IFRS 17, Insurance Contracts: An illustration

Financial statements presentation and disclosures

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Introduction

This publication (the Illustration) demonstrates the presentation and disclosure requirements of IFRS 17, Insurance Contracts (IFRS 17), as issued by the International Accounting Standards Board (IASB) in May 2017, as well as the new disclosures introduced or modified by IFRS 9, Financial Instruments (IFRS 9), through consequential amendments to IFRS 7, Financial Instruments: Disclosures (IFRS 7).

In compiling the Illustration, we have made a number of choices and assumptions. In particular:

- We designed the illustrative consolidated financial statements and selected disclosures around a fictitious multi-line insurance group, Value Insurance Plc and its subsidiaries (the Group). The Group operates in one geographical area, Oneland, and offers its products to domestic and foreign markets. The parent company and each of its subsidiaries share the same functional currency (CU), and this currency is used for the presentation of the consolidated financial statements of the Group. Value Insurance Plc is a publicly listed entity.
- We have used a simplified set of insurance products, basic investment transactions and a hypothetical set of assumptions, with the objective of illustrating the results of the application of different measurement models in IFRS 17 and IFRS 9/IFRS 15, Revenue from Contracts with Customers (IFRS 15). We have not intended to build a realistic insurance or investment operation existing in a realistic market. The amounts disclosed in the Illustration have been modeled purely for illustrative purposes to provide a user with a basis from which to assess the effect of the illustrated measurement models, transactions and assumptions on the Group's consolidated financial statements. A summary of the Group's insurance products is included in the description of reportable segments in note 1.
- As the Illustration is a reference tool, we have not removed any disclosures based on materiality. Consequently, some of the disclosures in the Illustration would likely be immaterial if the Group were a real life entity. In addition, some of the specific IFRS 17, IFRS 9 and IFRS 7 requirements were not relevant to the Group's circumstances and have not been illustrated. Such omitted disclosures are outlined in Appendix B.
- Financial statement line items and disclosures required by other IFRS are kept to a minimum with extracts included where necessary only; therefore, the Illustration does not represent a full set of IFRS-compliant financial statements.
- Further examples of accounting policies and other disclosures required by IFRS that may be relevant to an insurer are available in the following PwC publications:
  - *Illustrative IFRS consolidated financial statements for 2018 year-ends;* and
  - *IFRS 9 for banks - Illustrative disclosures.*
- The quantitative and qualitative disclosure requirements in IFRS 17 are more extensive than the current reporting frameworks in many jurisdictions under IFRS 4, Insurance Contracts (IFRS 4), an interim standard effective prior to the adoption of IFRS 17. Appendix A includes a summary highlighting what is new and different in IFRS 17 compared to the disclosure requirements in IFRS 4.
- To illustrate a level of disclosures for insurance and investment contracts that will be required on a recurring basis post-transition, the Illustration assumes that the Group has already adopted IFRS 17 and IFRS 9 in the preceding year (fiscal 20X2, using the date convention in the Illustration). We have not illustrated quantitative impacts of the transition on the Group, as there will likely be a significant diversity in transition methods and impacts, resulting in limited use of such pro forma information. Given the optionality available on transition, the effect on the statement of financial position and future revenue for similar types of insurance contracts issued by different entities may vary considerably.
- IFRS 17 includes specific disclosure requirements for groups of insurance contracts in force on transition, where simplifications on transition affect the measurements in the financial statements. The effect on insurance revenue and the contractual service margin (CSM) and judgements applied in determining the transition amounts should be separately disclosed and explained in the subsequent periods, until the insurance contracts written before the transition date are derecognised. Such recurring disclosures illustrated in note 2.2.2 of the Illustration are also indicative of the type of information that would be required in the year of adoption, among other transition disclosures.

IFRS 17, IFRS 9 and IFRS 7 allow a variety of measurement, presentation and disclosure options, and industry views of them continue to evolve. In addition, at the time of this publication, the IASB continues to discuss IFRS 17 concerns and implementation challenges raised by stakeholders and is undertaking a number of activities to support the implementation of IFRS 17, including establishing the Transition Resource Group (TRG). In October 2018, the IASB commenced a process of evaluating the need for making possible amendments to IFRS 17 to address certain reported concerns. The Illustration does not take into account any amendments to IFRS 17 that are proposed as a result of this process.

Insurers will need to closely monitor the developments and take account of their individual circumstances in determining the manner of providing material information required by IFRS 17 in the way that most faithfully represents their insurance contracts and transactions. The approaches illustrated in this publication are one possible way the requirements of IFRS 17, IFRS 9 and IFRS 7 may be met but are not intended to provide any view on the type of approach that should be applied.

Abbreviations used in the Illustration

AC Amortised cost

AOCI Accumulated other comprehensive income

CSM Contractual service margin

DPF Discretionary participation features

EAD Exposure at default

ECL Expected credit loss

EIR Effective interest rate

FCF Fulfilment cash flows

FVOCI Fair value through other comprehensive income

FVTPL Fair value through profit or loss

GMM General measurement model

IFRS International Financial Reporting Standards

LIC Liability for incurred claims

LGD Loss given default

LRC Liability for remaining coverage

OCI Other comprehensive income

PAA Premium allocation approach

PD Probability of default

SPPI Solely payments of principal and interest

SICR Significant increase in credit risk

TRG Transition Resource Group

VFA Variable fee approach

The publication is current as of February 2019 and is based on IFRS 17 as issued by the International Accounting Standards Board in May 2017. It is prepared for illustrative purposes only and should be used in conjunction with the relevant financial reporting standards and any other reporting pronouncements and legislation applicable in specific jurisdictions.

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Consolidated statement of profit or loss

Reference		Note	20X4	20X3
IAS 1(10)(b),(10A),(51)(c),(113)			Year ended 31 December	
		Note	20X4	20X3
IFRS 17(80)(a),(83) IAS 1(82)(a)	Insurance revenue	2.4.1	114,845	93,252
IFRS 17(80)(a),(84) IAS 1(99)	Insurance service expenses	2.4.1	(101,256)	(81,959)
IFRS 17(82),(86)	Net expenses from reinsurance contracts held	2.4.1	(5,849)	(3,859)
IFRS 17(80)(a)	**Insurance service result**		**7,740**	**7,434**
IFRS 7(20)(b) IAS 1(82)(a)	Interest revenue from financial assets not measured at FVTPL	3.5	2,696	2,321
	Net gains on FVTPL investments	3.5	11,129	8,214
IFRS 7(20)(a)(viii)	Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	3.5	78	51
IFRS 7(20)(a)(i)	Net change in investment contract liabilities	3.4, 3.5	(756)	(672)
IFRS 7(20A) IAS 1(82)(aa)	Net gains from the derecognition of financial assets measured at AC	3.5	22	13
IAS 40(76)(d)	Net gains from fair value adjustments to investment properties	3.5	157	552
IAS 1(82)(ba)	Net credit impairment losses	3.5, 3.7	(40)	(31)
	Net investment income		**13,286**	**10,448**
IFRS 17(80)(b)	Finance expenses from insurance contracts issued	3.5	(7,228)	(3,804)
IFRS 17(80)(b),(82)	Finance income from reinsurance contracts held	3.5	1,610	501
	Net insurance finance expenses		**(5,618)**	**(3,303)**
	Net insurance and investment result		**15,408**	**14,579**
IAS 1(82)(a)	Asset management services revenue		1,133	888
IAS 1(82)(b)	Other finance costs		(2,283)	(1,962)
IAS 1(99),(103)	Other operating expenses	5	(3,949)	(3,099)
IAS 1(82)(c)	Share of profit of associates and joint ventures accounted for using the equity method		463	365
	Profit before income tax		**10,772**	**10,771**
IAS 1(82)(d) IAS 12(77)	Income tax expense		3,155	3,087
IAS 1(81A)(a)	**Profit for the year**		**7,617**	**7,684**
IAS 1(81B)(a)	**Profit attributable to**			
	Owners of Value Insurance Plc		7,451	7,480
	Non-controlling interests		166	204
IAS 33(66)	**Earnings per share for profit attributable to the ordinary shareholders (in CU per share)**			
	Basic earnings per share		0.35	0.39
	Diluted earnings per share		0.32	0.36

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

PwC commentary

Presentation of insurance service result

IFRS 17(83),(85),(B120)-(B127)

Insurance revenue reflects the consideration to which the insurer expects to be entitled in exchange for the services provided on an earned basis. Insurance revenue under IFRS 17 is no longer equal to the premium received in the period. IFRS 17 makes it clear that an insurer should not present premium information in profit or loss if that information is not in line with the definition of insurance revenue.

IFRS 17(85),(B123)(a)(ii),(B124)(a)(ii)

Many insurance premiums include an investment (i.e. deposit) component - an amount that will be paid to policyholders or their beneficiaries regardless of whether an insured event occurs. The receipt and repayment of these non-distinct investment components do not relate to the provision of insurance service; therefore, such amounts are not presented as part of the insurer's revenue or insurance service expenses.

IFRS 17(11)(b)

Entities apply IFRS 9 to account for distinct investment components (not interrelated with insurance and able to be sold separately). That is, the related net investment income is excluded from the insurance service result and presented separately.

IFRS 17(42)(a),(B120),(B123),(B124)(a)

Insurance revenue includes insurance claims and other directly attributable expenses as expected at the beginning of the reporting period and does not include experience adjustments relating to these amounts (insurance service expenses) that arise during the year. Experience adjustments related to premium receipts for current and past periods are included in insurance revenue, however.

IFRS 17(32),(38),(B125)

Under IFRS 4, many insurers recognise deferred acquisition cash flows separately as assets. Under IFRS 17, for insurance contracts measured under the general measurement model (GMM) and the variable fee approach (VFA), insurance acquisition cash flows decrease the CSM and are thus implicitly deferred within the CSM, leading to a lower amount of CSM amortisation recognised in revenue in future reporting periods as services are rendered. However, for presentation purposes, directly attributable acquisition costs are amortised as an insurance service expense in a systematic way on the basis of the passage of time with an equal amount recognised as insurance revenue.

IFRS 17(55),(59)(a)

Under the premium allocation approach (PAA), an entity should recognise insurance acquisition cash flows in the liability for remaining coverage (LRC) and amortise insurance acquisition cash flows as insurance service expenses. Alternatively, an entity can choose to recognise insurance acquisition cash flows as an expense when incurred if each insurance contract in a group has a coverage period of one year or less.

When applying IFRS 17, any lack of recoverability of the acquisition cash flows is reflected in the measurement of the insurance contracts, eliminating complex mechanisms that exist under IFRS 4 to deal with amortisation and impairment of the separate asset.

IFRS 17(37),(41)(a),(42)(a)-(b),(81)

The risk adjustment in the insurance liability reflects the compensation that an insurer requires for bearing the uncertainty arising from non-financial risk. For insurance contracts issued, a portion of the risk adjustment for non-financial risk relating to the LRC is recognised in insurance revenue as the risk is released, while a portion relating to the liability for incurred claims (LIC) is recognised in insurance service expenses. An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses. Among other impacts, disaggregation would result in higher insurance revenue and higher finance expenses, though it represents a more complex option operationally.

IFRS 17(84)-(85)

Only items that reflect insurance service expenses (i.e. incurred claims and other insurance service expenses arising from insurance contracts the Group issues) are reported as insurance expenses. As a result, when applying IFRS 17, repayment of non-distinct investment components is not presented as an insurance expense but rather as a settlement of an insurance liability.

IFRS 17(82),(86)

IFRS 17 allows options in presenting income or expenses from reinsurance contracts held, other than insurance finance income or expenses. The Group elected to present a single net amount in net expenses from reinsurance contracts held. An alternative would be to gross up this single amount and present separately the amounts recovered from the reinsurer (as income) and an allocation of the premiums paid (as reinsurance expenses) in line items separate from insurance revenue and insurance service expenses.

IFRS 7(20)
IAS 1(82)

Presentation of net investment income

Post-adoption of IFRS 9, the line item 'Interest revenue' can contain only interest income on assets that are measured at amortised cost (AC) or fair value through other comprehensive income (FVOCI) (subject to the effect of applying hedge accounting to derivatives in designated hedging relationships). If, as a matter of accounting policy choice, additional line items are presented on the face of the statement of profit or loss for interest on instruments measured at fair value through profit or loss (FVTPL), this policy, including how such amounts are calculated and on which instruments, should be disclosed.

Gains and losses on the derecognition of financial assets measured at AC and credit impairment losses are now required to be presented separately on the face of the statement of profit or loss.

Consequential amendments to IAS 1, Presentation of Financial Statements (IAS 1), from the introduction of IFRS 9 require entities to present gains and losses arising from the reclassification of financial assets from AC to FVTPL, and from FVOCI to FVTPL, on the face of the statement of profit and loss. Such reclassifications under IFRS 9 are expected to be rare and therefore have not been illustrated.

IFRS 7(20) requires, among other things, a disclosure, either in the statement of profit or loss or in the notes, of net gains or net losses on financial assets or financial liabilities measured at FVTPL, showing separately those designated upon initial recognition and those that are mandatorily measured at FVTPL. For financial liabilities, gains or losses recognised in profit or loss and those recognised in other comprehensive income (OCI) should be shown separately. The Group provides these disclosures in the notes.

Consolidated statement of comprehensive income

		Note	Year ended 31 December 20X4	20X3
IAS 1(81A)(a)	**Profit for the year**		**7,617**	**7,684**
IAS 1(82A)(a)(ii)	*Items that may be reclassified to profit or loss*			
IFRS 7(20)(a)(viii) IAS 1(7)(da)	Net gains on investments in debt securities measured at FVOCI	3.5	504	327
IFRS 7(20)(a)(viii) IAS 1(92)	Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	3.5	(78)	(51)
IFRS 17(90)	Finance expenses from insurance contracts issued	3.5	(457)	(313)
IFRS 17(82),(90)	Finance income from reinsurance contracts held	3.5	-	-
IAS 1(82A)(b)(ii)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method		102	57
IAS 1(91)	Income tax relating to these items		(21)	(6)
IAS 1(82A)(a)(i)	*Items that will not be reclassified to profit or loss*			
IAS 1(7)(a) IFRS 13(91)(b)	Revaluation of land and buildings		-	214
IAS 1(82A)(b)(i)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method		68	23
IAS 1(7)(b) IAS 19(120)(c)	Remeasurements of post-employment benefit obligations, before tax		15	(37)
IAS 1(91)	Income tax relating to these items		(24)	(56)
IAS 1(81A)(b)	**Other comprehensive income for the year, net of tax**		**109**	**158**
IAS 1(81A)(c)	**Total comprehensive income for the year**		**7,726**	**7,842**
IAS 1(81B)(b)	**Total comprehensive income attributable to**			
	Owners of Value Insurance Plc		7,558	7,635
	Non-controlling interests		168	207

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

IAS 1(10)(a),(51)(c),(54),(113)			As at 31 December	
		Note	20X4	20X3
IAS 1(60)	**Assets**			
IAS 1(54)(i)	Cash and cash equivalents	3.3	20,866	26,377
IAS 1(54)(d)	Investment assets	3.3	245,354	182,246
IFRS 17(78)(a) IAS 1(54)(d)	Insurance contract assets	2.3	1,803	1,540
IFRS 17(78)(c) IAS 1(54)(d)	Reinsurance contract assets	2.3	14,300	4,261
IAS 1(55)	Other assets		1,057	857
IAS 1(54)(e)	Investments in associates and joint ventures accounted for using the equity method		11,014	10,746
IAS 1(54)(c)	Intangible assets		6,412	5,839
IAS 1(54)(b)	Investment properties		6,721	6,199
IFRS 16(47)(a)	Right-of-use assets		7,326	7,891
IAS 1(54)(a)	Property and equipment owned		2,290	2,281
	Total assets		**317,143**	**248,237**
IAS 1(60)	**Liabilities**			
IAS 1(54)(n)	Current income tax liabilities		303	310
IAS 1(55)	Other current liabilities		3,913	3,153
IAS 1(54)(m)	Investment contract liabilities	3.4	9,612	8,812
IFRS 17(78)(b) IAS 1(54)(m)	Insurance contract liabilities	2.3	158,338	103,831
IFRS 17(78)(d) IAS 1(54)(m)	Reinsurance contract liabilities	2.3	1,407	1,202
IAS 1(54)(l)	Provisions		636	983
IAS 1(54)(m) IFRS 16(47)(b)	Lease liabilities		6,922	7,623
IAS 1(54)(m) IFRS 7(8)(g)	Subordinated debt		36,156	35,137
IAS 1(55)	Employee benefit obligation		579	486
IAS 1(54)(o)	Deferred income tax liabilities		8,409	6,787
	Total liabilities		**226,275**	**168,324**
	Equity			
IAS 1(78)(e)	Share capital		22,265	19,300
IAS 1(78)(e)	Share premium		4,607	3,127
IAS 1(78)(e)	Retained earnings		55,855	49,963
IAS 1(78)(e)	Other reserves		6,347	5,813
IAS 1(54)(r)	**Equity attributable to owners of Value Insurance Plc**		**89,074**	**78,203**
IAS 1(54)(q)	**Non-controlling interests in equity**		**1,794**	**1,710**
	Total equity		**90,868**	**79,913**
	Total equity and liabilities		**317,143**	**248,237**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

PwC commentary

Presentation of assets and liabilities in the order of liquidity

IAS 1(60)

IAS 1 allows the presentation of assets and liabilities on the balance sheet in the order of liquidity without segregating by current and non-current. In most cases, for insurance companies, this way of presentation is judged to be more relevant for the users as this type of entity does not have a clearly identifiable operating cycle.

IAS 1(61)

IAS 1 still requires disclosing the amount expected to be recovered or settled after more than 12 months for each asset and liability line item that combines these amounts with amounts to be recovered/settled not more than 12 months after the reporting date. When the balance sheet is presented in the order of liquidity, such disclosure is made in the notes to the financial statements.

Presentation of insurance assets and liabilities

IFRS 17(78)

IFRS 17 requires all rights and obligations from a group of insurance contracts, such as insurance liabilities, policyholder loans, insurance premium receivables and insurance intangible assets, to be presented net in one line on the balance sheet, unless the components of the insurance contract are separated.

Groups of insurance contracts in an asset position are presented separately from those in a liability position (no offsetting). Groups of insurance contracts issued are presented separately from groups of reinsurance contracts held.

IFRS 17(10)-(12)

When applying IFRS 17, investment components, certain embedded derivatives and goods and non-insurance services are separated from insurance contracts if and only if they are distinct from the insurance component.

IFRS 17(32)(a), (33)-(35),(40),(59)(a)

IFRS 17 requires an entity to include in the measurement of groups of insurance contracts all fulfilment cash flows (FCF), including directly attributable acquisition cash flows, unless the entity elects to expense these acquisition costs when incurred for insurance contracts measured under the PAA. Therefore, a separate asset associated with the acquisition of insurance contracts is not recognised.

Presentation of investment assets and liabilities

IFRS 7(8)

IFRS 7(8) requires disclosure, either on the balance sheet or in the notes, of the carrying amounts of financial assets and liabilities by the following categories:

- Financial assets measured at FVTPL, showing separately: (i) those mandatorily classified; (ii) those designated upon initial recognition; (iii) those measured as such in accordance with the exemption for repurchase of own financial liabilities (IFRS 9 (3.3.5)); and (iv) those measured as such in accordance with the exemption for reacquisition of own equity instruments (IAS 32(33A)).
- Financial liabilities measured at FVTPL, showing those that meet the definition of held for trading and those designated upon initial recognition.
- Financial assets measured at AC.
- Financial liabilities measured at AC.
- Financial assets measured at FVOCI, showing separately debt and equity instruments.

In the Illustration, these categories are disclosed in the notes. However, depending on the materiality of these items, separate presentation on the face of the balance sheet may be more appropriate.

Consolidated statement of changes in equity

IAS 1(10)(c),(106)		Share capital	Share premium	Retained earnings	Other reserves: Fair value reserve	Other reserves: Insurance finance reserve	Other reserves: Other	Other reserves: Total other reserves	Non-controlling interests	Total equity
IAS 1(106)(d)	**Balance - 1 January 20X3**	**19,125**	**3,127**	**43,448**	**1,367**	**1,379**	**2,578**	**5,324**	**1,574**	**72,598**
IAS 1(106)(d)(i)	Profit for the year	-	-	7,480	-	-	-	-	204	7,684
IAS 1(106)(d)(ii)	Other comprehensive income	-	-	-	197	(223)	181	155	3	158
IAS 1(106)(a)	**Total comprehensive income for the year**	**-**	**-**	**7,480**	**197**	**(223)**	**181**	**155**	**207**	**7,842**
IAS 1(106)(d)(iii)	Dividends	-	-	(965)	-	-	-	-	(71)	(1,036)
	Employee share option scheme									
IFRS 2(50)	- Value of employee services	-	-	-	-	-	334	334	-	334
IAS 1(106)(d)(iii) IFRS 2(50)	- Proceeds from shares issued	175	-	-	-	-	-	-	-	175
		175	**-**	**(965)**	**-**	**-**	**334**	**334**	**(71)**	**(527)**
IAS 1(106)(d)	**Balance - 31 December 20X3**	**19,300**	**3,127**	**49,963**	**1,564**	**1,156**	**3,093**	**5,813**	**1,710**	**79,913**
IAS 1(106)(d)(i)	Profit for the year	-	-	7,451	-	-	-	-	166	7,617
IAS 1(106)(d)(ii)	Other comprehensive income	-	-	-	301	(323)	129	107	2	109
IAS 1(106)(a)	**Total comprehensive income for the year**	**-**	**-**	**7,451**	**301**	**(323)**	**129**	**107**	**168**	**7,726**
IAS 1(106)(d)(iii)	Dividends	-	-	(1,559)	-	-	-	-	(84)	(1,643)
IAS 1(106)(d)(iii)	Issue of share capital	2,500	1,350	-	-	-	-	-	-	3,850
IAS 32(33)	Sales of treasury shares	250	130	-	-	-	-	-	-	380
	Employee share option scheme									
IFRS 2(50)	- Value of employee services	-	-	-	-	-	427	427	-	427
IAS 1(106)(d)(iii) IFRS 2(50)	- Proceeds from shares issued	215	-	-	-	-	-	-	-	215
		2,965	**1,480**	**(1,559)**	**-**	**-**	**427**	**427**	**(84)**	**3,229**
IAS 1(106)(d)	**Balance - 31 December 20X4**	**22,265**	**4,607**	**55,855**	**1,865**	**833**	**3,649**	**6,347**	**1,794**	**90,868**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

Reference		Year ended 31 December	
IAS 1(10)(d),(113) IAS 7(1),(10)		**20X4**	**20X3**
IAS 7(10),(18)(a)	**Cash flows from operating activities**		
IAS 7(18)(b),(20)	Profit for the year	7,617	7,684
	Adjustments for		
	Changes in insurance and reinsurance contract assets/liabilities	35,965	23,556
	Changes in investment contract liabilities	800	577
	Net gains on investment sides	(6,840)	(5,177)
	Foreign exchange gains and losses, net	52	17
	Interest expense	2,246	1,933
	Interest income	(6,903)	(5,226)
	Dividend income	(568)	(441)
	Share of profit of associates and joint ventures accounted for using the equity method	(463)	(365)
	Fair value adjustment to investment properties	(157)	(552)
	Income tax expense	3,155	3,087
	Other adjustments for non-cash items	524	1,811
	Changes in investment assets		
	Proceeds from sales	49,749	46,804
	Purchases	(94,396)	(80,292)
	Changes in other working capital balances	(423)	(653)
IAS 7(31)-(33)	Interest received	6,558	4,964
IAS 7(31),(33)	Dividend received	568	441
IAS 7(14)(f),(35),(36)	Income tax paid	(1,863)	(2,296)
	Net cash outflow from operating activities	**(4,379)**	**(4,128)**
IAS 7(10),(21)	**Cash flows from investing activities**		
IAS 7(39)	Payment for acquisition of subsidiary, net of cash acquired	(2,116)	-
IAS 7(16)(a)	Payments for investment properties	(365)	-
IAS 7(16)(a)	Payments for intangible assets and property and equipment	(454)	(471)
IAS 7(16)(b)	Proceeds from sale of intangible assets and property and equipment	74	147
IAS 7(38)	Dividends from joint ventures and associates	365	253
	Net cash outflow from investing activities	**(2,496)**	**(71)**
IAS 7(10),(21)	**Cash flows from financing activities**		
IAS 7(17)(a)	Proceeds from issuance of ordinary shares	4,065	175
IAS 7(17)(a)	Proceeds from sale of treasury shares	380	-
IAS 7(17)(c)	Proceeds from borrowings	6,000	5,000
IAS 7(17)(d)	Repayment of borrowings	(5,989)	(953)
IAS 7(31)-(33)	Interest paid on borrowings	(2,191)	(1,877)
IAS 7(17)	Net cash from interest rate swaps	172	14
IAS 7(31),(34)	Dividends paid to parent company's shareholders	(965)	(858)
IAS 7(31),(34)	Dividends paid to non-controlling interests in subsidiaries	(71)	(63)
	Net cash from financing activities	**1,401**	**1,438**
IAS 7(45)	**Net decrease in cash and cash equivalents during the year**	**(5,474)**	**(2,761)**
IAS 7(45)	Cash and cash equivalents - Beginning of year	26,377	29,167
IAS 7(28)	Effects of exchange rate changes on cash and cash equivalents	(37)	(29)
IAS 7(45)	**Cash and cash equivalents - End of year**	**20,866**	**26,377**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

PwC commentary

Reporting cash flows from operating activities

IAS 7(18),(21)

An entity should report cash flows from operating activities either by using the direct or indirect method. The indirect method, whereby profit or loss is adjusted for the effects of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows, is shown in the example above.

The direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed, could also be used for reporting cash flows from operating activities. Cash flows from investing and financing activities have to be reported by using the direct method.

Cash flows from purchases and sales of investment assets

IAS 7(11)

The classification of certain transactions for the purposes of the statement of cash flows may be different for two entities as it depends on the nature of the business and operations. The Group classifies cash flows for the purchase and disposal of investment assets in its operating cash flows as the purchases are funded from the cash flows associated with the origination of insurance and investment contracts, net of the cash flows for payments of insurance benefits and claims and investment contract benefits.

Cash flows from distinct investment components or non-risk transfer contracts

IAS 7(11)

For some insurance contracts with distinct investment components and issued contracts that do not transfer insurance risk, an insurer may need to consider if some or all of the cash flows are financing in nature and should be classified as such.

Cash flows from interest rate swaps

IAS 7(11)

IAS 7 does not provide a clear guidance on how to classify cash flows from derivatives. In the Illustration, the classification of net cash from interest rate swaps follows the one for the underlying instrument, subordinated debt, that the swaps economically hedge and is so presented within financing activities. The Group does not apply hedge accounting for these instruments.

Notes to the consolidated financial statements

PwC commentary - Objective, scope and level of aggregation for IFRS 17 disclosure purposes

IFRS 17(93)

IFRS 17 contains more extensive disclosure requirements than IFRS 4 and requires preparers to provide both qualitative and quantitative disclosures about insurance contracts within its scope in three different areas:

- explanation of recognised amounts;
- significant judgements in applying IFRS 17; and
- nature and extent of risks that arise from contracts within the scope of IFRS 17.

Appendix A summarises new or expanded disclosure requirements in IFRS 17 compared to those in IFRS 4.

The key objective of the IFRS 17 disclosure requirements is to allow users of financial statements to assess the effect that insurance contracts within the scope of the standard have on the entity's financial position, financial performance and cash flows. By specifying the objective of the disclosures, the IASB aimed to ensure that entities provide the information that is most relevant for their circumstances and to emphasise the importance of communication to users of financial statements rather than pure compliance with detailed and prescriptive disclosure requirements.

IFRS 17(94)-(96)

Entities will exercise judgement in determining the level of detail necessary to satisfy the disclosure objective so that useful information is not obscured either by the inclusion of a large amount of detail or by aggregating items with different characteristics. IFRS 17 includes the following examples of aggregations:

- by type of insurance contracts (for example, major product lines);
- by geographical area (for example, country or region); or
- by reportable segment, as defined in IFRS 8, Operating Segments (IFRS 8).

In the Illustration, groups of insurance contracts are aggregated for IFRS 17 disclosure purposes based on the Group's reportable segments, with selected disclosures about Participating products presented on a more granular product line basis, where such presentation results in useful information.

This approach was elected because of several benefits:

IFRS 8(20)

- For an insurer that is required to apply IFRS 8, disclosures about reportable segments typically provide relevant information about the nature and financial effects of the insurance activities and the economic environment in which it operates. This might be a good starting point for providing further details about insurance contracts in the scope of IFRS 17 on a basis consistent with that of the reportable segments, further disaggregating into operating segments, portfolios or groups of insurance contracts, as appropriate.
- It enables the user of the consolidated financial statements to review information about insurance contracts in the scope of IFRS 17 "through the eyes of management".
- Different levels of aggregation using the same underlying principles result in more transparent disclosures consistent with information reported elsewhere (e.g. management commentary).
- The cost of producing information is reduced, because the information is the same as that generated internally for management, rather than having to be specially produced for the consolidated financial statements.

Where portfolios of insurance contracts are set such that they fall across multiple operating segments, different considerations might apply. An insurer would consider the best way to present information that meets the disclosure objective and is useful.

The Illustration includes an extract of segment disclosures required under IFRS 8 sufficient to provide background information about the Group's operations and demonstrates the link between IFRS 8 and IFRS 17. It does not purport to represent a complete disclosure note required under IFRS 8.

1. Segment reporting (an extract)

IFRS 8(22)(a)

The Group is a vertically integrated multi-line insurer that underwrites life and non-life insurance risk and provides customers with asset management solutions for their savings needs. The Group operates in one geographical area, Oneland, and offers its products to the domestic and foreign markets. The Group is a recent entrant on Oneland's insurance market and is striving to penetrate through the organic growth of its portfolios and strategic acquisitions.

The Group is organised into six operating segments by major product lines. These segments have been defined on the basis of the performance assessment and resource allocation decisions of the Group's Executive Management Committee made up of senior management and independent directors. The Executive Management Committee represents the Chief Operating Decision-making function that reviews the quarterly reporting packages of each operating segment and certain financial measures reported by the corporate headquarters. Each segment manages insurance and investment results, develops products and services and defines distribution strategies based on the profile and needs of its specific market niche.

The Group reports information about operating segments that meet a quantitative threshold or where disclosure results in useful information. There were four reportable segments as at 31 December 20X4 and 20X3, and their respective product and service offerings are as follows:

IFRS 8(11),(13),(20),(22)

Reportable segments	Description[1]
Life Risk Term life insurance contracts	Offers term life insurance contracts. Generally, coverage is provided for 10 to 30-year terms. Once the selected term has ended, the insurance contract is terminated and a policyholder may potentially obtain new coverage on the new terms, subject to successful underwriting. All insurance contracts in this segment offer fixed and guaranteed death benefits over the contractual term. Contracts issued typically have regular monthly, quarterly or annual premiums with a small portion having a single premium arrangement.
Savings Universal life insurance contracts	Offers a range of universal life insurance products with non-guaranteed life annuity options. Generally, coverage is provided for 10 to 30-year terms. These insurance contracts offer a fixed and guaranteed amount of death benefits equal to the face value of the policy, plus the accumulated account value, which is payable on death or on policy maturity. Contracts issued typically have regular premiums with a small portion having single premiums.
Participating Direct participating contracts Investment contracts without DPF Investment contracts with DPF	Offers a variety of direct participating contracts and investment contracts (with discretionary participation features (DPF) and without DPF) where an insurer shares the performance of underlying items with policyholders. Direct participating contracts include fixed and guaranteed death benefits for the first five years of the contract term and also provide to policyholders an investment return. Investment contracts with DPF provide policyholders with an exposure to foreign bond markets combined with guarantees protecting the amount invested. Investment contracts with DPF do not have significant insurance risk but provide policyholders with investment returns at the discretion of the Group. All contracts issued have single premiums invested for five to ten-year terms. The policyholders have numerous investment options under the Participating contracts, including stock funds, bond funds and diversified funds. As at 31 December 20X3 and 20X4, fixed income instruments prevailed in the investment portfolio of this segment.
Property and Casualty Automobile insurance Run-off portfolio	Offers automobile and third party liability coverage for personal and commercial vehicles. The coverage period does not exceed one year. During 20X3, the Group incorporated Value RO Company Limited in Oneland's province of Dero, positioning itself to accept run-off portfolios using the province's insurance business transfer legislation. In January 20X4, Value RO Company Limited completed the CU2,550 acquisition of ABC Insurance Co., a specialist in automobile and accident insurance, in the run-off (note 4). The acquisition provided the Group with a specialised team and an operating structure to allow the scalability and flexibility needed to handle future run-off transactions.
All other segments and corporate headquarters	The "All other segments" category includes the following: • A start-up digital insurance business. This is a new suite of cyber liability coverage product offerings, still in the early development stage. The segment is insignificant and has no revenue in either 20X4 or 20X3. Due to its unique competitive and operating risks, it is not expected that future financial performance of this segment will converge and be similar to that of the Group's mature insurance businesses; therefore, the economic characteristics requirement for aggregation with the other insurance operating segments is not expected to be satisfied. • An asset management subsidiary that provides investment management services to internal and external customers of the Group. • This category also includes corporate headquarters, carrying out support functions in the areas of actuarial and risk management, accounting, treasury, information technology, legal, human resources and internal audit. Any corporate headquarters information presented does not represent an operating segment.

(1) The details about specific hypothetical products offered by each segment are included here mainly to assist with the interpretation of the IFRS 17 disclosures in the Illustration. In practice, information about segment composition, products and services might be provided in a management commentary such as the Operating and Financial Review or Management Discussion and Analysis released at the same time as financial statements. In such cases, the note may include minimum disclosures required by IFRS 8.

