Background

The purpose of this paper is to discuss the systematic basis to allocate insurance acquisition cash flows (IACF) and non-distinct investment component (NDIC) between the liability for remaining coverage (LRC) excluding the loss component (the "non-LC") and the loss component (the "LC") of the LRC in accordance with IFRS 17.50(a).

In all scenarios below, the general measurement model (GMM) is used. A number of simplifications have been made. For example, the risk adjustment for non-financial risk (RA) is assumed to be nil and there is no change in current discount rate, etc. In addition, time value of money is not considered for IACF.

While there was a TRG discussion in September 2018 (AP06) called 'recovery of insurance acquisition cash flows', that TRG paper does not address scenarios where the IACF exceeds the premium upon initial recognition (see Scenario 1). Nevertheless, this paper tries to leverage the TRG paper to establish possible underlying principles.

Scenario 1

<u>Fact pattern</u>
The IACF is larger than the total premium. It is assumed that all IACF are incurred upon initial recognition of the onerous group of insurance contracts such that there is no need to consider any impairment of assets arising from IACF prior to initial recognition of the group of contracts. The cash flows of the onerous group of contracts are as follows:

Year	0	1
Premium	(50,000)	
IACF incurred and paid	51,000	
Claims (non-NDIC) and expenses		20,000

<u>Question</u>
How should the IACF paid be allocated between the non-LC and LC? Appendix C illustrates the movement of insurance contract liabilities and income statement under views 1-3.

<u>Views</u>
View 1 – All IACF paid are allocated to the non-LC
IFRS 17.51 requires the systematic allocation of only three types of subsequent changes in fulfilment cash flows of the LRC in accordance with IFRS 17.50(a). Specifically, IFRS 17.51(a) covers 'claims and expenses' released from LRC because of incurred service expenses but not other fulfilment cash flows, while IFRS 17.51(b) and (c) relate to the RA and insurance finance income or expenses (IFIE), respectively. As inferred by IFRS 17.103(b)(i) and (ii), incurred claims and expenses do not appear to include IACF and IACF do not form a part of either the RA or IFIE. Accordingly, IACF is not allocated between the non-LC and the LC.

Supporters of view 1 apply what appears to be the industry practice (as supported by the IFRS 17 illustrative financial statements of certain large accounting firms in Appendix B) to include both IACF paid and IACF amortisation in the non-LC.

Those in view 1 also question whether, if view 2 or 3 is applied, the entity should apply the same allocation method for other onerous contracts where the IACF is less than the total premium. However, supporters of view 1 do not believe such a treatment has been observed in practice.

While those in view 1 acknowledge that the result of applying this view does not produce the most meaningful outcome, they believe it remains the only valid interpretation of IFRS 17.51. Using the numbers in this fact pattern, the proportion for the systematic allocation between the non-LC and the LC would be (5.1%) and 105.1%, resulting in a negative release of expected claims (within insurance revenue) and negative incurred claims and expenses (within insurance service expenses). IFRS 17.B121 requires the amount of insurance revenue recognised to depict the transfer of promised services at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services, which cannot reasonably be negative. Nevertheless, supporters of view 1 note this is merely a function of the expectation in IFRS 17 that IACF will be less than the total premium. Such a view is consistent with IFRS 17.B125, which refers to allocating 'a portion of the premiums that relate to recovering those [insurance acquisition] cash flows'.

View 2 – IACF paid is allocated between the non-LC and the LC using the same proportion as used to allocate other cash flows

As indicated in IFRS 17.B65(e), IACF is part of the fulfilment cash flows. Despite the wording in IFRS 17.51(a), there is no reason to treat IACF and other claims and expenses differently apart from recognition of insurance revenue and insurance service expenses as governed by IFRS 17.B125. Also, the list in IFRS 17.51 should not be viewed as being exhaustive and an entity is not precluded from allocating IACF between non-LC and LC as long as it is done in a systematic manner. More importantly, the entity should apply judgement to determine the accounting to deal with the extreme situation where IACF exceeds the amount of the premium, as in this fact pattern.

A possible systematic basis would be to calculate the allocation using a similar proportion as used to allocate other cash flows. Under this approach, a portion of IACF paid is allocated to the LC, which avoids the recognition of negative release of expected claims (within insurance revenue) as would be the case applying view 1. In addition, supporters of view 2 believe that this view is preferable to view 3, which might not be practical given it requires significant judgement to assess in each instance whether the loss is attributable to the IACF or other cash flows.

