



Investment Contract with Discretionary Participation Features

An investment contract with discretionary participation features **does not include a transfer of significant insurance risk**.

Such a contract is a **financial instrument** that provides an investor with the contractual right to receive additional amounts, in addition to the amounts that are not subject to the discretion of the issuer. These additional amounts:



Are expected to be a significant portion of the total contractual benefits, AND



Their timing and amounts are at the discretion of the issuer, AND



Are contractually based on the returns on a specified pool of contracts AND realised/unrealized return on assets OR on the P&L of the entity or fund

Typically, Universal Life contracts may fall here!

The requirements in IFRS 17 for insurance contracts are modified for investment contracts with discretionary participation features in terms of:



Date of initial recognition



Contract Boundary



Allocation of contractual service margin

To gain more insights on Investment Contracts with Discretionary Participation features under IFRS17 or for any other related discussions, please feel free to reach out to us at kap@ka-pandit.com.



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