IFRS 8(13)

PwC commentary - Separate reporting on asset management segment

For the purpose of the Illustration, the Group does not present its asset management subsidiary as a separate reportable segment as it does not meet the quantitative thresholds in IFRS 8. However, some entities may consider presenting this segment separately to provide useful information to the users given that the nature of this business is different from insurance operations.

IFRS 8(23),(26),(27)

The Executive Management Committee primarily uses net investment and insurance results to assess the performance of operating segments. This measure is calculated using the same measurement principles that are used in the preparation of the consolidated statement of profit or loss and is reconciled to the Group's total profit and loss below. The Group segments assets to support insurance liabilities by major product lines and establishes investment strategies for each respective segment. The Executive Management Committee receives information about the investment portfolios and insurance liabilities on a monthly basis.

Segment information provided to the Executive Management Committee for the year ended 31 December 20X4 and as at that date is as follows:

		20X4						
		Life Risk	**Savings**	**Participating**	**Property and Casualty**	**Corporate headquarters and all other segments**	**Eliminations**	**Totals**
IFRS 8(23)(a)	Insurance revenue	73,303	19,839	1,226	20,477	-	-	114,845
IFRS 8(23)(f)	Insurance service expenses	(65,326)	(17,163)	(453)	(18,314)	-	-	(101,256)
IFRS 8(23)(f)	Net expenses from reinsurance contracts held	(5,587)	-	-	(262)	-	-	(5,849)
	Insurance service result	**2,390**	**2,676**	**773**	**1,901**	**-**	**-**	**7,740**
IFRS 8(23)(c)	Interest revenue from financial assets not measured at FVTPL	-	-	2,157	-	539	-	2,696
IFRS 8(23)(f)	Net gains on FVTPL investments	1,172	2,913	960	1,532	4,552	-	11,129
IFRS 8(23)(f)	Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	-	-	70	-	8	-	78
IFRS 8(23)(f)	Net change in investment contract liabilities	-	-	(756)	-	-	-	(756)
IFRS 8(23)(f)	Net gains from the derecognition of financial assets measured at AC	-	-	-	-	22	-	22
IFRS 8(23)(f)	Net gains from fair value adjustments to investment properties	-	-	-	-	157	-	157
IFRS 8(23)(i)	Net credit impairment losses	-	-	(30)	-	(10)	-	(40)
	Net investment income	**1,172**	**2,913**	**2,401**	**1,532**	**5,268**	**-**	**13,286**
IFRS 8(23)(d)	Finance expenses from insurance contracts issued	(2,434)	(1,910)	(2,396)	(488)	-	-	(7,228)
IFRS 8(23)(f)	Finance income from reinsurance contracts held	1,599	-	-	11	-	-	1,610
	Net insurance finance expenses	**(835)**	**(1,910)**	**(2,396)**	**(477)**	**-**	**-**	**(5,618)**
	Net insurance and investment result	**2,727**	**3,679**	**778**	**2,956**	**5,268**	**-**	**15,408**
IFRS 8(23)(a),(b)	Asset management services revenue	-	-	118	-	1,791	(776)	1,133
IFRS 8(23)(f)	Other operating expenses	(22)	(134)	(48)	(91)	(4,430)	776	(3,949)
IFRS 8(23)	Segment assets	19,760	46,823	85,912	18,882	110,946	-	282,323
IFRS 8(23)	Segment liabilities	19,631	45,460	85,912	18,354	36,156	-	205,513

Segment information provided to the Executive Management Committee for the reportable segments for the year ended 31 December 20X3 and as at that date is as follows:

		20X3						
		Life Risk	Savings	Participating	Property and Casualty	Corporate headquarters and all other segments	Eliminations	Totals
IFRS 8(23)(a)	Insurance revenue	59,004	16,144	1,051	17,053	-	-	93,252
IFRS 8(23)(f)	Insurance service expenses	(52,291)	(13,835)	(384)	(15,449)	-	-	(81,959)
IFRS 8(23)(f)	Net income (expenses) from reinsurance contracts held	(4,705)	-	-	846	-	-	(3,859)
	Insurance service result	**2,008**	**2,309**	**667**	**2,450**	**-**	**-**	**7,434**
IFRS 8(23)(c)	Interest revenue from financial assets not measured at FVTPL	-	-	1,855	-	466	-	2,321
IFRS 8(23)(f)	Net gains on FVTPL investments	824	1,657	998	1,354	3,381	-	8,214
IFRS 8(23)(f)	Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	-	-	45	-	6	-	51
IFRS 8(23)(f)	Net change in investment contract liabilities	-	-	(672)	-	-	-	(672)
IFRS 8(23)(f)	Net gains from the derecognition of financial assets measured at AC	-	-	-	-	13	-	13
IFRS 8(23)(f)	Net gains from fair value adjustments to investment properties	-	-	-	-	552	-	552
IFRS 8(23)(i)	Net credit impairment losses	-	-	(23)	-	(8)	-	(31)
	Net investment income	**824**	**1,657**	**2,203**	**1,354**	**4,410**	**-**	**10,448**
IFRS 8(23)(d)	Finance expenses from insurance contracts issued	(825)	(371)	(2,178)	(430)	-	-	(3,804)
IFRS 8(23)(f)	Finance income from reinsurance contracts held	474	-	-	27	-	-	501
	Net insurance finance expenses	**(351)**	**(371)**	**(2,178)**	**(403)**	**-**	**-**	**(3,303)**
	Net insurance and investment result	**2,481**	**3,595**	**692**	**3,401**	**4,410**	**-**	**14,579**
IFRS 8(23)(a),(b)	Asset management services revenue	-	-	107	-	1,326	(545)	888
IFRS 8(23)(f)	Other operating expenses	(5)	(56)	(44)	(59)	(3,480)	545	(3,099)
IFRS 8(23)	Segment assets	6,255	23,138	73,105	12,396	99,530	-	214,424
IFRS 8(23)	Segment liabilities	6,224	22,462	73,105	12,054	35,137	-	148,982

Transactions between reportable segments shown as eliminations in the segment information provided are management fees charged and accounted for on the cost basis.

IFRS 8(28)

Segment assets represent a measure of total assets for each reportable segment and include insurance contract assets of CU1,803 (20X3 - CU1,540), reinsurance contract assets of CU14,300 (20X3 - CU4,261), cash and cash equivalents of CU20,866 (20X3 - CU26,377) and investment assets of CU245,354 (20X3 - CU182,246).

Segment liabilities represent a measure of total liabilities for each reportable segment and include investment contract liabilities of CU9,612 (20X3 - CU8,812), insurance contract liabilities of CU158,338 (20X3 - CU103,831), reinsurance contract liabilities of CU1,407 (20X3 - CU1,202) and subordinated debt of CU36,156 (20X3 - CU35,137).

In 20X4, the Group continued to experience significant growth in its Life Risk and Savings product lines. A corresponding increase in insurance contract balances and investment assets was a primary driver for a net investment income increase in insurance and investment product lines of CU1,980 and a respective increase in net insurance finance expenses of CU2,315. Net investment income from other segments increased by CU858 primarily due to an increase in investment assets as a result of surplus assets reinvestment.

For further details on these amounts, refer to the analysis of insurance service result by product line in note 2.4.1, reconciliations of insurance and reinsurance contracts balances in notes 2.5, 2.6 and 2.7 and analysis of investment income and insurance finance expenses in note 3.5.

Other items of profit or loss regularly provided to the Executive Management Committee include:

		20X4						
		Life Risk	**Savings**	**Participating**	**Property and Casualty**	**Corporate headquarters and all other segments**	**Eliminations**	**Totals**
IFRS 8(23)(f)	Other finance costs	(698)	(38)	(17)	(76)	(1,454)	-	(2,283)
IFRS 8(23)(g)	Share of profit of associates and joint ventures accounted for using the equity method	-	-	-	-	463	-	463

		20X3						
		Life Risk	**Savings**	**Participating**	**Property and Casualty**	**Corporate headquarters and all other segments**	**Eliminations**	**Totals**
IFRS 8(23)(f)	Other finance costs	(694)	(35)	(18)	(9)	(1,206)	-	(1,962)
IFRS 8(23)(g)	Share of profit of associates and joint ventures accounted for using the equity method	-	-	-	-	365	-	365

2. Insurance operations

2.1. Summary of significant accounting policies for insurance contracts

Summary of measurement approaches

The Group uses different measurement approaches, depending on the type of contracts, as follows:

	Product classification	Measurement model
Contracts issued		
Term life insurance contracts	Insurance contracts	GMM
Universal life insurance contracts	Insurance contracts without direct participation features	GMM
Direct participating contracts	Insurance contracts with direct participation features	VFA
Investment contracts with DPF	Insurance contracts without direct participation features	GMM
Investment contracts without DPF	Financial instruments	Financial liabilities measured at FVTPL under IFRS 9 (refer to note 3.1.3)
Automobile insurance	Insurance contracts	PAA for policies issued (with coverage of one year or less) GMM for contracts acquired in the run-off period
Reinsurance contracts held		
Term life - quota share reinsurance	Reinsurance contract held	GMM
Automobile third party liability - excess of loss reinsurance	Reinsurance contract held	PAA (with coverage of one year or less)

The Group does not have any reinsurance contracts issued to compensate another entity for claims arising from one or more insurance contracts issued by that other entity.

2.1.(a) Definition and classification

IFRS 17(2),(Appendix A),(B2)-(B25),(BC78)

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

IFRS 17(B27)(a),(B28)

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9. Some investment contracts without DPF issued by the Group fall under this category. Refer to note 3.1.3.

IFRS 17(3)(c),(Appendix A)

Some investment contracts issued by the Group contain DPF, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Group accounts for these contracts under IFRS 17.

IFRS 17(3)(c)

PwC commentary - Investment contracts with DPF

The IASB has noted that such contracts have similar economic characteristics to an insurance contract (long duration, recurring premiums, the amount or timing of the return is contractually determined at the discretion of the issuer) and that they are commonly linked to the same pool of assets as, or share in the performance of, insurance contracts. These contracts are therefore accounted for under the IFRS 17 model, as long as the entity issues other insurance contracts. If an entity does not issue insurance contracts, it will apply IFRS 9 to account for investment contracts with DPF.

Under IFRS 4, entities are able to apply existing pre-IFRS 4 accounting practices for investment contracts with DPF, which, in some cases, are similar to accounting for investment contracts without DPF under IAS 39/IFRS 9 and IAS 18/IFRS 15. Under IFRS 17, this is no longer the option, and thus, the classification of contracts as investment contracts with or without DPF has significant impact on accounting for such contracts because IFRS 17 measurement requirements significantly differ from those applicable to investment contracts accounted for under IFRS 9 and IFRS 15.

IFRS 17(Appendix A), (117)(c)(iv), (B101)-(B102), (B106)-(B107)

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Group's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the Group as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Investment components in Savings and Participating products comprise policyholder account values less applicable surrender fees.

The Group uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items.

IFRS 17(B104)

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Group's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less the FCF that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the VFA. The VFA modifies the accounting model in IFRS 17 (referred to as the GMM) to reflect that the consideration an entity receives for the contracts is a variable fee.

Direct participating contracts issued by the Group are contracts with direct participation features where the Group holds the pool of underlying assets and accounts for these groups of contracts under the VFA.

IFRS 17(Appendix A)

All other insurance contracts originated by the Group are without direct participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

IFRS 17(5)

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

2.1.(b) Unit of account

IFRS 17(14),(16),(22)

The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

IFRS 17(17),(19)

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For Life Risk and Savings product lines, sets of contracts usually correspond to policyholder pricing groups that the Group determined to have similar insurance risk and that are priced within the same insurance rate ranges. The Group monitors the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at the level of these pricing groups with no information available at a more granular level.

Contracts issued within Participating product lines are always priced with high expected profitability margins, and thus, such contracts are allocated to groups of contracts that have no significant possibility of becoming onerous as at initial recognition.

Automobile insurance contracts acquired in the run-off period in January 20X4 were included in a single group of contracts and assessed as having no significant possibility of becoming onerous through the pre-acquisition due diligence performed.

IFRS 17(18)

For other automobile contracts measured using the PAA, the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. Similar to Life Risk and Savings contracts, this assessment is performed at a policyholder pricing groups level.

IFRS 17(14)-(19),(22),(61)

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Group tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

Transition approaches that were applied by the Group on adoption of IFRS 17 with respect to contracts aggregation requirements are included in note 2.2.2.

IFRS 17(10)-(13), (B31)-(B35)

Before the Group accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

The Group applies IFRS 17 to all remaining components of the contract. The Group does not have any contracts that require further separation or combination of insurance contracts.

PwC commentary

Separation of contracts with multiple insurance coverage

Although IFRS 17 includes requirements on when certain components within an insurance contract should be separated, IFRS 17 is silent on the separation of different insurance components within one legal contract. In February 2018, the TRG discussed this topic and acknowledged that the lowest unit of account in IFRS 17 is the contract and that there is a presumption that a contract with the legal form of a single contract would generally be considered a single contract in substance. However, there might be certain facts and circumstances where legal form does not reflect the substance and separation is required. Overriding the legal contract to reflect substance is not a policy choice; it is a significant judgement requiring careful consideration of all relevant facts and circumstances. The TRG observed that the following considerations might be relevant in assessing whether the contracts should be separated: whether there is interdependency between the different risks covered, whether components lapse together and whether components can be priced and sold separately.

IFRS 17(9)

Combination of insurance contracts

IFRS 17 contains requirements on when different insurance contracts should be combined. Based on the TRG discussion, the factors to consider should be consistent with the analysis that was described for the separation of insurance contract components. The existence of a discount or the fact that the contracts were entered into at the same time with the same counterparty is not by itself sufficient to conclude that contracts should be combined. Entities will need to analyse whether the contracts achieve or are designed to achieve an overall commercial effect applying significant judgement and careful consideration of all relevant facts and circumstances, wherein no single factor is determinative in applying the assessments.

2.1.(c) Recognition and derecognition

IFRS 17(25)

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

IFRS 17(B93)

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

IFRS 17(71)(a)

Investment contracts with DPF are initially recognised at the date the Group becomes a party to the contract.

IFRS 17(62)

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The Group does not recognise a group of quota share reinsurance contracts held until it has recognised at least one of the underlying insurance contracts.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

IFRS 17(24),(28)

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Accounting for contract modification and derecognition

IFRS 17(74)

An insurance contract is derecognised when it is:

- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and certain additional criteria are met.

IFRS 17(72)-(73)

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
    i. is not in scope of IFRS 17;
    ii. results in different separable components;
    iii. results in a different contract boundary; or
    iv. belongs to a different group of contracts;
b. the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
c. the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

IFRS 17(76)-(77)

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Group:

a. Adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group.
b. Adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition:
    i. If the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service.
    ii. If the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party.
    ii. If the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in a. adjusted for the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification. When recognising the new contract in this case, the Group assumes such a hypothetical premium as actually received.
c. Adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognised, adjustments to the FCF to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party;
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

PwC commentary - Modification: Change from current practices

IFRS 4 has no requirements for modification of insurance contracts and, under local generally accepted accounting principles, many different practices can be currently applied. IFRS 17 introduces specific requirements for modifications, and this could be a significant change for insurers who modify insurance contracts after inception.

2.1.(d) Measurement

2.1.(d)(i) Fulfilment cash flows

Fulfilment cash flows within contract boundary

IFRS 17(33), (Appendix A)

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

a. are based on a probability weighted mean of the full range of possible outcomes;

b. are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and

c. reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

IFRS 17(36)

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. Refer to note 2.2.3.1.

IFRS 17(31),(63), (BC308)

Risk of the Group's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

IFRS 17(24),(B70)

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

IFRS 17(63)

The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

IFRS 17(B61)

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

IFRS 17(34)

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

a. the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

b. both of the following criteria are satisfied:

   i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and

   ii. the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Some insurance contracts issued by the Group provide policyholders with an option to buy an annuity upon the initially issued policies maturity. The Group assesses its practical ability to reprice such insurance contracts in their entirety to determine if annuity-related cash flows are within or outside of the insurance contract boundary. As a result of this assessment, non-guaranteed annuity options are not measured by the Group until they are exercised.

IFRS 17(35) Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

IFRS 17(71)(b) Cash flows are within the boundaries of investment contracts with DPF if they result from a substantive obligation of the Group to deliver cash at a present or future date.

IFRS 17(34) For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

The Group's quota share life reinsurance agreements held have an unlimited duration but are cancellable for new underlying business with a one-year notice period by either party. Thus, the Group treats such reinsurance contracts as a series of annual contracts that cover underlying business issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within one-year's boundary are included in each of the reinsurance contracts' measurement.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts may include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

PwC commentary - Projection of future underlying insurance contracts

In February and May 2018, the TRG discussed implementation questions on how the contract boundary requirements in IFRS 17 apply to reinsurance contracts held. The conclusion summarised in the IASB educational material on reinsurance noted that including all expected future cash flows within the boundary of reinsurance contracts held, including those relating to future underlying insurance contracts, is consistent with the measurement of the underlying insurance contracts. This is consistent because all expected future cash flows within the contract boundary are included in the measurement of a group of insurance contracts issued. Including expected future cash flows related to underlying insurance contracts that are expected to be issued in the future in the measurement of reinsurance contracts held reflects the entity's substantive right to receive services from the reinsurer related to those future underlying contracts.

IFRS 17(B66)(d) Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

IFRS 17(Appendix A) The Group includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

a. costs directly attributable to individual contracts and groups of contracts; and

b. costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

IFRS 17(27) Before a group of insurance contracts is recognised, the Group could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognised.

Risk adjustment for non-financial risk

IFRS 17(37) The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

IFRS 17(64) For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 2.2.3.8.

2.1.(d)(ii) Initial measurement - Groups of contracts not measured under the PAA

Contractual service margin

IFRS 17(38) The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides coverage in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

a. the initial recognition of the FCF;
b. the derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows; and
c. cash flows arising from the contracts in the group at that date.

IFRS 17(47) A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately with no CSM recognised on the balance sheet on initial recognition.

IFRS 17(65),(68) For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives reinsurance coverage in the future.

IFRS 17(39),(B94)-(B95) For insurance contracts acquired, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

a. the initial recognition of the FCF; and
b. cash flows arising from the contracts in the group at that date, including the fair value of the groups of contracts acquired as at the acquisition date as a proxy of the premiums received.

IFRS 17(B93) No contracts acquired were assessed as onerous at initial recognition.

2.1.(d)(iii) Subsequent measurement - Groups of contracts not measured under the PAA

IFRS 17(40) The carrying amount at the end of each reporting period of a group of insurance contracts issued at the is the sum of:

a. the LRC, comprising:
    i. the FCF related to future service allocated to the group at that date; and
    ii. the CSM of the group at that date; and
b. the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

IFRS 17(40)

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

a. the remaining coverage, comprising:
   i. the FCF related to future service allocated to the group at that date; and
   ii. the CSM of the group at that date; and
b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

IFRS 17(40),(B97)(a)

The FCF are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

a. changes that relate to current or past service are recognised in profit or loss; and
b. changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

IFRS 17(44)(c),(B96)

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

a. experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
b. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
c. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
d. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments a.-c. are measured using the locked-in discount rates as described in the section *Interest accretion on the CSM* below.

IFRS 17(B97)

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

a. changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
b. changes in the FCF relating to the LIC; and
c. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

PwC commentary - The use of locked-in rates

The requirement to use the rate at initial recognition in updating the CSM under the GMM leads to a difference between the change in the FCF and the adjustment to the CSM—the difference between the change in the cash flows measured at the current rate and the change in the cash flows measured at the locked-in discount rate. That difference:

a. represents the cumulative effect of changes in financial variables on the underlying change in estimates between the date the insurance contracts were initially recognised and the date of the change in estimates; and
b. gives rise to a gain or loss that is included in profit or loss or OCI, depending on the accounting policy choice an entity makes for the presentation of insurance finance income or expenses in the statement(s) of profit or loss and comprehensive income in accordance with IFRS 17(88). For contracts measured under the GMM, the Group includes all insurance finance income or expenses in profit or loss. Refer to note 2.1.(e)(iii).

IFRS 17(117)(c)(i),(B98),(B99),(B100)

For investment contracts with DPF that are measured under the GMM and provide the Group with discretion as to the timing and amount of the cash flows to be paid to the policyholders, a change in discretionary cash flows is regarded as relating to future service and accordingly adjusts the CSM. At inception of such contracts, the Group specifies its commitment as crediting interest to the policyholder's account balance based on the return on a pool of assets less a spread. The effect of discretionary changes in the spread on the FCF adjusts the CSM while the effect of changes in assumptions that relate to financial risk on this commitment are reflected in insurance finance income or expenses.

When no commitment is specified, the effect of all changes in assumptions that relate to financial risk and changes thereof on the FCF is recognised in insurance finance expenses.

IFRS 17(45)(b)-(c),(B96),(B104)(b),(B110),(B112)-(B114)

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

a. changes in the Group's share of the fair value of the underlying items; and
b. changes in the FCF that do not vary based on the returns of underlying items:
   i. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
   ii. experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
   iii. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
   iv. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
   v. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments ii.-v. are measured using the current discount rates.

IFRS 17(B97),(B111),(B113)(a)

For insurance contracts under the VFA, the following adjustments do not relate to future service and thus do not adjust the CSM:

a. changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
b. changes in the FCF that do not vary based on the returns of underlying items:
   i. changes in the FCF relating to the LIC; and
   ii. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

IFRS 17(B115)

The Group does not have any products with complex guarantees and does not use derivatives to economically hedge the risks.

IFRS 17(B115)

PwC commentary - Risk mitigation solution

IFRS 17 includes a separate financial risk mitigation option for insurance contracts measured under the VFA. If an entity chooses to use derivatives to manage financial risks created by these contracts, the entity may elect to recognise change in that financial risk in profit or loss, rather than adjust the CSM. This results in a natural offset in profit or loss to any gains or losses on changes in the fair value of derivatives recognised in accordance with IFRS 9. IFRS 17 requires a prospective application of this risk mitigation option from the date of initial application of the standard.

Changes to the contractual service margin

IFRS 17(44),(45)

For insurance contracts issued, at the end of each reporting period (which the Group defines as three-month interim), the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

a. The effect of any new contracts added to the group.
b. For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.

c. Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.

d. The effect of any currency exchange differences.

e. The amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

IFRS 17(B137)
IAS 34(28)

PwC commentary - CSM release and interim reporting under IAS 34

IFRS 17 includes a provision that allows an entity not to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim or annual financial statements, notwithstanding the requirement in IAS 34, Interim Financial Reporting, that the frequency of the entity's reporting shall not affect the measurement of its annual results (IAS 34(28)). This accommodation eliminates the need to separately track adjustments to the CSM and effects on profit or loss for the annual reporting period when an entity reports interim results on a more frequent basis.

When a group prepares the consolidated financial statements on a more frequent basis compared to some subsidiaries that prepare financial statements, for example, on an annual basis only, a difference may arise between the IFRS 17 annual results coming from such subsidiaries and those subsidiaries' standalone annual financial statements. Therefore, insurers may need to track two sets of financial reporting for such subsidiaries, which may increase operational complexities associated with IFRS 17 implementation and reporting.

IFRS 17(66)

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognised in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognised in the insurance service result.

Interest accretion on the CSM

IFRS 17(44)(b),(66)(b), (B72)(b),(B73)

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items (locked-in discount rates). If more contracts are added to the existing groups in the subsequent reporting periods, the Group revises the locked-in discount curves by calculating weighted-average discount curves over the period that contracts in the group are issued. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the *Changes in fulfilment cash flows* section.

Release of the CSM to profit or loss

IFRS 17(44)(e),(45)(e), (Appendix A), (B5),(B119)

The amount of the CSM recognised in profit or loss for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

For contracts issued, the Group determines the coverage period for the CSM recognition as follows:

a. for term life and universal life insurance contracts, the coverage period corresponds to the policy coverage for mortality risk;

b. for direct participating contracts and for investment contracts with DPF, the coverage period corresponds to the period in which insurance or investment management services are expected to be provided; and

c. for automobile insurance contracts acquired in the run-off period, management estimates the expected timeframe over which the ultimate cost of the claims is expected to be determined.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

a. the quantity of benefits provided by contracts in the group;

b. the expected coverage duration of contracts in the group; and

c. the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the group.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

The Group determines coverage units as follows:

a. for term life and universal life insurance contracts, coverage units are determined based on the policies' face values that are equal to the fixed death benefit amounts;

b. for direct participating contracts, coverage units are based on the fixed death benefits amounts (during the insurance coverage period) plus policyholders' account values;

c. for investment contracts with DPF, coverage units are based on policyholders' account values;

d. for automobile insurance contracts acquired in the run-off period, coverage units are based on the expected amount of claims covered in the period and the expected amount of claims remaining to be covered in future periods.

The Group reflects the time value of money in the allocation of the CSM to coverage units except for the automobile insurance contracts acquired in the run-off period.

IFRS 7(44)(e),(45)(e),(B119)

PwC commentary - Allocation of the CSM

Coverage period for the VFA

In June 2018, the IASB tentatively decided to propose a clarification to the period over which the CSM should be recognised in profit or loss for groups of contracts under the VFA from the period in which insurance services are provided to the period in which either insurance services or investment-related services are provided.

Coverage units

Entities are required to apply judgement to select appropriate coverage units that best reflect the insurance services provided in each period, which is the objective of coverage units. The determination of coverage units and quantity of benefits is not an accounting policy choice; entities are required to apply judgement to depict the expected services to be provided by the insurer to the policyholder. For contracts without investment components, a possible method could be, depending on the characteristics in the insurance contract, to use the amount that the entity expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

Time value of money

IFRS 17 does not specify whether the expected timing of when coverage should be provided should be factored in when determining the equal allocation of the CSM to the coverage units provided. It is therefore an entity's judgement whether to consider the time value of money when the CSM is allocated. This judgement does not affect the CSM determined at initial recognition of a group of contracts.

IFRS 17(66)(e),(B119)

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period.

Coverage units for the proportionate term life reinsurance contracts are based on the insurance coverage provided by the reinsurer and are determined by the ceded policies' fixed face values taking into account new business projected within the reinsurance contract boundary.

The coverage period for these contracts is determined based on the coverage of all underlying contracts whose cash flows are included in the reinsurance contract boundary. Refer to the *Contract boundary* section in note 2.1.(d)(i) above.

PwC commentary - Quantity of benefits for reinsurance contracts held

In May 2018, the TRG discussed an implementation question on how to determine the quantity of benefits for identifying coverage units for reinsurance contracts held. The TRG observed that the principle of coverage units is to reflect the services provided in a period under a group of insurance contracts. The same principle applies to all insurance contracts within the scope of IFRS 17, including reinsurance contracts held. For reinsurance contracts held, the principle relates to services received from the reinsurer rather than services provided by the insurer. In applying this principle for reinsurance contracts held, the terms of the contract should be considered (for example, the existence of an aggregate limit, as well as the relevant facts and circumstances relating to the underlying insurance contracts).

Onerous contracts - Loss component

IFRS 17(44)(c)(i),(45)(b)(ii), (45)(c)(ii),(47)-(49)

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses and records it as a loss component of the LRC.

IFRS 17(50)-(52)

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

a. expected incurred claims and expenses for the period;

b. changes in the risk adjustment for non-financial risk for the risk expired; and

c. finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in a. and b. above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

2.1.(d)(iv) Initial and subsequent measurement - Groups of contracts measured under the PAA

IFRS 17(53)(b),(97)(a)

The Group uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for originated automobile insurance contracts as each of these contracts has a coverage period of one year or less.

IFRS 17(B5)

The portfolio of the automobile insurance contracts in the run-off period acquired in 20X4 is considered protection against adverse ultimate loss development with a coverage period of more than one year. The respective groups of acquired contracts do not meet the PAA eligibility criteria and have been measured under the GMM.

The excess of loss reinsurance contracts held provide coverage on the automobile insurance contracts originated for claims incurred during an accident year and are accounted for under the PAA.

IFRS 17(53)(a),(69)(a)

PwC commentary - PAA eligibility

In addition to the contracts with coverage of less than one year, the PAA can be used for measurement of groups of contracts where the entity reasonably expects that such a simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the GMM.

IFRS 17(59)(a),(97)(c)

For insurance contracts issued, insurance acquisition cash flows are deferred and recognised over the coverage period of contracts in a group.

IFRS 17(59)(a)

PwC commentary - Acquisition costs in the PAA

IFRS 17(59)(a) allows an accounting policy choice of either expensing the insurance acquisition cash flows when incurred or amortising them over the contract's coverage period.

IFRS 17(55)(a)

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

IFRS 17(55)(a),(69)

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

IFRS 17(40)

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a. the LRC; and

b. the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

IFRS 17(40)

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

a. the remaining coverage; and

b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

IFRS 17(55)(b)

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a. increased for premiums received in the period;

b. decreased for insurance acquisition cash flows paid in the period;

c. decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and

d. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

IFRS 17(55)(b)

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a. increased for ceding premiums paid in the period; and

b. decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

IFRS 17(56),(69),(97)(b)

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

IFRS 17(59)(b),(69)

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money since automobile insurance contracts issued by the Group and measured under the PAA typically have a settlement period of over one year.

IFRS 17(59)(b)

PwC commentary - Discounting in the PAA

IFRS 17 allows a policy choice whether to adjust the measurement for the impact of the time value of money and other financial risks, if the settlement of the claims is expected within 12 months.

IFRS 17(57)-(58)

If a group of contracts becomes onerous, the Group increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses. Subsequently, the Group amortises the amount of the loss component within the LRC by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the Group remeasures the FCF by applying the GMM and reflects changes in the FCF by adjusting the loss component as required until the loss component is reduced to zero.

2.1.(e) Amounts recognised in comprehensive income

2.1.(e)(i) Insurance service result from insurance contracts issued

Insurance revenue

IFRS 17(41)(a), (55)(b)(v),(B120)-(B121), (B123)-(B124)

As the Group provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  a. insurance claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
     - amounts related to the loss component;
     - repayments of investment components;
     - amounts of transaction-based taxes collected in a fiduciary capacity; and
     - insurance acquisition expenses;
  b. changes in the risk adjustment for non-financial risk, excluding:
     - changes included in insurance finance income (expenses);
     - changes that relate to future coverage (which adjust the CSM); and
     - amounts allocated to the loss component;
  c. amounts of the CSM recognised in profit or loss for the services provided in the period; and
  d. experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

IFRS 17(B125)

- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

IFRS 17(B126)(a)

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

IFRS 17(B126)

PwC commentary - Insurance revenue for contracts issued and reinsurance expenses for reinsurance contracts held for contracts measured under the PAA

IFRS 17 presumes the recording of revenue from contracts issued accounted for under the PAA based on the passage of time, unless the expected pattern of incurring the insurance service expenses differs significantly from the passage of time, in which case the latter should be used for expected premium receipts allocation to insurance revenue (or expected ceding premium payments allocation to reinsurance expenses for reinsurance contracts held).

Insurance service expenses

IFRS 17(84)-(85), (103)(b)

Insurance service expenses include the following:

a. incurred claims and benefits excluding investment components;
b. other incurred directly attributable insurance service expenses;
c. amortisation of insurance acquisition cash flows;
d. changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
e. changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

IFRS 17(B125) For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

IFRS 17(B66)(d) Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

2.1.(e)(ii) Insurance service result from reinsurance contracts held

Net income (expenses) from reinsurance contracts held

IFRS 17(67),(84)-(86),(103)(b) The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses;

b. incurred claims recovery;

c. other incurred directly attributable insurance service expenses;

d. effect of changes in risk of reinsurer non-performance;

e. for contracts measured under the GMM, changes that relate to future service (i.e. changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts); and

f. changes relating to past service (i.e. adjustments to incurred claims).

IFSR 17(B121),(B124) Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.

For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:

a. insurance claims and other expenses recovery in the period measured at the amounts expected to be incurred at the beginning of the period, excluding repayments of investment components;

b. changes in the risk adjustment for non-financial risk, excluding:

- changes included in finance income (expenses) from reinsurance contracts held; and
- changes that relate to future coverage (which adjust the CSM);

c. amounts of the CSM recognised in profit or loss for the services received in the period; and

d. ceded premium experience adjustments relating to past and current service.

IFRS 17(B126)(a) For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

IFRS 17(86)(b) Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

2.1.(e)(iii) Insurance finance income or expenses

IFRS 17(87) Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a. the effect of the time value of money and changes in the time value of money; and

b. the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

a. interest accreted on the FCF and the CSM;

b. the effect of changes in interest rates and other financial assumptions; and

c. foreign exchange differences arising from contracts denominated in a foreign currency.

For contracts measured under the VFA, the main amounts within insurance finance income or expenses are:

a. changes in the fair value of underlying items;

b. interest accreted on the FCF relating to cash flows that do not vary with returns on underlying items; and

c. the effect of changes in interest rates and other financial assumptions on the FCF relating to cash flows that do not vary with returns on underlying items.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

a. interest accreted on the LIC; and

b. the effect of changes in interest rates and other financial assumptions.

IFRS 17(81),(117)(c)(ii)

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

IFRS 17(81)

PwC commentary - Disaggregation of changes in the risk adjustment for non-financial risk

An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses.

IFRS 17(88)(a)

For the contracts measured under the GMM and the PAA, the Group includes all insurance finance income or expenses for the period in profit or loss (i.e. the profit or loss option (the PL option) is applied).

IFRS 17(89)(b),(118)

For the contracts measured using the VFA, the OCI option is applied. As the Group holds the underlying items for these contracts, the use of the OCI option results in the elimination of accounting mismatches with income or expenses included in profit or loss on the underlying assets held. The amount that exactly matches income or expenses recognised in profit or loss on underlying assets is included in finance income or expenses from insurance contracts issued. The remaining amount of finance income or expenses from insurance contracts issued for the period is recognised in OCI.