Under view 2, both insurance revenue and insurance service expenses recognised for recovery of IACF under IFRS 17.B125 would be based on the IACF paid that were allocated to the non-LC.

View 3 – IACF paid is first allocated to the LC and the remaining amount is allocated to the non-LC

View 3 is somewhat consistent with view 2 in that the IACF should be allocated between the non-LC and the LC in a systematic manner such that negative release of expected claims (within insurance revenue) will not arise. However, supporters of view 3 believe that identification of a suitable method of systematic allocation requires significant judgement. In the fact pattern, the premium is able to cover both claims and expenses and the significant IACF can be seen to be the primary reason for the insurance contracts being onerous. In such a scenario, an appropriate basis for performing a systematic allocation of the IACF would be to allocate the IACF to the LC first with the remaining amount being allocated to the non-LC.

Consistent with view 2, both the insurance revenue and insurance service expenses recognised for recovery of IACF under IFRS 17.B125 would be based on the IACF paid that were allocated to the non-LC.

While some might argue that the allocation under view 3 may appear inconsistent with the September 2018 TRG discussion (AP06), which says that an entity is not required to determine how much of the premium relates to recovering the IACF versus recovering the other cash flows, supporters of view 3 believe that the TRG discussion merely notes there is no such requirement to undertake such a determination rather than creating any prohibition from doing so.

View 4 – Any method of allocation that could avoid negative release of expected claims is acceptable

As explained in view 1, the IACF is not covered by para 50(a) and 51 of IFRS 17. This could be interpretated as IFRS 17 being silent on the treatment of IACF paid for a group of onerous contracts. Thus, the requirement of a *systematic* allocation under IFRS 17.50(a) is not relevant for IACF.

However, IFRS 17.B125 requires that the insurance revenue recognised for recovering IACF should be limited to the amount of the premiums. Consequently, when the amount of IACF exceeds the amount of premiums a portion of the IACF should be allocated to the LC to avoid the need for a negative release of expected claims.

Any method of allocation that avoids a negative release of expected claims is therefore considered to be acceptable. For Scenario 1, in addition to the two methods under views 2 and 3, the following methods might also be possible:

- The excess of the IACF over the premium (i.e. 1,000) is first allocated to the LC. The remaining amount (i.e. 50,000) is allocated between the LC and the non-LC using the same proportion as used to allocate other cash flows

- The IACF paid is first allocated to the non-LC to the extent of premium (i.e. 50,000) and the remaining amount (i.e.1,000) is allocated to the LC

Scenario 2

Fact pattern

The NDIC is larger than the total premium, resulting in onerous contracts. Below summarises the cash flows of the onerous group.

Year	0	1
Premium	(50,000)	
Claims (NDIC)		55,000
Claims (non-NDIC) and expenses		5,000

Question

How should the NDIC be allocated between the non-LC and the LC? Appendix C illustrates the movement of insurance contract liabilities and income statement under views 1-4.

Views

View 1 – All NDIC is allocated to the non-LC

IFRS 17.51 requires the systematic allocation of only three types of subsequent changes in fulfilment cash flows of the LRC in accordance with IFRS 17.50(a). Specifically, IFRS 17.51(a) covers ‘claims and expenses’ released from LRC because of incurred service expenses from which NDIC should be excluded. Accordingly, NDIC is not allocated between the non-LC and the LC.

Supporters of view 1 apply what appears to be the industry practice (as supported by the IFRS 17 illustrative financial statements of certain large accounting firms in Appendix B) to only include the NDIC in the non-LC. Allocating solely to non-LC is also the approach as illustrated by example 3B in IFRS 17 of which footnote (b)(ii) says, ‘the investment component is allocated solely to the liability for remaining coverage excluding the loss component, because it is not included in insurance revenue or insurance service expenses.’

Those in view 1 also question whether, if view 2, 3 or 4 is applied, the entity should apply the same allocation method for other onerous contracts where the NDIC is less than the total premium. However, supporters of view 1 do not believe such a treatment has been observed in practice.

