



Contractual Service Margin in IFRS 17

Introduction:

The contractual service margin is a component of the asset or liability for the group of insurance contracts that represents the **present value of unearned profit** the entity will recognise as it provides services in the future.

Initial Measurement:

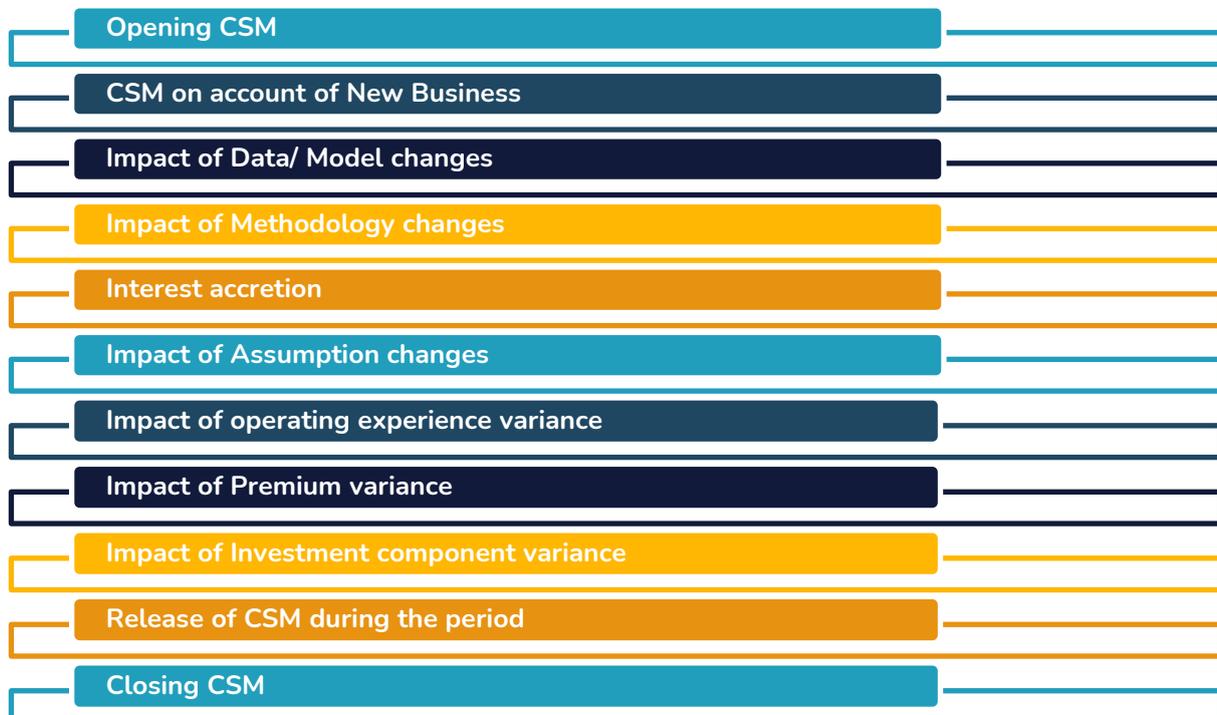
The CSM on initial recognition for a profitable group of insurance contracts is equal to:

- an amount equivalent to the Fulfilment Cash Flow (FCF). FCF shall be negative at initial recognition for a group of profitable insurance contracts.
- the derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows.
- any cash flows arising from the contracts in the group at that date.

Insurance Contract Liability (ICL) = FCF + CSM shall be 0 at initial recognition.

Subsequent Measurement:

The contractual service margin at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss because it relates to the future service to be provided under the contracts in the group. The steps involved in the roll-forward of the CSM from opening to closing under General Model are:



To gain more insights on CSM 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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