PwC commentary

IFRS 17(88)-(89), (B130)-(B134)

OCI option

IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the PL or OCI option) is applied on a portfolio basis. This OCI option may be beneficial if the respective investment assets portfolio is measured at AC or FVOCI, but it may be more operationally complex to apply.

The matching principle described above is only available for the groups of insurance contracts measured under the VFA where the entity holds the underlying items. If an entity does not hold the underlying items, applies the GMM or the PAA and elects the OCI option, it should define a pattern by which the expected total insurance finance income or expenses will be allocated systematically to each period's profit or loss over the duration of the group of contracts. The difference between the amount allocated to each period's profit or loss based on this systematic allocation and the total insurance finance income or expenses of the period is recognised in OCI. IFRS 17 provides guidance on how systematic allocation is determined for different contracts depending on whether claims and benefits payable to policyholders are significantly affected by changes in assumptions that relate to financial risk.

IFRS 17(30),(87)(b)

Foreign currency exchange differences

Insurance contracts are monetary items that could give rise to foreign currency exchange differences when they are translated into the functional currency of the entity. The risk of changes in foreign currency rates is a financial risk. Consequently, the impact of these foreign currency exchange differences is included in insurance finance income or expenses and is recognised in either profit or loss or OCI following the PL or OCI option chosen for the presentation of insurance finance income or expenses.

IFRS 17(30)

The groups of insurance contracts, including the CSM, that generate cash flows in a foreign currency are treated as monetary items.

2.2. Significant judgements and estimates in applying IFRS 17

PwC commentary - Significant judgements and estimates in applying IFRS 17

Consistent with other IFRS, financial reporting under IFRS 17 is, to a larger extent, based on estimates, judgements and models rather than exact depictions. The IFRS Conceptual Framework establishes the concepts that underlie those estimates, judgements and models. Where an application of a particular standard requires judgements or provides options, it is expected that the preparers of financial information will choose among the alternatives in a way that achieves the objective of financial reporting: to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.

IFRS 17(117),(120)

In addition to the existing requirement in IFRS to disclose critical judgements made in applying accounting policies (IAS 1(122)) and major sources of estimation uncertainties (IAS 1(125)), IFRS 17 requires the following specific disclosures with respect to contracts in the scope of the standard:

a. the methods used to measure insurance contracts and the processes used for estimating inputs to those methods, including quantitative information about those inputs when practicable, and specifically approaches used to (i) distinguish changes in estimates of the FCF arising from the exercise of discretion from other changes for contracts without direct participation features; (ii) determine the risk adjustment for non-financial risk, (iii) determine discount rates; and (iv) determine investment components.

b. any changes in the above methods and processes, together with an explanation of the reason for each change and the type of contracts affected; and

c. the yield curve (or the range of yield curves) used to discount the cash flows that do not vary based on the returns on underlying items. When an entity provides this disclosure in aggregate for a number of groups of insurance contracts, it shall be provided in the form of weighted averages or relatively narrow ranges.

IFRS 17(118)

If a company chooses to disaggregate insurance finance income or expenses into amounts presented in profit or loss and amounts presented in OCI, it is required to disclose an explanation of the methods used to determine the insurance finance income or expenses recognised in profit or loss.

IFRS 17(119)

If a company uses a technique other than the confidence-level technique for determining the risk adjustment, it is required to disclose a translation of the result of that technique into a confidence level to allow users of financial statements to see how the company's own assessment of its risk aversion compares to that of other companies.

2.2.1. Judgements

IAS 1(122)
IFRS 17(93)(b)

PwC commentary - Significant judgements disclosure

This summary provides examples of areas in IFRS 17 that involve a higher degree of judgement or complexity. Additional commentary is included for those judgements that are applicable to the Group, with references to other notes where detailed information about each of these judgements is included, as applicable.

In real life, it is expected that only areas of judgements significant to the reporting entity will be included in this disclosure.

Reference	Areas of potential judgement	Applicable to the Group
	Definition and classification - Whether contracts are in the scope of IFRS 17 and, for contracts determined to be in scope of IFRS 17, what measurement model is applicable:	
IFRS 17(B17-B23)	Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk	Applicable to the Group in determining the classification of contracts issued in Participating product lines as insurance or investment contracts. Refer to note 2.1.(a).
IFRS 17(Appendix A)	Whether a contract issued that does not transfer significant insurance risk meets the definition of an investment contract with DPF.	The Group issues investment contracts with DPF. In assessing whether these are in the scope of IFRS 17, the Group assessed if the discretionary amount is a significant amount of the total benefits. Refer to note 2.1.(a).
IFRS 17(Appendix A), (B101)-(B102), (B106)-(B107)	Whether contracts that were determined to be in the scope of IFRS 17 meet the definition of an insurance contract with direct participation features, particularly: a. whether the pool of underlying items is clearly identified; b. whether amounts that an entity expects to pay to the policyholders constitute a substantial share of the fair value returns on the underlying items; and c. whether the Group expects the proportion of any change in the amounts to be paid to the policyholders that vary with the change in fair value of the underlying items to be substantial.	An assessment is performed for universal life contracts and direct participating contracts issued by the Group to determine whether the proportion to be paid to the policyholders is substantial. For investment contracts with DPF, the Group applied judgement and concluded that these contracts do not meet the definition of an insurance contract with direct participation features. Refer to note 2.1.(a).
IFRS 17(53)(a),(54), (69)(a),(70)	For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment as required by IFRS 17(53)(a),(54),(69)(a),(70) and may involve significant judgement.	All contracts measured by the Group under the PAA have a coverage period of one year or less. Thus, no assessment for the PAA is separately required and no judgement was involved.
	Unit of account - Judgements involved in combination of insurance contracts and separation of distinct components	
IFRS 17(9)	Combination of insurance contracts - whether the contracts with the same or related counterparty achieve or are designed to achieve an overall commercial effect and require combination.	No respective judgement is applicable to the Group.
IFRS 17(11)-(12), (B31)-(B35)	Separation - whether components in IFRS 17(11)-(12) are distinct (i.e. meet the separation criteria).	No respective judgement is applicable to the Group.
	Separation of contracts with multiple insurance coverage - whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.	No respective judgement is applicable to the Group.

	Areas of potential judgement	Applicable to the Group
	Unit of account - Insurance contracts aggregation	
IFRS 17(14)-(23),(61)	Judgements involved in the identification of portfolios of contracts as required by IFRS 17(14) (i.e. having similar risks and being managed together).	Not an area of significant judgement for the Group. The Group is a multi-line insurer where each product line is managed independently. Life Risk, Savings and Property and Casualty product lines each have one portfolio consisting of a single product issued within a line. Within the Participating product lines, the portfolio of direct participating contracts is clearly different from the portfolio of investment contracts with DPF because of different risks.
	Aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous and groups of other contracts. Similar grouping assessment for reinsurance contracts held. Areas of potential judgements include: a. IFRS 17(17) - the determination of contract sets within portfolios and whether the Group has reasonable and supportable information to conclude that all contracts within a set would fall into the same group as required by IFRS 17(16); and b. IFRS 17(18)-(19) - judgements may be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous and other contracts). For contracts not measured under the PAA, the assessment of the likelihood of adverse changes in assumptions that may result in contracts becoming onerous is an area of potential judgement. For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of potential judgement.	Refer to note 2.1.(b) for a description of judgements applied by the Group.
IFRS 17(57)	For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This area of judgement is potentially applicable to the Group. In 20X3 and 20X4, the Group did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous. All contracts measured by the Group in 20X3 and 20X4 under the PAA were determined to be non-onerous on initial recognition.
IFRS 17(20)	The determination of whether laws or regulations constrain the Group's practical ability to set a different price or level of benefits for policyholders with different risk profiles so the Group may include such contracts in the same group, disregarding the aggregation requirements set in IFRS 17(14)-(19), is an area of judgement.	The regulatory environment in which the Group operates does not impose any price or other constraints. Thus, no judgement has been applied by the Group.
	Recognition and derecognition - Accounting for contract modification and derecognition	
IFRS 17(72)	When contracts are modified, judgement might be applied to establish if the modification meets the criteria for derecognition. In particular, after the modification, judgement is applied to determine whether: a. significant insurance risk still exists; b. there are elements that are to be distinct from the contract; c. contract boundaries have changed; d. the contract would have to be included in a different group subject to aggregation requirements; and e. the contract no longer meets the requirements of the measurement model.	No respective judgement is applicable to the Group in 20X3 and 20X4.

Reference	Areas of potential judgement	Applicable to the Group
	Measurement - Fulfilment cash flows	
IFRS 17(34)-(35)	The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract in the scope of IFRS 17. Judgements might be involved to determine when the Group is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums and when premiums reflect risks beyond the coverage period. Where such features as options and guarantees are included in the insurance contracts, judgement may be required to assess the entity's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.	No respective judgement is applicable to the Group. Where annuity options are provided in the insurance contracts, they are non-guaranteed and are not within the contract boundary. Refer note 2.1.(d)(i).
IFRS 17(B65)-(B66)	An entity may use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.	The Group performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts. Refer to note 2.2.3.3.
IFRS 17(B104)(b)	For contracts measured under the VFA, determination of the variable fee may be an area of significant judgement.	No respective judgement is applicable to the Group.
	Financial performance	
IFRS 17(AppendixA), (117)(c)(iv)	The determination of what constitutes an investment component might be an area of judgement significantly affecting amounts of recognised insurance revenue and insurance service expenses as investment components should be excluded from those.	No respective judgement is applicable to the Group.
IFRS 17(Appendix A), (B119)	Insurance revenue and reinsurance expenses - methods and assumptions used in the determination of the CSM to be recognised in profit or loss for the services provided or received in the period. Areas of potential judgement are: a. the determination of the coverage units provided or received in the current period and expected to be provided in future periods, particularly when multiple services are provided under the same insurance contract; b. factoring in the time value of money when determining the equal allocation of the CSM to the coverage units provided or received; and c. the determination of the expected coverage period over which the CSM is allocated into profit or loss for the services provided or received.	The Group applied significant judgements in the following aspects of the determination of the CSM amounts that were recognised in profit or loss in 20X4 and 20X3: a. for direct participating contracts, coverage units are based on the fixed death benefits amounts (during the insurance coverage period) plus policyholders' account values; the coverage period corresponds to the period in which insurance or investment management services are expected to be provided; b. for investment contracts with DPF, coverage units are based on policyholders' account values; the coverage period corresponds to the period in which investment management services are expected to be provided; and c. for automobile insurance contracts acquired in the run-off period, coverage units are based on the expected amount of claims covered in the period and the expected amount of claims remaining to be covered in future periods; the coverage period for the CSM allocation is based on the expected timeframe over which the ultimate cost of the claims is expected to be determined. In performing the above determination, management applied judgement that might significantly impact the CSM carrying values and amounts of the CSM allocation recognised in profit or loss for the period.
IFRS 17(44)(c)(i), (117)(c)(i),(B98)-(B100)	For contracts measured under the GMM in which the Group has discretion over the cash flows to be paid to the policyholders, judgement might be involved in the determination of what the Group considers its commitment on initial recognition of such contracts. Further, judgement might be required to distinguish subsequent changes in the FCF resulting from changes in the Group's commitment and those resulting from changes in assumptions that relate to the financial risk on that commitment.	In applying its judgement, the Group specifies what it regards as its commitment for the investment contracts with DPF as disclosed in note 2.1.(d)(iii). The Group does not use judgement to further distinguish changes in the FCF as discussed on the left.

	Areas of potential judgement	Applicable to the Group
IFRS 17(88)(b),(89)(b), (118),(B72)(e), (B130)-(B134)	For contracts measured under the GMM, the OCI option to disaggregate finance income or expenses between profit or loss and OCI requires assessment of whether amounts payable to the policyholders are significantly affected by assumptions that relate to financial risk, which is a potential area of judgement. Further, if amounts payable are considered to be substantially affected by changes in such assumptions, further guidance is provided on how disaggregation should be performed, which might also involve management judgement.	No respective judgement is applicable to the Group as it does not apply the OCI option under IFRS 17(88)(b) for contracts measured under the GMM.
	For contracts measured under the VFA, the OCI option to disaggregate finance income or expenses between profit or loss and OCI requires an entity to assess investment returns on underlying items included in profit or loss for the period and to recognise matching amounts of insurance finance income or expenses in profit or loss. The assessment of investment returns is an area of potential judgement.	The Group applies the OCI option for contracts measured under the VFA under IFRS 17(89)(b). No significant judgement is involved in investment returns assessment. Refer to notes 2.7.1 and 3.5.
IFRS 17(B116)(b)-(c)	For contracts measured under the VFA to which an entity applies the risk mitigation solution, an entity might apply judgements to assess whether an economic offset exists between the insurance contracts and the derivative and whether credit risk does not dominate this economic offset.	No respective judgement is applicable to the Group as it does not apply the risk mitigation solution provided by IFRS 17(B115).

2.2.2. Methods used and judgements applied in determining the IFRS 17 transition amounts

IFRS 17(115)

The Group has adopted IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The full retrospective approach was applied to the insurance contracts in force at the transition date that were originated less than three years prior to transition. The modified retrospective approach was applied to the insurance contracts that were originated from three to five years prior to transition. The fair value approach was applied to insurance contracts that were originated more than five years prior to transition.

IFRS 17(C4)(a), (C11)-(C17),(C20)

The transition approach was determined at a group of insurance contracts level and affected the approach to calculating the CSM on initial adoption of IFRS 17:

a. full retrospective approach - the CSM at inception is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if IFRS 17 had always been applied;

b. modified retrospective approach - the CSM at inception is calculated based on assumptions at transition using some simplifications and taking into account the actual pre-transition FCF; and

c. fair value approach - the pre-transition FCF and experience are not considered.

IAS 8(5)
IFRS 17(C5)

The Group has determined that it would be impracticable to apply the full retrospective approach where any of the following conditions existed:

1. The effects of the full retrospective application were not determinable, for example:
   a. Some reasonable and supportable information about actual historical cash flows may have been available from the Group's systems, but in many cases such information was only available at higher levels or different levels of aggregation compared to the groups required by IFRS 17. This lack of information makes it impracticable to accurately calculate the FCF on a retrospective basis and segregate groups based on profitability.
   b. The information necessary to estimate the effect of contracts derecognised before the transition date on allocation of the CSM between past and future periods on the transition date was not available in many cases. This was particularly challenging for large portfolios of long-term contracts for which terms and circumstances (for example, size and number of contracts issued in prior reporting periods) often change.
2. The full retrospective application required assumptions that would have been made in an earlier period, for example:
   a. For contracts with direct participation features, the Group's expectations regarding the policyholder's share of underlying assets at contract inception would not have been possible to recreate without the use of hindsight.
   b. Difficulties in retrieving relevant reliable information existed where assumptions developed at the date of initial recognition were not on an IFRS 17 basis (e.g. discount rates, risk adjustment for non-financial risk, expenses).
   c. Changes in assumptions have not been historically documented on an ongoing basis.
   d. The older the in force contracts (e.g. term life products), the more challenging it would have been to retrieve data from the past on assumptions.

3. The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and (ii) would have been available when the consolidated financial statements for that prior period were authorised for issue, and other information, for example:
   a. The Group had limited or no information required for the allocation of acquisition costs and other overhead expenses to respective groups under IFRS 17. Systems have not been tracking or allocating acquisition costs as previous accounting policies did not require this. In addition, the allocation of applicable overheads to groups of contracts could require information that has not historically been tracked/recorded.
   b. The Group has not historically been accumulating information about the changes in estimates that would have been recognised in profit or loss for each accounting period because they did not relate to future service, and the extent to which changes in the FCF would have been allocated to the loss component.

Full retrospective approach

The Group has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition.

In addition, for insurance contracts originated by the Group that are eligible for the PAA, the Group has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence, the only available option for automobile insurance contracts issued by the Group.

IFRS 17(C4)

Accordingly, the Group has recognised and measured each group of insurance contracts in this category as if IFRS 17 had always applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any resulting net difference in equity.

Modified retrospective and fair value approaches

IFRS 17(C5)

After making reasonable efforts to gather necessary historical information, the Group has determined that for certain groups of contracts, such information was not available or not available in a form that would enable it to be used without undue cost and effort. It was therefore impracticable to apply the full retrospective approach, and either the modified retrospective approach or the fair value approach has been used for these groups. The Group applied significant judgement in determining the transition amounts under these approaches.

Judgements in applying the modified retrospective approach

IFRS 17(C6)

The Group has determined that transactional level data and annual actuarial assumptions are available as far as five years prior to the IFRS 17 transition date. The Group has used that threshold to apply the modified retrospective approach to all groups of contracts in force as at transition and originated within five to three years prior to the transition date, where the full retrospective approach has not been applied as it was impracticable but the closest possible outcome could have been achieved using reasonable and supportable information. The modified retrospective approach was applied as follows:

Reference	Item	Description
IFRS 17(C8),(C9)(a)	Aggregation of contracts	Groups of contracts were divided into annual cohorts. Aggregation of insurance contracts by expected profitability was assessed as at the transition date to the extent that reasonable and supportable information was not available to perform this assessment as at initial recognition. For this assessment, the Group estimated the FCF at the initial recognition as described below. Further, to aggregate non-onerous insurance contracts issued into groups of contracts that had no significant possibility of becoming onerous subsequently or groups of remaining contracts, the Group assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date. Similarly, to aggregate reinsurance contracts held in a net cost position into groups of contracts for which there is no significant possibility of a net gain arising subsequently or groups of remaining contracts, the Group assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date.
IFRS 17(C8),(C12)	Future cash flows	To the extent that reasonable and supportable information was not available to estimate future cash flows at initial recognition, future cash flows at the date of initial recognition of a group of insurance contracts were estimated as the future cash flows at the transition date, adjusted by the actual cash flows that have occurred between the transition (or earlier) date and the date of initial recognition. Actual cash flows included cash flows from contracts derecognised before the transition date.

Reference	Item	Description
IFRS 17(C8),(C14)	Risk adjustment for non-financial risk	Similar to the cash flow simplification above, the risk adjustment for non-financial risk was estimated at the transition date by adjusting the risk adjustment for non-financial risk at the transition date by the expected release of risk before the transition date. In estimating the release of risk, reference was made to the release of risk for similar insurance contracts that were issued at the transition date.
IFRS 17(C13)	Discount rates	The Group did not apply the modification for discount rates determination as permitted by IFRS 17(C13).

IFRS 17(C13)

PwC commentary - Discount rates in modified retrospective approach

To the extent that an entity does not have reasonable and supportable information to apply the full retrospective approach to determine discount rates, IFRS 17 permits the following modifications under the modified retrospective approach to be used at the date of initial recognition or subsequently:

a. The observable yield curve that, for at least three years immediately before the transition date, approximates the current yield curves determined in accordance with IFRS 17 requirements if such an observable yield curve exists.

b. If such an observable rate does not exist, an entity shall estimate the discount rates by determining an average spread between an observable yield curve and the yield curve estimated applying IFRS 17 requirements, and applying that spread to an observable yield curve. That spread shall be an average over at least three years immediately before the transition date.

Reference	Item	Description
IFRS 17(C8),(C11),(C15)(b),(C16)-(C17)	CSM or loss component	a. For contracts measured under the GMM, the CSM or loss component of the LRC at the transition date was determined applying modifications in the FCF estimation as described above. The CSM was reduced for the allocation to profit or loss for services provided before the transition date, by comparing the remaining coverage units as at the transition date with the coverage units provided under the group of contracts before the transition date. Where the calculated CSM resulted in a loss component, the Group used the systematic approach described in note 2.1.(d)(iii) to determine amounts allocated to the loss component before the transition date. b. For contracts measured under the VFA, a proxy for the CSM or loss component of the LRC at the transition date was calculated based on: i. the total fair value of the underlying assets at the transition date; minus ii. the FCF at that date, adjusted for: • amounts charged to policyholders before that date; • amounts paid before the transition date that would not have varied based on the returns on the underlying items; and • the estimated release of the risk adjustment for non-financial risk before the transition date. The CSM was reduced for the allocation to profit or loss for services provided before the transition date, by comparing the remaining coverage units as at the transition date with the coverage units provided under the group of contracts before the transition date. Where the calculated CSM resulted in a loss component, the Group adjusted the loss component to nil and increased the LRC excluding the loss component by the same amount.
IFRS 17(C19)(b)(iv)	Insurance finance income or expenses	For the insurance contracts measured under the VFA, the Group determined the cumulative amount of insurance finance income or expenses recognised in accumulated other comprehensive income (AOCI) at the transition date as equal to the cumulative amount recognised in AOCI on the respective underlying assets.

Judgements in applying the fair value approach

The Group applied the fair value approach to insurance contracts that were originated more than five years prior to transition.

IFRS 17(C20)

Applying the fair value approach, the Group determined the CSM to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13, Fair Value Measurement (IFRS 13), and its FCF at the transition date. The Group did not apply the deposit floor when measuring insurance contracts when using the fair value approach on transition.

IFRS 13(34),(36)

The fair value of an insurance liability is the price a market participant would be willing to pay to assume the obligation and the remaining risks of the in force contracts as at the transition date. Where available, recent market transactions were used to estimate the fair value of groups of contracts. Absent recent market transactions of similar contracts, a present value technique was used to value groups of contracts.

In estimating the fair value of groups of insurance contracts, the following considerations were applied:

a. only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation excluding future renewals and new business that would be outside the contract boundary of the contracts under IFRS 17;

b. assumptions about expected future cash flows and risk allowances were adjusted for the market participant's view as required by IFRS 13; and

c. profit margins were included to reflect what a market participant would require for accepting obligations under insurance contracts, beyond the risk adjustment for non-financial risk.

The Group used significant judgement to determine adjustments required to reflect market participant's view and considered the following:

Reference	Item	Description
IFRS 17(C21)(a), (C22)-(C23)	Aggregation of contracts	Groups of contracts include contracts issued more than one year apart. Aggregation of insurance contracts by expected profitability was assessed as at the transition date. For this assessment, the Group estimated the FCF at the transition date. Further, to aggregate non-onerous insurance contracts issued into groups of contracts that had no significant possibility of becoming onerous subsequently or groups of remaining contracts, the Group assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date. Similarly, to aggregate reinsurance contracts held in a net cost position into groups of contracts for which there is no significant possibility of a net gain arising subsequently or groups of remaining contracts, the Group assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date.
	Discount rates	The discount rates at the dates of initial recognition were determined at the transition date as described in note 2.2.3.1.
	FCF	The FCF were estimated prospectively as at the transition date.
IFRS 17(C20)	CSM	The CSM was estimated to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13 as described above, and its FCF at the transition date.
IFRS 17(C24)(c)	Insurance finance income or expenses	For the insurance contracts measured under the VFA, the Group determined the cumulative amount of insurance finance income or expenses recognised in AOCI at the transition date as equal to the cumulative amount recognised in AOCI on the respective underlying assets.

2.2.3. Estimates and assumptions

IAS 1(125)

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results.

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below together with information about the basis of calculation for each affected line item in the consolidated financial statements.

IFRS 17(117)

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability weighted mean of a full range of scenarios.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 2.2.4.

2.2.3.1. Discount rates

IFRS 17(B78)-(B85)

A mix of the bottom-up and top-down approaches was applied in the determination of the discount rates for different products.

The bottom-up approach was used to derive the discount rate for the cash flows that do not vary based on the returns on underlying items in the Participating contracts (excluding investment contracts without DPF that are not in the scope of IFRS 17). Under this approach, the discount rate is determined as the risk free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk free yield and the relevant liability cash flows (known as an illiquidity premium). The risk free yield was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with a AAA credit rating were used. Management uses judgement to assess liquidity characteristics of the liability cash flows. Direct participating contracts and investment contracts with DPF are considered less liquid than the financial assets used to derive the risk free yield. For these contracts, the illiquidity premium was estimated based on market observable liquidity premium in financial assets adjusted to reflect the illiquidity characteristics of the liability cash flows.

The top-down approach was used to derive the discount rates for the cash flows that do not vary based on the returns on underlying items in all other contracts within the scope of IFRS 17. Under this approach, the discount rate is determined as the yield implicit in the fair value of a reference portfolio adjusted for differences between the reference portfolio of assets and respective liability cash flows. The reference portfolio comprises a mix of sovereign and corporate bonds available on the markets. The assets were selected in order to match the liability cash flows. The yield from the reference portfolio was adjusted to remove both expected and unexpected credit risk. These adjustments were estimated using information from observed historic levels of default and credit default swaps relating to the bonds included in the reference portfolio.

For both the bottom-up and top-down approaches, observable market information is available for up to 20 years. For the unobservable period, the yield curve was interpolated between an ultimate rate and the last observable point using the Smith-Wilson method.

IFRS 17(B74)(b)(i)

Cash flows varying based on underlying items are discounted using a discount rate that reflects the variability of the underlying assets. The Savings and Participating contracts include investment components where cash flows vary based on the return of investment assets. The cash flows arising from the investment component are discounted using the expected return of the assets supporting the investment component. There are limited financial guarantees in these products. The liabilities associated with these guarantees are measured using a market consistent stochastic model.

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

IFRS 17(120)

		20X4					20X3				
Product	**Currency**	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**
Life Risk (issued and reinsurance held)	CU	3.02%	3.97%	4.56%	4.76%	5.25%	3.08%	4.03%	4.62%	4.82%	5.31%
Savings	CU	2.77%	3.52%	4.21%	4.43%	4.85%	2.82%	3.57%	4.26%	4.48%	4.90%
Participating											
- Direct participating contracts	CU	2.42%	3.37%	3.96%	-	-	2.46%	3.41%	4.00%	-	-
- Investment contracts with DPF	FU	2.02%	2.97%	3.56%	-	-	2.06%	3.01%	3.60%	-	-
Property and Casualty (issued and reinsurance held)	CU	3.02%	3.97%	4.56%	-	-	3.08%	4.03%	4.62%	-	-

PwC commentary

IFRS 17(120),(B77)

Discount rate disclosure for contracts where cash flows depend on underlying items

Though IFRS 17(120) requires an entity to disclose only the yield curve used to discount cash flows that do not vary based on the returns on underlying items, IFRS 17(B77) clarifies that it is not required to divide estimated cash flows into those that vary and those that do not when determining the discount rate. In this case, a discount rate appropriate for the estimated cash flows as a whole would be applied. In practice, this is likely to be used by insurers where there are material financial options and guarantees and where stochastic modelling techniques (for example, risk neutral methods) are applied. Additional discount rate disclosures might be required.

In our simplistic example, the Group uses separate yield curves for cash flows that vary based on the returns on underlying items and those that do not, while the limited financial guarantees are valued separately by stochastic modelling techniques.

IFRS 17(B81)

Selection of reference portfolio in top-down approach

In September 2018, the TRG discussed judgements in the selection of the reference portfolio in the top-down approach. In particular, it discussed the disclosure of the:

a. methods used to determine discount rates and the processes for estimating the inputs to those methods, including the identification of a reference portfolio; and

b. effect of a change in the composition of the assets in the reference portfolio on discount rates, if material.

Depending on the circumstances, an entity may need to include additional disclosures to address these matters.

2.2.3.2. Investment assets returns

IFRS 17(B74)(b)(i)

For Savings and Participating contracts (excluding investment contracts without DPF not in the scope of IFRS 17), assumptions about future underlying investment returns are made. Due to the measurement models applied and the nature of the products, particularly the determination of the discount rates used to discount future estimates of cash flows that vary with returns on underlying items, assumptions about future underlying investment returns do not impact contract measurement significantly. There are limited financial guarantees in these products. The liabilities associated with these guarantees are measured using a market consistent stochastic model.

2.2.3.3. Estimates of future cash flows to fulfil insurance contracts

IFRS 17(33),(B36)-(B41),(B54)-(B60)

Included in the measurement of each group of contracts in the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a range of scenarios.

IFRS 17(24),(117)(a),(B65)(l)

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis such as activity based costing method. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. Claims settlement related expenses are allocated based on the number of claims expected for all groups except for Property and Casualty insurance where such expenses are allocated based on claims costs.

For the Life Risk and Savings contracts, uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in the policyholder behaviour and uncertainties regarding future inflation rates and expenses growth.

For the Participating contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the variability in policyholder behaviour. The interest rate guarantee embedded in investment contracts with DPF was measured using stochastic modelling because the gurantantee does not move symmetrically with different interest rate scenarios. The guarantee was measured using a full range of scenarios representing possible future interest rate environments.

For the Property and Casualty contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth.

IFRS 17(33)(c),(B54)-(B60) Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Significant methods and assumptions used are discussed below.

2.2.3.4. Mortality - Life Risk, Savings and Participating contracts (excluding investment contracts without DPF)

IFRS 17(117)(a) The Group derives mortality rates assumptions from the recent credible national mortality tables published by the Life Insurance Actuarial Society. An investigation into the Group's experience over the most recent five years is performed, and statistical methods are used to adjust the mortality tables to produce the probability weighted expected mortality rates in the future over the duration of the insurance contracts. Mortality rates are differentiated between policyholder groups based on gender and smoker status.

IFRS 17(117)(b) Assumptions and methods used to derive mortality assumptions have not changed in 20X4. The following mortality assumptions were used:

IFRS 17(117)(a)

		20X3-20X4	
Gender	**Smoker status**	**Mortality table**	**Percentage of table**
Male	Non-smoker	MNS 2010-2015	95-97%
	Smoker	MS 2010-2015	93-96%
Female	Non-smoker	FNS 2010-2015	94-97%
	Smoker	FS 2010-2015	93-96%

A possible increase in mortality rates increases estimates of future cash outflows and thus decreases the CSM. For a sensitivity analysis, refer to note 2.2.4.1.

2.2.3.5. Persistency - Life Risk, Savings and Participating contracts (excluding investment contracts without DPF)

IFRS 17(117)(a) The Group derives assumptions about lapse and surrender rates based on the Group's own experience. Historical lapse and surrender rates are derived from the Group's policy administration data. An analysis is then performed of the Group's historical rates in comparison to the assumptions previously used. Statistical methods are used to derive adjustments to reflect the Group's own experience and any trends in the data to arrive at the probability weighted expected lapse and surrender rates. Analysis is performed and assumptions are set by major product line.

IFRS 17(117)(b) The following assumptions about lapse and surrender rates were used. Changes in assumptions in 20X4 reflect new projections made using the Group's most recent experience. Methods used to derive these assumptions have not changed in 20X4.

IFRS 17(117)(a)

	20X4	**20X3**
Life Risk	1.98%	1.98%
Savings	1.65%	1.65%
Participating	4.95%	4.95%

Possible increases in lapse and surrender rates may increase or decrease estimates of future cash outflows and thus decrease or increase the CSM depending on the product specifics. For a sensitivity analysis, refer to note 2.2.4.1.

PwC commentary - Dynamic lapses/surrender rates

Dynamic lapses/surrender rates assumptions are commonly used for products providing a guarantee fluctuating based on market returns. This is to reflect that policyholders tend not to surrender their policies when the guarantees embedded in the contract exceed the policyholder account value. Lapses/surrenders also tend to be higher when the guarantee amounts are lower than the account value.

The Group does not issue contracts in which lapse/surrender rates are significantly affected by market returns. If an entity issues contracts in which the level of lapses/surrenders is dependent on the market returns, then stochastic modelling would be preferable to determine the probability weighted average of future cash flows.

2.2.3.6. Expenses - Life Risk, Savings and Participating contracts (excluding investment contracts without DPF) and Property and Casualty contracts

IFRS 17(117)(a)

The Group projects estimates of future expenses relating to fulfilment of contracts in the scope of IFRS 17 using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts including an allocation of fixed and variable overheads. In addition, under certain methods used to assess claims incurred for the Property and Casualty contracts, estimates of future claim payments are adjusted for inflation.

Where asset management services are provided for the insurance operational segments as part of contractual arrangements with policyholders, the Group projects future expenses based on the direct costs as incurred by the Group rather than based on management fees charged explicitly to the policyholder account values or internal fees charged to the insurance operating segments for providing these services.

IFRS 17(117)(a)-(b), (B128)(b)

The expense inflation assumption is based on Oneland's retail price inflation swap curve adjusted to the Group's own experience and is considered to be a non-financial risk. The Group has not changed its methods or assumptions used to project expenses in 20X4.

Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM within the LRC for contracts measured under the GMM and increase the LIC for Property and Casualty contracts measured under the PAA. For a sensitivity analysis, refer to note 2.2.4.

2.2.3.7. Methods used to measure Property and Casualty contracts

IFRS 17(117)(a)-(b)

The Group estimates insurance liabilities in relation to claims incurred for automobile insurance separately for property damage and third party liability coverage and for major products. Estimates are performed on an accident year basis with further allocation to annual cohorts in proportion to the gross or reinsurance premiums earned by the respective cohort of contracts in a given accident year. A separate estimation is performed for the run-off automobile business acquired in January 20X4.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contracts.

The most common methods used to estimate property damage claims incurred are the chain-ladder and the Bornhuetter-Ferguson methods, which are the industry standards for this type of claims.

The chain-ladder technique involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. The chain-ladder technique is the most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. The chain-ladder technique is less suitable in cases in which the Group does not have a developed claims history for a particular type of claims.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as gross or reinsurance premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (i.e. the recent accident years or new products).

For the bodily injury claims incurred estimations, the Group uses the frequency severity method. The estimated cost of claims for each year and each class is the product of the projections of claims number and the average claims sizes adjusted for inflation projections. These amounts are then summed up over years subject to maximum loss payable under the terms of the policies.

The Group has not changed the methods used to estimate incurred claims in 20X4 with the exception of a small number of policy groups where the Group now has sufficient claims statistics to apply the chain-ladder method instead of the Bornhuetter-Ferguson method, which was previously used. The change in method applied had no significant impact on the consolidated financial statements of the Group.

In its claims incurred assessments, the Group uses internal and market data. Internal data is derived mostly from the Group's claims reports. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims. Market data consists of inflation projections, large claims threshold, large claims quantity, market claims ratios and other.

Refer to note 2.2.4.2 for sensitivity of Property and Casualty insurance liabilities to assumptions used.

