

Presentation of an insurer's income statement when IFRS 17 becomes effective

Background

According to IFRS 17 paragraphs 80(a) and 86, insurance service result = insurance revenue – insurance service expenses +/- income or expenses from reinsurance contracts held.

It is expected that most insurers will present insurance service result as a subtotal in the income statement (in the profit or loss section or the statement of profit or loss) when IFRS 17 becomes effective.

However, we understand that some insurers wish to continue to focus on total operating income as the main measure of their performance, and hence do not wish to present insurance service result as a separate line item in the primary statements. Accordingly, this paper discusses whether it is acceptable to not present insurance service result as a line item in the income statement. Appendix B contains an illustration of an income statement where insurance service result is not presented as a separate line item following the adoption of IFRS 17.

Question/issue

Is the insurance service result a line item that must be presented in an insurer's income statement when IFRS 17 becomes effective?

Discussion and alternative views

View 1 - Yes

Paragraph 80 of IFRS 17 states that “*an entity shall disaggregate the amounts recognised in the statement(s) of profit or loss and other comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b)...*”. IFRS 17 paragraph 80 is therefore explicit that insurance service result is a mandatory line item in the income statement.

While IAS 1 paragraph 82 does not include ‘insurance service result’ in its list of line items in the income statement, it does state that this list is *‘in addition to items required by other IFRSs’*.

In summary, the general requirements under IAS 1 and the specific requirements under IFRS 17 regarding presenting insurance service result (as a subtotal) in the income statement are internally consistent, and given the specific requirement under IFRS 17.80, the insurance service result shall be presented as a line item (ie a subtotal of insurance revenue, insurance service expenses and income or expenses from reinsurance contracts held) in the income statement.

View 2 - No

IFRS 17 paragraph 80 requires the disaggregation of amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense. It does not specifically require the insurance service result to be presented as a separate line item in

the income statement; disclosure of the insurance service result in the notes to the financial statements would also meet the requirement in IFRS 17.80.

This interpretation is consistent with the fact that there is no specific requirement of presenting insurance service result in the income statement under IAS 1. The consequential amendments to IAS 1 due to the adoption of IFRS 17 regarding the income statement presentation (ie IAS 1.82(a)(ii), (ab), (ac), (bb) and (bc)) are consistent with the requirements under IFRS 17.80-86. If the insurance service result were a required line item in the income statement, IAS 1 could have been amended by adding this as an explicit requirement.

In addition, in the extensible business reporting language (XBRL) IFRS Accounting Taxonomy, there isn't a line item of the subtotal of insurance service result in the income statement (see pages 11-12 of [IFRS Accounting Taxonomy 2022](#)).

An insurer would apply the general requirements under IAS 1.85-85B on presenting subtotals in the income statement. An insurer might determine that presenting a subtotal of 'total operating income', as set out in the illustration in Appendix B, is relevant to an understanding of its financial performance (consistent with the current practice), notwithstanding that the recognition of revenue arising from insurance contracts has been substantially changed due to the adoption of IFRS 17.

Appendix A – Technical references/guidance

IAS 1.82

In addition to items required by other IFRSs, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period:

- (a) revenue, presenting separately:
 - (i) interest revenue calculated using the effective interest method; and
 - (ii) insurance revenue (see IFRS 17);
- (aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;
- (ab) insurance service expenses from contracts issued within the scope of IFRS 17 (see IFRS 17);
- (ac) income or expense from reinsurance contracts held (see IFRS 17);
- (b) finance costs;
 - (ba) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9;
 - (bb) insurance finance income or expenses from contracts issued within the scope of IFRS 17 (see IFRS 17);
 - (bc) finance income or expenses from reinsurance contracts held (see IFRS 17);
- (c) share of the profit or loss of associates and joint ventures accounted for using the equity method;
 - (ca) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in IFRS 9);
 - (cb) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;
- (d) tax expense;
- (e) [deleted]
- (ea) a single amount for the total of discontinued operations (see IFRS 5).

IAS 1.85

An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or

loss and other comprehensive income, when such presentation is relevant to an understanding of the entity's financial performance.

IAS 1.85A

When an entity presents subtotals in accordance with paragraph 85, those subtotals shall:

- (a) be comprised of line items made up of amounts recognised and measured in accordance with IFRS;
- (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
- (c) be consistent from period to period, in accordance with paragraph 45; and
- (d) not be displayed with more prominence than the subtotals and totals required in IFRS for the statement(s) presenting profit or loss and other comprehensive income.

IAS 1.85B

An entity shall present the line items in the statement(s) presenting profit or loss and other comprehensive income that reconcile any subtotals presented in accordance with paragraph 85 with the subtotals or totals required in IFRS for such statement(s).

IFRS 17.80

Applying paragraphs 41 and 42, an entity shall disaggregate the amounts recognised in the statement(s) of profit or loss and other comprehensive income (hereafter referred to as the statement(s) of financial performance) into:

- (a) an insurance service result (paragraphs 83–86), comprising insurance revenue and insurance service expenses; and
- (b) insurance finance income or expenses (paragraphs 87–92).

Appendix B – An illustration of income statement not presenting insurance service result

	2023	2022
Insurance revenue		
Interest revenue (from financial assets not measured at FVTPL)		
Net gains on FVTPL investments		
Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal		
Net gains from the derecognition of financial assets measured at AC		
Other operating income (eg lease income, asset management fee)		
Total operating income	<hr/>	<hr/>
Insurance service expenses		
Net expenses from reinsurance contracts held		
Finance expenses from insurance contracts issued		
Finance income from reinsurance contracts held		
Other finance costs		
Impairment losses		
Other operating expenses		
Total operating expenses	<hr/>	<hr/>
Profit before income tax	<hr/>	<hr/>
Income tax expense		
Profit for the year	<hr/> <hr/>	<hr/> <hr/>