin.
3. Changes in cash flows and in risk adjustment that relate to coverage provided in the period and in the past are recognised in profit or loss.
4. The release of risk adjustment within the liability for incurred claims reduces incurred claims in profit or loss.

This educational material was developed in the context of IFRS 17 as issued in May 2017. IFRS 17 was amended in June 2020. Educational materials on the amendments to IFRS 17 provide information to supplement the information in this document.