2.2.3.8. Methods used to measure the risk adjustment for non-financial risk

IFRS 17(37),(B88)

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

IFRS 17(c)(ii)

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The cost of capital method was used to derive the overall risk adjustment for non-financial risk. In the cost of capital method, the risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non-financial risk. The cost rate is set at 6% per annum representing the return required to compensate for the exposure to non-financial risk. The capital is determined at a 99.5% confidence level and is projected in line with the run-off of the business. The diversification benefit is included to reflect the diversification in contracts sold across geographies as this reflects the compensation that the entity requires.

IFRS 17(119)

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 80% (20X3 - 80%).

IFRS 17(117)(b)

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 20X3 and 20X4.

PwC commentary - Risk adjustment for non-financial risk in a group of entities

As discussed at the May 2018 TRG meeting, the risk adjustment for non-financial risk is determined at the issuing entity level and the risk adjustment does not change in the consolidated group that includes the issuing entity. Hence, the risk adjustment is the compensation the entity issuing the contract requires for bearing the risk.

An issuing entity may use a mix of methods to derive the risk adjustment for non-financial risk. In such cases, the entity shall disclose the different methods and assumptions subject to materiality.

2.2.4. Sensitivity analysis to underwriting risk variables

IFRS 17(128)-(129)

PwC commentary - Sensitivity analysis to underwriting risk variables

Entities are required to disclose a sensitivity analysis to demonstrate the impact of reasonably possible changes in risk variables at the end of the reporting period on profit or loss and equity. For insurance risk, the standard requires demonstrating the impact of changes in risk variables before and after risk mitigation by reinsurance contracts held.

This disclosure is also required by IFRS 4 and IFRS 7.

IFRS 17(129) allows entities to provide a sensitivity analysis to risk variables different from those described above provided that entities use such analysis for their risk management purposes. Additional disclosures are required if entities chose to provide an alternative sensitivity analysis.

The Group provides a sensitivity analysis to market risk variables in note 6.6.

2.2.4.1. Life Risk, Savings and Participating contracts (excluding investment contracts without DPF)

IFRS 17(128)(a)(i),(b)

The following tables present information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact product line insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(All amounts in CU thousands unless otherwise stated)

IFRS 17(128)(a)(i)
IAS 1(129)

20X4	FCF as at 31 December	CSM as at 31 December	Total	Impact on FCF	Impact on CSM	Total increase (decrease) in insurance contract liabilities	Remaining CSM	Impact on profit before income tax	Impact on equity
Life Risk									
Insurance contract liabilities as at 31 December									
Insurance contract liabilities (net)	(26,063)	42,484	16,421						
Reinsurance contract assets (net)	22,325	(34,468)	(12,143)						
Net insurance contract liabilities	**(3,738)**	**8,016**	**4,278**						
Mortality rate - 1% increase									
Insurance contract liabilities (net)				8,045	(7,857)	188	34,627	(188)	(138)
Reinsurance contract assets (net)				(6,692)	6,555	(137)	(27,913)	137	101
Net insurance contract liabilities				**1,353**	**(1,302)**	**51**	**6,714**	**(51)**	**(37)**
Lapse/surrender rates - 10% decrease									
Insurance contract liabilities (net)				802	(814)	(12)	41,670	12	9
Reinsurance contract assets (net)				(617)	623	6	(33,845)	(6)	(4)
Net insurance contract liabilities				**185**	**(191)**	**(6)**	**7,825**	**6**	**5**
Expenses - 5% increase									
Insurance contract liabilities (net)				4,133	(3,845)	288	38,639	(288)	(212)
Reinsurance contract assets (net)				(81)	79	(2)	(34,389)	2	1
Net insurance contract liabilities				**4,052**	**(3,766)**	**286**	**4,250**	**(286)**	**(211)**
Savings									
Insurance contract liabilities (net) as at 31 December	25,937	19,523	45,460						
Mortality rate - 1% increase				1,811	(1,758)	53	17,765	(53)	(39)
Lapse/surrender rates - 10% decrease				2,310	(2,313)	(3)	17,210	3	2
Expenses - 5% increase				3,335	(3,234)	101	16,289	(101)	(74)
Participating - Direct participating contracts									
Insurance contract liabilities (net) as at 31 December	57,369	3,744	61,113						
Lapse/surrender rates - 10% increase				65	(63)	2	3,681	(2)	(1)
Expenses - 5% increase				54	(46)	8	3,698	(8)	(6)
Participating - Investment contracts with DPF									
Insurance contract liabilities (net) as at 31 December	14,427	760	15,187						
Lapse/surrender rates - 10% increase				15	(13)	2	747	(2)	(1)
Expenses - 5% increase				29	(25)	4	735	(4)	(3)

IIFRS 17(128)(a)(i)
IAS 1(129)

20X3	FCF as at 31 December	CSM as at 31 December	Total	Impact on FCF	Impact on CSM	Total increase (decrease) in insurance contract liabilities	Remaining CSM	Impact on profit before income tax	Impact on equity
Life Risk									
Insurance contract liabilities as at 31 December									
Insurance contract liabilities (net)	(31,788)	35,270	3,482						
Reinsurance contract assets (net)	26,250	(28,666)	(2,416)						
Net insurance contract liabilities	**(5,538)**	**6,604**	**1,066**						
Mortality rate - 1% increase									
Insurance contract liabilities (net)				6,718	(6,573)	145	28,697	(145)	(107)
Reinsurance contract assets (net)				(5,570)	5,471	(99)	(23,195)	99	73
Net insurance contract liabilities				**1,148**	**(1,102)**	**46**	**5,502**	**(46)**	**(34)**
Lapse/surrender rates - 10% decrease									
Insurance contract liabilities (net)				610	(617)	(7)	34,653	7	5
Reinsurance contract assets (net)				(468)	472	4	(28,194)	(4)	(3)
Net insurance contract liabilities				**142**	**(145)**	**(3)**	**6,459**	**3**	**2**
Expenses - 5% increase									
Insurance contract liabilities (net)				3,485	(3,267)	218	32,003	(218)	(160)
Reinsurance contract assets (net)				(69)	68	(1)	(28,598)	1	1
Net insurance contract liabilities				**3,416**	**(3,199)**	**217**	**3,405**	**(217)**	**(159)**
Savings									
Insurance contract liabilities (net) as at 31 December	6,353	16,109	22,462						
Mortality rate - 1% increase				1,498	(1,449)	49	14,660	(49)	(36)
Lapse/surrender rates - 10% decrease				1,815	(1,808)	7	14,301	(7)	(5)
Expenses - 5% increase				2,813	(2,716)	97	13,393	(97)	(71)
Participating - Direct participating contracts									
Insurance contract liabilities (net) as at 31 December	47,926	3,295	51,221						
Lapse/surrender rates - 10% increase				67	(66)	1	3,229	(1)	(1)
Expenses - 5% increase				50	(44)	6	3,251	(6)	(4)
Participating - Investment contracts with DPF									
Insurance contract liabilities (net) as at 31 December	12,201	871	13,072						
Lapse/surrender rates - 10% increase				19	(17)	2	854	(2)	(1)
Expenses - 5% increase				27	(23)	4	848	(4)	(3)

IFRS 17(128)(c)

No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

PwC commentary - Sensitivity analysis to underwriting risk variables

In addition to the IFRS 17(128)(a) requirement to disclose the impacts of reasonably possible changes in risk variables on profit or loss and equity, the Group also provided information on the impacts of changes in risk variables on the contract measurement components (i.e. the FCF and the CSM) and the net impact on insurance contract balances, as well as the CSM remaining after the possible change. The purpose of the additional disclosure is to provide readers with a better understanding of the impacts of possible changes on measurement components within insurance contract balances. The FCF and the CSM are not fully symmetrically impacted by possible changes in assumptions. A few reasons for this are:

IFRS 17(44)(c),(45)(c)

a. For adverse possible changes in assumptions, the CSM (if any) related to insurance contracts issued is adjusted for changes in the FCF only to the extent the CSM is available. Therefore, for onerous contracts or contracts with little CSM, the possible adverse change in an assumption impacts profit or loss fully in the amount of adverse change in the FCF.

IFRS 17(44)(c), (B72)(a),(c)

b. For contracts measured under the GMM, the CSM is adjusted by applying locked-in discount rates while the FCF are always adjusted using the current discount rates.

IFRS 17(44)(e), (45)(e),(66)(e)

The CSM shall be adjusted for possible changes in the FCF relating to future service before CSM amortisation is recognised in profit or loss for the reporting period. Therefore, the impact on the CSM included in the sensitivity analysis above is shown after the impact of changes in the FCF on CSM amortisation for the reporting period.

The analysis of Participating contracts sensitivities to changes in mortality assumptions is not provided in the tables above as these contracts of the Group have insignificant sensitivity to mortality risk.

2.2.4.2. Property and Casualty contracts

IFRS 17(128)(a)(i)

The following table presents information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact Property and Casualty insurance liabilities, excluding the run-off business (note 4) and profit or loss and equity before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA and, thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

IFRS 17(128)(a)(i)
IAS 1(129)

	20X4				20X3			
	LIC as at 31 December	**Impact on LIC**	**Impact on profit before income tax**	**Impact on equity**	**LIC as at 31 December**	**Impact on LIC**	**Impact on profit before income tax**	**Impact on equity**
Insurance contract liabilities	6,537				5,369			
Reinsurance contract assets	(314)				(145)			
Net insurance contract liabilities	**6,223**				**5,224**			
Unpaid claims and expenses - 5% increase								
Insurance contract liabilities		327	(327)	(240)		269	(269)	(198)
Reinsurance contract assets		(16)	16	12		(7)	7	5
Net insurance contract liabilities		**311**	**(311)**	**(228)**		**262**	**(262)**	**(193)**
Expenses - 5% increase								
Insurance contract liabilities		38	(38)	(28)		34	(34)	(25)
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities		**38**	**(38)**	**(28)**		**34**	**(34)**	**(25)**

IFRS 17(128)(a)(i)

The following table presents information on how reasonably possible changes in assumptions made by the Group with regard to the underwriting risk exposures impact Property and Casualty insurance liabilities of the run-off business acquired in January 20X4 (note 4), profit or loss and equity. The Group does not hold any reinsurance contracts for this business.

IFRS 17(128)(a)(i)
IAS 1(129)

20X4	FCF as at 31 December	CSM as at 31 December	Total	Impact on FCF	Impact on CSM	Total increase in insurance contracts liabilities	Remaining CSM	Impact on profit before income tax	Impact on equity
Insurance contract liabilities as at 31 December	4,676	120	4,796						
Unpaid claims and expenses - 5% increase				234	(120)	114	-	(114)	(84)
Expenses - 5% increase				18	(16)	2	104	(2)	(1)

IFRS 17(128)(b)-(c)

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

2.3. Composition of the balance sheet

PwC commentary - IFRS 17 amendment for portfolio level presentation

In December 2018, the IASB agreed to propose one narrow scope amendment to require the presentation of insurance contracts on the balance sheet at the portfolio level rather than at the grouping level used for contract measurement purposes. The Illustration has not been amended for this tentative presentation change.

An analysis of the amounts presented on the consolidated balance sheet for insurance contracts, investment contracts with DPF and investment contracts without DPF is included in the table below along with the presentation of current and non-current portions of the balances:

IFRS 17(94)-(95),(96)(a)
IAS 1(61)

	Life Risk	Savings	Participating							
			Direct participating contracts	Investment contracts with DPF	Investment contracts without DPF(1)	Property and Casualty	Total	Current portion	Non-current portion	Total
Note	2.5	2.6	2.7	2.7	3.4	2.8				
As at 31 December 20X4										
Insurance contract assets	(1,803)	-	-	-	-	-	**(1,803)**	(3,239)	1,436	**(1,803)**
Insurance contract liabilities	18,224	45,460	61,113	15,187	-	18,354	**158,338**	(19,027)	177,365	**158,338**
Reinsurance contract assets	(13,550)	-	-	-	-	(750)	**(14,300)**	7,172	(21,472)	**(14,300)**
Reinsurance contract liabilities	1,407	-	-	-	-	-	**1,407**	2,130	(723)	**1,407**
Investment contract liabilities	-	-	-	-	9,612	-	**9,612**	682	8,930	**9,612**
As at 31 December 20X3										
Insurance contract assets	(1,540)	-	-	-	-	-	**(1,540)**	(2,802)	1,262	**(1,540)**
Insurance contract liabilities	5,022	22,462	51,221	13,072	-	12,054	**103,831**	(19,292)	123,123	**103,831**
Reinsurance contract assets	(3,618)	-	-	-	-	(643)	**(4,261)**	7,847	(12,108)	**(4,261)**
Reinsurance contract liabilities	1,202	-	-	-	-	-	**1,202**	1,936	(734)	**1,202**
Investment contract liabilities	-	-	-	-	8,812	-	**8,812**	511	8,301	**8,812**

(1) Investment contracts without DPF are accounted for under IFRS 9. Refer to note 3.1.3.

Detailed reconciliations of changes in insurance contract balances during the reporting periods are included in notes 2.5, 2.6, 2.7 and 2.8. For credit risk disclosures relating to insurance and reinsurance contract assets, refer to note 6.1.

2.4. Insurance revenue and expenses

2.4.1. Insurance revenue and insurance service result

PwC commentary - Insurance service result disclosure

The following disclosure provides an analysis of the insurance service result by product lines (i.e. the breakdown of the components of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held presented in a single table). IFRS 17 does not specifically require all these components to be presented as part of one disclosure; however, the users of financial statements might find such a summary presented on a comparative basis useful.

IFRS 17(98)-(105)

IFRS 17 requires an entity to disclose a number of different reconciliations from opening to closing balances for insurance contract balances measured under IFRS 17. The information provided in the reconciliations should enable readers to identify changes from cash flows and amounts that are recognised in profit or loss and OCI with the objective of providing different types of information about the insurance service result. These reconciliations are included below as part of the product lines disclosures in notes 2.5, 2.6, 2.7 and 2.8. Refer to the PwC commentaries provided in note 2.5.1.1 and 2.5.2.1.

As applicable to the disclosures in the tables below:

IFRS 17(106)

- An analysis of insurance revenue is required by IFRS 17(106) for insurance contracts issued that are not measured under the PAA. This analysis could be incorporated in the reconciliation of the LRC required by IFRS 17(100)(a) and (103)(a).

IFRS 17(100),(103)(b)

- An analysis of insurance service expenses and net expenses from reinsurance contracts held is required by IFRS 17(100) and IFRS 17 (103)(b). This is provided in the reconciliations of the LRC and LIC included, for example, in notes 2.5.1.1 and 2.5.2.1.

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held by product line for 20X4 and 20X3 is included in the following tables. Additional information on amounts recognised in profit or loss and OCI is included in the insurance contract balances reconciliations below in notes 2.5, 2.6, 2.7 and 2.8.

	20X4	**Life Risk**	**Savings**	**Partcipating**		**Property and Casualty**	**Total**
IFRS 17(93)(a)				**Direct participating contracts**	**Investment contracts with DPF**		
	Note	2.5	2.6	2.7	2.7	2.8	
	Insurance revenue						
IFRS 17(106)	Contracts not measured under the PAA						
IFRS 17(106)(a)	Amounts relating to the changes in the LRC						
IFRS 17(106)(a)(i)	- Expected incurred claims and other expenses after loss component allocation	61,859	15,827	187	98	3,039	81,010
IFRS 17(106)(a)(ii)	- Change in the risk adjustment for non-financial risk for the risk expired after loss component allocation	6,545	1,675	20	10	347	8,597
IFRS 17(106)(a)(iii)	- CSM recognised in profit or loss for the services provided	2,838	1,341	618	127	66	4,990
IFRS 17(106)(b)	Insurance acquisition cash flows recovery	2,061	996	132	34	-	3,223
	Insurance revenue from contracts not measured under the PAA	73,303	19,839	957	269	3,452	97,820
	Insurance revenue from contracts measured under the PAA	-	-	-	-	17,025	17,025
	Total insurance revenue	**73,303**	**19,839**	**957**	**269**	**20,477**	**114,845**
	Insurance service expenses						
	Incurred claims and other directly attributable expenses	(63,229)	(16,167)	(189)	(98)	(14,525)	(94,208)
	Changes that relate to past service - adjustments to the LIC	-	-	-	-	(469)	(469)
	Losses on onerous contracts and reversal of those losses	(36)	-	-	-	-	(36)
	Insurance acquisition cash flows amortisation	(2,061)	(996)	(132)	(34)	(3,320)	(6,543)
	Total insurance service expenses	**(65,326)**	**(17,163)**	**(321)**	**(132)**	**(18,314)**	**(101,256)**
	Net income (expenses) from reinsurance contracts held						
	Reinsurance expenses - contracts not measured under the PAA						
	Amounts relating to the changes in the remaining coverage						
	- Expected claims and other expenses recovery	(41,139)	-	-	-	-	(41,139)
	- Changes in the risk adjustment recognised for the risk expired	(4,353)	-	-	-	-	(4,353)
	- CSM recognised for the services received	(2,302)	-	-	-	-	(2,302)
	Reinsurance expenses - contracts not measured under the PAA	(47,794)	-	-	-	-	(47,794)
	Reinsurance expenses - contracts measured under the PAA	-	-	-	-	(934)	(934)
	Other incurred directly attributable expenses	(136)	-	-	-	-	(136)
	Effect of changes in the risk of reinsurers non-performance	44	-	-	-	1	45
	Claims recovered	42,300	-	-	-	386	42,686
	Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	(1)	-	-	-	-	(1)
	Changes that relate to past service - adjustments to incurred claims	-	-	-	-	285	285
	Total net expenses from reinsurance contracts held	**(5,587)**	**-**	**-**	**-**	**(262)**	**(5,849)**
	Total insurance service result	**2,390**	**2,676**	**636**	**137**	**1,901**	**7,740**

	20X3	Life Risk	Savings	Partcipating		Property and Casualty	Total
IFRS 17(93)(a)				Direct participating contracts	Investment contracts with DPF		
	Note	2.5	2.6	2.7	2.7	2.8	
	Insurance revenue						
IFRS 17(106)	Contracts not measured under the PAA						
IFRS 17(106)(a)	Amounts relating to the changes in the LRC						
IFRS 17(106)(a)(i)	- Expected incurred claims and other expenses after loss component allocation	49,733	12,883	160	86	-	62,862
IFRS 17(106)(a)(ii)	- Change in the risk adjustment for non-financial risk for the risk expired after loss component allocation	5,262	1,363	17	9	-	6,651
IFRS 17(106)(a)(iii)	- CSM recognised in profit or loss for the services provided	2,282	1,074	507	134	-	3,997
IFRS 17(106)(b)	Insurance acquisition cash flows recovery	1,727	824	109	29	-	2,689
	Insurance revenue from contracts not measured under the PAA	59,004	16,144	793	258	-	76,199
	Insurance revenue from contracts measured under the PAA	-	-	-	-	17,053	17,053
	Total insurance revenue	**59,004**	**16,144**	**793**	**258**	**17,053**	**93,252**
	Insurance service expenses						
	Incurred claims and other directly attributable expenses	(50,507)	(13,011)	(160)	(86)	(10,999)	(74,763)
	Changes that relate to past service - adjustments to the LIC	-	-	-	-	(1,125)	(1,125)
	Losses on onerous contracts and reversal of those losses	(57)	-	-	-	-	(57)
	Insurance acquisition cash flows amortisation	(1,727)	(824)	(109)	(29)	(3,325)	(6,014)
	Total insurance service expenses	**(52,291)**	**(13,835)**	**(269)**	**(115)**	**(15,449)**	**(81,959)**
	Net income (expenses) from reinsurance contracts held						
	Reinsurance expenses - contracts not measured under the PAA						
	Amounts relating to the changes in the remaining coverage:						
	- Expected claims and other expenses recovery	(32,903)	-	-	-	-	(32,903)
	- Changes in the risk adjustment recognised for the risk expired	(3,481)	-	-	-	-	(3,481)
	- CSM recognised for the services received	(1,853)	-	-	-	-	(1,853)
	Reinsurance expenses - contracts not measured under the PAA	(38,237)	-	-	-	-	(38,237)
	Reinsurance expenses - contracts measured under the PAA	-	-	-	-	(1,023)	(1,023)
	Other incurred directly attributable expenses	(114)	-	-	-	-	(114)
	Effect of changes in the risk of reinsurers non-performance	40	-	-	-	1	41
	Claims recovered	33,600	-	-	-	403	34,003
	Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	6	-	-	-	-	6
	Changes that relate to past service - adjustments to incurred claims	-	-	-	-	1,465	1,465
	Total net income (expenses) from reinsurance contracts held	**(4,705)**	**-**	**-**	**-**	**846**	**(3,859)**
	Total insurance service result	**2,008**	**2,309**	**524**	**143**	**2,450**	**7,434**

PwC commentary

Changes in the risk adjustment for non-financial risk

While IFRS 17(106) requires entities to show the portion of insurance revenue arising from changes in the risk adjustment for non-financial risk due to the release from risk as insurance services are provided, there is no similar requirement for changes in the risk adjustment for non-financial risk measured with regard to claims already incurred (i.e. as part of the LIC). Such risk adjustment changes are included in the following lines in the tables above:

- for insurance contracts issued: 'Incurred claims and other directly attributable expenses' and 'Changes that relate to past service - adjustments to the LIC'; and
- for reinsurance contracts held: 'Other incurred directly attributable expenses', 'Claims recovered' and 'Changes that relate to past service - adjustments to incurred claims'.

IFRS 17(100)(c)

For insurance contracts measured under the PAA, the risk adjustment portion of these line items is included in the reconciliations of the LIC included in notes 2.8.1.1 and 2.8.2.1. For insurance contracts not measured under the PAA, the risk adjustment portion of these lines can be derived only indirectly through the analysis of insurance revenue included in the tables above and reconciliations of the risk adjustment balances required by IFRS 17(101)(b).

Expenses incurred to fulfil contracts within the scope of IFRS 17

In addition to the risk adjustment portion, the same line items (except for claims recovered) in the tables above include results of the IFRS 17 measurement of expenses incurred by the entity that relate directly to the fulfilment of contracts within the scope of IFRS 17.

The amounts of expenses included above do not correspond directly to operating expenses incurred by the Group and disclosed in note 5. Rather, experience adjustments relating to such expenses incurred in the period and changes in the LIC with regard to expected expense levels are included in the above line items.

Expenses paid within the reporting period that directly relate to the fulfilment of contracts within the scope of IFRS 17 are included in the reconciliations required by IFRS 17(100)-(105) (refer to notes 2.5.1.1 and 2.5.2.1).

2.4.2. Amounts determined on transition to IFRS 17

IFRS 17(114)

PwC commentary - Impact of amounts determined on transition for insurance contracts issued

IFRS 17(114) requires disclosures that show the effect on insurance revenue and the CSM of groups of insurance contracts issued that were measured at the transition date by applying the modified retrospective approach or the fair value approach. These disclosures remain applicable for all groups of contracts measured under these approaches at the transition date and still recognised at the reporting date.

Additional more detailed disclosures are presented separately by product line (refer to notes 2.5.1.4 and 2.5.2.4).

For insurance contracts not measured under the PAA, an analysis of insurance revenue for insurance contracts issued and the CSM by transition method is included in the following tables. Insurance contracts measured under the PAA are not included in these tables because the Group applied the full retrospective approach to such contracts (refer to note 2.2.2).

IFRS 17(114)

20X4	Life Risk	Savings	Partcipating		Property and Casualty	Total
			Direct participating contracts	Investment contracts with DPF		
Insurance contracts issued						
Insurance revenue						
New contracts and contracts measured under the full retrospective approach at transition	48,543	14,178	687	193	3,452	67,053
Contracts measured under the modified retrospective approach at transition	12,896	3,452	165	46	-	16,559
Contracts measured under the fair value approach at transition	11,864	2,209	105	30	-	14,208
	73,303	**19,839**	**957**	**269**	**3,452**	**97,820**
CSM as at 31 December						
New contracts and contracts measured under the full retrospective approach at transition	29,035	14,382	2,737	558	120	46,832
Contracts measured under the modified retrospective approach at transition	7,006	3,136	614	123	-	10,879
Contracts measured under the fair value approach at transition	6,443	2,005	393	79	-	8,920
	42,484	**19,523**	**3,744**	**760**	**120**	**66,631**
Reinsurance contracts held						
CSM as at 31 December						
New contracts and contracts measured under the full retrospective approach at transition	(23,524)	-	-	-	-	(23,524)
Contracts measured under the modified retrospective approach at transition	(5,701)	-	-	-	-	(5,701)
Contracts measured under the fair value approach at transition	(5,243)	-	-	-	-	(5,243)
	(34,468)	**-**	**-**	**-**	**-**	**(34,468)**

IFRS 17(114)

20X3	Life Risk	Savings	Partcipating		Property and Casualty	Total
			Direct participating contracts	Investment contracts with DPF		
Insurance contracts issued						
Insurance revenue						
New contracts and contracts measured under the full retrospective approach at transition	35,193	10,605	522	170	-	46,490
Contracts measured under the modified retrospective approach at transition	12,401	3,377	165	54	-	15,997
Contracts measured under the fair value approach at transition	11,410	2,162	106	34	-	13,712
	59,004	**16,144**	**793**	**258**	**-**	**76,199**
CSM as at 31 December						
New contracts and contracts measured under the full retrospective approach at transition	21,403	10,757	2,187	579	-	34,926
Contracts measured under the modified retrospective approach at transition	7,224	3,264	676	177	-	11,341
Contracts measured under the fair value approach at transition	6,643	2,088	432	115	-	9,278
	35,270	**16,109**	**3,295**	**871**	**-**	**55,545**
Reinsurance contracts held						
CSM as at 31 December						
New contracts and contracts measured under the full retrospective approach at transition	(17,382)	-	-	-	-	(17,382)
Contracts measured under the modified retrospective approach at transition	(5,877)	-	-	-	-	(5,877)
Contracts measured under the fair value approach at transition	(5,407)	-	-	-	-	(5,407)
	(28,666)	**-**	**-**	**-**	**-**	**(28,666)**

2.4.3. Expected recognition of the contractual service margin

IFRS 17(109)

PwC commentary - IFRS 17 disclosure requirement

IFRS 17(109) requires entities to disclose when they expect to recognise the CSM remaining as at the reporting date in profit or loss. The disclosure is applicable only to contracts not measured under the PAA.

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

IFRS 17(109)

Number of years until expected to be recognised	Insurance contracts issued						Reinsurance contracts held	
			Participating					
	Life Risk	Savings	Direct participating contracts	Investment contracts with DPF	Property and Casualty (run-off only)	Total CSM for insurance contracts issued	Life Risk	Total CSM for reinsurance contracts held
As at 31 December 20X4								
1	1,229	714	546	94	40	2,623	(997)	(997)
2	1,238	714	542	94	32	2,620	(1,005)	(1,005)
3	1,248	714	538	94	22	2,616	(1,013)	(1,013)
4	1,258	714	534	94	14	2,614	(1,022)	(1,022)
5	1,270	714	531	94	8	2,617	(1,031)	(1,031)
6-10	6,562	3,590	1,053	290	4	11,499	(5,326)	(5,326)
>10	29,679	12,363	-	-	-	42,042	(24,074)	(24,074)
Total	**42,484**	**19,523**	**3,744**	**760**	**120**	**66,631**	**(34,468)**	**(34,468)**
As at 31 December 20X3								
1	963	551	481	107	-	2,102	(783)	(783)
2	970	551	477	107	-	2,105	(789)	(789)
3	978	551	473	107	-	2,109	(795)	(795)
4	987	551	470	107	-	2,115	(802)	(802)
5	996	551	467	107	-	2,121	(810)	(810)
6-10	5,145	2,768	927	336	-	9,176	(4,184)	(4,184)
>10	25,231	10,586	-	-	-	35,817	(20,503)	(20,503)
Total	**35,270**	**16,109**	**3,295**	**871**	**-**	**55,545**	**(28,666)**	**(28,666)**

IFRS 17(109)

PwC commentary - Expected recognition of the CSM in profit or loss (CSM run-off)

IFRS 17(109) does not specify the exact time bands to be disclosed. This determination is entity specific and requires judgement to provide appropriate time bands that allow readers to assess the impact of the remaining CSM on future financial performance. An entity may consider the duration of insurance contracts and the pattern of future CSM amortisation, among other relevant factors.

A quantitative disclosure is not required. Instead, an entity may provide a qualitative explanation of when it expects to recognise the CSM remaining at the end of the reporting period in profit or loss.

The amounts included in the table above include projections of the CSM recognition for the services that will be provided or received in the future for the contracts in force as at the reporting date (which would be recognised as part of insurance revenue in the future for contracts issued and as part of reinsurance expenses for reinsurance contracts held) together with future interest accretion under the GMM and future adjustments of the CSM reflecting changes in the variable fee for contracts under the VFA.

2.5. Life Risk

2.5.1. Life Risk - Insurance contracts issued

2.5.1.1. Reconciliation of the liability for remaining coverage and the liability for incurred claims

PwC commentary - Reconciliations of insurance contract liabilities

IFRS 17(98) The following reconciliations that are required by IFRS 17 are included in the notes below, separately for contracts issued and reinsurance contracts held and by product line.

IFRS 17(100) IFRS 17 requires reconciliation from the opening to the closing balances of the LRC and the LIC. This reconciliation is required for all contracts within the scope of IFRS 17. IFRS 17 requires showing reconciliation of any loss component within the LRC separately from reconciliation of the LRC excluding any loss component.

IFRS 17(101) For contracts not measured under the PAA, IFRS 17 requires reconciliation from the opening to the closing balances of each of the measurement components: the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

		20X4				20X3			
		LRC				LRC			
IFRS 17(100)	**Life Risk - Insurance contracts issued**	**Excluding loss component**	**Loss component**	**LIC**	**Total**	**Excluding loss component**	**Loss component**	**LIC**	**Total**
IFRS 17(99)(b)	Opening insurance contract liabilities	4,691	331	-	5,022	-	-	-	-
IFRS 17(99)(b)	Opening insurance contract assets	(1,581)	41	-	(1,540)	(9,073)	326	-	(8,747)
IFRS 17(99)(b)	**Net balance as at 1 January**	**3,110**	**372**	**-**	**3,482**	**(9,073)**	**326**	**-**	**(8,747)**
IFRS 17(103)(a)	**Insurance revenue**	**(73,303)**	**-**	**-**	**(73,303)**	**(59,004)**	**-**	**-**	**(59,004)**
IFRS 17(103)(b)	**Insurance service expenses**								
IFRS 17(103)(b)(i)	Incurred claims and other directly attributable expenses	-	(29)	63,258	63,229	-	(24)	50,531	50,507
IFRS 17(103)(b)(iii)	Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
IFRS 17(103)(b)(iv)	Losses on onerous contracts and reversal of those losses	-	36	-	36	-	57	-	57
IFRS 17(103)(b)(ii)	Insurance acquisition cash flows amortisation	2,061	-	-	2,061	1,727	-	-	1,727
	Insurance service expenses	**2,061**	**7**	**63,258**	**65,326**	**1,727**	**33**	**50,531**	**52,291**
	Insurance service result	**(71,242)**	**7**	**63,258**	**(7,977)**	**(57,277)**	**33**	**50,531**	**(6,713)**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued	2,418	16	-	2,434	812	13	-	825
	Total amounts recognised in comprehensive income	**(68,824)**	**23**	**63,258**	**(5,543)**	**(56,465)**	**46**	**50,531**	**(5,888)**
IFRS 17(103)(c)	Investment components	-	-	-	-	-	-	-	-
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(105)(a)(i)	Premiums received	87,963	-	-	87,963	73,626	-	-	73,626
IFRS 17(105)(a)(iii)	Claims and other directly attributable expenses paid	-	-	(63,258)	(63,258)	-	-	(50,531)	(50,531)
IFRS 17(105)(a)(ii)	Insurance acquisition cash flows	(6,223)	-	-	(6,223)	(4,978)	-	-	(4,978)
	Total cash flows	**81,740**	**-**	**(63,258)**	**18,482**	**68,648**	**-**	**(50,531)**	**18,117**
	Net balance as at 31 December	**16,026**	**395**	**-**	**16,421**	**3,110**	**372**	**-**	**3,482**
IFRS 17(99)(b)	Closing insurance contract liabilities	17,863	361	-	18,224	4,691	331	-	5,022
IFRS 17(99)(b)	Closing insurance contract assets	(1,837)	34	-	(1,803)	(1,581)	41	-	(1,540)
IFRS 17(99)(b)	**Net balance as at 31 December**	**16,026**	**395**	**-**	**16,421**	**3,110**	**372**	**-**	**3,482**

PwC commentary - How numbers are calculated

Life Risk products

The Life Risk product line comprises term life insurance policies issued to individual policyholders. The policies are long-term contracts without direct participation features and without any investment components. These contracts are measured under the GMM, which is the default measurement model under IFRS 17.

Liability for remaining coverage - Excluding loss component - 20X4

IFRS 17(41)(a)

During the reporting period, the LRC, excluding the loss component, was reduced by the amount of insurance revenue, CU73,303, recognised for the services provided in the period. The composition of insurance revenue is disclosed in the analysis of insurance revenue provided in note 2.4.1.

IFRS 17(125)

The LRC is increased by the notional amount of the insurance acquisition cash flows amortisation of CU2,061. The same amount is included in the line 'Insurance acquisition cash flows recovery' within insurance revenue as shown in the above mentioned analysis of insurance revenue in note 2.4.1. Together, these two amounts net to zero and do not have any net impact on the LRC in the period.

IFRS 17(105)(a)

At the bottom of the reconciliation, the LRC is changed by the amounts of cash flows within the period (i.e. by premiums received of CU87,963 and insurance acquisition cash flows paid of CU6,223).