While those in view 1 acknowledge that the result of applying this view does not produce the most meaningful outcome, they believe it remains the only valid interpretation of IFRS 17.51. Using the numbers in this fact pattern, the release of expected claims and also the insurance revenue would be negative. The incurred claims within insurance service expenses would also become negative. IFRS 17.B121 requires the amount of insurance revenue recognised to depict the transfer of promised services at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services, which cannot reasonably be negative. Nevertheless, this view meets the IFRS 17.B120 test from a purely mathematical perspective, as B120 does not preclude insurance revenue being negative.

View 2 – NDIC is allocated between the non-LC and the LC using the same proportion as used to allocate other cash flows

IFRS 17.B65(b) and (c) state that payments to policyholder are fulfilment cash flows, regardless of whether they are NDIC. Despite the wording in IFRS 17.51(a), there is no reason to treat NDIC and other claims and expenses differently. Also, the list in IFRS 17.51 should not be viewed as being exhaustive and an entity is not precluded from allocating NDIC between the non-LC and the LC as long as it is done on a systematic manner. More importantly, the entity should apply judgement to determine the accounting to deal with the extreme situation where the NDIC exceed the amount of the premium, as in the fact pattern.

A possible systematic basis would be to calculate the allocation using a similar proportion as used to allocate other cash flows. Under this approach, a portion of the NDIC is allocated to the LC, which avoids the recognition of negative insurance revenue from services provided as would be the case applying view 1. In addition, supporters of view 2 believe this view is preferable to views 3 and 4, which might not be practical given it requires significant judgement to assess in each instance whether the loss is attributable to the NDIC or other cash flows.

View 3 – NDIC is first allocated to the LC and the remaining amount is allocated to the non-LC

View 3 is somewhat consistent with view 2 in that the NDIC should be allocated between the non-LC and the LC in a systematic manner such that negative insurance revenue will not arise. However, supporters of view 3 believe that identification of a suitable method of systematic allocation requires significant judgement. In the fact pattern, the entity might conclude that the significant NDIC can be seen to be the primary reason for the insurance contracts being onerous, for example by promising the policyholders a high guaranteed return. In such a scenario, an appropriate basis for performing the systematic allocation would be to allocate the NDIC to the LC first with the remaining amount being allocated to the non-LC.

View 4 – Non-NDIC claims and expenses are first allocated to the LC. Remaining LC is absorbed by NDIC

View 4 is somewhat consistent with view 2 in that the NDIC should be allocated between the non-LC and the LC in a systematic manner such that negative insurance revenue will not arise. However, supporters of view 3 believe that identification of a suitable method of systematic allocation requires significant judgement. In the fact pattern the entity might conclude that the premium should recover the NDIC first because the entity is obliged to repay the policyholders for the NDIC using the premium received. Therefore, the non-NDIC claims and expenses are first allocated to the LC. If there is any LC left, they are absorbed by the NDIC. The amount of NDIC allocated to the LC represents the excess return over the IFRS 17 discount rate.

Under this view, the insurance revenue would be nil. The outcome could be viewed as being most appropriate in the circumstances because insurance revenue represents the portion of the consideration to which the entity is entitled for providing services. In the fact pattern in Scenario 2 the entity has to repay all premiums received (and more) and hence is not entitled to any consideration for the services. Furthermore, this view satisfies IFRS 17.B120 test if one takes the view that the insurance revenue arising from the calculation cannot be negative (i.e. there is a floor of zero).

View 5 – Any method of allocation that could both satisfy the B120 test and avoid negative revenue is acceptable
As explained in view 1, the NDIC is not covered by para 50(a) and 51 of IFRS 17. This could be interpretated as IFRS 17 being silent on the treatment of NDIC for a group of onerous contracts. Thus, the requirement of a *systematic* allocation under IFRS 17.50(a) is not relevant for NDICs.

As illustrated in Appendix C, view 1 (i.e. allocating all the NDIC to the non-LC) results in the recognition of negative revenue. While this could be viewed as passing the IFRS 17.B120 test those in view 5 believe it is counter-intuitive to recognise both negative revenue and negative insurance service expenses. Consequently, there should be a portion of the NDIC to be allocated to the LC to avoid negative revenue.

However, supporters of view 5 note that views 2 and 3 are not acceptable for Scenario 2 because these fail the IFRS 17.B120 test as the present value of NDIC has already exceeded the premium.

