Contents

			PAGE
◆ Pre	face		<i>I-5</i>
♦ Lis	t of Exam	nples	I-17
		CHAPTER 1	
		INTRODUCTION	
1.1	Backg	round	1
1.2	Accou	nting approaches	2
1.3	Object	rives of Ind AS 117	6
1.4	Scope	of Ind AS 117 and Scope Exclusions	6
	1.4.1	Fixed fee service contract	9
	1.4.2	Contracts that limit the compensation for insured events	9
	1.4.3	Credit related guarantee	10
Illust	trative C	ase 1.1	10
Illust	trative C	ase 1.2	15
1.5	Applic	ability of Ind AS 104	24
		CHAPTER 2	
		IDENTIFYING INSURANCE CONTRACTS	
Exec	utive su	mmary	25
2.1	Meani	ng of insurance contracts	25
2.2	Insure	ed events	33
	2.2.1	Uncertain future events	34
2.3	Payme	ent in kind	35
2.4	Distin	ction between insurance risk and other risks	35
	2.4.1	Financial risk	37
2.5	Signifi	cant insurance risk	38

CONTENTS I-10

			PAGE
	2.5.1	Principles for assessing whether insurance risk is significant	38
	2.5.2	Additional benefits	39
	2.5.3	Change in insurance risk	40
	2.5.4	Quantification of significant insurance risk	41
2.6	Combi	ining insurance contracts	54
Illust	trative C	ase 2.1	55
2.7	Separa	ating components from an insurance contracts	58
	2.7.1	Assessment whether an investment component is distinct	60
	2.7.2	Assessment whether promised goods or services are distinct	61
Illusi	trative C	ase 2.2	62
	2.7.3	Case of life insurance contract with an account balance	62
	2.7.4	Case of stop-loss health insurance contract with claim processing services	63
2.8	Embed	dded derivatives	65
	2.8.1	Examples of embedded derivatives	66
2.9	Level o	of aggregation	71
	2.9.1	Cases when an entity does not adopt premium allocation approach	73
	2.9.2	Cases when contracts within a portfolio would fall into different groups only because of law or regulatory constraints	73
	2.9.3	Measurement of a group of contract at a higher level of aggregation	74
	2.9.4	Assessment whether set of contracts are in a group	74
	2.9.5	Multi-currency groups of insurance contracts	75
	2.9.6	Inclusion of contracts in the identified group of contracts	75
Illustrative Case 2.3			76
Illusi	trative C	ase 2.4	77
Illusi	trative C	ase 2.5	78
Illust	trative C	ase 2.6	79

I-11 CONTENTS

			PAGE
		CHAPTER 3	
		ESTIMATES OF CASH FLOWS	
Exect	utive su	mmary	81
3.1		dity of cash flow estimates	81
3.2	Estima	ates of future cash flows	82
3.3	Substa	antive rights and obligations	83
	3.3.1	Examples of cash flows within the boundary of insurance contract	84
	3.3.2	Examples of excluded cash flows	86
	3.3.3	Cash flows before recognition of a group of insurance contracts	87
3.4		ows interrelated to other contracts within the group tracts of other groups	87
3.5	Unbias	sed estimation of future cash flows	89
3.6	Marke	t variables and non-market variables	91
	3.6.1	Estimates of market variables	91
	3.6.2	Estimates of non-market variables	93
3.7	Future	e cash flows to reflect current estimates	94
3.8	Premi	um received or receivable from an intermediary	96
Illust	rative C	ase 3.1	97
3.9	Explic	it estimate of the adjustment for non-financial risk	99
	3.9.1	Estimation technique	101
	3.9.2	Level of aggregation for determining non-financial risk adjustment	102
	3.9.3	Methodology	102
Illust	rative C	ase 3.2	108
Illust	rative C	ase 3.3	111
Illust	rative C	ase 3.4	113
Illust	rative C	ase 3.5	114
		CHAPTER 4	
		SELECTION OF DISCOUNT RATES	
Execu	utive su	mmary	118
4.1	Charac	cteristics of discount rates	118