Liability for remaining coverage - Loss component - 20X4

IFRS 17(50)(a),(51)

About 5% of policies issued each year are assessed as being onerous based on an aggregation analysis performed on initial recognition as described in note 2.1.(b). The loss component balance represents the balance of a loss on onerous contracts recognised in prior periods and not yet allocated to changes in the LRC as required by IFRS 17 (51). The Group uses the ratio of the loss component balance (determined when the loss component is initially established within the LRC) to the FCF relating to cash outflows to subsequently determine loss component allocation amounts. The Group expected the incurred claims and other expenses of CU61,885 and the change in the risk adjustment for non-financial risk for the risk expired of CU6,548 as at the beginning of 20X4. These amounts were reduced by CU26 and CU3, respectively, due to the loss component allocation being calculated as the loss component allocation ratio times these expected amounts. Total amount of the loss component allocation is CU29, as shown in the reconciliation above as a reduction of insurance service expenses. Resulting amounts of expected incurred claims and other expenses after loss component allocation of CU61,859 and the expected change in the risk adjustment for non-financial risk for the risk expired after loss component allocation of CU6,545 are included in the insurance revenue analysis in note 2.4.1. Had the loss component not existed, insurance revenue would have been higher by CU29.

CU36 represents the changes in the FCF that adjust the onerous groups' loss components where the CSM is zero. Refer to note 2.1.(d)(iii).

Liability for incurred claims - 20X4

IFRS 17(103(b)(i), (104)(b)(iii), (Appendix A)

Typically, term life insurance claims are reported and settled shortly after claim incurrence. Claims are generally incurred and paid out within the same reporting period. Therefore, the opening and closing LIC were assumed to be close to zero for the purposes of the Illustration. The LIC column shows that claims and other directly attributable expenses in the amount of CU63,258 were incurred and paid within the reporting period, which is different from the amount as expected of CU61,885 (see above). The difference is called an experience adjustment of CU1,373 and is included as such in the reconciliation provided in note 2.5.1.2.

The Group has little uncertainty about the timing and/or amount of incurred claims payments, and thus, this line includes only actual claims and expenses incurred in the period (excluding any risk adjustment for non-financial risk).

Finance expenses from insurance contracts issued

IFRS 17(88)

The Group has applied, as its accounting policy, the option under IFRS 17(88)(a) to recognise insurance finance expenses fully in profit or loss. Issued contracts typically have regular premiums. Therefore, premiums received after initial recognition are invested by the Group at the yields available when investments are purchased, which can be long after initial recognition.

In a hypothetical scenario if the Group chose, as its accounting policy, the OCI option in IFRS 17(88)(b) instead, such a choice would have resulted in a potentially significant mismatch between returns on the investment assets at FVOCI and finance expenses from insurance contracts issued recognised in profit or loss based on the locked-in discount rates determined when the insurance contracts were issued.

IFRS 17(105)(c)

To complete the reconciliation, the Group is required to separately include amounts of finance expenses from insurance contracts issued. The composition of these amounts is disclosed in note 3.5 and consists mostly of interest expense accretion on the FCF and the CSM of CU3,265 in total, the effect of changes in interest rates on the FCF of CU827 in income and the small income amount of CU4 resulting from changes in the FCF, which are estimated using the discount rates as at the reporting date, while the respective adjustments to the CSM are made as those were assessed at the locked-in discount rates.

No finance expenses were recorded on the LIC due to the typically short period of time from claims incurrence to claims settlement.

Other

The following lines were included with zero amounts for illustrative purposes only (i.e. they are not applicable to term life contracts issued by the Group):

IFRS 17(103)(b)(iii)

a. 'Changes that relate to past service - adjustments to the LIC': this line would typically be applicable to general insurance where it is common for claims to settle during several reporting periods. Any LIC remeasurements relating to insurance and other non-financial risk with respect to claims incurred in prior periods (such as changes in expense level assumptions) would be reflected in this line. For an illustration, refer to note 2.8.1.1.

IFRS 17(103)(c)

b. 'Investment components': as mentioned above, the Group's term life products do not have investment components. Refer to the PwC commentary in note 2.7.1.1 for a discussion about investment components.

IFRS 17(105)(d)

c. Other changes might be applicable in various circumstances (such as a business disposition).

All of the calculations are performed at the group level, which is the unit of account for contract measurement under IFRS 17.

2.5.1.2. Reconciliation of the measurement components of insurance contract balances

		20X4				20X3			
IFRS 17(101)	**Life Risk - Insurance contracts issued**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
IFRS 17(99)(b)	Opening insurance contract liabilities	(88,597)	64,728	28,891	5,022	-	-	-	-
IFRS 17(99)(b)	Opening insurance contract assets	(21,222)	13,303	6,379	(1,540)	(105,516)	66,923	29,846	(8,747)
IFRS 17(99)(b)	**Net balance as at 1 January**	**(109,819)**	**78,031**	**35,270**	**3,482**	**(105,516)**	**66,923**	**29,846**	**(8,747)**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services provided	-	-	(2,838)	(2,838)	-	-	(2,282)	(2,282)
IFRS 17(104)(b)(ii)	Change in the risk adjustment for non-financial risk for the risk expired	-	(6,548)	-	(6,548)	-	(5,264)	-	(5,264)
IFRS 17(104)(b)(iii)	Experience adjustments	1,373	-	-	1,373	776	-	-	776
		1,373	**(6,548)**	**(2,838)**	**(8,013)**	**776**	**(5,264)**	**(2,282)**	**(6,770)**
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	(113)	90	23	-	(217)	382	(165)	-
IFRS 17(104)(a)(ii)	Changes in estimates that result in onerous contract losses or reversal of losses	(3)	4	-	1	(1)	19	-	18
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	(25,365)	16,989	8,411	35	(20,189)	13,683	6,545	39
		(25,481)	**17,083**	**8,434**	**36**	**(20,407)**	**14,084**	**6,380**	**57**
	Changes that relate to past service								
IFRS 17(104)(c)	Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
	Insurance service result	**(24,108)**	**10,535**	**5,596**	**(7,977)**	**(19,631)**	**8,820**	**4,098**	**(6,713)**
IFRS 17(105)(c)	Finance (income) expenses from insurance contracts issued	(2,494)	3,310	1,618	2,434	(2,789)	2,288	1,326	825
	Total amounts recognised in comprehensive income	**(26,602)**	**13,845**	**7,214**	**(5,543)**	**(22,420)**	**11,108**	**5,424**	**(5,888)**
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(105)(a)(i)	Premiums received	87,963	-	-	87,963	73,626	-	-	73,626
IFRS 17(105)(a)(iii)	Claims and other directly attributable expenses paid	(63,258)	-	-	(63,258)	(50,531)	-	-	(50,531)
IFRS 17(105)(a)(ii)	Insurance acquisition cash flows	(6,223)	-	-	(6,223)	(4,978)	-	-	(4,978)
	Total cash flows	**18,482**	**-**	**-**	**18,482**	**18,117**	**-**	**-**	**18,117**
	Net balance as at 31 December	**(117,939)**	**91,876**	**42,484**	**16,421**	**(109,819)**	**78,031**	**35,270**	**3,482**
IFRS 17(99)(b)	Closing insurance contract liabilities	(91,346)	75,327	34,243	18,224	(88,597)	64,728	28,891	5,022
IFRS 17(99)(b)	Closing insurance contract assets	(26,593)	16,549	8,241	(1,803)	(21,222)	13,303	6,379	(1,540)
IFRS 17(99)(b)	**Net balance as at 31 December**	**(117,939)**	**91,876**	**42,484**	**16,421**	**(109,819)**	**78,031**	**35,270**	**3,482**

PwC commentary - How numbers are calculated

Reconciliation of insurance liabilities by measurement components

The reconciliation of insurance liabilities by measurement components provides insight into what changes in the FCF took place during the year and how those changes affected the CSM. The CSM represents an unearned portion of insurance revenue to be recognised in future periods, and thus, information on CSM changes is of particular importance to the readers of financial statements.

Important information is concentrated in the top part of the reconciliation with the rest of the reconciliation being the same as in the LRC and LIC reconciliation discussed in the PwC commentary in note 2.5.1.1.

IFRS 17(104)(b)

Changes that relate to current service - 20X4

Changes that relate to current service reflect changes in the measurement components that took place during the period due to the services provided in the period, setting aside insurance finance expenses. These changes comprise recognition of insurance revenue for the services provided and recognition of claims and other directly attributable expenses incurred in the period that arose as a result of those services. Information included in this part of the reconciliation is almost the same as that presented in the analysis of insurance revenue included in note 2.4.1. Both disclosures show that CSM amortisation of CU2,838 was recognised in insurance revenue and that changes in the risk adjustment for non-financial risk for the risk expired of CU6,548 contributed CU6,545 to insurance revenue (the difference of CU3 in the amounts relating to the risk adjustment is due to the loss component allocation - refer to the PwC commentary in note 2.5.1.1).

IFRS 17(Appendix A)

Experience adjustments of CU1,373 reflect the difference between the amounts of claims and expenses expected to be incurred in the period with the actual amounts incurred (for the mathematics of the calculation, refer to the PwC commentary in note 2.5.1.1). This means that in 20X4, the Group experienced a higher than expected level of claims and expenses compared to expectations as at the beginning of the period.

IFRS 17(49)

Note that for contracts not measured under the PAA, the loss component allocation does not impact any amounts in this reconciliation as it is not part of the carrying value of insurance contract liabilities. Rather, the loss component allocation is required to keep track of amounts by which insurance revenue and insurance service expenses are reduced in the period and to know when to reinstate the CSM (if the group of contracts becomes profitable).

The related parts of insurance revenue and insurance service expenses are shown net in the line with experience adjustments in this reconciliation, and thus, they are not visible in the table.

IFRS 17(104)(a)

Changes that relate to future service - 20X4

The lines in this part of the reconciliation present an analysis of changes in the FCF and the CSM when those changes relate to future service. Such changes are disaggregated between the amounts recognised when contracts are originated and included in the line 'Contracts initially recognised in the period' and the rest of the changes. This impact of contracts recognised in the period is analysed in more detail in a separate disclosure in note 2.5.1.3 below.

Amounts not relating to initial recognition are reflected in the remaining two lines depending on whether respective changes in the FCF adjust the CSM or adjust any loss component. Refer to note 2.1.(d)(iii).

Note that the LRC and LIC reconciliation discussed in note 2.5.1.1 shows CU36 of losses on onerous contracts. From the reconciliation by measurement component above, one can see that CU35 of those losses relate to contracts initially recognised in the period while CU1 relates to onerous contracts recognised in prior periods.

Changes in assumptions that resulted in changes in the FCF relating to future service are discussed in note 2.2.3. Note that even if no non-financial assumptions are changed in the period but there is a deviation of, for example, actual number of deaths compared to expectations (which results in experience adjustments in the example illustrated), then estimates of future cash flows are also affected by current experience (because projections of future policies in force are impacted by current experience). Therefore, even with no change in assumptions, the FCF and the CSM (or loss component) might be impacted by changes that relate to future service.

IFRS 17(46)

Note also that the sum of the amounts in the line 'Changes in estimates that adjust the CSM' equals zero. However, under the GMM, the FCF are adjusted for changes in future service with impacts assessed at the current discount rates while the CSM is adjusted to certain changes in the FCF at the locked-in discount rates. Applying IFRS 17(46), the Group shows amounts in this line as though the FCF were adjusted using the locked-in discount rates with the remainder of the change in the FCF included in line 'Finance (income) expenses from insurance contracts issued'.

Changes that relate to past service - 20X4

Any changes in the LIC that relate to the claims incurred in prior periods impact the FCF but do not impact the CSM as they relate to prior service. As explained in the PwC commentary in note 2.5.1.1, the Group does not carry any LIC for past claims due to the short claims settlement period typical for life insurance business. Thus, no amounts are reflected in this line.

2.5.1.3. Impact of contracts recognised in the year

IFRS 17(107)

PwC commentary - Impact of contracts recognised in the year

IFRS 17 requires providing information about contracts within the scope of IFRS 17 that were initially recognised in the reporting period. Specifically, an entity should disclose separately:

- its estimates of the present value of future cash flows (with separate estimates of insurance acquisition cash flows) and cash inflows;
- the risk adjustment for non-financial risk; and
- the CSM.

IFRS 17(108)

This information should be further disaggregated into:

- contracts originated and reinsurance contracts held;
- contracts acquired from other entities as a result of insurance contracts transfers or business combinations and other contracts; and
- groups of contracts that are onerous and non-onerous.

The table below presents amounts required above for insurance contracts issued in the Life Risk product line. For a disclosure on the impacts of reinsurance contracts held recognised in the reporting period, refer to note 2.5.2.3. There were no contracts acquired in 20X3 and 20X4.

The impact of contracts that were initially recognised in the reporting period is also included in the reconciliation of insurance contract liabilities by measurement components as required by IFRS 17(101) (refer to the reconciliation in note 2.5.1.2, line 'Contracts initially recognised in the period'). However, information included in this line is not disaggregated as required by IFRS 17(108) and does not include estimates of future cash inflows and outflows separately.

The objective of this disclosure is to provide more insight on the various groups of contracts originated. Insurance contract liabilities relating to onerous contracts are separated from those relating to profitable contracts and the separate disclosure of the CSM on contracts acquired is required as the CSM for contracts acquired may not be comparable to the CSM of contracts originated even for similar products. As explained in note 4, the CSM for the contracts acquired is based on the FCF as at the acquisition date and the fair value of contracts acquired. The fair value assessment is part of the purchase price allocation process and might be significantly impacted by judgements and estimates made.

Note that the total impact of contracts initially recognised in the period of CU35 in 20X4 in the reconciliation in note 2.5.1.2 equals the amount of the loss recognised for groups of onerous contracts shown in the respective column in the table below.

		20X4			20X3		
IFRS 17(108)	**Life Risk - Insurance contracts issued**	**Non-onerous contracts originated**	**Onerous contracts originated**	**Total**	**Non-onerous contracts originated**	**Onerous contracts originated**	**Total**
IFRS 17(107)(a)	Estimates of the present value of future cash outflows						
IFRS 17(107)(a)	- Insurance acquisition cash flows	5,942	281	6,223	4,753	225	4,978
IFRS 17(107)(a)	- Claims and other directly attributable expenses	152,932	7,648	160,580	123,173	6,159	129,332
	Estimates of the present value of future cash outflows	158,874	7,929	166,803	127,926	6,384	134,310
IFRS 17(107)(b)	Estimates of the present value of future cash inflows	(183,465)	(8,703)	(192,168)	(147,502)	(6,997)	(154,499)
IFRS 17(107)(c)	Risk adjustment for non-financial risk	16,180	809	16,989	13,031	652	13,683
IFRS 17(107)(d)	CSM	8,411	-	8,411	6,545	-	6,545
	Increase in insurance contract liabilities from contracts recognised in the period	**-**	**35**	**35**	**-**	**39**	**39**

2.5.1.4. Amounts determined on transition to IFRS 17

Insurance revenue and the CSM by transition method

IFRS 17(114)

PwC commentary - Impact of amounts determined on transition for insurance contracts issued

IFRS 17(114) requires providing an analysis of insurance revenue recognised in the period and reconciliations of the CSM from the opening to the closing balances separately for contracts:

- that existed at the transition date to which the modified retrospective approach was applied;
- that existed at the transition date to which the fair value approach was applied; and
- other contracts within the scope of IFRS 17, comprising contracts that existed at the transition date to which the full retrospective approach was applied and all contracts recognised by an entity post-transition to IFRS 17.

The required disclosures could be incorporated into the LRC reconciliations required by IFRS 17(100)(a) and the CSM reconciliations required by IFRS 17(101)(c) or could be disclosed separately as shown by the Group.

		20X4				20X3			
IFRS 17(114)	**Life Risk - Insurance contracts issued**	**New contracts and contracts measured under the full retrospective approach at transition**	**Contracts measured under the modified retrospective approach at transition**	**Contracts measured under the fair value approach at transition**	**Total**	**New contracts and contracts measured under the full retrospective approach at transition**	**Contracts measured under the modified retrospective approach at transition**	**Contracts measured under the fair value approach at transition**	**Total**
IFRS 17(114)	**Insurance revenue**	**48,543**	**12,896**	**11,864**	**73,303**	**35,193**	**12,401**	**11,410**	**59,004**
IFRS 17(101)(c)	**CSM as at 1 January**	**21,403**	**7,224**	**6,643**	**35,270**	**15,520**	**7,462**	**6,864**	**29,846**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services provided	(1,917)	(480)	(441)	(2,838)	(1,377)	(471)	(434)	(2,282)
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	19	2	2	23	(95)	(36)	(34)	(165)
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	8,411	-	-	8,411	6,545	-	-	6,545
		6,513	**(478)**	**(439)**	**5,596**	**5,073**	**(507)**	**(468)**	**4,098**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued	1,119	260	239	1,618	810	269	247	1,326
	Total amounts recognised in comprehensive income	**7,632**	**(218)**	**(200)**	**7,214**	**5,883**	**(238)**	**(221)**	**5,424**
IFRS 17(101)(c)	**CSM as at 31 December**	**29,035**	**7,006**	**6,443**	**42,484**	**21,403**	**7,224**	**6,643**	**35,270**

The methods and assumptions applied by the Group in applying the modified retrospective and the fair value approaches on transition are disclosed in note 2.2.2.

2.5.2. Life Risk - Reinsurance contracts held

2.5.2.1. Reconciliation of the remaining coverage and incurred claims

PwC commentary - Reconciliations of reinsurance contracts held assets

IFRS 17(98),(100)-(105)

Both types of reconciliation of insurance contract balances included in notes 2.5.1.1 (reconciliation of the LRC and the LIC) and 2.5.1.2 (reconciliation by measurement components, i.e. the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM) are required for reinsurance contracts held and should be presented separately from reconciliations for insurance contracts issued. Reconciliations for reinsurance contracts held were adapted to reflect reinsurance specifics reflecting terminology differences as well as the main measurement differences with contracts issued as required by IFRS 17:

IFRS 17(68)

a. Since reinsurance contracts held cannot be onerous, the lines relating to onerous contract measurement were excluded from the reconciliations for reinsurance contracts held balances, namely:

   i. 'Losses on onerous contracts and reversal of those losses' and

   ii. 'Changes in estimates that result in onerous contract losses or reversal of losses'

   Additionally, since loss component accounting is not applicable to reinsurance contracts held and certain related accounting complexities are thus removed, amounts in the table below reconcile directly to the analysis of net expenses from reinsurance contracts held in note 2.5.1.

IFRS 17(63),(67),(105)(b)

b. As part of the present value of future cash flows, the Group measures the effect of any risk of reinsurers non-performance. Any effect of changes in the risk of reinsurers non-performance requires separate disclosure by IFRS 17(105)(b). The respective line 'Changes in the risk of non-performance of the issuer of reinsurance contracts held' was included in both reconciliations. Such changes do not relate to future service and shall not adjust the CSM.

IFRS 17(66)(c)(ii)

c. IFRS 17(66)(c)(ii) requires that certain adjustments to the CSM on reinsurance contracts held do not adjust the CSM if they relate to changes in the FCF of underlying contracts issued that do not adjust the CSM (i.e. when those changes relate to the underlying onerous contracts and are thus recognised in insurance service expenses rather than in the CSM). The following lines were added to reconciliations to reflect these amounts:

   i. 'Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts'; and

   ii. 'Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts'.

	Life Risk - Reinsurance contracts held	20X4			20X3		
IFRS 17(98),(100)(a),(c)		**Remaining coverage**	**Incurred claims**	**Total**	**Remaining coverage**	**Incurred claims**	**Total**
IFRS 17(99)(b)	Opening reinsurance contract assets	3,618	-	3,618	-	-	-
IFRS 17(99)(b)	Opening reinsurance contract liabilities	(1,202)	-	(1,202)	(6,812)	-	(6,812)
IFRS 17(99)(b)	**Net balance as at 1 January**	**2,416**	**-**	**2,416**	**(6,812)**	**-**	**(6,812)**
	Net income (expenses) from reinsurance contracts held						
IFRS 17(103)(a)	Reinsurance expenses	(47,794)	-	(47,794)	(38,237)	-	(38,237)
IFRS 17(103)(b)(i)	Other incurred directly attributable expenses	-	(136)	(136)	-	(114)	(114)
IFRS 17(103)(b)(i)	Claims recovered	-	42,300	42,300	-	33,600	33,600
IFRS 17(103)(b)(iii)	Changes that relate to past service - adjustments to incurred claims	-	-	-	-	-	-
IFRS 17(66)(c)(ii), (105)(d)	Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	(1)	-	(1)	6	-	6
IFRS 17(105)(b)	Effect of changes in the risk of reinsurers non-performance	44	-	44	40	-	40
	Net income (expenses) from reinsurance contracts held	**(47,751)**	**42,164**	**(5,587)**	**(38,191)**	**33,486**	**(4,705)**
IFRS 17(105)(c)	Finance income from reinsurance contracts held	1,599	-	1,599	474	-	474
	Total amounts recognised in comprehensive income	**(46,152)**	**42,164**	**(3,988)**	**(37,717)**	**33,486**	**(4,231)**
IFRS 17(103)(c)	Investment components	-	-	-	-	-	-
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**						
IFRS 17(86)(b), (105)(a)(i),(iii)	Premiums paid net of ceding commissions and other directly attributable expenses paid	55,879	136	56,015	46,945	114	47,059
IFRS 17(105)(a)(iii)	Recoveries from reinsurance	-	(42,300)	(42,300)	-	(33,600)	(33,600)
	Total cash flows	**55,879**	**(42,164)**	**13,715**	**46,945**	**(33,486)**	**13,459**
	Net balance as at 31 December	**12,143**	**-**	**12,143**	**2,416**	**-**	**2,416**
IFRS 17(99)(b)	Closing reinsurance contract assets	13,550	-	13,550	3,618	-	3,618
IFRS 17(99)(b)	Closing reinsurance contract liabilities	(1,407)	-	(1,407)	(1,202)	-	(1,202)
IFRS 17(99)(b)	**Net balance as at 31 December**	**12,143**	**-**	**12,143**	**2,416**	**-**	**2,416**

2.5.2.2. Reconciliation of the measurement components of reinsurance contract balances

		20X4				20X3			
IFRS 17(98),(101)	**Life Risk - Reinsurance contracts held**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
IFRS 17(99)(b)	Opening reinsurance contract assets	(64,153)	44,258	23,513	3,618	-	-	-	-
IFRS 17(99)(b)	Opening reinsurance contract liabilities	(15,433)	9,078	5,153	(1,202)	(76,757)	45,670	24,275	(6,812)
IFRS 17(99)(b)	**Net balance as at 1 January**	**(79,586)**	**53,336**	**28,666**	**2,416**	**(76,757)**	**45,670**	**24,275**	**(6,812)**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services received	-	-	(2,302)	(2,302)	-	-	(1,853)	(1,853)
IFRS 17(104)(b)(ii)	Change in the risk adjustment for non-financial risk for the risk expired	-	(4,353)	-	(4,353)	-	(3,481)	-	(3,481)
IFRS 17(104)(b)(iii)	Experience adjustments	1,025	-	-	1,025	583	-	-	583
		1,025	**(4,353)**	**(2,302)**	**(5,630)**	**583**	**(3,481)**	**(1,853)**	**(4,751)**
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	(80)	62	18	-	(144)	263	(119)	-
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	(18,340)	11,566	6,774	-	(14,602)	9,316	5,286	-
IFRS 17(66)(c)(ii), (105)(d)	Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	(4)	3	-	(1)	(7)	13	-	6
		(18,424)	**11,631**	**6,792**	**(1)**	**(14,753)**	**9,592**	**5,167**	**6**
IFRS 17(104)(c)	Changes that relate to past service - adjustments to the incurred claims	-	-	-	-	-	-	-	-
IFRS 17(105)(b)	Effect of changes in the risk of reinsurers non-performance	44	-	-	44	40	-	-	40
	Net income (expenses) from reinsurance contracts held	**(17,355)**	**7,278**	**4,490**	**(5,587)**	**(14,130)**	**6,111**	**3,314**	**(4,705)**
IFRS 17(105)(c)	Finance income (expenses) from reinsurance contracts held	(1,970)	2,257	1,312	1,599	(2,158)	1,555	1,077	474
	Total amounts recognised in comprehensive income	**(19,325)**	**9,535**	**5,802**	**(3,988)**	**(16,288)**	**7,666**	**4,391**	**(4,231)**
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(86)(b), (105)(a)(i),(iii)	Premiums paid net of ceding commissions and other directly attributable expenses paid	56,015	-	-	56,015	47,059	-	-	47,059
IFRS 17(105)(a)(iii)	Recoveries from reinsurance	(42,300)	-	-	(42,300)	(33,600)	-	-	(33,600)
	Total cash flows	**13,715**	**-**	**-**	**13,715**	**13,459**	**-**	**-**	**13,459**
	Net balance as at 31 December	**(85,196)**	**62,871**	**34,468**	**12,143**	**(79,586)**	**53,336**	**28,666**	**2,416**
IFRS 17(99)(b)	Closing reinsurance contract assets	(65,860)	51,579	27,831	13,550	(64,153)	44,258	23,513	3,618
IFRS 17(99)(b)	Closing reinsurance contract liabilities	(19,336)	11,292	6,637	(1,407)	(15,433)	9,078	5,153	(1,202)
IFRS 17(99)(b)	**Net balance as at 31 December**	**(85,196)**	**62,871**	**34,468**	**12,143**	**(79,586)**	**53,336**	**28,666**	**2,416**

IFRS 17(63)-(64)

PwC commentary - Amounts recognised for reinsurance contracts held

The Life Risk reinsurance held illustrated in the above reconciliations is a basic quota share reinsurance agreement where 75% of claims is recovered from a reinsurer. IFRS 17(63)-(64) requires that assumptions used to measure reinsurance contracts held be consistent with those used for the underlying insurance contracts. However, note that such consistency does not necessarily result in reinsurance amounts being 75% of the respective amounts recognised on the underlying insurance contracts issued (even if there are no onerous contracts issued).

Depending on the contractual arrangements with a reinsurer, the estimated future cash flows from insurance contracts issued may not match the ceding estimated future cash flows on the reinsurance contracts held (for example, because the basis of premiums determination and the timing of insurance premiums received might differ). The Group also incurs acquisition, contract maintenance and claims settlement expenses on the contracts issued that may not be reflected in the ceding premiums paid and/or ceding commissions received (or may be reflected but in a different period or in different amounts).

Additionally, reinsurance arrangements may cover multiple contracts issued that relate to more than one portfolio or product line. This may result in further differences between insurance contract liabilities and respective reinsurance contracts held assets and the amounts recognised in the statement of comprehensive income.

2.5.2.3. Impact of contracts recognised in the year

PwC commentary - Impact of reinsurance contracts held recognised in the year

IFRS 17(98), (107)-(108)

IFRS 17 provides a similar requirement to disclose information about contracts within the scope of IFRS 17 that were initially recognised in the reporting period for reinsurance contracts held as for insurance contracts issued. These requirements were adapted to reflect terminology differences.

IFRS 17(65)

Since reinsurance contracts held cannot be onerous, the sum of the measurement components (i.e. the sum of estimates of the present value of future cash outflows and cash inflows, the risk adjustment for non-financial risk and the CSM) always equals zero for reinsurance contracts held at initial recognition to the extent that IFRS 17(65)(b) is not applicable.

		20X4			20X3		
IFRS 17(98),(108)	**Life Risk - Reinsurance contracts held**	**Contracts originated not in a net gain**	**Contracts originated in a net gain**	**Total**	**Contracts originated not in a net gain**	**Contracts originated in a net gain**	**Total**
IFRS 17(107)(b)	Estimates of the present value of future cash inflows	109,322	-	109,322	88,054	-	88,054
IFRS 17(107)(a)	Estimates of the present value of future cash outflows	(127,662)	-	(127,662)	(102,656)	-	(102,656)
IFRS 17(107)(c)	Risk adjustment for non-financial risk	11,566	-	11,566	9,316	-	9,316
IFRS 17(107)(d)	CSM	6,774	-	6,774	5,286	-	5,286

2.5.2.4. Amounts determined on transition to IFRS 17

The CSM by transition method

PwC commentary - Impact of amounts determined on transition for reinsurance contracts held

Similar to insurance contracts issued, IFRS 17(114) requires reconciliations of the CSM from the opening to the closing balances for reinsurance contracts held separately for contracts:

- that existed at the transition date to which the modified retrospective approach was applied;
- that existed at the transition date to which the fair value approach was applied; and
- for all other contracts within the scope of IFRS 17, comprising contracts that existed at the transition date to which the full retrospective approach was applied and all contracts recognised by an entity post-transition to IFRS 17.

The required disclosures could be incorporated into the CSM reconciliations as required by IFRS 17(101)(c) or could be disclosed separately as included below by the Group.

IFRS 17(114)	Life Risk - Reinsurance contracts held	20X4				20X3			
		New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	Total	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
IFRS 17(101)(c)	**CSM as at 1 January**	**17,382**	**5,877**	**5,407**	**28,666**	**12,624**	**6,069**	**5,582**	**24,275**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services received	(1,553)	(390)	(359)	(2,302)	(1,119)	(383)	(351)	(1,853)
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	15	2	1	18	(66)	(28)	(25)	(119)
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	6,774	-	-	6,774	5,286	-	-	5,286
		5,236	**(388)**	**(358)**	**4,490**	**4,101**	**(411)**	**(376)**	**3,314**
IFRS 17(105)(c)	Finance income from reinsurance contracts held	906	212	194	1,312	657	219	201	1,077
	Total amounts recognised in comprehensive income	**6,142**	**(176)**	**(164)**	**5,802**	**4,758**	**(192)**	**(175)**	**4,391**
IFRS 17(101)(c)	**CSM as at 31 December**	**23,524**	**5,701**	**5,243**	**34,468**	**17,382**	**5,877**	**5,407**	**28,666**

Methods and assumptions applied by the Group in applying the modified retrospective and the fair value approaches on transition are disclosed in note 2.2.2.

2.6. Savings

2.6.1. Savings - Insurance contracts issued

2.6.1.1. Reconciliation of the liability for remaining coverage and the liability for incurred claims

PwC commentary - Savings products

The Savings product line offers a range of universal life insurance products. Generally, coverage is provided by the Group for 10 to 30-year terms. These contracts offer a fixed and guaranteed amount of death benefits equal to the face value of the policy, plus the accumulated policyholder account value. These policies do not meet the definition of direct participating contracts and are thus measured under the GMM.

None of the contracts within this product line has been identified as onerous. The respective columns and lines in the reconciliations are included for illustration purposes only. The Savings product line's risk is not mitigated by reinsurance.

The presentation of changes due to investment components is discussed in the PwC commentary in note 2.7.1.1.

