

Visual guide

IFRS 17 Insurance Contracts

Facts you need to know

June 2017



Comprehensive model for all insurance and reinsurance contracts, based on **fulfilment objective**, using **current assumptions** and **discount rates**

General measurement model (GMM)

Initial measurement

The model comprises...

- **Fulfilment cash flows**
 - Estimates of future cash flows
 - Discounting
 - Risk adjustment for non-financial risk
- **Contractual service margin (CSM)**

Some modifications to the GMM

Premium allocation approach permits simplifications for certain contracts

Variable fee approach is applied to direct participating contracts

Subsequent measurement



Updates to assumptions of **future cash flows, discount rates** and **risk adjustments**

CSM is adjusted for changes in **fulfilment cash flows** related to **future coverage and services**

Changes related to **past and current services** are recognised in the P&L and/or OCI

Transition



Full retrospective application is required – however, a **modified retrospective** and a **fair value approach** are available

Limited ability to redesignate some financial assets on initial application

Effective date: **1 January 2021**

Presentation and disclosures



Insurance revenue presentation based on **provision of service pattern**

Investment components excluded from insurance revenue

Entities can choose to present the effects of **discount rate and other financial risk changes in OCI or P&L** to reduce volatility

We invite you to contact our specialists or your usual KPMG contact to discuss how these proposals may impact you.