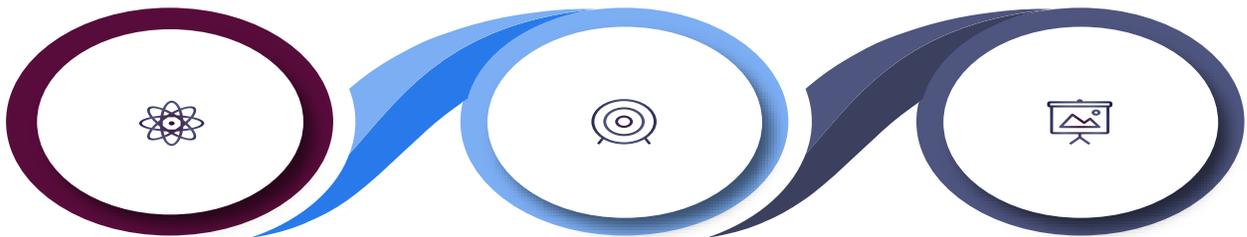


# IFRS17- Level of Aggregation

## Introduction

IFRS17 necessitates all entities writing insurance contracts to identify portfolios of insurance contracts, subdivided into various groups at initial recognition. The three key parameters for grouping are as below:



**Insurance Contracts divided according to Risk Condition**



**Further subdivision of contracts based on Time Condition**



**Final groups decided by subdividing as per Profitability Condition**

## Other Considerations

Some key things to be kept in mind for entities, while grouping their business are:

### Assessment of Groups

No reassessment of Groups of contracts can be done after being identified at initial recognition

### Grouping of contracts 1 year apart

IFRS 17 mentions that the contracts that are issued one year apart will have to be allocated to the new groups. Companies can investigate aligning its grouping with respect to financial year for the ease of grouping.

### Framework

The Company should look to devise a framework which uses their existing reporting frameworks to determine the broad group in which the contracts are likely to fall when measured as per IFRS 17.

### Legal Constraints

If contracts within a portfolio fall in different groups only because law and/or regulation specifically constraints the entity's practical ability to set a different price for different characteristics, the entity may include those contracts in the same group.

### Measurement

To measure a group of contracts, the entity may estimate fulfilment cashflows at a higher level of aggregation than the group or portfolio.

### Liability for past service

Groups may have liabilities that may be outstanding beyond the coverage period such as liabilities for IBNR claims. Thus, companies need to hold the liability as part of the respective Group which will remain active until settlement date.



Level of Aggregation of Insurance Contracts is key in IFRS17 as the groups once formed cannot be changed/revisited and are subsequently used for computing all the key cashflows. If you have not started grouping your business to be IFRS17 ready, it is now time to begin the gap assessment.

To gain more insights on the above grouping considerations 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).



## 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 .:+91-22-4292231

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

Website :  
[www.ka-pandit.com](http://www.ka-pandit.com)  
E-mail :  
[kap@ka-pandit.com](mailto:kap@ka-pandit.com)

This material and the information contained herein prepared by M/S. K. A. Pandit Consultants & Actuaries (KAP) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). This material contains information sourced from third party sites (external sites). KAP is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such external sites. By means of this material, KAP is not rendering professional advice or services. This information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. No entity in the KAP Network shall be responsible for any loss whatsoever sustained by any person who relies on this material. ©2021 K. A. PANDIT ISO 9001:2015 CERTIFIED | ISO 27001:2013 CERTIFIED

**We work for you, wherever your business takes you!**