Scenario 3

<u>Fact pattern</u>
Scenario 3 is based on a more realistic fact pattern for some saving products that provide a fixed guaranteed return (3.5% p.a.), which is higher than the discount rate that does not reflect the variability of any underlying items (1% p.a.), resulting in onerous contracts. The policyholders are entitled to a benefit being the premium paid plus the accrued interest at 3.5% upon maturity or surrender (with no surrender charge). Upon occurrence of the insured events, the policyholders receive 105% of the aforementioned amount.

For the purposes of this illustration, assume the entity underwrites 10 homogeneous 2-year policies. 2 policyholders die at the end of year 1 and another 2 die at the end of year 2. The other policyholders receive the maturity benefit. The insurance revenue and insurance service expenses related to recovery of IACF, if any, is determined based on coverage units.

Below summarises the cash flows of the onerous group.

Year	0	1	2
Premium	(50,000)		
IACF incurred and paid	1,000		
Claims (NDIC)		10,350	42,849
Claims (non-NDIC)		518	536
Expenses		100	100

<u>Question</u>
How should the NDIC and IACF paid be allocated between non-LC and LC? Appendix C illustrates the movement of insurance contract liabilities and the income statement under views 1-4. The rationale for each view is as set out in Scenarios 1 and 2.

View 1 – All IACF paid and the NDIC are allocated to the non-LC

View 2 – IACF paid and the NDIC are allocated between the non-LC and the LC using the same proportion as used to allocate other cash flows

View 3 – The NDIC, followed by IACF paid, is first allocated to the LC and the remaining amount is allocated to the non-LC

View 4 – IACF paid, non-NDIC claims and expenses are first allocated to LC and the remaining LC is absorbed by NDIC

View 5 – Any method of allocation that could (i) avoid negative release of expected claims and (ii) satisfy both the B120 test and avoid negative revenue is acceptable
Under this view, for the purposes of applying IFRS 17.B125, the insurance revenue recognised for recovering the IACF should be limited to the amount of premiums excluding the NDIC.

Supporters of view 5 note that views 2 and 3 are not acceptable for Scenario 3 as the present value of NDIC has already exceeded the premium.

Appendix A – Extracts of relevant requirements

IFRS 17.50
After an entity has recognised a loss on an onerous group of insurance contracts, it shall allocate:

(a) the subsequent changes in fulfilment cash flows of the liability for remaining coverage specified in paragraph 51 on a systematic basis between:
   (i) the loss component of the liability for remaining coverage; and
   (ii) the liability for remaining coverage, excluding the loss component.

(b) solely to the loss component until that component is reduced to zero:
   (i) any subsequent decrease relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk; and
   (ii) any subsequent increases in the amount of the entity's share of the fair value of the underlying items.

   Applying paragraphs 44(c)(ii), 45(b)(iii) and 45(c)(iii), an entity shall adjust the contractual service margin only for the excess of the decrease over the amount allocated to the loss component.

IFRS 17.51
The subsequent changes in the fulfilment cash flows of the liability for remaining coverage to be allocated applying paragraph 50(a) are:

(a) estimates of the present value of future cash flows for claims and expenses released from the liability for remaining coverage because of incurred insurance service expenses;
(b) changes in the risk adjustment for non-financial risk recognised in profit or loss because of the release from risk; and
(c) insurance finance income or expenses.

IFRS 17.103
An entity shall separately disclose in the reconciliations required in paragraph 100 each of the following amounts related to services, if applicable:

(a) insurance revenue.

(b) insurance service expenses, showing separately:
   (i) incurred claims (excluding investment components) and other incurred insurance service expenses;
   (ii) amortisation of insurance acquisition cash flows;
   (iii) changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims; and
   (iv) changes that relate to future service, i.e. losses on onerous groups of contracts and reversals of such losses.

(c) investment components excluded from insurance revenue and insurance service expenses (combined with refunds of premiums unless refunds of premiums are presented as part of the cash flows in the period described in paragraph 105(a)(i)).