		20X4				20X3			
IFRS 17(100)	**Savings - Insurance contracts issued**	**LRC**		**LIC**	**Total**	**LRC**		**LIC**	**Total**
		Excluding loss component	**Loss component**			**Excluding loss component**	**Loss component**		
IFRS 17(99)(b)	Opening insurance contract liabilities	22,462	-	-	22,462	3,693	-	-	3,693
IFRS 17(99)(b)	Opening insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 1 January**	**22,462**	**-**	**-**	**22,462**	**3,693**	**-**	**-**	**3,693**
IFRS 17(103)(a)	**Insurance revenue**	**(19,839)**	**-**	**-**	**(19,839)**	**(16,144)**	**-**	**-**	**(16,144)**
IFRS 17(103)(b)	**Insurance service expenses**								
IFRS 17(103)(b)(i)	Incurred claims and other directly attributable expenses	-	-	16,167	16,167	-	-	13,011	13,011
IFRS 17(103)(b)(iii)	Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
IFRS 17(103)(b)(iv)	Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-	-	-
IFRS 17(103)(b)(ii)	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)**
IFRS 17(105)(c)	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)**
IFRS 17(103)(c)	Investment components	(392)	-	392	-	(241)	-	241	-
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(105)(a)(i)	Premiums received	43,758	-	-	43,758	36,707	-	-	36,707
IFRS 17(105)(a)(iii)	Claims and other directly attributable expenses paid	-	-	(16,559)	(16,559)	-	-	(13,252)	(13,252)
IFRS 17(105)(a)(ii)	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**
	Net balance as at 31 December	**45,460**	**-**	**-**	**45,460**	**22,462**	**-**	**-**	**22,462**
IFRS 17(99)(b)	Closing insurance contract liabilities	45,460	-	-	45,460	22,462	-	-	22,462
IFRS 17(99)(b)	Closing insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 31 December**	**45,460**	**-**	**-**	**45,460**	**22,462**	**-**	**-**	**22,462**

2.6.1.2. Reconciliation of the measurement components of insurance contract balances

		20X4				20X3			
IFRS 17(101)	**Savings - Insurance contracts issued**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
IFRS 17(99)(b)	Opening insurance contract liabilities	(13,055)	19,408	16,109	22,462	(27,012)	16,723	13,982	3,693
IFRS 17(99)(b)	Opening insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 1 January**	**(13,055)**	**19,408**	**16,109**	**22,462**	**(27,012)**	**16,723**	**13,982**	**3,693**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services provided	-	-	(1,341)	(1,341)	-	-	(1,074)	(1,074)
IFRS 17(104)(b)(ii)	Change in the risk adjustment for non-financial risk for the risk expired	-	(1,675)	-	(1,675)	-	(1,363)	-	(1,363)
IFRS 17(104)(b)(iii)	Experience adjustments	340	-	-	340	128	-	-	128
		340	**(1,675)**	**(1,341)**	**(2,676)**	**128**	**(1,363)**	**(1,074)**	**(2,309)**
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	(14)	28	(14)	-	433	119	(552)	-
IFRS 17(104)(a)(ii)	Changes in estimates that result in onerous contract losses or reversal of losses	-	-	-	-	-	-	-	-
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	(8,441)	4,297	4,144	-	(6,681)	3,451	3,230	-
		(8,455)	**4,325**	**4,130**	**-**	**(6,248)**	**3,570**	**2,678**	**-**
	Changes that relate to past service								
IFRS 17(104)(c)	Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
	Insurance service result	**(8,115)**	**2,650**	**2,789**	**(2,676)**	**(6,120)**	**2,207**	**1,604**	**(2,309)**
IFRS 17(105)(c)	Finance (income) expenses from insurance contracts issued	596	689	625	1,910	(630)	478	523	371
	Total amounts recognised in comprehensive income	**(7,519)**	**3,339**	**3,414**	**(766)**	**(6,750)**	**2,685**	**2,127**	**(1,938)**
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(105)(a)(i)	Premiums received	43,758	-	-	43,758	36,707	-	-	36,707
IFRS 17(105)(a(iii)	Claims and other directly attributable expenses paid	(16,559)	-	-	(16,559)	(13,252)	-	-	(13,252)
IFRS 17(105)(a)(ii)	Insurance acquisition cash flows	(3,435)	-	-	(3,435)	(2,748)	-	-	(2,748)
	Total cash flows	**23,764**	**-**	**-**	**23,764**	**20,707**	**-**	**-**	**20,707**
	Net balance as at 31 December	**3,190**	**22,747**	**19,523**	**45,460**	**(13,055)**	**19,408**	**16,109**	**22,462**
IFRS 17(99)(b)	Closing insurance contract liabilities	3,190	22,747	19,523	45,460	(13,055)	19,408	16,109	22,462
IFRS 17(99)(b)	Closing insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 31 December**	**3,190**	**22,747**	**19,523**	**45,460**	**(13,055)**	**19,408**	**16,109**	**22,462**

2.6.1.3. Impact of contracts recognised in the year

	Savings - Insurance contracts issued	20X4			20X3		
IFRS 17(108)		Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
IFRS 17(107)(a)	Estimates of the present value of future cash outflows						
IFRS 17(107)(a)	- Insurance acquisition cash flows	3,435	-	3,435	2,748	-	2,748
IFRS 17(107)(a)	- Claims and other directly attributable expenses	49,138	-	49,138	39,463	-	39,463
	Estimates of the present value of future cash outflows	52,573	-	52,573	42,211	-	42,211
IFRS 17(107)(b)	Estimates of the present value of future cash inflows	(61,014)	-	(61,014)	(48,892)	-	(48,892)
IFRS 17(107)(c)	Risk adjustment for non-financial risk	4,297	-	4,297	3,451	-	3,451
IFRS 17(107)(d)	CSM	4,144	-	4,144	3,230	-	3,230
	Increase in insurance contract liabilities from contracts recognised in the period	-	-	-	-	-	-

2.6.1.4. Amounts determined on transition to IFRS 17

Insurance revenue and the CSM by transition method

	Savings - Insurance contracts issued	20X4				20X3			
IFRS 17(114)		New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	Total	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
IFRS 17(114)	**Insurance revenue**	**14,178**	**3,452**	**2,209**	**19,839**	**10,605**	**3,377**	**2,162**	**16,144**
IFRS 17(101)(b)	**CSM as at 1 January**	**10,757**	**3,264**	**2,088**	**16,109**	**8,250**	**3,496**	**2,236**	**13,982**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services provided	(979)	(221)	(141)	(1,341)	(714)	(219)	(141)	(1,074)
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	(6)	(5)	(3)	(14)	(360)	(118)	(74)	(552)
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	4,144	-	-	4,144	3,230	-	-	3,230
		3,159	**(226)**	**(144)**	**2,789**	**2,156**	**(337)**	**(215)**	**1,604**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued	466	98	61	625	351	105	67	523
	Total amounts recognised in comprehensive income	**3,625**	**(128)**	**(83)**	**3,414**	**2,507**	**(232)**	**(148)**	**2,127**
IFRS 17(101)(c)	**CSM as at 31 December**	**14,382**	**3,136**	**2,005**	**19,523**	**10,757**	**3,264**	**2,088**	**16,109**

The methods and assumptions applied by the Group in applying the modified retrospective and the fair value approaches on transition are disclosed in note 2.2.2.

2.7. Participating

2.7.1. Participating - Contracts issued

2.7.1.1. Reconciliation of the liability for remaining coverage and the liability for incurred claims

PwC commentary

Participating products

The Participating segment offers a variety of direct participating contracts and investment contracts with DPF where an insurer shares the performance of underlying items with policyholders. All contracts issued have single premiums invested for five to ten-year terms.

Direct participating contracts include fixed and guaranteed death benefits for the first five years of the contract term and also provide an investment return to policyholders.

Investment contracts with DPF provide policyholders with an exposure to foreign bond markets combined with guarantees protecting the amount invested. Investment contracts with DPF do not have significant insurance risk but provide policyholders with investment returns at the discretion of the Group, supplementary to returns not subject to the Group's discretion.

As described in note 2.1.(a), direct participating contracts are contracts with direct participation features and are measured under the VFA. As described in note 2.2.1, investment contracts with DPF do not meet the definition of direct participating contracts and are thus measured under the GMM.

None of the contracts within this segment has been identified as onerous. Thus, respective columns and lines in the below reconciliations have zero amounts.

IFRS 17(93)-(95)

Information aggregation for disclosure purposes

IFRS 17 does not require that the reconciliations specified by IFRS 17(99)-(105) be provided separately for contracts measured under the different measurement models. The Group has provided separate reconciliations for direct participating contracts measured under the VFA and investment contracts with DPF, which are measured under the GMM. The Group has determined that providing separate reconciliations better meets the disclosure requirement objectives described in IFRS 17(93)-(95).

IFRS 17(Appendix A), (103)(c)

Investment components

Under both products offered within the Participating product lines, premiums are single and are received when contracts are originated. These premiums are invested, and investment returns (subject to applicable asset management fees or crediting rates) are accumulated on the policyholder accounts. The account values meet the investment component definition in IFRS 17(Appendix A) as they will be paid to policyholders in any case (i.e. either on policyholder death or on maturity). Account values contribute a significant portion of the insurance contract liabilities for both products with a small portion relating to cash flows not varying based on the returns of the underlying items (such as, for example, relating to fixed death benefits for direct participating contracts, policy maintenance and claims handling expenses). The risk adjustment for non-financial risk is also relatively small because it is not assessed with respect to the account values.

As required by IFRS 17, amounts relating to investment components do not form part of insurance revenue and insurance service expenses. Therefore, the insurance revenue portion that is based on expected claims and expenses and the insurance service expenses amounts are relatively small compared to the FCF and to the actual claims and expenses payments made in the period.

Investment components (comprising account values) that are expected to become payable in the current period are included in the LRC at the beginning of the period. However, actual payments of account values to policyholders are reflected in the LIC column. That is why the line 'Investment components' is required in the reconciliation to show the transfer of the account value amounts that are payable in the current period from the LRC to the LIC column.

Direct participating contracts issued

IFRS 17(100)		20X4 LRC Excluding loss component	20X4 LRC Loss component	20X4 LIC	20X4 Total	20X3 LRC Excluding loss component	20X3 LRC Loss component	20X3 LIC	20X3 Total
IFRS 17(99)(b)	Opening insurance contract liabilities	51,221	-	-	51,221	43,461	-	-	43,461
IFRS 17(99)(b)	Opening insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 1 January**	**51,221**	**-**	**-**	**51,221**	**43,461**	**-**	**-**	**43,461**
IFRS 17(103)(a)	**Insurance revenue**	**(957)**	**-**	**-**	**(957)**	**(793)**	**-**	**-**	**(793)**
IFRS 17(103)(b)	**Insurance service expenses**								
IFRS 17(103)(b)(i)	Incurred claims and other directly attributable expenses	-	-	189	189	-	-	160	160
IFRS 17(103)(b)(iii)	Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
IFRS 17(103)(b)(iv)	Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-	-	-
IFRS 17(103)(b)(ii)	Insurance acquisition cash flows amortisation	132	-	-	132	109	-	-	109
	Insurance service expenses	**132**	**-**	**189**	**321**	**109**	**-**	**160**	**269**
	Insurance service result	**(825)**	**-**	**189**	**(636)**	**(684)**	**-**	**160**	**(524)**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued recognised in profit or loss	2,197	-	-	2,197	1,877	-	-	1,877
IFRS 17(105)(c)	Finance expenses from insurance contracts issued recognised in OCI	457	-	-	457	313	-	-	313
IFRS 17(105)(c)	**Finance expenses from insurance contracts issued**	**2,654**	**-**	**-**	**2,654**	**2,190**	**-**	**-**	**2,190**
	Total amounts recognised in comprehensive income	**1,829**	**-**	**189**	**2,018**	**1,506**	**-**	**160**	**1,666**
IFRS 17(103)(c)	Investment components	(3,072)	-	3,072	-	(2,654)	-	2,654	-
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(105)(a)(i)	Premiums received	11,362	-	-	11,362	9,090	-	-	9,090
IFRS 17(105)(a)(iii)	Claims and other directly attributable expenses paid	-	-	(3,261)	(3,261)	-	-	(2,814)	(2,814)
IFRS 17(105)(a)(ii)	Insurance acquisition cash flows	(227)	-	-	(227)	(182)	-	-	(182)
	Total cash flows	**11,135**	**-**	**(3,261)**	**7,874**	**8,908**	**-**	**(2,814)**	**6,094**
	Net balance as at 31 December	**61,113**	**-**	**-**	**61,113**	**51,221**	**-**	**-**	**51,221**
IFRS 17(99)(b)	Closing insurance contract liabilities	61,113	-	-	61,113	51,221	-	-	51,221
IFRS 17(99)(b)	Closing insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 31 December**	**61,113**	**-**	**-**	**61,113**	**51,221**	**-**	**-**	**51,221**

PwC commentary - Finance expenses from insurance contracts issued

IFRS 17(89)(b),(B134)

For the direct participating contracts measured under the VFA, the Group is required to hold the underlying items and has applied the OCI option under IFRS 17(89)(b) to disaggregate insurance finance expenses for the period between profit or loss and OCI. The amount reflected in profit or loss eliminates the accounting mismatch with the income or expenses included in profit or loss on the underlying investment assets. Refer to note 3.5.

IFRS 17(105)(c)

To complete the reconciliation, the Group separately included amounts of finance expenses from insurance contracts issued recognised in profit or loss and amounts reflected in OCI. The composition of these amounts is disclosed in note 3.5 and in 20X4 mostly comprises changes in the fair value of underlying assets of contracts measured under the VFA of CU2,622 (expense) and interest accretion and effect of changes in interest rates and other financial assumptions of CU32 (expense) relating to the FCF that do not vary with returns on the underlying items.

Investment contracts with DPF issued

Reference		20X4				20X3			
IFRS 17(100)		LRC				LRC			
		Excluding loss component	Loss component	LIC	Total	Excluding loss component	Loss component	LIC	Total
IFRS 17(99)(b)	Opening insurance contract liabilities	13,072	-	-	13,072	11,328	-	-	11,328
IFRS 17(99)(b)	Opening insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 1 January**	**13,072**	**-**	**-**	**13,072**	**11,328**	**-**	**-**	**11,328**
IFRS 17(103)(a)	**Insurance revenue**	**(269)**	**-**	**-**	**(269)**	**(258)**	**-**	**-**	**(258)**
IFRS 17(103)(b)	**Insurance service expenses**								
IFRS 17(103)(b)(i)	Incurred claims and other directly attributable expenses	-	-	98	98	-	-	86	86
IFRS 17(103)(b)(iii)	Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
IFRS 17(103)(b)(iv)	Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-	-	-
IFRS 17(103)(b)(ii)	Insurance acquisition cash flows amortisation	34	-	-	34	29	-	-	29
	Insurance service expenses	**34**	**-**	**98**	**132**	**29**	**-**	**86**	**115**
	Insurance service result	**(235)**	**-**	**98**	**(137)**	**(229)**	**-**	**86**	**(143)**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued	199	-	-	199	301	-	-	301
	Total amounts recognised in comprehensive income	**(36)**	**-**	**98**	**62**	**72**	**-**	**86**	**158**
IFRS 17(103)(c)	Investment components	(760)	-	760	-	(679)	-	679	-
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(105)(a)(i)	Premiums received	2,970	-	-	2,970	2,399	-	-	2,399
IFRS 17(105)(a)(iii)	Claims and other directly attributable expenses paid	-	-	(858)	(858)	-	-	(765)	(765)
IFRS 17(105)(a)(ii)	Insurance acquisition cash flows	(59)	-	-	(59)	(48)	-	-	(48)
	Total cash flows	**2,911**	**-**	**(858)**	**2,053**	**2,351**	**-**	**(765)**	**1,586**
	Net balance as at 31 December	**15,187**	**-**	**-**	**15,187**	**13,072**	**-**	**-**	**13,072**
IFRS 17(99)(b)	Closing insurance contract liabilities	15,187	-	-	15,187	13,072	-	-	13,072
IFRS 17(99)(b)	Closing insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 31 December**	**15,187**	**-**	**-**	**15,187**	**13,072**	**-**	**-**	**13,072**

PwC commentary - Foreign currency exchange differences - Investment contracts with DPF

IFRS 17(30),(105)(c)

Investment contracts with DPF issued by the Group are denominated in foreign currency. As stated in note 2.1.(e)(iii), insurance liabilities, including the CSM, are treated as monetary items as required by IFRS 17(30). The resulting foreign currency exchange differences form part of finance expenses from insurance contracts issued and are included in the respective line in the reconciliations related to these contracts. In 20X4, the Group recorded a foreign currency exchange gain of CU209 (20X3 - CU143) as shown in note 3.5.

IFRS 17(105)(d)

Note that if translation is performed from a subsidiary's functional currency into the presentation currency of a consolidated group, then related currency translation differences impact the currency translation reserve and should be shown in a different line in the reconciliation as required by IFRS 17(105)(d).

2.7.1.2. Reconciliation of the measurement components of contract balances

Direct participating contracts issued

		20X4				20X3			
IFRS 17(101)		Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
IFRS 17(99)(b)	Opening insurance contract liabilities	47,828	98	3,295	51,221	40,456	91	2,914	43,461
IFRS 17(99)(b)	Opening insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 1 January**	**47,828**	**98**	**3,295**	**51,221**	**40,456**	**91**	**2,914**	**43,461**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services provided	-	-	(618)	(618)	-	-	(507)	(507)
IFRS 17(104)(b)(ii)	Change in the risk adjustment for non-financial risk for the risk expired	-	(20)	-	(20)	-	(17)	-	(17)
IFRS 17(104)(b)(iii)	Experience adjustments	2	-	-	2	-	-	-	-
		2	**(20)**	**(618)**	**(636)**	**-**	**(17)**	**(507)**	**(524)**
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	(277)	-	277	-	(263)	1	262	-
IFRS 17(104)(a)(ii)	Changes in estimates that result in onerous contract losses or reversal of losses	-	-	-	-	-	-	-	-
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	(816)	26	790	-	(647)	21	626	-
		(1,093)	**26**	**1,067**	**-**	**(910)**	**22**	**888**	**-**
	Changes that relate to past service								
IFRS 17(104)(c)	Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
	Insurance service result	**(1,091)**	**6**	**449**	**(636)**	**(910)**	**5**	**381**	**(524)**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued recognised in profit or loss	2,194	3	-	2,197	1,875	2	-	1,877
IFRS 17(105)(c)	Finance expenses from insurance contracts issued recognised in OCI	457	-	-	457	313	-	-	313
IFRS 17(105)(c)	**Finance expenses from insurance contracts issued**	**2,651**	**3**	**-**	**2,654**	**2,188**	**2**	**-**	**2,190**
	Total amounts recognised in comprehensive income	**1,560**	**9**	**449**	**2,018**	**1,278**	**7**	**381**	**1,666**
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(105)(a)(i)	Premiums received	11,362	-	-	11,362	9,090	-	-	9,090
IFRS 17(105)(a)(iii)	Claims and other directly attributable expenses paid	(3,261)	-	-	(3,261)	(2,814)	-	-	(2,814)
IFRS 17(105)(a)(ii)	Insurance acquisition cash flows	(227)	-	-	(227)	(182)	-	-	(182)
	Total cash flows	**7,874**	**-**	**-**	**7,874**	**6,094**	**-**	**-**	**6,094**
	Net balance as at 31 December	**57,262**	**107**	**3,744**	**61,113**	**47,828**	**98**	**3,295**	**51,221**
IFRS 17(99)(b)	Closing insurance contract liabilities	57,262	107	3,744	61,113	47,828	98	3,295	51,221
IFRS 17(99)(b)	Closing insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 31 December**	**57,262**	**107**	**3,744**	**61,113**	**47,828**	**98**	**3,295**	**51,221**

Investment contracts with DPF issued

		20X4				20X3			
IFRS 17(101)(a)-(c)		Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
IFRS 17(99)(b)	Opening insurance contract liabilities	12,144	57	871	13,072	10,474	53	801	11,328
IFRS 17(99)(b)	Opening insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 1 January**	**12,144**	**57**	**871**	**13,072**	**10,474**	**53**	**801**	**11,328**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services provided	-	-	(127)	(127)	-	-	(134)	(134)
IFRS 17(104)(b)(ii)	Change in the risk adjustment for non-financial risk for the risk expired	-	(10)	-	(10)	-	(9)	-	(9)
IFRS 17(104)(b)(iii)	Experience adjustments	-	-	-	-	-	-	-	-
		-	**(10)**	**(127)**	**(137)**	**-**	**(9)**	**(134)**	**(143)**
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	220	-	(220)	-	(13)	-	13	-
IFRS 17(104)(a)(ii)	Changes in estimates that result in onerous contract losses or reversal of losses	-	-	-	-	-	-	-	-
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	(240)	15	225	-	(192)	12	180	-
		(20)	**15**	**5**	**-**	**(205)**	**12**	**193**	**-**
	Changes that relate to past service								
IFRS 17(104)(c)	Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
	Insurance service result	**(20)**	**5**	**(122)**	**(137)**	**(205)**	**3**	**59**	**(143)**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued	187	1	11	199	289	1	11	301
	Total amounts recognised in comprehensive income	**167**	**6**	**(111)**	**62**	**84**	**4**	**70**	**158**
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(105)(a)(i)	Premiums received	2,970	-	-	2,970	2,399	-	-	2,399
IFRS 17(105)(a)(iii)	Claims and other directly attributable expenses paid	(858)	-	-	(858)	(765)	-	-	(765)
IFRS 17(105)(a)(ii)	Insurance acquisition cash flows	(59)	-	-	(59)	(48)	-	-	(48)
	Total cash flows	**2,053**	**-**	**-**	**2,053**	**1,586**	**-**	**-**	**1,586**
	Net balance as at 31 December	**14,364**	**63**	**760**	**15,187**	**12,144**	**57**	**871**	**13,072**
IFRS 17(99)(b)	Closing insurance contract liabilities	14,364	63	760	15,187	12,144	57	871	13,072
IFRS 17(99)(b)	Closing insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 31 December**	**14,364**	**63**	**760**	**15,187**	**12,144**	**57**	**871**	**13,072**

IFRS 17(B98)-(B99)

PwC commentary - Accounting for changes in the Group's commitment for contracts measured under the GMM

For investment contracts with DPF, the Group uses estimates about future crediting rates that will be applied to credit investment returns on underlying investments to the policyholders' accounts. The crediting rates are based on projections of future underlying investment returns less the spread the Group plans to earn in order to meet its obligations under the contracts issued. In 20X4, the Group estimated future decreases in the underlying asset returns and adjusted its projections of future crediting rates to partially offset the decreasing returns expected to be credited to the policyholder accounts in the future periods. Accordingly, the CSM was adjusted to reflect the change in its commitment. Refer to the note 2.1.(d)(iii).

2.7.1.3. Impact of contracts recognised in the year

Direct participating contracts issued

		20X4			20X3		
IFRS 17(108)		Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
IFRS 17(107)(a)	Estimates of the present value of future cash outflows						
IFRS 17(107)(a)	- Insurance acquisition cash flows	227	-	227	182	-	182
IFRS 17(107)(a)	- Claims and other directly attributable expenses	10,319	-	10,319	8,261	-	8,261
	Estimates of the present value of future cash outflows	10,546	-	10,546	8,443	-	8,443
IFRS 17(107)(b)	Estimates of the present value of future cash inflows	(11,362)	-	(11,362)	(9,090)	-	(9,090)
IFRS 17(107)(c)	Risk adjustment for non-financial risk	26	-	26	21	-	21
IFRS 17(107)(d)	CSM	790	-	790	626	-	626
	Increase in insurance contract liabilities from contracts recognised in the period	**-**	**-**	**-**	**-**	**-**	**-**

Investment contracts with DPF issued

		20X4			20X3		
IFRS 17(108)		Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
IFRS 17(107)(a)	Estimates of the present value of future cash outflows						
IFRS 17(107)(a)	- Insurance acquisition cash flows	59	-	59	48	-	48
IFRS 17(107)(a)	- Claims and other directly attributable expenses	2,671	-	2,671	2,159	-	2,159
	Estimates of the present value of future cash outflows	2,730	-	2,730	2,207	-	2,207
IFRS 17(107)(b)	Estimates of the present value of future cash inflows	(2,970)	-	(2,970)	(2,399)	-	(2,399)
IFRS 17(107)(c)	Risk adjustment for non-financial risk	15	-	15	12	-	12
IFRS 17(107)(d)	CSM	225	-	225	180	-	180
	Increase in insurance contract liabilities from contracts recognised in the period	**-**	**-**	**-**	**-**	**-**	**-**

2.7.1.4. Amounts determined on transition to IFRS 17

The methods and assumptions applied by the Group in applying the modified retrospective and the fair value approaches on transition are disclosed in note 2.2.2.

Insurance revenue and the CSM by transition method - Direct participating contracts issued

		20X4				20X3			
IFRS 17(114)		New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	Total	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
IFRS 17(114)	**Insurance revenue**	**687**	**165**	**105**	**957**	**522**	**165**	**106**	**793**
IFRS 17(101)(c)	**CSM as at 1 January**	**2,187**	**676**	**432**	**3,295**	**1,719**	**728**	**467**	**2,914**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services provided	(443)	(107)	(68)	(618)	(333)	(106)	(68)	(507)
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	203	45	29	277	175	54	33	262
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	790	-	-	790	626	-	-	626
		550	**(62)**	**(39)**	**449**	**468**	**(52)**	**(35)**	**381**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued	-	-	-	-	-	-	-	-
	Total amounts recognised in comprehensive income	**550**	**(62)**	**(39)**	**449**	**468**	**(52)**	**(35)**	**381**
IFRS 17(101)(c)	**CSM as at 31 December**	**2,737**	**614**	**393**	**3,744**	**2,187**	**676**	**432**	**3,295**

Changes in AOCI for FVOCI investment assets outstanding on transition to IFRS 17 - Direct participating contracts issued

IFRS 17(116)

PwC commentary - Disclosure of amounts determined on transition for insurance contracts applying the OCI option

For the groups of contracts to which an entity applied the modified retrospective approach or the fair value approach on transition to IFRS 17 and to which the OCI option was applied in accordance with IFRS 17(88)(b) or IFRS 17(89)(b), an additional disclosure is required with regard to the amounts in the fair value reserve within OCI that were initially determined on transition as long as those amounts exist in the reporting periods. Specifically, for investment assets at FVOCI that relate to those groups of contracts on transition, an entity is required to provide a reconciliation from opening to closing balances of the cumulative amounts in OCI.

For the groups of direct participating contracts, the Group applied the OCI option in accordance with IFRS 17(89)(b). Consequently, the Group prepared the reconciliation below showing movements in the fair value reserve within OCI for the underlying investment assets that relate to the groups of contracts to which the modified retrospective approach or the fair value approach was applied on transition. For these groups of contracts, the reconciliation separately shows movements for investments that were on the consolidated balance sheet as at transition and investments that were purchased post-transition but still relate to the groups of contracts at transition.

The reconciliation of cumulative amounts of the fair value reserve within OCI for investment assets measured at FVOCI related to the groups of direct participating contracts to which the Group applied the modified retrospective approach or the fair value approach at the transition date is provided in the table below.

IFRS 17(116)

	20X4			20X3		
	Amounts determined as at transition	Post-transition amounts	Total	Amounts determined as at transition	Post-transition amounts	Total
Opening FV reserve	**709**	**129**	**838**	**608**	**111**	**719**
Net gains on investments in debt securities measured at FVOCI	255	46	301	167	30	197
Net losses on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	(39)	(7)	(46)	(25)	(5)	(30)
Income tax relating to these items	(64)	(12)	(76)	(41)	(7)	(48)
Closing FV reserve	**861**	**156**	**1,017**	**709**	**129**	**838**

Insurance revenue and the CSM by transition method - Investment contracts with DPF issued

		20X4				20X3			
IFRS 17(114)		New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	Total	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
IFRS 17(114)	**Insurance revenue**	**193**	**46**	**30**	**269**	**170**	**54**	**34**	**258**
IFRS 17(101)(c)	**CSM as at 1 January**	**579**	**177**	**115**	**871**	**472**	**200**	**129**	**801**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services provided	(91)	(21)	(15)	(127)	(89)	(28)	(17)	(134)
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	(162)	(35)	(23)	(220)	9	3	1	13
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	225	-	-	225	180	-	-	180
		(28)	**(56)**	**(38)**	**(122)**	**100**	**(25)**	**(16)**	**59**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued	7	2	2	11	7	2	2	11
	Total amounts recognised in comprehensive income	**(21)**	**(54)**	**(36)**	**(111)**	**107**	**(23)**	**(14)**	**70**
IFRS 17(101)(c)	**CSM as at 31 December**	**558**	**123**	**79**	**760**	**579**	**177**	**115**	**871**

2.8. Property and Casualty

2.8.1. Property and Casualty - Insurance contracts issued

2.8.1.1. Reconciliation of the liability for remaining coverage and the liability for incurred claims

IFRS 17(100)

PwC commentary - Reconciliation of the LRC and the LIC under the PAA and the GMM

IFRS 17(100) requires entities to provide a reconciliation from the opening to the closing balances of the LRC and LIC. Separate reconciliations are not required for contracts measured under the PAA and the GMM. However, for contracts measured under the PAA, IFRS 17(100)(c) requires that separate reconciliations of the LIC be included for the estimates of the present value of future cash flows and the risk adjustment for non-financial risk. Since this requirement is PAA specific, a separate column is included in the reconciliation for the LIC relating to contracts measured under the GMM.

		20X4						20X3					
		LRC (1)			LIC for contracts under the PAA			LRC			LIC for contracts under the PAA		
IFRS 17(100)	Property and Casualty - Insurance contracts issued	Excluding loss comp.	Loss comp.	LIC for contracts not under the PAA	Present value of future cash flows	Risk adj. for non-fin. risk	Total	Excluding loss comp.	Loss comp.	LIC for contracts not under the PAA	Present value of future cash flows	Risk adj. for non-fin. risk	Total
IFRS 17(99)(b)	Opening insurance contract liabilities	6,685	-	-	4,920	449	12,054	7,043	-	-	11,468	1,046	19,557
IFRS 17(99)(b)	Opening insurance contract assets	-	-	-	-	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 1 January**	**6,685**	**-**	**-**	**4,920**	**449**	**12,054**	**7,043**	**-**	**-**	**11,468**	**1,046**	**19,557**
IFRS 17(103)(a)	**Insurance revenue**	**(20,477)**	**-**	**-**	**-**	**-**	**(20,477)**	**(17,053)**	**-**	**-**	**-**	**-**	**(17,053)**
IFRS 17(103)(b)	**Insurance service expenses**												
IFRS 17(103)(b)(i)	Incurred claims and other directly attributable expenses	-	-	3,262	10,869	394	14,525	-	-	-	10,780	219	10,999
IFRS 17(103)(b)(iii)	Changes that relate to past service - adjustments to the LIC	-	-	-	784	(315)	469	-	-	-	1,977	(852)	1,125
IFRS 17(103)(b)(iv)	Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-	-	-	-	-	-	-
IFRS 17(103)(b)(ii)	Insurance acquisition cash flows amortisation	3,320	-	-	-	-	3,320	3,325	-	-	-	-	3,325
	Insurance service expenses	**3,320**	**-**	**3,262**	**11,653**	**79**	**18,314**	**3,325**	**-**	**-**	**12,757**	**(633)**	**15,449**
	Insurance service result	**(17,157)**	**-**	**3,262**	**11,653**	**79**	**(2,163)**	**(13,728)**	**-**	**-**	**12,757**	**(633)**	**(1,604)**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued	260	-	-	209	19	488	-	-	-	394	36	430
	Total amounts recognised in comprehensive income	**(16,897)**	**-**	**3,262**	**11,862**	**98**	**(1,675)**	**(13,728)**	**-**	**-**	**13,151**	**(597)**	**(1,174)**
IFRS 17(103)(c)	Investment components	-	-	-	-	-	-	-	-	-	-	-	-
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**												
IFRS 17(105)(a)(i)	Premiums received	25,430	-	-	-	-	25,430	16,608	-	-	-	-	16,608
IFRS 17(105)(a)(iii)	Claims and other directly attributable expenses paid	-	-	(3,262)	(10,792)	-	(14,054)	-	-	-	(19,699)	-	(19,699)
IFRS 17(105)(a)(ii)	Insurance acquisition cash flows	(3,401)	-	-	-	-	(3,401)	(3,238)	-	-	-	-	(3,238)
	Total cash flows	**22,029**	**-**	**(3,262)**	**(10,792)**	**-**	**7,975**	**13,370**	**-**	**-**	**(19,699)**	**-**	**(6,329)**
	Net balance as at 31 December	**11,817**	**-**	**-**	**5,990**	**547**	**18,354**	**6,685**	**-**	**-**	**4,920**	**449**	**12,054**
IFRS 17(99)(b)	Closing insurance contract liabilities	11,817	-	-	5,990	547	18,354	6,685	-	-	4,920	449	12,054
IFRS 17(99)(b)	Closing insurance contract assets	-	-	-	-	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 31 December**	**11,817**	**-**	**-**	**5,990**	**547**	**18,354**	**6,685**	**-**	**-**	**4,920**	**449**	**12,054**

(1) The LRC column includes amounts relating to insurance contracts measured under the PAA and insurance contracts measured under the GMM for the contracts acquired in the run-off period (refer to note 4).

PwC commentary - How numbers are calculated

Incurred claims and other expenses for current and past service

IFRS 17(103)(b)(i),(iii)

The line 'Incurred claims and other directly attributable expenses' includes amounts for the insured events that took place in the respective accident year (20X4 or 20X3) while the line 'Changes that relate to past service - adjustments to the LIC' includes amounts that relate to insured events that occurred in accident years prior to 20X4 or 20X3, respectively.

The line 'Changes that relate to past service - adjustments to the LIC' shows that in 20X4 the present value of future cash flows with respect to prior years' claims was increased by CU784. The decrease in the risk adjustment for non-financial risk of net CU315 takes into account the release of the risk adjustment due to past claims paid in the period and changes in the risk adjustment relating to existing outstanding claims and claims not yet reported as these claim estimates were updated for new information received.

For contracts measured under the PAA, the LRC is not based on the FCF (unless accounting for onerous contracts is applied) and thus not impacted by future expected cash flows relating to directly attributable expenses. However, such expenses are reflected in incurred claims and other directly attributable expenses even if they are not part of the LIC calculations. For example, policy administration expenses incurred are included in this line similar to policy administration expenses for contracts measured under the GMM.

IFRS 17(39),(B5),(B94)

Contracts acquired in the run-off period

The Group acquired automobile insurance contracts in the run-off period as part of the business combination (refer to note 4). In the seller's financial statements (assuming the seller originated respective contracts in the past), liabilities for these claims would have been reflected as part of the LIC. However, the accounting from the Group's perspective is different. As explained in note 2.1.(d)(iv), these contracts are measured under the GMM. The insured event is considered to be the ultimate amount of claims costs (including related expenses) expected to be paid post-acquisition to settle all claims that were incurred prior to the business acquisition. On initial recognition, the respective LRC related to the acquired contracts comprises the following:

- the FCF representing the projected future claims and other directly attributable expenses payments and the risk adjustment for non-financial risk;
- the CSM calculated as the difference between the fair value of insurance contracts acquired less the FCF assessed at the acquisition date; and
- the LIC of zero.

In subsequent measurement:

- Claims (and expenses) incurred in the reporting period are defined as actual claim payments made in the period. Insurance revenue is based on claim payments and the release of the risk adjustment related to those claim payments as expected at the beginning of the reporting period.
- The CSM is released to insurance revenue based on coverage units provided in the period. Refer to note on 2.1.(d)(iii).

'Premiums received' line includes the fair value of the contracts acquired.

The LIC for contracts not under the PAA relates to contracts acquired in the run-off period and reflects claim payments made in the period in the line 'Incurred claims and other directly attributable expenses' and in the line 'Claims and other directly attributable expenses paid' with the opening and closing LIC balances being zero. The respective LIC column in 20X3 has zero values because the acquisition took place in 20X4.

2.8.1.2. Reconciliation of the measurement components of insurance contract balances

The Group measures the insurance contracts in the run-off portfolio acquired in January 20X4 under the GMM (refer to note 4). The reconciliation of the respective insurance contract liabilities by measurement components since acquisition is included in the table below.

