IFRS 17 EXAM QUESTIONS

IFRS 17 ONLINE EXAM QUESTIONS
5. What is global date of Initial Application of IFRS 17 for insurance companies under National Insurance Commission's supervision? When did IFRS 17 Standard start applying? (1 mark)
- 31 Dec 2023
- 1 Jan 2022
- 1 Jan 2023
- 31 Dec 2021

6. When the National Insurance Commission (NIC) is supervising insurers, which of the methods below does it NOT expect to see as an IFRS 17 application method? (1 mark)
- Premium Allocation Approach
- General Allocation Approach
- General Measurement Model
- Variable Fee Approach

7. Which Balance Sheet entry item below is NOT expected to be shown by an insurer while implementing IFRS 17? (1 mark)
- Insurance Contract Liabilities
- Premium Receivables from Policyholders
- Reinsurance Contract Assets
- Insurance Contract Assets

8. Which Profit & Loss entry item below is NOT expected to be shown by an insurer while implementing IFRS 17? (1 mark)
- Gross Written Premium
- Management Expenses
- Commissions (Insurance Acquisition Costs)
- Incurred Claims

9. IFRS 17 requires that the insurer establishes a new reserve called Contractual Service Margin (“CSM”). What does this reserve represent? (2 marks)
- Unpaid Claims
- Unearned Profit
- Earned Premium
- Risk Adjustment

10. The Risk Adjustment margin for non-financial risks can be considered as (2 marks)
- Part of Gross Written Premium
- Part of Shareholder Funds
- Part of Premium & Claims Reserves
- Part of Intangible Assets

11. The Liability for Incurred Claims (LIC) is composed of (2 marks)
- Liability for Remaining Coverage & Risk Adjustment Margin
- Outstanding Claim Reserves and Incurred But Not Reported Reserves & Risk Adjustment for Non-Financial Risks
- Contractual Service Margin & Risk Adjustment Margin for Non-Financial Risks
- Premium & Risk Adjustment Margin for Non-Financial Risks

12. How does IFRS 17 Standard expect the insurer and the National Insurance Commission to monitor how the discounting of cashflows is being unwound as the payment date gets closer? (2 marks)
- Through Contractual Service Margin
- Through Insurance Finance Expense
- Through Risk Adjustment Margin for Non-Financial Risks
- Through Shareholder Funds

13. If all the policyholders fully pay their premium on time, the “Insurance Revenue” of a General Insurance Company can be compared to (2 marks)

- Gross Written Premium
- Gross Earned Premium
- Net Earned Premium
- New Written Premium

14. IFRS17 has a new view on how reinsurance contracts should be treated. The spirit of the new approach is (2 marks)

- Combine all reinsurance cashflows and policyholder cashflows to get a net position.
- Separate all reinsurance cashflows from policyholder cashflows and report the net cost of reinsurance separately.
- Combine only premium reinsurance cashflows and policyholder cashflows and separate claims cashflows.
- Combine only claims reinsurance cashflows and policyholder cashflows and separate premium cashflows.

15. IFRS 17 has made some changes to how claim reserves should be treated when it comes to time value of money. The spirit of the new approach is (2 marks)

- The insurer has the choice of discounting or not regardless of when the claim is expected to be paid
- All claims expected to be paid after a year should be discounted and those expected to be paid in less than one year should also be discounted.
- All claims expected to be paid after a year should be discounted and those expected to be paid in less than one year can be discounted or not depending on the choice of the insurer.
- All claims must be discounted regardless of expected payment date.

16. Some people say adoption of IFRS 17 should be encouraged by regulators, such as National Insurance Commission (NIC), because it encourages CASH and CARRY by (2 marks)

- Not considering Premium Receivables in the Balance Sheet
- Ignoring Uncollected Premium in Income
- It considers premium only if claims have been paid
- It discounts claims

17. When an insurer discounts its liabilities at a higher rate than what it expecting to earn, the National Insurance Commission (NIC) can easily detect this in the Profit & Loss Account by looking at (2 marks)

- Insurance Revenue
- Insurance Service Expenses
- Net Financial Results
- Insurance Service Results

18. Under the General Measurement Model (GMM), the insurance contract liabilities or assets are composed of (2 marks)

- Liability for Remaining Coverage & Risk Adjustment Margin
- Liability for Remaining Coverage & Liability for Incurred Claims
- Contractual Service Margin & Liability for Incurred Claims
- Premium, Outstanding Claim Reserves and Incurred But Not Reported Reserves