IFRS 17.B65 (extracts)
Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the entity has discretion over the amount or timing. The cash flows within the boundary include:

(b) payments to (or on behalf of) a policyholder, including claims that have already been reported but have not yet been paid (i.e. reported claims), incurred claims for events that have occurred but for which claims have not been reported and all future claims for which the entity has a substantive obligation (see paragraph 34).
(c) payments to (or on behalf of) a policyholder that vary depending on returns on underlying items.
…
(e) an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
…

<u>IFRS 17.B120</u>
The total insurance revenue for a group of insurance contracts is the consideration for the contracts, i.e. the amount of premiums paid to the entity:

(a) adjusted for a financing effect; and
(b) excluding any investment components.

<u>IFRS 17.B121 (extracts)</u>
Paragraph 83 requires the amount of insurance revenue recognised in a period to depict the transfer of promised services at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. …

<u>IFRS 17.B125</u>
An entity shall determine insurance revenue related to insurance acquisition cash flows by allocating the portion of the premiums that relate to recovering those cash flows to each reporting period in a systematic way on the basis of the passage of time. An entity shall recognise the same amount as insurance service expenses.

<u>September 2018 TRG meeting (AP06)</u>
Paragraph 14 of the staff paper
This means that insurance acquisition cash flows are treated in the same way as other cash flows incurred in fulfilling insurance contracts. The way that the measurement model in IFRS 17 works means that an entity is not required to separately identify whether it will recover insurance acquisition cash flows at each reporting date. For example, if premiums are lower than the sum of insurance acquisition cash flows and other cash flows incurred in fulfilling the contracts, the entity is not required to determine how much of the premium relates to recovering the insurance acquisition cash flows and how much of the premium relates to recovering the other cash flows incurred in fulfilling the contracts. Paragraph BC180 of the Basis for Conclusions on IFRS 17 explains that this is because the measurement model captures any lack of recoverability automatically by remeasuring the fulfilment cash flows.

Paragraph 23 of the summary
TRG members discussed the analysis in Agenda Paper 6 and observed that:

(a) paragraphs B123 and B125 of IFRS 17 work together to achieve an insurance revenue that reflects the total premium (adjusted for a financing effect and excluding any investment component), as required by paragraph B120 of IFRS 17. An entity is not required separately to identify whether it will recover insurance acquisition cash flows at each reporting date.

(b) paragraph B125 of IFRS 17 assumes that the portion of premiums relating to the recovery of insurance acquisition cash flows is equal to the current estimate of total expected insurance acquisition cash flows at each reporting period.

Appendix B – Extracts of big 4 IFRS 17 illustrative statements

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Savings – Insurance contracts issued	20X5 LRC Excluding loss component	20X5 LRC Loss component	20X5 LIC	20X5 Total	20X4 LRC Excluding loss component	20X4 LRC Loss component	20X4 LIC	20X4 Total
Insurance contract liabilities as at 1 January[1]	**22,462**	-	-	**22,462**	**3,693**	-	-	**3,693**
Insurance revenue	**(19,839)**	-	-	**(19,839)**	**(16,144)**	-	-	**(16,144)**
Insurance service expenses								
Incurred claims and other directly attributable expenses	-	-	16,167	16,167	-	-	13,011	13,011
Other pre-recognition cash flows assets derecognised at the date of initial recognition	-	-	-	-	-	-	-	-
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	-	-	-	-	-	-
Losses on onerous contracts and reversals of those losses	-	-	-	-	-	-	-	-
Insurance acquisition cash flows amortisation	996	-	-	996	824	-	-	824
Insurance service expenses	**996**	-	**16,167**	**17,163**	**824**	-	**13,011**	**13,835**
Insurance service result	**(18,843)**	-	**16,167**	**(2,676)**	**(15,320)**	-	**13,011**	**(2,309)**
Finance expenses from insurance contracts issued	1,910	-	-	1,910	371	-	-	371
Total amounts recognised in comprehensive income	**(16,933)**	-	**16,167**	**(766)**	**(14,949)**	-	**13,011**	**(1,938)**
Investment components	(392)	-	392	-	(241)	-	241	-
Insurance acquisition cash flows asset and other pre-recognition cash flows derecognised and other changes	-	-	-	-	-	-	-	-
Cash flows								
Premiums received	43,758	-	-	43,758	36,707	-	-	36,707
Claims and other directly attributable expenses paid	-	-	(16,559)	(16,559)	-	-	(13,252)	(13,252)
Insurance acquisition cash flows	(3,435)	-	-	(3,435)	(2,748)	-	-	(2,748)
Total cash flows	**40,323**	-	**(16,559)**	**23,764**	**33,959**	-	**(13,252)**	**20,707**
Insurance contract liabilities as at 31 December[1]	**45,460**	-	-	**45,460**	**22,462**	-	-	**22,462**

