

International Financial Reporting Standards

Insurance Contracts Standard *Presentation and disclosure*

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1. The need for change and the history of the project
2. What is an insurance contract
3. Initial measurement of insurance contracts
4. Subsequent measurement of insurance contracts
5. Modifications to General model: variable fee contracts
6. Other modifications to the General model
7. **Presentation and disclosure**
8. Applying the standard for the first time

Present result in financial statements

The presentation format of the statement of comprehensive income will be consistent between insurers and entities that do not issue insurance contracts.

Statement of Comprehensive Income

	20XX
Insurance contracts revenue	X
Incurred claims and expenses	(X)
Operating result	X
Investment income	X
Insurance finance expense	(X)
Investment result	X
Profit or loss	X
Effect of discount rate changes on insurance liability (optional)	(X)
Total comprehensive income	XX

Revenue/expense recognised as earned (not received) or incurred (not paid)

Investment expense either current or 'cost', depending on accounting policy choice

If investment expense is 'cost', effect of difference between current and cost rates is presented in OCI

- Currently, insurance revenue determined as either premiums invoiced (premiums due), or present value of expected future premiums (premiums written)
 - Inconsistently applied
 - May include 'deposit-like' elements
 - May not reflect compensation for risk borne in each period
 - May give the same weight to single and recurring premiums
- Inconsistent with revenue principles in IFRS

- Premiums allocated on an earned basis
- Premium that relates to investment components excluded from premium revenue
- Premium revenue in period represents the compensation insurer earned for coverage provided in that period

Present results in financial statements

Insurance investment expense in profit or loss

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Presenting insurance finance expense in profit or loss on a cost basis can reduce accounting mismatches with income from related assets measured on a cost basis.

Approach for determining insurance finance expense in profit or loss

'Cost measurement basis'

- Apply effective yield approaches to determine insurance finance expense in P&L
- Different versions appropriate for different contracts

Current period book yield approach

- Insurance finance expense in profit or loss eliminates accounting mismatch with items held in profit or loss
- Only for specified contracts (ie with no economic mismatches)

OCI: difference between insurance finance expense in P&L and insurance finance expense determined on current basis

Disclosures

The new insurance contracts Standard will provide insight into the amounts recognised in financial statements and carry forward some existing disclosures in IFRS 4 relating to the risks of issuing insurance contracts.

Amounts

Expected PV of future cash flows

Risk and the contractual service margin

Time value of money (interest expense)

New contracts written in the period

Judgements

Estimating inputs and methods

Effects of changes in inputs and methods

Reason for change, identifying the type of contracts affected

Risk

Nature and extent of risks arising

Extent of mitigation of risks by reinsurance and participation features

Quantitative data about exposure to credit, market and liquidity risk