CONTENTS	I-12

			PAGE	
Illust	rative C	ase 4.1	119	
Illust	lustrative Case 4.2			
4.2	Selecti	on of discount rates	122	
	4.2.1	Consistency in determining discount rates	124	
	4.2.2	Variable cash flows	125	
4.3	Unobs	ervable discount rates	126	
4.4	Yield o	curve approach	126	
4.5	Accou	nting for finance income or expense	129	
Illust	trative C	ase 4.3	133	
		CHAPTER 5		
	RECO	OGNITION & MEASUREMENT—APPLICATION OF GENERAL MEASUREMENT MODEL		
Exec	utive Su	mmary	136	
5.1	Recog	nition Principle	137	
5.2	Measu	rement Models	138	
Illust	rative C	ase 5.1	139	
5.3	Measu	rement on Initial Recognition	143	
	5.3.1	Contractual Service Margin	144	
Illust	trative C	ase 5.2	145	
Illust	rative C	ase 5.3	148	
5.4	Subsequent Measurement		149	
	5.4.1	Changes in the carrying amount of contractual service margin for insurance contracts without direct participation features	167	
	5.4.2	Separation of Investment Contract	173	
	5.4.3	Case of Insurance contracts having both Cash Inflows and Cash Outflows over the Coverage Period	178	
5.5	Risk M	litigation	199	
5.6	Recogn	nition of Contractual Service Margin in Profit or Loss	200	
5.7	Recognition and Presentation in the Statement of Profit or Loss			
	5.7.1	Determining Insurance Revenue	202	
	5.7.2	Insurance Finance Income or Expense	205	

I-13 CONTENTS

			PAGE
	5.7.3	Treating Insurance Contract as Monetary Items	219
	5.7.4	The effect of accounting estimates made in	
		interim financial statements	219
Illust	rative C	ase 5.4	219
5.8	Preser	ntation of Balance Sheet	220
5.9	Invest Featur	ment Contract with Discretionary Participation	221
5.10	Modif	ication of an Insurance Contracts	221
5.11	Derece	ognition of an Insurance Contracts	222
Illust	rative C	Case 5.5	223
		CHAPTER 6	
		ONEROUS CONTRACTS	
Execu	utive Su	ımmary	224
6.1	Meani	ng of Onerous Contracts	224
6.2	Cases	when a Group of Contracts becomes Onerous or	
	More	Onerous at Subsequent Measurement	228
6.3	Revers	sal of Loss	228
6.4	Alloca Flows	tion of Subsequent Changes in Fulfilment Cash	228
		CHAPTER 7	
		PREMIUM ALLOCATION APPROACH	
Execu	ıtive Su	ımmary	249
7.1	Applic	ation of Premium Allocation Approach	249
7.2	Measu	rement under Premium Allocation Approach	250
	7.2.1	Expensing Insurance Acquisition Expense	251
	7.2.2	Non-Recognition of Time Value Money	251
	7.2.3	Allocation of Premium	251
	7.2.4	Unwinding of Discount	252
Illust	rative C	ase 7.1	265
Illust	rative C	ase 7.2	266
Illust	Illustrative Case 7.3		267