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I. Life risk

Insurance contracts

Analysis by remaining coverage and incurred claims

In millions of euro	Note	2023 Liabilities for remaining coverage: Excluding loss component	2023 Liabilities for remaining coverage: Loss component	2023 Liabilities for incurred claims	2023 Total	2022 Liabilities for remaining coverage: Excluding loss component	2022 Liabilities for remaining coverage: Loss component	2022 Liabilities for incurred claims	2022 Total
Opening assets		(709)	31	12	(665)	(669)	36	14	(619)
Opening liabilities		48,284	1,998	716	50,998	43,580	1,933	724	46,237
Net opening balance		47,576	2,029	728	50,333	42,911	1,969	738	45,618
Changes in the statement of profit or loss and OCI									
Insurance revenue									
Contracts under the modified retrospective transition approach		(4,585)	-	-	(4,585)	(4,879)	-	-	(4,879)
Contracts under the fair value transition approach[a]		(671)	-	-	(671)	(729)	-	-	(729)
Other contracts		(3,399)	-	-	(3,399)	(2,658)	-	-	(2,658)
	10	(8,655)	-	-	(8,655)	(8,266)	-	-	(8,266)
Insurance service expenses									
Incurred claims and other insurance service expenses		-	(168)	7,247	7,079	-	(158)	6,900	6,742
Amortisation of insurance acquisition cash flows[a]		688	-	-	688	609	-	-	609
Losses and reversals of losses on onerous contracts		-	(51)	-	(51)	-	56	-	56
Adjustments to liabilities for incurred claims		-	-	9	9	-	-	(11)	(11)
		688	(219)	7,256	7,725	609	(102)	6,889	7,396
Investment components and premium refunds[a]		(903)	-	903	-	(881)	-	881	-
Insurance service result		(8,870)	(219)	8,159	(930)	(8,538)	(102)	7,770	(870)
Net finance expenses from insurance contracts	11	2,906	136	40	3,081	2,801	128	46	2,973
Effect of movements in exchange rates		(420)	(17)	(7)	(444)	903	38	10	909
Total changes in the statement of profit or loss and OCI		(6,384)	(100)	8,201	1,717	(4,834)	60	7,826	3,012
Cash flows									
Premiums received		10,665	-	-	10,665	10,157	-	-	10,157
Claims and other insurance service expenses paid, including investment components		-	-	(7,902)	(7,902)	-	-	(7,617)	(7,617)
Insurance acquisition cash flows		(649)	-	-	(649)	(618)	-	-	(618)
Total cash flows		10,016	-	(7,902)	2,114	9,539	-	(7,617)	1,922
Transfer to other items in the statement of financial position[a]		-	-	(261)	(261)	-	-	(219)	(219)
Net closing balance		51,208	1,929	766	53,903	47,576	2,029	728	50,333
Closing assets		(761)	34	14	(713)	(708)	31	12	(665)
Closing liabilities		51,969	1,895	752	54,616	48,284	1,998	716	50,998
Net closing balance		51,208	1,929	766	53,903	47,576	2,029	728	50,333

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12.1.1.1.Life insurance contracts issued

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in life insurance unit, is disclosed in the table below:

