

# Recognition and Presentation in the Statement(s) of Financial Performance

## Introduction:

In IFRS17, the amounts recognised in the statements of financial performance are required to be disaggregated into:

1. **Insurance Service Result** which consists of insurance revenue and insurance service expenses
2. **Insurance Finance Result** which consists of Investment income net of insurance finance expenses

## Carrying Amount:

The carrying amount for a group of insurance contracts at the end of each reporting period is calculated as:



## Insurance Service Result:

$$\text{Insurance Service Result} = \text{Insurance Revenue} + \text{Insurance Service Expenses}$$

where **Insurance Revenue** is:

$$\text{Insurance Revenue} = \text{Premiums +/- Financing Effect} - \text{Investment Components}$$

calculated as



and **Insurance Service Expenses** are:

- i. incurred claims (excluding investment components) and other incurred insurance service expenses;
- ii. amortisation of insurance acquisition cash flows;
- iii. changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims; and
- iv. changes that relate to future service, i.e. losses on onerous groups of contracts and reversals of such losses.



## Insurance Finance Result:

$$\text{Insurance Finance Result} = \text{Investment Income} - \text{Insurance Finance Expenses}$$

Investment Income is akin to what we are used to seeing in the traditional world, but the **Insurance Finance Expenses** are:

- i. the effect of the time value of money and changes in the time value of money; and
- ii. the effect of financial risk and changes in financial risk; but
- iii. excluding any such changes for groups of insurance contracts with direct participation features that would adjust the contractual service margin but do not do so. These are included in insurance service expenses.

## Snapshots of Financials in the IFRS 17 World – Sample Profit and Loss Account:

Profit and Loss Account Particulars	Amount (CU)
<b>Insurance Revenue</b>	
-Release of CSM	
-Release of RA	
-Expected Claims and Expenses at the beginning of the period	
-Insurance Contract Acquisition Cashflows	
<b>Insurance Service Expenses</b>	
-Actual Claims	
-Incurred Claims and Benefits	
-Insurance Contract Acquisition Cashflows	
-Loss on Onerous Contracts	
-Reversal of Loss	
<b>Insurance Service Result</b>	
<b>Investment Income</b>	
<b>Insurance Finance Income/(Expenses)</b>	
-Liability for Remaining Coverage	
-Loss Component	
-Present Value of Future Cashflows	
-Contractual Service Margin	
<b>Insurance Finance Result</b>	
<b>Profit/(Loss) for the year</b>	

To gain more insights on Recognition and Presentation in the Statement(s) of Financial Performance under IFRS17 or for any other related discussions, please feel free to reach out to us at [kap@ka-pandit.com](mailto:kap@ka-pandit.com).



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