CONTENTS I-14

PAGE

		CHAPTER 8	
•		LE FEE APPROACH—INSURANCE CONTRACTS VITH DIRECT PARTICIPATION FEATURE	
Execu	itive Sui	mmary	268
8.1	Introdu	uction	268
	8.1.1	Variable Fee Approach (VFA)	269
8.2	Insura	nce Contracts With Direct Participation Features	270
8.3	Pool of	Underlying Items	273
8.4	Payme	nt of Substantial Share	274
8.5	Variabl	le Fee	276
8.6	Contra	ctual Service Margin	276
	8.6.1	Changes in the Carrying Amount of Contractual Service Margin for Insurance Contracts Without Direct Participation Features	278
	8.6.2	Payment of Discretionary Cash Flows	280
Illustı	ative Ca	use 8.1	289
Illusti	ative Ca	use 8.2	291
Illustr	ative Co	ase 8.3	292
		CHAPTER 9	
		REINSURANCE CONTRACTS HELD	
Execu	itive Sui	mmary	294
9.1	Introdu	action	294
9.2	Recogn	nition of reinsurance contracts held	296
9.3	Measu	rement of reinsurance contracts held	297
	9.3.1	Contractual Service Margin	298
		CHAPTER 10	
	AC	EQUISITION OF INSURANCE CONTRACTS	
Execu	tive Su	mmary	317
10.1	Introdu	action	317
10.2	Allocat	ion of insurance acquisition cash flows	317
	10.2.1	Additions to the group of contracts	320
	10.2.2	Inclusion of allocated insurance acquisition cash flows to contractual service margin	321

I-15 CONTENTS

		PAGE
	10.2.3 Effect on insurance revenue	322
	10.2.4 Exception to allocation approach	326
10.3	Impairment loss of asset for insurance acquisition	cost
	and reversal impairment loss	331
10.4	Asset for insurance acquisition cash flows	333
10.5	Business combinations	334
	CHAPTER 11	
	DISCLOSURES	
Execu	utive Summary	336
11.1	Objective of disclosures	336
11.2	Additional disclosures for insurance contracts accounder PAA	inted 337
11.3	Reconciliations of net carrying amounts of insurcontracts	ance 339
	11.3.1 Reconciliation of insurance acquisition cash f	flows 341
	11.3.2 Analysis of insurance revenue recognised in period	n the <i>341</i>
	11.3.3 Effect on balance sheet items	342
	11.3.4 Timing of recognition of contractual semargin	rvice <i>342</i>
11.4	Disclosure of Insurance finance income or expenses	342
11.5	Disclosure of significant judgment	343
11.6	Risk disclosures	344
Illust	rative Case 11.1	347
Illust	rative Case 11.2	423
Illust	rative Case 11.3	444
	CHAPTER 12	
	TRANSITION TO IND AS 117	
Exect	utive Summary	460
12.1	Application of Transition provisions	460
12.2	Retrospective application	461
	12.2.1 Process of retrospective application	463
	12.2.2 Exemption from retrospective application	464

CONTENTS I-16

			PAGE
	12.2.3	Application of fair value approach for a group of insurance contracts with direct participation features	465
12.3	Modifi	ed retrospective approach	465
		Assessment at inception or initial recognition	466
	12.3.2	Determining the contractual service margin or loss component for groups of insurance contracts without direct participation features	466
	12.3.3	Determining the contractual service margin or loss component for groups of insurance contracts with direct participation features	469
	12.3.4	Insurance finance income or expenses	470
12.4	Fair va	lue approach	472
		Issues to be determined applying fair value approach	473
	12.4.2	Classification of liability for settlement of claims in transfer of insurance contracts	473
	12.4.3	Exemption from classification of insurance contracts	473
	12.4.4	Disaggregation of insurance finance income or expenses	475
12.5	Assets	for insurance acquisition cash flows	475
12.6	Compa	arative information	476
12.7	Entitie time	s that first apply IFRS 17 and IFRS 9 at the same	477
	12.7.1	Application of Classification overlay	477
12.8	Redesi	gnation of Financial Assets	478
12.9	Disclos	sures of transition amounts	483
Illusti	rative Co	ase 12.1	484
Apper	ıdix I		489
Illusti	rative Co	ase AI.1	513
Illusti	rative Co	ase AI.2	517
Illusti	rative Co	ase AI.3	535
Illusti	rative Co	ase AI.4	537
Illusti	rative Co	ase AI.5	541
Apper	ıdix II		546
Subje	ct Index		561