

IFRS17 – Contract Boundary

Introduction

This publication introduces the concept of 'Contract Boundary' as defined in the IFRS17 standard. Contract Boundary is the period during which substantive rights and obligations exist under a policy, in which the entity can compel the policyholder to pay the premiums or in which the entity has an obligation to provide services to the policyholder.

Contract Boundary helps in determining the various cashflows to be considered for computations and reporting purposes.

Important Cashflows



Some key cashflows included within the Contract Boundary are:

- Premium related cashflows
- Policy and claims servicing related costs
- Incurred claims related cashflows
- Insurance acquisition cashflows
- Fixed and variable overheads
- Transaction-based taxes

Some key cashflows NOT included within the Contract Boundary are:

- Investment returns
- Costs not directly attributed to the portfolio of contracts
- Income tax payments that are not paid or received in fiduciary capacity
- Reinsurance contract related cashflows
- Components falling under other standards





The cashflows as written about above, are the key ones taken into consideration given the contract boundary of each insurance policy. There are other cashflows that may or may not be included within the boundary period.

To gain more insights on the concept of contract boundary and cashflows under IFRS17 or for any other related discussions, please get in touch with us at:

M/s. K. A. Pandit Consultants & Actuaries

MUMBAI
2nd Floor, Churchgate House,
32-34 Veer Nariman Road,
Fort, Mumbai - 400001.
Tel .: +91-22-42922250

MUMBAI
C/201 Remi Bizcourt,
Off. Veera Desai Road,
Andheri (W),
Mumbai - 400058.
Tel .: +91-22-42922231

AHMEDABAD
509, Golden Triangle,
Near Sardar Patel Stadium
Navrangpura,
Ahmedabad - 380014.
Tel .: +91-79-26460734

Website :
www.ka-pandit.com
E-mail :
kap@ka-pandit.com

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