		20X4				20X3			
IFRS 17(101)	**Property and Casualty - Insurance contracts issued**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
IFRS 17(99)(b)	Opening insurance contract liabilities	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	Opening insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 1 January**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IFRS 17(104)(b)	**Changes that relate to current service**								
IFRS 17(104)(b)(i)	CSM recognised in profit or loss for the services provided	-	-	(66)	(66)	-	-	-	-
IFRS 17(104)(b)(ii)	Change in the risk adjustment for non-financial risk for the risk expired	-	(347)	-	(347)	-	-	-	-
IFRS 17(104)(b)(iii)	Experience adjustments	223	-	-	223	-	-	-	-
		223	**(347)**	**(66)**	**(190)**	**-**	**-**	**-**	**-**
IFRS 17(104)(a)	**Changes that relate to future service**								
IFRS 17(104)(a)(i)	Changes in estimates that adjust the CSM	(48)	(6)	54	-	-	-	-	-
IFRS 17(104)(a)(ii)	Changes in estimates that result in onerous contract losses or reversal of losses	-	-	-	-	-	-	-	-
IFRS 17(104)(a)(iii)	Contracts initially recognised in the period	(933)	806	127	-	-	-	-	-
		(981)	**800**	**181**	**-**	**-**	**-**	**-**	**-**
	Changes that relate to past service								
IFRS 17(104)(c)	Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
	Insurance service result	**(758)**	**453**	**115**	**(190)**	**-**	**-**	**-**	**-**
IFRS 17(105)(c)	Finance expenses from insurance contracts issued	229	26	5	260	-	-	-	-
	Total amounts recognised in comprehensive income	**(529)**	**479**	**120**	**70**	**-**	**-**	**-**	**-**
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**								
IFRS 17(105)(a)(i)	Premiums received	7,988	-	-	7,988	-	-	-	-
IFRS 17(105)(a)(iii)	Claims and other directly attributable expenses paid	(3,262)	-	-	(3,262)	-	-	-	-
IFRS 17(105)(a)(ii)	Insurance acquisition cash flows	-	-	-	-	-	-	-	-
	Total cash flows	**4,726**	**-**	**-**	**4,726**	**-**	**-**	**-**	**-**
	Net balance as at 31 December	**4,197**	**479**	**120**	**4,796**	**-**	**-**	**-**	**-**
IFRS 17(99)(b)	Closing insurance contract liabilities	4,197	479	120	4,796	-	-	-	-
IFRS 17(99)(b)	Closing insurance contract assets	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 31 December**	**4,197**	**479**	**120**	**4,796**	**-**	**-**	**-**	**-**

IFRS 17(101)

PwC commentary - Contracts acquired in the run-off period

The reconciliation above is required only for the contracts not measured under the PAA. Thus, for automobile insurance, it includes amounts for the insurance contracts acquired in the run-off period (refer to note 4). Refer to the PwC commentary included in note 2.8.1.1, which explains the accounting treatment for such contracts under IFRS 17. These comments are not repeated below. Instead, we comment on how experience adjustments and changes in future cash flows were accounted for.

IFRS 17(Appendix A), (B97)(c)

IFRS 17(Appendix A) defines experience adjustments for insurance service expenses as the difference between the estimate of the amounts expected to be incurred in the period and the actual amounts incurred in the period. For the contracts acquired in the run-off period, this means the experience adjustments are the difference between claims expected to be paid in the period and actual payments made. IFRS 17(B97)(c) prohibits adjusting the CSM for such experience differences.

An experience difference of CU223 between the expected claim payments and the actual payments made was recognised in insurance service expenses in 20X4 (20X3 - nil).

Changes in estimates of future cash flows with respect to future claims payments adjust the CSM similarly to other contracts measurement under the GMM.

2.8.1.3. Impact of contracts recognised in the year

The Group measures the insurance contracts in the run-off period acquired in January 20X4 under the GMM (refer to note 4). The analysis of the impact of these contracts' acquisition on the consolidated balance sheet is included in the table below.

		20X4			20X3		
IFRS 17(108)	**Property and Casualty - Insurance contracts issued**	**Non-onerous contracts acquired**	**Onerous contracts acquired**	**Total**	**Non-onerous contracts acquired**	**Onerous contracts acquired**	**Total**
IFRS 17(107)(a)	Estimates of the present value of future cash outflows						
IFRS 17(107)(a)	- Claims and other directly attributable expenses	7,055	-	7,055	-	-	-
	Estimates of the present value of future cash outflows	7,055	-	7,055	-	-	-
IFRS 17(107)(b)	Estimates of the present value of future cash inflows	(7,988)	-	(7,988)	-	-	-
IFRS 17(107)(c)	Risk adjustment for non-financial risk	806	-	806	-	-	-
IFRS 17(107)(d)	CSM	127	-	127	-	-	-
	Increase in insurance contract liabilities from contracts recognised in the period	**-**	**-**	**-**	**-**	**-**	**-**

IFRS 17(107),(108)

PwC commentary - Contracts acquired in the run-off period

The disclosure above is required only for the contracts not measured under the PAA. Thus, for automobile insurance, it includes amounts for the business acquired in the run-off period.

Amounts included in the table above are explained below:

- Claims and other directly attributable expenses of CU7,055 are the present value of future expected claims and claims settlement expenses payments discounted applying the rates determined as at the acquisition date in accordance with IFRS 17.
- Risk adjustment for non-financial risk of CU806 is the risk adjustment related to future claims and expenses payouts included within claims and other directly attributable expenses.
- The fair value of contracts acquired of CU7,988 was used as a proxy for estimates of the present value of future cash inflows.
- The CSM of CU127 is determined as the difference between the fair value and the FCF that is discussed above. No contracts acquired were determined to be onerous as at the acquisition date.

2.8.2. Property and Casualty - Reinsurance contracts held

2.8.2.1. Reconciliation of the remaining coverage and incurred claims components

		20X4					20X3				
				Incurred claims for contracts under the PAA					Incurred claims for contracts under the PAA		
IFRS 17(98),(100)(a),(c)	**Property and Casualty - Reinsurance contracts held**	**Remaining coverage**	**Incurred claims for contracts not under the PAA**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**	**Remaining coverage**	**Incurred claims for contracts not under the PAA**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
IFRS 17(99)(b)	Opening reinsurance contract assets	498	-	131	14	643	525	-	196	21	741
IFRS 17(99)(b)	Opening reinsurance contract liabilities	-	-	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 1 January**	**498**	**-**	**131**	**14**	**643**	**525**	**-**	**196**	**21**	**741**
	Net income (expenses) from reinsurance contracts held										
IFRS 17(103)(a)	Reinsurance expenses	(934)	-	-	-	(934)	(1,023)	-	-	-	(1,023)
IFRS 17(103)(b)(i)	Other incurred directly attributable expenses	-	-	-	-	-	-	-	-	-	-
IFRS 17(103)(b)(i)	Claims recovered	-	-	364	22	386	-	-	394	9	403
IFRS 17(103)(b)(iii)	Changes that relate to past service - adjustments to incurred claims	-	-	292	(7)	285	-	-	1,484	(19)	1,465
IFRS 17(66)(c)(ii), (105)(d)	Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	-	-	-	-	-	-	-	-
IFRS 17(105)(b)	Effect of changes in the risk of reinsurers non-performance	-	-	1	-	1	-	-	1	-	1
	Net income (expenses) from reinsurance contracts held	**(934)**	**-**	**657**	**15**	**(262)**	**(1,023)**	**-**	**1,879**	**(10)**	**846**
IFRS 17(105)(c)	Finance income from reinsurance contracts held	-	-	10	1	11	-	-	24	3	27
	Total amounts recognised in comprehensive income	**(934)**	**-**	**667**	**16**	**(251)**	**(1,023)**	**-**	**1,903**	**(7)**	**873**
IFRS 17(103)(c)	Investment components	-	-	-	-	-	-	-	-	-	-
IFRS 17(105)(d)	Other changes	-	-	-	-	-	-	-	-	-	-
IFRS 17(105)(a)	**Cash flows**										
IFRS 17(86)(b), (105)(a)(i),(iii)	Premiums paid net of ceding commissions and other directly attributable expenses paid	872	-	-	-	872	996	-	-	-	996
IFRS 17(105)(a)(iii)	Recoveries from reinsurance	-	-	(514)	-	(514)	-	-	(1,967)	-	(1,968)
	Total cash flows	**872**	**-**	**(514)**	**-**	**358**	**996**	**-**	**(1,967)**	**-**	**(972)**
	Net balance as at 31 December	**436**	**-**	**284**	**30**	**750**	**498**	**-**	**131**	**14**	**643**
IFRS 17(99)(b)	Closing reinsurance contract assets	436	-	284	30	750	498	-	131	14	643
IFRS 17(99)(b)	Closing reinsurance contract liabilities	-	-	-	-	-	-	-	-	-	-
IFRS 17(99)(b)	**Net balance as at 31 December**	**436**	**-**	**284**	**30**	**750**	**498**	**-**	**131**	**14**	**643**

2.8.3. Claims development

IFRS 17(130)

PwC commentary

Claims development disclosure

An entity is required to disclose actual claims compared to previous estimates of the undiscounted amounts of the claims. The objective of the disclosure is to provide information about the development of claims for which there is uncertainty about their payment amount and/or timing. This disclosure requirement is not new and is not significantly changed by IFRS 17.

The disclosure is required for all periods starting from when the earliest material claims arose and for which there is still uncertainty about the amount and timing of payment. However, showing information for more than ten years prior to the end of the reporting period is not required.

An entity is required to demonstrate how the disclosure of claims development reconciles to the LIC disclosed in accordance with IFRS 17(100)(c) requirements in note 2.8.1.1 and 2.8.2.1.

Additionally, including the claims development disclosure is not required where uncertainty about the timing and/or amount of payments is resolved within one year. Consequently, the Group does not provide this disclosure for its life business because claims amounts are known from the contractual arrangements (i.e. there is no uncertainty with respect to the amount of claims) and claims are settled shortly after the insured event occurs.

Contracts acquired in the run-off period

Insurance contracts acquired in the run-off period are not included in the claims development disclosure as respective claims are reflected in the LRC rather than in the LIC. Information on the ultimate amount of claims cost for this business is provided in the reconciliation in note 2.5.1.2.

2.8.3.1. Gross claims development

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the below claims development disclosure on a gross of reinsurance basis as at 31 December 20X4.

IFRS 17(130)

	Accident year						
	20Y9	**20X0**	**20X1**	**20X2**	**20X3**	**20X4**	**Total**
Estimate of ultimate claim costs (gross of reinsurance, undiscounted)							
At end of accident year	4,584	4,821	5,081	5,436	11,211	11,304	
1 year later	4,715	4,820	5,210	5,438	11,212		
2 years later	4,679	4,820	7,267	6,253			
3 years later	4,747	4,827	7,263				
4 years later	4,733	4,830					
5 years later	4,724						
Cumulative gross claims and other directly attributable expenses paid	(4,588)	(4,638)	(6,831)	(5,217)	(9,688)	(7,934)	(38,896)
Gross cumulative claims liabilities - accident years from 20Y9 to 20X4	136	192	432	1,036	1,524	3,370	6,690
Gross cumulative claims liabilities - prior accident years							186
Effect of discounting							(886)
Effect of the risk adjustment margin for non-financial risk							547
Gross LIC for the contracts originated (refer to note 2.8.1.1)							**6,537**

The Group provides information on the gross and net claims development for the current reporting period and five years prior to it. The Group considers that there is no significant uncertainty with regard to claims that were incurred more than five years before the reporting period.

IFRS 17(130)

PwC commentary - Claims development disclosure reconciliation to the LIC

In order to reconcile undiscounted claims information to the LIC, which is measured on the discounted basis, the Group included two reconciling items to demonstrate the effect of discounting and the risk adjustment for non-financial risk (which is the same amount as the risk adjustment balance included in the reconciliation required by IFRS 17(100)(c) and included above in note 2.8.1.1). IFRS 17(130) does not specify how reconciling amounts shall be shown.

2.8.3.2. Net claims development

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the below claims development disclosure on a net of reinsurance basis as at 31 December 20X4.

IFRS 17(130)

	Accident year						
	20Y9	**20X0**	**20X1**	**20X2**	**20X3**	**20X4**	**Total**
Estimate of ultimate claim costs (net of reinsurance, undiscounted)							
At end of accident year	4,549	4,780	5,044	5,389	10,810	10,933	
1 year later	4,676	4,784	5,165	5,391	10,811		
2 years later	4,645	4,779	5,716	5,912			
3 years later	4,709	4,786	5,712				
4 years later	4,695	4,789					
5 years later	4,686						
Cumulative net claims and other directly attributable expenses paid	(4,558)	(4,601)	(5,294)	(5,000)	(9,348)	(7,670)	(36,471)
Net cumulative claims liabilities - accident years from 20Y9 to 20X4	128	188	418	912	1,463	3,263	6,372
Net cumulative claims liabilities - prior accident years							174
Effect of discounting							(840)
Effect of the risk adjustment for non-financial risk							517
Net LIC for the contracts originated (refer to notes 2.8.1.1 and 2.8.2.1)							**6,223**

3. Financial operations

3.1. Summary of significant accounting policies for financial instruments

3.1.1. Financial assets and liabilities

3.1.1.(a) Summary of measurement categories

The Group classifies its financial assets into the following categories:

Type of financial instruments	Classification	Reason
Cash and cash equivalents	AC	SPPI, hold to collect business model
Government bonds	FVOCI	SPPI, hold to collect and sell business model
Other debt securities	FVOCI	SPPI, hold to collect and sell business model
	FVTPL	Mandatory, trading or portfolio managed at FV
	FVTPL	Designated, accounting mismatch
Equity securities	FVTPL	Mandatory
Derivatives	FVTPL	Mandatory
Other financial assets	AC	SPPI, hold to collect business model
Investment contract liabilities	FVTPL	Designated, accounting mismatch
Subordinated debt	AC	Mandatory
Other financial liabilities	AC	Mandatory

The Group does not apply hedge accounting.

3.1.1.(b) Initial recognition and measurement

IFRS 9(3.1.1)
IFRS 9(3.1.2)

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset.

IFRS 9(5.1.1)

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI.

IFRS 9(B5.1.2A)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realised through settlement.

3.1.1.(c) Amortised cost and effective interest rate

IFRS 9(Appendix A)

AC is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its AC before any impairment allowance) or to the AC of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in profit or loss.

IFRS 9(5.4.1)

Interest revenue is calculated by applying the EIR to the gross carrying amount of financial assets recognised at AC or FVOCI.

PwC commentary - Credit impaired financial assets (Stage 3)

For credit impaired financial assets, the credit-adjusted EIR is applied. This rate is calculated based on the AC of the financial asset instead of its gross carrying amount and incorporates the impact of the ECL on estimated future cash flows.

3.1.2. Financial assets

3.1.2.(a) Classification and subsequent measurement

IFRS 9(4.1.1)

The Group classifies its financial assets into the following measurement categories:

a. AC;

b. FVOCI; or

c. FVTPL.

3.1.2.(b) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government and corporate bonds.

IFRS 9(5.1.1)

The classification and subsequent measurement of debt instruments depend on:

a. the Group's business model for managing the asset; and

b. the cash flow characteristics of the asset (represented by SPPI).

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

IFRS 9(4.1.2)

a. **AC:** Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at AC. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described further below. Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the EIR method.

IFRS 9(4.1.2A)

b. **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's AC, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net return on investments and other investment income. Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the EIR method.

IFRS 9(4.1.4)

c. **FVTPL:** Assets that do not meet the criteria for AC or FVOCI are measured at FVTPL. Also, some assets are voluntarily measured at FVTPL, because this significantly reduces an accounting mismatch. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised and presented in the consolidated statement of profit or loss within net gains on FVTPL investments in the period in which it arises.

3.1.2.(b)(i) Business model

IFRS 9(B4.1.2.A), (B4.1.2.B)

The business model reflects how the Group manages assets in order to generate cash flows. That is, it reflects whether the Group's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of the other business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's business model for the investments underlying direct participating contracts is to hold to collect and sell contractual cash flows. The proceeds from the contractual cash flows of the financial assets are used to settle insurance contract liabilities as they become due. To ensure that the contractual cash flows from the financial assets are sufficient to settle those liabilities, the Group undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to meet cash flow needs as they arise. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the other business model and measured at FVTPL.

3.1.2.(b)(ii) Solely payments of principal and interest

IFRS 9(B4.1.7A)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

IFRS 9(4.3.2),(4.3.3)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

IFRS 9(4.4.1)

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

IFRS 9(4.1.5)

The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Group has determined that an accounting mismatch is reduced if financial assets backing non-participating life insurance contracts are measured at FVTPL. For these instruments, the Group has applied the option to designate these financial assets at FVTPL.

PwC commentary - Interdependencies between IFRS 9 and IFRS 17 accounting policy choices

In applying IFRS 9 and IFRS 17, there are two accounting policy choices that can be applied, when criteria are met, that give the insurer the opportunity to mitigate accounting mismatching. These options will often be considered in combination. The first one is the option under IFRS 9 to classify debt instruments at FVTPL, and the other one is the option in IFRS 17 to disaggregate insurance finance income and expenses between profit or loss and OCI (the OCI option). In order to comply with the requirements of IAS 1(17), an insurer should explain the rationale between these choices in their financial statements.

3.1.2.(c) Equity instruments

IAS 32R(11)

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (i.e. instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets). Examples of equity instruments include basic ordinary shares.

IFRS 9(5.7.2)

The Group subsequently measures all equity investments at FVTPL. Gains and losses on equity investments at FVTPL are included in the line 'Net gains on FVTPL investments' in the consolidated statement of profit or loss.

IFRS 9(5.7.5)

The Group chooses not to apply the FVOCI option for equity instruments that are not held for trading.

3.1.2.(d) Impairment

IFRS 9(5.5.17)

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at AC and FVOCI. The Group recognises a loss allowance for such losses at each reporting date. The measurement of the ECL reflects:

a. an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;

b. the time value of money; and

c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 3.7 provides more detail on how the ECL allowance is measured.

3.1.2.(e) Derecognition other than on a modification

IFRS 9(3.2.3)

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership; or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

IFRS 9(3.2.5)

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as pass through transfers that result in derecognition if the Group:

a. has no obligation to make payments unless it collects equivalent amounts from the assets;

b. is prohibited from selling or pledging the assets; and

c. has an obligation to remit any cash it collects from the assets without material delay.

3.1.3. Financial liabilities

3.1.3.(a) Classification and subsequent measurement

IFRS 9(4.2.1),(B5.7.16)

In both the current and prior period, financial liabilities are classified and subsequently measured at AC, except for derivatives and investment contracts without DPF, which are measured at FVTPL.

IFRS 9(4.2)

Investment contracts without DPF are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at FVTPL. The Group designates these investment contracts to be measured at FVTPL because it eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair value of financial liabilities for investment contracts without fixed terms is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date.

When the investment contract has an embedded put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.

IFRS 9(5.7.7)

Changes in the fair value of financial liabilities measured at FVTPL related to own credit risk are presented in OCI, while all other fair value changes are presented in the consolidated statement of profit or loss.

3.1.3.(b) Derecognition

IFRS 9(3.3.1)

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

IFRS 9(3.3.2),(3.3.3),(B3.3.6)

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different than the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and changes in covenants, are also taken into consideration. If an exchange of debt instruments or a modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

3.1.4. Derivatives

IFRS 9(4.1.4),(4.2.1)(a)

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

IFRS 9(4.3.2),(4.3.3)
IFRS 17(11)(a)

Certain derivatives are embedded in hybrid contracts. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in note 3.1.2 for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

a. their economic characteristics and risks are not closely related to those of the host contract;

b. a separate instrument with the same terms would meet the definition of a derivative; and

c. the hybrid contract is not measured at FVTPL.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the consolidated statement of profit or loss unless the Group chooses to designate the hybrid contracts at FVTPL.

3.2. Significant judgements and estimates in applying IFRS 9

3.2.1. Judgements

IAS 1(122)

This note provides an overview of the areas that involve a higher degree of judgement or complexity. More detailed information about these judgements is included in the notes.

Judgement	Description
Classification of financial instruments	The Group has made judgements in applying the business model criteria to its portfolio of debt instruments. The Group has also applied judgement as to whether designating debt instruments at FVTPL significantly reduces an accounting mismatch. For more information, refer to note 3.1.
Expected credit loss	A number of significant judgements are required in applying the accounting requirements for measuring the ECL, such as: a. determining criteria for a significant increase in credit risk (SICR); b. choosing appropriate models and assumptions for the measurement of the ECL; c. establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated the ECL; and d. establishing groups of similar financial assets for the purposes of measuring the ECL. For more information, refer to note 3.7.

IAS 1(122)

IAS 1(123)(d)

PwC commentary

Judgement in applying the SPPI criteria

The Group does not consider applying the SPPI criteria to be an area of significant judgement for their debt instrument portfolio, as they only invest in straightforward basic lending arrangements. However, it could be possible that there are areas of significant judgement in applying these SPPI criteria as a consequence of the nature and complexity of the debt instruments held by an entity. Examples could be bonds with prepayment features or contractually linked instruments.

Significant accounting judgements in determining the business model and applying the SPPI test

Determining the appropriate business model and assessing whether cash flows generated by an asset constitute SPPI are sometimes complex and may require significant judgement. Depending on the level of judgement and the amount of financial assets affected by the conclusion, the SPPI and/or business model assessment may require disclosure as a significant judgement in accordance with IAS 1(122) (for example, a judgement on whether or not a contractual clause in all bonds of a certain type (e.g. all municipal bonds) breaches SPPI and results in a material portfolio being recorded at FVTPL).

Insurers often use the proceeds from the contractual cash flows on financial assets to settle insurance contract liabilities as they become due. The objective of the business model is to fund insurance contract liabilities. To achieve this objective, the entity collects contractual cash flows as they become due, and it sells financial assets to maintain the desired profile of the asset portfolio. Thus, both collecting contractual cash flows and selling financial assets are integral to achieving the business model's objective. Therefore, the business model is held to collect and sell. Nevertheless, if the financial liabilities were measured at current value, with changes in value recognised in profit or loss, the assets could be designated at FVTPL to reduce an accounting mismatch. This would depend on the correlation between the fair value movements in the financial assets backing the insurance contracts and the movement in the insurance contracts recognised in profit or loss. Application of the FVTPL classification also relieves the insurer from calculating impairment on the financial assets that would otherwise be classified at AC or FVOCI.

Significant judgements in determining the ECL

The introduction of the ECL impairment requirements in IFRS 9 represents a significant change from the incurred loss requirements of IAS 39. With this change comes additional complexity, both in interpreting the technical requirements and in applying them. The model requires judgement as to what a SICR is and the calculation of the ECL including the incorporation of forward-looking information.

3.2.2. Estimates

IAS 1(125)

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. This note provides an overview of items which are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the below notes together with information about the basis of calculation for each affected line item in the consolidated financial statements. In applying IFRS 9 measurement requirements, the following inputs and methods were used that include significant estimates.

3.2.2.1. Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

For more information, refer to note 3.6.

3.2.2.2. Expected credit loss

The measurement of the ECL allowance for financial assets measured at AC and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

For more information, refer to note 3.7.

3.3. Financial assets and liabilities

The carrying amounts of the financial assets and liabilities held by the Group are:

IFRS 7(8)

31 December 20X4	AC	FVOCI		FVTPL		Total
		Designated	Mandatory	Designated	Mandatory	
Cash and cash equivalents	20,866	-	-	-	-	20,866
Government bonds	-	-	22,640	30,608	3,954	57,202
Other debt securities	-	-	51,946	18,760	74,786	145,492
Equity securities	-	-	-	-	42,370	42,370
Derivatives	-	-	-	-	290	290
Total investment assets and cash and cash equivalents	**20,866**	**-**	**74,586**	**49,368**	**121,400**	**266,220**
Underlying assets						
Savings	-	-	-	-	19,994	19,994
Participating	-	-	61,113	-	24,799	85,912
	-	**-**	**61,113**	**-**	**44,793**	**105,906**
Other investments						
Life Risk	-	-	-	4,407	-	4,407
Savings	-	-	-	26,829	-	26,829
Property and Casualty	-	-	-	18,132	-	18,132
Other	20,866	-	13,473	-	76,607	110,946
	20,866	**-**	**13,473**	**49,368**	**76,607**	**160,314**
Total investment assets and cash and cash equivalents	**20,866**	**-**	**74,586**	**49,368**	**121,400**	**266,220**
Investment contract liabilities	**-**	**-**	**-**	**9,612**	**-**	**9,612**
Subordinated debt	**36,156**	**-**	**-**	**-**	**-**	**36,156**

IFRS 7(8)

31 December 20X3	AC	FVOCI		FVTPL		Total
		Designated	Mandatory	Designated	Mandatory	
Cash and cash equivalents	26,377	-	-	-	-	26,377
Government bonds	-	-	19,276	14,917	3,062	37,255
Other debt securities	-	-	43,538	9,143	59,332	112,013
Equity securities	-	-	-	-	32,881	32,881
Derivatives	-	-	-	-	97	97
Total investment assets and cash and cash equivalents	**26,377**	**-**	**62,814**	**24,060**	**95,372**	**208,623**
Underlying assets						
Savings	-	-	-	-	11,928	11,928
Participating	-	-	51,221	-	21,884	73,105
	-	**-**	**51,221**	**-**	**33,812**	**85,033**
Other investments						
Life Risk	-	-	-	1,097	-	1,097
Savings	-	-	-	11,210	-	11,210
Property and Casualty	-	-	-	11,753	-	11,753
Other	26,377	-	11,593	-	61,560	99,530
	26,377	**-**	**11,593**	**24,060**	**61,560**	**123,590**
Total investment assets and cash and cash equivalents	**26,377**	**-**	**62,814**	**24,060**	**95,372**	**208,623**
Investment contract liabilities	**-**	**-**	**-**	**8,812**	**-**	**8,812**
Subordinated debt	**35,137**	**-**	**-**	**-**	**-**	**35,137**

All other financial assets and liabilities not stated in the above table are measured at AC.

Refer to the accounting policies in note 3.1 for an explanation as to why the Group has designated certain financial assets at FVTPL.

IFRS 9(4.1.1)

PwC commentary - Classification and measurement of financial assets

The table above explains the mandatory classification or voluntary designation of the financial instruments held by the Group.

The debt instrument portfolio underlying the direct participating contracts is measured at FVOCI as these debt instruments meet the requirements of the hold to collect and sell business model and the SPPI. The investments are made in high quality liquid fixed interest debt instruments that are held to collect contractual interest and from time to time are rebalanced to meet the contractual obligations under the insurance contracts.

The debt instrument portfolio underlying insurance contracts in the Savings product line and those supporting investment contracts with and without DPF are part of the portfolio managed on a fair value basis and are mandatorily classified at FVTPL.

The remainder of the debt instrument portfolio that supports insurance contracts in the Life Risk, Saving and Property and Casualty product lines is managed as one portfolio. The Group has performed further analysis and concluded that for a significant part of these debt instruments, voluntary classification at FVTPL would overall significantly reduce an accounting mismatch. This is a consequence of the long-term and current value nature of the insurance contracts measurement under the GMM or the PAA (as applicable to LIC measurement) for which insurance finance expenses are recorded in profit or loss. These insurance finance expenses are partly offset by returns from the investment portfolio.

Note that the LRC of contracts measured under the PAA is not discounted and therefore does not generate the insurance finance expenses to justify the accounting mismatch argument on interest rate risk for any premiums invested arising from these contracts. For simplicity, we consider that these premiums are invested in short-term securities in this illustrative example. In practice, however, it could be that these premiums are invested in a larger diverse portfolio of financial instruments supporting multiple portfolios of investment and insurance contracts with no underlying investment assets held.

Cash and cash equivalents that are part of the surplus portfolio (a portfolio of excess investment assets not supporting insurance and investment contracts issued) and are used for cash management purposes are measured at AC. Government bonds held in a surplus portfolio that meet the SPPI criteria are managed on the hold to collect and sell model and are measured at FVOCI. Any other financial instruments held in the surplus portfolio for own risk and reward are actively managed on a fair value basis and represent assets mandatorily measured at FVTPL.

To mitigate some of the interest risk arising from the debt instrument portfolio underlying investment contracts with DPF, the Group may hold some derivatives. Given the fact that these are immaterial, no further disclosures are presented.

The carrying amount of the financial assets by product lines is as follows:

IFRS 17(111)

31 December 20X4	Life Risk	Savings	Participating			Property and Casualty	Other	Total
			Direct participating contracts	Investment contracts with DPF	Investment contracts without DPF			
Underlying assets								
Government bonds	-	1,440	9,167	1,822	692	-	-	13,121
Other debt securities	-	10,556	51,946	13,365	5,075	-	-	80,942
Equity securities	-	7,998	-	-	3,845	-	-	11,843
	-	**19,994**	**61,113**	**15,187**	**9,612**	**-**	**-**	**105,906**
Other investments								
Cash and cash equivalents	-	-	-	-	-	-	20,866	20,866
Government bonds	2,732	16,634	-	-	-	11,242	13,473	44,081
Other debt securities	1,675	10,195	-	-	-	6,890	45,790	64,550
Equity securities	-	-	-	-	-	-	30,527	30,527
Derivatives	-	-	-	-	-	-	290	290
	4,407	**26,829**	**-**	**-**	**-**	**18,132**	**110,946**	**160,314**
Total investment assets and cash and cash equivalents	**4,407**	**46,823**	**61,113**	**15,187**	**9,612**	**18,132**	**110,946**	**266,220**

IFRS 17(111)

31 December 20X3	Life Risk	Savings	Participating			Property and Casualty	Other	Total
			Direct participating contracts	Investment contracts with DPF	Investment contracts without DPF			
Underlying assets								
Government bonds	-	859	7,683	1,569	634	-	-	10,745
Other debt securities	-	6,298	43,538	11,503	4,653	-	-	65,992
Equity securities	-	4,771	-	-	3,525	-	-	8,296
	-	**11,928**	**51,221**	**13,072**	**8,812**	**-**	**-**	**85,033**
Other investments								
Cash and cash equivalents	-	-	-	-	-	-	26,377	26,377
Government bonds	680	6,950	-	-	-	7,287	11,593	26,510
Other debt securities	417	4,260	-	-	-	4,466	36,878	46,021
Equity securities	-	-	-	-	-	-	24,585	24,585
Derivatives	-	-	-	-	-	-	97	97
	1,097	**11,210**	**-**	**-**	**-**	**11,753**	**99,530**	**123,590**
Total investment assets and cash and cash equivalents	**1,097**	**23,138**	**51,221**	**13,072**	**8,812**	**11,753**	**99,530**	**208,623**

IFRS 17(111)

PwC commentary - Disclosure of composition of underlying items for contracts measured under the VFA

For contracts measured under the VFA, an entity is required to describe the composition of the underlying items and disclose their fair values. The Group's policy is to hold all underlying items. Thus, the Group met this disclosure requirement by providing details on the composition of underlying assets within its investment assets balance as presented in the tables above.

Additionally, the Group provided information on the composition of the underlying items for contracts not measured under the VFA and for assets backing insurance contract liabilities by product lines. This is not an explicit requirement of IFRS 17(111), but, if practicable, it presents a complete view of all product line portfolios' asset classes and reconciles to total portfolio holdings.

IAS 1(61)

All cash and cash equivalents held are current. The current portion of investment assets amounts to CU21,461 (20X3 - CU22,177).

3.4. Reconciliation of investment contract liabilities

The table below shows a reconciliation of the opening to closing balance for the investment contract liabilities.

	20X4	20X3
Opening balance - 1 January	**8,812**	**8,235**
Contributions received	2,272	1,817
Benefits paid	(2,110)	(1,805)
Investment return from underlying assets	756	672
Asset management fees charged	(118)	(107)
Closing balance - 31 December	**9,612**	**8,812**

The current portion of investment contract liabilities is disclosed in note 2.3.

IFRS 7(10)(a)
IFRS 9(B5.7.15)

In the above reconciliation, the investment return from the underlying assets represents changes in the fair value of the investment contract liabilities due to the changes in market conditions. The amount due to the investors is contractually determined based on the performance of the underlying assets. The effect of this feature on the fair value of the liability is asset-specific performance risk, not credit risk of the liability; accordingly, no amount of fair value gain or loss required an allocation to the OCI.

3.5. Investment income and insurance finance expenses

IFRS 17(110)

PwC commentary - Disclosure and explanation of insurance finance income and expenses

Entities need to disclose and explain the total amount of insurance finance income or expenses in the reporting period. Furthermore, the standard requires explaining the relationship between insurance finance income or expenses and the investment return on financial assets to enable users to evaluate the sources of finance income or expenses recognised in profit or loss and OCI. This is particularly relevant for longer duration contractually linked contracts.

In order to meet the requirements, the table below presents details of investment income separately for underlying assets and other assets and insurance finance expenses. An additional table is included showing what amounts were recognised in profit or loss or OCI.

IFRS 17(110) does not prescribe the way that the requirements should be met, and therefore, another form of presentation may meet the requirement as well. In the table below, for each product category, the investment income and insurance expenses are stated, resulting in net income or expenses.

