

CPA Canada handbook – accounting, part I

highlight summary no. I.44

March 2018

(Note: Any changes to previously issued standards are identified in the effective date guidance in each affected standard.)

IFRS 17 Insurance Contracts

This new standard, issued by the International Accounting Standards Board (IASB) in May 2017, sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard applies to insurance contracts an entity issues and reinsurance contracts it holds.

The main features of this standard are as follows:

- An entity divides insurance contracts into groups that it will recognize and measure.
- Groups of insurance contracts are recognized and measured at:
 - a risk-adjusted present value of estimated future cash flows (the fulfilment cash flows); and
 - an amount representing the unearned profit in the group of contracts (the contractual service margin).
- An entity can choose to apply a simplified measurement approach (the premium allocation approach) when certain criteria are met.
- The profit from a group of insurance contracts is recognized over the period the entity provides insurance coverage and as it is released from risk. If a group of contracts is or becomes loss-making, the loss is recognized in profit or loss immediately.
- An entity presents separately insurance revenue and insurance service expenses, and insurance finance income or expenses.
- An entity discloses qualitative and quantitative information about the amounts recognized in its financial statements from insurance contracts, significant judgments and changes in judgments made in applying IFRS 17, and the nature and extent of the risks that arise from insurance contracts.

The new standard supersedes the requirements in IFRS 4 *Insurance Contracts*.

The new standard is effective for annual periods beginning on or after January 1, 2021, with earlier application permitted for entities that also apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

Other editorial changes and corrections introduced in March 2018