In €000		2023 Liabilities for remaining coverage: Excluding loss component	2023 Liabilities for remaining coverage: Loss component	Liabilities for incurred claims	Assets for insurance acquisition cash flows	Total
Life insurance contract liabilities as at 01/01		9,600	285	2,017	(9)	11,893
Life insurance contract assets as at 01/01		(138)	4	42	-	(92)
Net life insurance contract (assets)/liabilities as at 01/01		**9,462**	**289**	**2,059**	**(9)**	**11,801**
Insurance revenue		(1,773)	-	-	-	(1,773)
Contracts under modified retrospective approach	a	(38)	-	-	-	(38)
Contracts under fair value approach	b	(4)	-	-	-	(4)
Other contracts		(1,731)	-	-	-	(1,731)
Insurance service expenses		15	(41)	1,079	-	1,053
Incurred claims and other expenses		-	(11)	1,082	-	1,071
Amortisation of insurance acquisition cash flows	c	15	-	-	-	15
Losses on onerous contracts and reversals of those losses		-	(30)	-	-	(30)
Changes to liabilities for incurred claims		-	-	(3)	-	(3)
Impairment of assets for insurance acquisition cash flow		-	-	-	-	-
Reversal of impairment of assets for insurance acquisition cash flows		-	-	-	-	-
Investment components and premium refunds		(50)	-	50	-	-
Insurance service result		**(1,808)**	**(41)**	**1,129**	**-**	**(720)**
Insurance finance expenses	d	**615**	**10**	**77**	**-**	**702**
Effect of movements in exchange rates		**(55)**	**-**	**-**	**-**	**(55)**
Total changes in the statement of profit or loss and OCI		**(1,248)**	**(31)**	**1,206**	**-**	**(73)**
Cash flows						
Premiums received		1,903	-	-	-	1,903
Claims and other expenses paid		-	-	(1,227)	-	(1,227)
Insurance acquisition cash flows	e	(6)	-	-	(9)	(15)
Total cash flows		**1,897**	**-**	**(1,227)**	**(9)**	**661**
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts		**(12)**	**-**	**-**	**12**	**-**
Other movements	f, g, h	**-**	**-**	**(23)**	**(4)**	**(27)**
Net life insurance contract (assets)/liabilities as at 31/12		**10,099**	**258**	**2,015**	**(10)**	**12,362**
Life insurance contract liabilities as at 31/12		10,263	254	1,957	(10)	12,464
Life insurance contract assets as at 31/12		(164)	-	58	-	(102)
Net life insurance contract (assets)/liabilities as at 31/12	i	**10,099**	**258**	**2,015**	**(10)**	**12,362**

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13. Insurance contract assets and liabilities

A. Life business – non-participating contracts

The following table shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts.

2023	Asset for insurance acquisition cash flows	Liability for remaining coverage		Liability for incurred claims	Total
		Excluding loss component	Loss component		
	CU	CU	CU	CU	CU
Opening assets	[X]	[X]	[X]	[X]	[X]
Opening liabilities	[X]	[X]	[X]	[X]	[X]
Net opening balance	**[X]**	**[X]**	**[X]**	**[X]**	**[X]**
Changes in the statement of profit or loss					
Insurance revenue					
Contracts under the modified retrospective approach	–	[X]	–	–	[X]
Contracts under the fair value approach	–	[X]	–	–	[X]
Other contracts	–	[X]	–	–	[X]
Insurance revenue	–	**[X]**	–	–	**[X]**
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	[X]	[X]	[X]
Adjustments to liabilities for incurred claims	–	–	–	[X]	[X]
Losses and reversals of losses on onerous contracts	–	–	[X]	–	[X]
Insurance acquisition cash flows					
Amortisation	–	[X]	–	–	[X]
Impairment loss and reversals of impairment	[X]	–	–	–	[X]
Insurance service result	**[X]**	**[X]**	**[X]**	–	**[X]**
Insurance finance income or expenses from insurance contracts recognised in profit or loss	–	[X]	[X]	[X]	[X]
Effect of movements in exchange rates	–	[X]	[X]	[X]	[X]
Total changes in the statement of profit or loss	–	**[X]**	**[X]**	**[X]**	**[X]**
Investment components excluded from insurance revenue and insurance service expenses	–	[X]	–	[X]	–
Allocation of IACF to related group of contracts	[X]	[X]	–	–	–
Cash flows					
Premiums received (including investment components)	–	[X]	–	–	[X]
Insurance acquisition cash flows	[X]	[X]	–	–	[X]
Claims and other insurance service expenses paid (including investment components)	–	–	–	[X]	[X]
Total cash flows	**[X]**	**[X]**	–	**[X]**	**[X]**
Net closing balance	**[X]**	**[X]**	**[X]**	**[X]**	**[X]**
Closing assets	[X]	[X]	[X]	[X]	[X]
Closing liabilities	[X]	[X]	[X]	[X]	[X]
Net closing balance	**[X]**	**[X]**	**[X]**	**[X]**	**[X]**

Appendix C – Illustrations on each view under different scenarios

Reversal of LC of onerous contracts