

## FA Module 24: IFRS 17: reconciliations of the insurance contract liability (overview)

(The attached PDF file has better formatting.)

The module covers the following IFRS 17 topics:

- ! recognition and presentation in the financial statements
- ! insurance service expenses, insurance revenue, and insurance finance income or expense
- ! reconciliations of the insurance contract liabilities

Some topics are covered multiple times in the discussion forum postings. The accretion of interest (insurance finance expense), the allocation of the contractual service margin to profit or loss (insurance revenue), and insurance service expense are discussed in many postings.

The final exam will give a two-year non-onerous insurance contract with no reinsurance and test the general measurement approach. The practice problems in this module on insurance service expenses, insurance revenue, and insurance finance income or expense prepare you for that problem. The format of the final exam problems is shown in the discussion thread on final exam questions in the final exam forum for this module, though the problems are multiple choice questions.

The final exam problems do *not* test the *presentation* of insurance performance or the reconciliations of the insurance contract liabilities. However, working through the presentation of insurance performance and the reconciliations of the insurance contract liabilities solidifies your understanding of IFRS 17.

IFRS 17 distinguishes

- ! Liability for remaining coverage (the unexpired portion of the insurance contract)
- ! Liability for incurred claims that have not yet been paid

For onerous contracts, IFRS 17 distinguishes

- ! Liability for remaining coverage excluding the loss component
- ! Liability for the loss component of the remaining coverage

Onerous contracts are *not* tested on the final exam.

IFRS 17 allocates certain items (such as the insurance finance expense) in a “systematic way” between parts, such as (i) the liability for remaining coverage excluding the loss component vs (ii) the loss component of the liability for remaining coverage or (iii) profit or loss vs (iv) other comprehensive income. Final exam problems do not test these allocations.