An analysis of net investment income and net insurance finance expenses by product line is presented below:

IFRS 17(110)

20X4	Life Risk	Savings	Participating: Direct participating contracts	Participating: Investment contracts with DPF	Participating: Investment contracts without DPF	Property and Casualty	Other	Total
Net investment income (expenses) - underlying assets								
Interest revenue from financial assets not measured at FVTPL	-	-	2,157	-	-	-	-	2,157
Net gains on FVTPL investments	-	1,311	-	204	756	-	-	2,271
Net credit impairment losses	-	-	(30)	-	-	-	-	(30)
Net gains on investments in debt securities measured at FVOCI	-	-	464	-	-	-	-	464
Net investment income - underlying assets	**-**	**1,311**	**2,591**	**204**	**756**	**-**	**-**	**4,862**
Net investment income (expenses) - other investments								
Interest revenue from financial assets not measured at FVTPL	-	-	-	-	-	-	539	539
Net gains on FVTPL investments	1,172	1,602	-	-	-	1,532	4,552	8,858
Net gains from the derecognition of financial assets measured at AC	-	-	-	-	-	-	22	22
Net credit impairment losses	-	-	-	-	-	-	(10)	(10)
Net gains on investments in debt securities measured at FVOCI	-	-	-	-	-	-	40	40
Net investment income - other investments	**1,172**	**1,602**	**-**	**-**	**-**	**1,532**	**5,143**	**9,449**
Net investment income (expenses) - other								
Net change in investment contract liabilities	-	-	-	-	(756)	-	-	(756)
Net gains from fair value adjustments to investment properties	-	-	-	-	-	-	157	157
Net investment income (expenses) - other	**-**	**-**	**-**	**-**	**(756)**	**-**	**157**	**(599)**
Total net investment income	**1,172**	**2,913**	**2,591**	**204**	**-**	**1,532**	**5,300**	**13,712**
Finance income (expenses) from insurance contracts issued								
Changes in fair value of underlying assets of contracts measured under the VFA	-	-	(2,622)	-	-	-	-	(2,622)
Interest accreted	(3,265)	(2,380)	(34)	(506)	-	(503)	-	(6,688)
Effect of changes in interest rates and other financial assumptions	827	464	2	100	-	15	-	1,408
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	4	6	-	(2)	-	-	-	8
Foreign exchange differences	-	-	-	209	-	-	-	209
Finance expenses from insurance contracts issued	**(2,434)**	**(1,910)**	**(2,654)**	**(199)**	**-**	**(488)**	**-**	**(7,685)**
Finance income (expenses) from reinsurance contracts held								
Interest accreted	2,218	-	-	-	-	11	-	2,229
Effect of changes in interest rates and other financial assumptions	(616)	-	-	-	-	-	-	(616)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(3)	-	-	-	-	-	-	(3)
Finance income from reinsurance contracts held	**1,599**	**-**	**-**	**-**	**-**	**11**	**-**	**1,610**
Net insurance finance expenses	**(835)**	**(1,910)**	**(2,654)**	**(199)**	**-**	**(477)**	**-**	**(6,075)**

IFRS 17(110)

20X4	Life Risk	Savings	Participating			Property and Casualty	Other	Total
			Direct participating contracts	Investment contracts with DPF	Investment contracts without DPF			
Summary of the amounts recognised in profit or loss								
Net investment income - underlying assets	-	1,311	2,197	204	756	-	-	4,468
Net investment income - other investments	1,172	1,602	-	-	-	1,532	5,111	9,417
Net investment income (expenses) - other	-	-	-	-	(756)	-	157	(599)
Net insurance finance expenses	(835)	(1,910)	(2,197)	(199)	-	(477)	-	(5,618)
	337	**1,003**	**-**	**5**	**-**	**1,055**	**5,268**	**7,668**
Summary of the amounts recognised in OCI								
Net investment income - underlying assets	-	-	394	-	-	-	-	394
Net investment income - other investments	-	-	-	-	-	-	32	32
Net insurance finance expenses	-	-	(457)	-	-	-	-	(457)
	-	**-**	**(63)**	**-**	**-**	**-**	**32**	**(31)**
Summary of the amounts recognised								
Insurance service result	2,390	2,676	636	137	-	1,901	-	7,740
Net investment income	1,172	2,913	2,591	204	-	1,532	5,300	13,712
Net insurance finance expenses	(835)	(1,910)	(2,654)	(199)	-	(477)	-	(6,075)
Net insurance and investment result	**2,727**	**3,679**	**573**	**142**	**-**	**2,956**	**5,300**	**15,377**

IFRS 17(110)

20X3	Life Risk	Savings	Participating			Property and Casualty	Other	Total
			Direct participating contracts	Investment contracts with DPF	Investment contracts without DPF			
Net investment income (expenses) - underlying assets								
Interest revenue from financial assets not measured at FVTPL	-	-	1,855	-	-	-	-	1,855
Net gains on FVTPL investments	-	767	-	326	672	-	-	1,765
Net credit impairment losses	-	-	(23)	-	-	-	-	(23)
Net gains on investments in debt securities measured at FVOCI	-	-	304	-	-	-	-	304
Net investment income - underlying assets	**-**	**767**	**2,136**	**326**	**672**	**-**	**-**	**3,901**
Net investment income (expenses) - other investments								
Interest revenue from financial assets not measured at FVTPL	-	-	-	-	-	-	466	466
Net gains on FVTPL investments	824	890	-	-	-	1,354	3,381	6,449
Net gains from the derecognition of financial assets measured at AC	-	-	-	-	-	-	(13)	(13)
Net credit impairment losses	-	-	-	-	-	-	(8)	(8)
Net gains on investments in debt securities measured at FVOCI	-	-	-	-	-	-	23	23
Net investment income - other investments	**824**	**890**	**-**	**-**	**-**	**1,354**	**3,875**	**6,943**
Net investment income (expenses) - other								
Net change in investment contract liabilities	-	-	-	-	(672)	-	-	(672)
Net gains from fair value adjustments to investment properties	-	-	-	-	-	-	552	552
Net investment income (expenses) - other	**-**	**-**	**-**	**-**	**(672)**	**-**	**552**	**(120)**
Total net investment income	**824**	**1,657**	**2,136**	**326**	**-**	**1,354**	**4,427**	**10,724**
Finance income (expenses) from insurance contracts issued								
Changes in fair value of underlying assets of contracts measured under the VFA	-	-	(2,164)	-	-	-	-	(2,164)
Interest accreted	(2,230)	(1,356)	(29)	(423)	-	(443)	-	(4,481)
Effect of changes in interest rates and other financial assumptions	1,388	958	3	(22)	-	13	-	2,340
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	17	27	-	1	-	-	-	45
Foreign exchange differences	-	-	-	143	-	-	-	143
Finance expenses from insurance contracts issued	**(825)**	**(371)**	**(2,190)**	**(301)**	**-**	**(430)**	**-**	**(4,117)**
Finance income (expenses) from reinsurance contracts held								
Interest accreted	1,484	-	-	-	-	27	-	1,511
Effect of changes in interest rates and other financial assumptions	(998)	-	-	-	-	-	-	(998)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(12)	-	-	-	-	-	-	(12)
Finance income from reinsurance contracts held	**474**	**-**	**-**	**-**	**-**	**27**	**-**	**501**
Net insurance finance expenses	**(351)**	**(371)**	**(2,190)**	**(301)**	**-**	**(403)**	**-**	**(3,616)**

IFRS 17(110)

20X3	Life Risk	Savings	Participating: Direct participating contracts	Participating: Investment contracts with DPF	Investment contracts without DPF	Property and Casualty	Other	Total
Summary of the amounts recognised in profit or loss								
Net investment income - underlying assets	-	767	1,877	326	672	-	-	3,642
Net investment income - other investments	824	890	-	-	-	1,354	3,858	6,926
Net investment income (expenses) - other	-	-	-	-	(672)	-	552	(120)
Net insurance finance expenses	(351)	(371)	(1,877)	(301)	-	(403)	-	(3,303)
	473	**1,286**	**-**	**25**	**-**	**951**	**4,410**	**7,145**
Summary of the amounts recognised in OCI								
Net investment income - underlying assets	-	-	259	-	-	-	-	259
Net investment income - other investments	-	-	-	-	-	-	17	17
Net insurance finance expenses	-	-	(313)	-	-	-	-	(313)
	-	**-**	**(54)**	**-**	**-**	**-**	**17**	**(37)**
Summary of the amounts recognised								
Insurance service result	2,008	2,309	524	143	-	2,450	-	7,434
Net investment income	824	1,657	2,136	326	-	1,354	4,427	10,724
Net insurance finance expenses	(351)	(371)	(2,190)	(301)	-	(403)	-	(3,616)
Net insurance and investment result	**2,481**	**3,595**	**470**	**168**	**-**	**3,401**	**4,427**	**14,542**

The net gain or loss for each class of financial instrument by measurement category is as follows:

IFRS 17(110)

20X4	AC	FVOCI: Designated	FVOCI: Mandatory	FVTPL: Designated	FVTPL: Mandatory	Total
Interest revenue from financial assets not measured at FVTPL (IFRS 7(20)(b))						
Cash and cash equivalents	194	-	-	-	-	194
Government bonds	-	-	669	-	-	669
Other debt securities	-	-	1,833	-	-	1,833
	194	**-**	**2,502**	**-**	**-**	**2,696**
Net gains on FVTPL investments (IFRS 7(20)(a)(i))						
Government bonds	-	-	-	2,670	176	2,846
Other debt securities	-	-	-	1,636	3,225	4,861
Equity securities	-	-	-	-	3,058	3,058
Derivatives	-	-	-	-	364	364
	-	**-**	**-**	**4,306**	**6,823**	**11,129**
Other						
Net change in investment contract liabilities	-	-	-	(756)	-	(756)
Net gains on investments in debt securities measured at FVOCI	-	-	504	-	-	504
Net gains from the derecognition of financial assets measured at AC (IFRS 7(20)(a)(vi))	22	-	-	-	-	22
Net credit impairment losses	(4)	-	(36)	-	-	(40)
	18	**-**	**468**	**(756)**	**-**	**(270)**
Total interest revenue and investment income	**212**	**-**	**2,970**	**3,550**	**6,823**	**13,555**
Amounts recognised in profit or loss	212	-	2,544	3,550	6,823	13,129
Amounts recognised in OCI	-	-	426	-	-	426
Total interest revenue and investment income	**212**	**-**	**2,970**	**3,550**	**6,823**	**13,555**

IFRS 17(110)

20X3	AC	FVOCI		FVTPL		Total
		Designated	Mandatory	Designated	Mandatory	
Interest revenue from financial assets not measured at FVTPL (IFRS 7(20)(b))						
Cash and cash equivalents	165	-	-	-	-	165
Government bonds	-	-	580	-	-	580
Other debt securities	-	-	1,576	-	-	1,576
	165	**-**	**2,156**	**-**	**-**	**2,321**
Net gains on FVTPL investments (IFRS 7(20)(a)(i))						
Government bonds	-	-	-	1,902	145	2,047
Other debt securities	-	-	-	1,166	2,597	3,763
Equity securities	-	-	-	-	2,292	2,292
Derivatives	-	-	-	-	112	112
	-	**-**	**-**	**3,068**	**5,146**	**8,214**
Other						
Net change in investment contract liabilities	-	-	-	(672)	-	(672)
Net gains on investments in debt securities measured at FVOCI	-	-	327	-	-	327
Net gains from the derecognition of financial assets measured at AC (IFRS 7(20)(a)(vi))	13	-	-	-	-	13
Net credit impairment losses	(4)	-	(27)	-	-	(31)
	9	**-**	**300**	**(672)**	**-**	**(363)**
Total interest revenue and investment income	**174**	**-**	**2,456**	**2,396**	**5,146**	**10,172**
Amounts recognised in profit or loss	174	-	2,180	2,396	5,146	9,896
Amounts recognised in OCI	-	-	276	-	-	276
Total interest revenue and investment income	**174**	**-**	**2,456**	**2,396**	**5,146**	**10,172**

3.6. Fair value measurement

PwC commentary - Fair value disclosures

The below illustrative disclosures are limited to financial assets and liabilities measured in accordance with IFRS 9. In many cases, insurers may have other balances that require fair value measurement disclosures in accordance with IFRS 13.

3.6.1. Fair value hierarchy

IFRS 13(73)

The Group categorises a financial asset or a financial liability measured at fair value at the same level of fair value hierarchy as the lowest-level input that is significant to the entire measurement.

The Group ranks fair value measurements based on the type of inputs, as follows:

IFRS 13(76),(91)(a)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded equities, bonds and derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

IFRS 13(81)(91)(a)

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

IFRS 13(86)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group has no Level 3 investments during the two reporting periods presented.

IFRS 13(93)(c)

There were no transfers between Levels 1 and 2 for recurring fair value measurements during both years.

IFRS 13(95)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to determine fair values

IFRS 13(91)(a),(93)(d)

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts determined using forward exchange rates at the balance sheet date; and
- the fair value of the remaining financial instruments determined using discounted cash flow analysis.

IFRS 13(93)(b)

All of the resulting fair value estimates are included in Level 2.

IFRS 13(91)-(92)

PwC commentary - Disclosure requirements: Fair value measurement

In this illustrative example, the presented disclosures on fair value measurement are kept concise. The objective of IFRS 13 is to disclose information that helps users of financial statements assess both of the following:

a. for assets and liabilities that are measured at fair value on a recurring or non-recurring basis on the balance sheet after initial recognition, the valuation techniques and inputs used to develop those measurements; and

b. for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or OCI for the period.

In order to meet these objectives, an entity shall consider all of the following:

a. the level of detail necessary to satisfy the disclosure requirements;

b. how much emphasis to place on each of the various requirements;

c. how much aggregation or disaggregation to undertake; and

d. whether users of financial statements need additional information to evaluate the quantitative information disclosed.

For examples of disclosures required by IFRS 13 for Level 3 financial assets, refer to the PwC publication, *IFRS 9 for banks - Illustrative disclosures.*

3.6.2. Recognised fair value measurement

This note sets out the split of financial instruments by fair value hierarchy level:

IFRS 7(6),(25)-(26)
IFRS 13(93)(b),(94)

	20X4			20X3		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Investment assets at FVTPL						
Government bonds	-	34,562	34,562	-	17,979	17,979
Other debt securities	-	93,546	93,546	-	68,475	68,475
Equity securities	42,370	-	42,370	32,881	-	32,881
Derivatives	-	290	290	-	97	97
	42,370	**128,398**	**170,768**	**32,881**	**86,551**	**119,432**
Investment assets at FVOCI						
Government bonds	-	22,640	22,640	-	19,276	19,276
Other debt securities	-	51,946	51,946	-	43,538	43,538
	-	**74,586**	**74,586**	**-**	**62,814**	**62,814**
Total investment assets at FV	**42,370**	**202,984**	**245,354**	**32,881**	**149,365**	**182,246**
Investment contract liabilities	**-**	**9,612**	**9,612**	**-**	**8,812**	**8,812**

PwC commentary - Classification of investment contract liabilities

The Group issues investment contracts without DPF that are designated at FVTPL. For the purpose of the Illustration, it is assumed that these investment contracts are not quoted in an active market and do not have readily available published prices and that their fair values are determined using valuation techniques. It is assumed that all significant inputs used in the valuation are observable and these investment contract liabilities are classified in Level 2. Other classifications are possible depending on the nature of investment products and valuation methods and inputs involved.

3.6.3. Financial instruments not measured at fair value

IFRS 7(29)(a)

The carrying amounts of cash and cash equivalents, floating rate subordinated debt, other financial assets and other financial liabilities approximate their fair value.

3.7. Credit risk for financial instruments

IFRS 7(33)(a)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The credit risk arising from reinsurance contracts held is described in note 6.1.

Management of credit risk for financial instruments

IFRS 7(33)(b),(35B)(a)

The Group has a credit risk policy in place that is approved by the Executive Risk Committee and sets out how credit risk is measured, managed, monitored and reported. The oversight of the execution of the credit risk policy is delegated to the credit risk committee. The execution itself is performed by the credit risk department and asset managers. The credit risk policy is evaluated at least on a yearly basis and adjusted as approved by the Executive Risk Committee if needed. The credit risk department reports to the credit risk committee on a quarterly basis.

The Group manages credit risk by setting credit risk limits within the risk appetite set by the Executive Risk Committee. Asset managers are to operate within these credit limits, and the credit risk department monitors whether credit limits are exceeded.

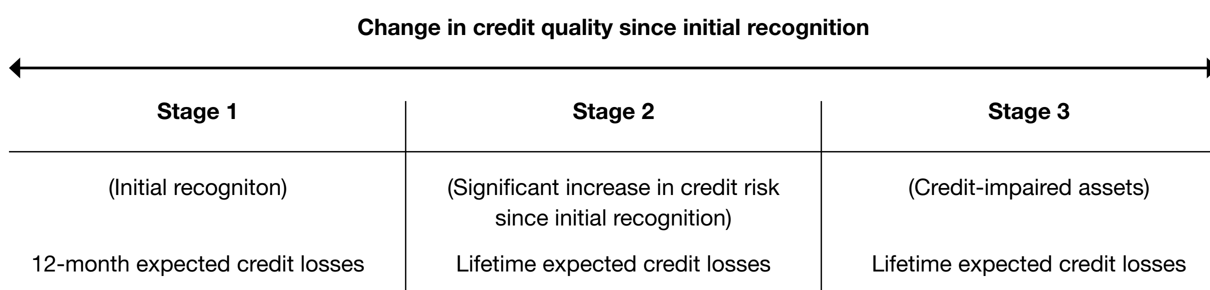
Credit limits are set for individual counterparties and geographical and industry concentrations. The Group's policy is to invest in high quality, liquid (i.e. investment grade) financial instruments. If credit risk deteriorates significantly, it is the Group's policy to sell these investments and to purchase high quality, liquid financial instruments in return. The Group does not use credit derivative instruments to manage credit risk.

Model for expected credit loss

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of the lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on the ECL on a lifetime basis.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):



IFRS 7(35F)(b),(d),(35G)(a)(iii),(B8A)(a)

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments

Qualitative criteria

The borrower meets the unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- the borrower is in long-term forbearance;
- the borrower is insolvent;
- the borrower is in breach of (a) financial covenant(s);
- an active market for that financial asset has disappeared because of financial difficulties;
- concessions have been made by the lender relating to the borrower's financial difficulties;
- it is becoming probable that the borrower will enter bankruptcy; or
- financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the Group's expected loss calculations.

IFRS 7(B8A)(c)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

IFRS 7(35G)(a)

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per definition of default and credit-impaired assets above), either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- The EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- The LGD represents the Group's expectation of the extent of loss on a defaulted exposure. The LGD varies by type of borrower, type and seniority of claim and availability of collateral or other credit support. The LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). The LGD is calculated on a 12M or lifetime basis, where the 12M LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and the lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original EIR or an approximation thereof.

IFRS 7(35G)(a)(i)

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a financial instrument portfolio from the point of initial recognition throughout the lifetime of the financial instrument. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Forward-looking economic information is also included in determining the 12M and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

IFRS 7(35G)(c)

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

IFRS 7(35F)(a)

Significant increase in credit risk

IFRS 7(35G)(a)(ii)

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Thresholds have been established to determine whether the remaining Lifetime PD at the reporting date has increased significantly compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised.

Qualitative criteria

For debt instruments securities, if the instrument meets one or more of the following criteria:

- significant increase in credit spread;
- significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- actual or expected forbearance or restructuring;
- actual or expected significant adverse change in operating results of the borrower; and
- significant change in collateral value (secured facilities only) that is expected to increase risk of default.

The assessment of a SICR incorporates forward-looking information and is performed at the borrower level and on a periodic basis. The criteria used to identify a SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

PwC commentary - Disclosure of SICR criteria

In the illustrative disclosure presented above, consistent criteria have been applied to each portfolio. In practice, a SICR might be determined differently for different products or portfolios within such groupings, in which case the disclosures presented above should be adapted accordingly.

IFRS 7(35F)(a)(ii)

Backstop criteria

A backstop is applied and the debt financial instrument considered to have experienced a SICR if the borrower is more than 30 days past due on its contractual payments.

IFRS 7(35F)(a)(i)

Low credit risk debt instruments

The Group has used the low credit risk exemption for financial instruments when they meet the following conditions:

- the financial instrument has a low risk of default;
- the borrower is considered to have a strong capacity to meet its obligations in the near term; and
- the Group expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

The Group defines low credit risk financial assets as financial assets that are "investment grade" at the reporting date, based on the Group's credit grading policies. For such instruments, the SICR is not assessed, and the impairment allowance is calculated and the financial asset is measured using the 12M ECL, as long as the financial asset meets the criteria above.

IFRS 7(35G)(b)

Forward-looking information incorporated in the ECL models

The assessment of a SICR and the calculation of the ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and the ECL for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the base economic scenario) are provided by the Group's Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to have either a long run average rate (e.g. unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of the LGD and EAD.

In addition to the base economic scenario, the Group's Economics team also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The assessment of a SICR is performed using the Lifetime PD under each of the bases and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether the 12M or lifetime ECL should be recorded. Following this assessment, the Group measures the ECL as either a probability weighted 12M ECL (Stage 1) or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

IAS 1(125),(129)

PwC commentary - Sensitivity analysis on ECL measurement

These illustrative consolidated financial statements do not present sensitivity disclosures required by IAS 1(125) and (129). Insurers should consider the appropriate level of granularity for these disclosures, which may vary depending on the characteristics of their different portfolios and which elements of the ECL calculation have the greatest impact.

Amounts arising from expected credit loss

The following tables explain the changes in the loss allowance for FVOCI debt securities between the beginning and the end of the annual period.

IFRS 7(6),(16A),(35H),(35I)

	Stage 1		Stage 2		Total	
	Carrying amount	Related ECL allowance	Carrying amount	Related ECL allowance	Carrying amount	Related ECL allowance
Balance as at 1 January 20X4	**62,814**	**(203)**	**-**	**-**	**62,814**	**(203)**
Transfer to Stage 2 [1]	(1,260)	17	1,260	(20)	-	(3)
Originated or purchased	12,057	(23)	-	-	12,057	(23)
Matured or sold	(471)	1	(1,228)	20	(1,699)	21
Remeasurements [2]	1,446	(31)	(32)	-	1,414	(31)
Total impairment charge for the period [3]		**(36)**		**-**		**(36)**
Balance as at 31 December 20X4	**74,586**	**(239)**	**-**	**-**	**74,586**	**(239)**

(1) There have been no transfers to Stage 1 or 3 and therefore these are not presented.

(2) Includes releases of ECL allowance.

(3) There have been no write-offs or recoveries to write-offs during the year. Unwind of discount was immaterial and therefore not separately presented.

IFRS 7(6),(16A),(35H),(35I)

	Stage 1		Stage 2		Total	
	Carrying amount	Related ECL allowance	Carrying amount	Related ECL allowance	Carrying amount	Related ECL allowance
Balance as at 1 January 20X3	**53,732**	**(176)**	**-**	**-**	**53,732**	**(176)**
Transfer to Stage 2 (1)	(1,813)	23	1,813	(28)	-	(5)
Originated or purchased	8,225	(16)	-	-	8,225	(16)
Matured or sold	(913)	2	(1,789)	28	(2,702)	30
Remeasurements (2)	3,583	(36)	(24)	-	3,559	(36)
Total impairment charge for the period (3)		**(27)**		**-**		**(27)**
Balance as at 31 December 20X3	**62,814**	**(203)**	**-**	**-**	**62,814**	**(203)**

(1) There have been no transfers to Stage 1 or 3 and therefore these are not presented.

(2) Includes releases of ECL allowance.

(3) There have been no write-offs or recoveries to write-offs during the year. Unwind of discount was immaterial and therefore not separately presented.

IFRS 7(9)(a),(c),(11)(a)

The credit risk exposure for debt instruments designated at FVTPL is CU49,368 (20X3 - CU24,060). The decrease in the fair value during the year attributable to changes in credit risk is CU24 (20X3 - CU18) with respective cumulative changes of CU224 (20X3 - CU189), which were determined by applying a method similar to the approach applied for measuring ECL.

PwC commentary - Changes in loss allowance

IFRS 7(35H)

The changes in the loss allowance as presented above need to be presented for each class of financial instrument. Loan commitments and financial guarantees are to be presented separately.

IAS 1(30)

If the loss allowance on a certain asset class is immaterial, it may be presented in aggregate with other asset classes.

IFRS 7(IG20)(B)

IFRS 7(35)(l) does not explicitly require the gross carrying amount of financial instruments to be reconciled. However, a reconciliation table, in addition to narrative disclosures, is included in IFRS 7(IG20)(B) as an illustration of how the information required by that paragraph can be provided. In our example, we combined the movement in gross carrying amount and loss allowance within one table. Additional quantitative disclosures have not been provided but may be needed to understand how changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance.

IFRS 7(35H)(c)

The Group has no originated or acquired credit-impaired financial assets or financial assets in Stage 2. However, if an insurer holds these type of assets, these should be presented separately in additional columns.

IFRS 7(35H)(b)(iii)

When applicable, separate presentation (for example, in an additional column) is also required for trade receivables, contract assets or lease receivables for which loss allowances are measured in accordance with IFRS 9(5.5.15) using the simplified approach.

IFRS 7(35H)

In determining how to analyse ECL allowance movements over the period, insurers should consider the underlying modelling approach adopted, the drivers of the ECL change within that approach and how best to explain the effect of those drivers on the ECL in the disclosure. Insurers should also consider whether there are other material causes of movement that should be shown separately. These might, for example, be shown in the analysis prepared internally for senior management. Additional rows may also be required to explain ECL movements for different types of products.

Where ECL allowance movements could potentially be reported in more than one row, an explanation of which changes are reported in which row will assist users of financial statements. Similarly, where changing the order in which key drivers are changed could result in a significantly different allocation between rows, an explanation of the ordering used will be useful.

Insurers should also consider disclosing whether ECL movements from transfers between stages are measured at the beginning or the end of the reporting periods and if the increase or decrease in impairment loss, as a result of a stage transfer, is disclosed on the same line item or presented separately.

Credit risk grading

IFRS 7(33)(b)

The Group uses external credit risk ratings to assess credit risk as for all debt instruments held external credit risk ratings are available. The credit ratings are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating is lower than the difference in the PD between a B and B- rating.

Credit risk exposure

The following table contains an analysis of the credit risk exposure of FVOCI debt instruments for which an ECL allowance is recognised. The carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

IFRS 7(34)(a), (35K)(a),(35M)

Credit grade	Credit rating	31 December 20X4	31 December 20X3
Investment grade	>A	70,845	59,034
Standard monitoring	B, BB, BBB	3,741	3,780
Default	CC, CCC, SD, D	-	-
Carrying amount		**74,586**	**62,814**

IFRS 7(6),(35K)(a),(35M)

PwC commentary - Determining classes of financial instruments appropriate for each disclosure

The table above is designed to meet the disclosure requirement of IFRS 7(35K)(a), which requires the disclosure of maximum exposure to credit risk, as well as of IFRS 7(35M), which requires the disclosure of the gross carrying amount of financial assets by credit risk grading. Providing these disclosures in the same table avoids duplication of information, as often the gross carrying amount also represents the maximum exposure to credit risk on financial instruments subject to IFRS 9 impairment requirements.

However, the disclosure in IFRS 7(35K) should be provided by each class of financial instrument, including loan commitments and financial guarantee contracts when material.

IFRS 7(6) requires grouping of financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The level at which class is defined can vary across different disclosure requirements.

Therefore, judgement should be applied in determining the classes of financial instruments to be disclosed, which will often be on a more granular level than the balance sheet line items.

4. Business combinations

IFRS 3(B64)(a)-(d)

In January 20X4, the Group through a wholly owned subsidiary, Value RO Company Limited, completed the acquisition of ABC Insurance Co., a specialist in automobile and accident insurance, in the run-off. The acquisition provided the Group with a specialised team and an operating structure to allow the scalability and flexibility needed to handle future run-off transactions.

Details of the purchase consideration, the net assets acquired and goodwill are as follows.

IFRS 3(B64)(f)
IAS 7(40)

Purchase consideration: Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration paid	2,550
Cash balances acquired	(434)
Net outflow of cash - investing activities	**2,116**
Acquisition-related costs	57

The assets and liabilities recognised as a result of the acquisition are as follows:

IFRS 3(B64)(i)
IAS 7(40)(d)

	Acquisition date fair value
Cash	434
Investment assets	9,433
Other assets	821
Insurance contract liabilities	(7,988)
Other liabilities	(671)
Add: Goodwill	521
Net assets acquired	**2,550**

IFRS 3(B64)(e),(k)

The goodwill is attributable to the future synergies expected from an improved effectiveness of the new operational structure as well as cost efficiencies. It will be fully deductible for tax purposes.

IAS 1(38)

There were no acquisitions in the year ending 31 December 20X3.

IFRS 3(B64)(q)

The amounts of insurance revenue, net gains on FVTPL investments and net profit of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period are CU3,452, CU421 and CU248, respectively.

IFRS 3(B67)(d)

No impairment losses for goodwill have been recognised during the reporting period.

IFRS 3(61)

Acquired insurance liabilities and financial assets

IFRS 17(B93)

Insurance contracts that were acquired as part of the business combination are measured based on the GMM at the date of acquisition. The Group determined that all contracts at the acquisition date had significant insurance risk and met the definition of insurance contracts issued.

IFRS 17(B94)

The Group has determined that the fair value of the contracts acquired was CU7,988 as at the acquisition date, comprising the FCF of CU7,861 and the CSM of CU127. Refer to note 2.8.1.3.

The fair value of financial assets has been determined based on quoted market prices.

IFRS 17(39)
IFRS 3(31A)

PwC commentary - Transfers of insurance contracts and business combinations

IFRS 17(39) sets out the requirements to account for a transfer of insurance contracts or a business combination. IFRS 3(31A) is amended accordingly, referring in paragraph 31A to the IFRS 17 requirements and stating that the group of contracts shall be measured at the acquisition date.

This means that entities need to evaluate at the acquisition date if the contracts acquired meet the definition of an insurance contract. For example, a contract originated in the past could have been classified as an insurance contract under IFRS 17, but at the acquisition date, most of the insurance risk has lapsed and no significant insurance risk remains. This would mean the contract would not be classified as an insurance contract but perhaps as an investment contract instead.

5. Expenses by nature

An analysis of the expenses incurred by the Group in the reporting period is included in the table below:

		20X4				20X3			
IAS 1(104)		Expenses attributed to insurance acquisition cash flows [1]	Other directly attributable expenses [1]	Other operating expenses	Total	Expenses attributed to insurance acquisition cash flows [1]	Other directly attributable expenses [1]	Other operating expenses	Total
IAS 1(104),(105)	Employee expenses	1,200	10,272	3,126	14,598	1,007	8,496	2,405	11,908
	Commissions	10,810	1,302	-	12,112	9,068	1,077	-	10,145
	Claims adjustment expenses	-	506	-	506	-	419	-	419
IAS 1(104),(105)	Depreciation and amortisation	130	1,110	338	1,578	122	1,029	291	1,442
	Audit, legal and other professional fees	-	434	110	544	-	359	108	467
	Other expenses	1,205	843	375	2,423	997	587	295	1,879
	Total	**13,345**	**14,467**	**3,949**	**31,761**	**11,194**	**11,967**	**3,099**	**26,260**

IFRS 17(B65)

(1) Expenses attributed to insurance acquisition cash flows and other directly attributable expenses comprise expenses incurred by the Group in the reporting period that relate directly to the fulfilment of contracts issued within IFRS 17's scope and reinsurance contracts held. These expenses are recognised in the consolidated statement of profit or loss based on IFRS 17 measurement requirements. Refer to note 2.1.(d)(ii) and to note 2.8.1.

6. Risk and capital management (an extract)

PwC commentary - Risk disclosures

Requirements on risk disclosures have not changed significantly with the introduction of IFRS 17 and IFRS 9. Refer to Appendix A.3 for more information on the degree of changes in risk disclosures.

This note presents concise illustrative examples of selected risk disclosures. Note that IFRS 17 does not specifically prescribe the way to present risk arising from contracts within the scope of IFRS 17, and hence, other presentation structures and formats are possible as compared to what is illustrated in the Illustration.

The following risk disclosure requirements are not presented in this note but elsewhere in the document:

a. disclosures related to claims development, as required by IFRS 17(130), are presented in note 2.8.3;

b. disclosures related to a sensitivity analysis to underwriting risk variables, as required by IFRS 17(128)(a)(i), are presented in note 2.2.4; and

c. disclosures related to credit risk arising from financial instruments, as required by IFRS 7(35A) to (38), are presented in note 3.7 when relevant.

6.1. Underwriting and financial risk management

IFRS 17(124)(b)
IFRS 7(33)(b)

Risk taking is integral to the business model of the Group. The Group has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Adhering to this structure, the Group aims to meet its obligations to policyholders and other customers and creditors, manage its capital efficiently and comply with applicable laws and regulations.

The Group's Executive Risk Committee has overall responsibility for the establishment and oversight of the Group's risk management framework. The Executive Risk Committee is responsible for defining, installing and monitoring the risk management organisation in order to ensure its control systems are effective. The Executive Risk Committee approves all risk management policies as well as the quantitative and qualitative elements of the Group's risk appetite and tolerance framework.

The Group manages its assets and liabilities within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. Within the ALM framework, the Group periodically produces reports at operating segment and product levels that are circulated to the Group's key management personnel. The principal technique of the Group's ALM is to match assets to liabilities arising from insurance and investment contracts by product line.

The Group's ALM is integrated with the management of the financial risks associated with the Group's other classes of financial assets and liabilities not directly associated with insurance and investment contract liabilities.

The following tables reconcile the consolidated balance sheet to the investment classes and product lines used in the Group's ALM framework:

IFRS 17(125)(a)

31 December 20X4	Life Risk	Savings	Participating: Direct participating contracts	Participating: Investment contracts with DPF	Participating: Investment contracts without DPF	Property and Casualty	Other	Total
Underlying assets (IFRS 17(111), IFRS 7(34)(a))								
Government bonds	-	1,440	9,167	1,822	692	-	-	13,121
Other debt securities	-	10,556	51,946	13,365	5,075	-	-	80,942
Equity securities	-	7,998	-	-	3,845	-	-	11,843
	-	**19,994**	**61,113**	**15,187**	**9,612**	**-**	**-**	**105,906**
Other investments (IFRS 7(34)(a))								
Cash and cash equivalents	-	-	-	-	-	-	20,866	20,866
Government bonds	2,732	16,634	-	-	-	11,242	13,473	44,081
Other debt securities	1,675	10,195	-	-	-	6,890	45,790	64,550
Equity securities	-	-	-	-	-	-	30,527	30,527
Derivatives	-	-	-	-	-	-	290	290
	4,407	**26,829**	**-**	**-**	**-**	**18,132**	**110,946**	**160,314**
Total investment assets and cash and cash equivalents	**4,407**	**46,823**	**61,113**	**15,187**	**9,612**	**18,132**	**110,946**	**266,220**
Insurance and investment contract balances								
Insurance contract assets (IFRS 17(131)(a))	1,803	-	-	-	-	-	-	1,803
Reinsurance contract assets (IFRS 17(131)(a))	13,550	-	-	-	-	750	-	14,300
Insurance contract liabilities	(18,224)	(45,460)	(61,113)	(15,187)	-	(18,354)	-	(158,338)
Reinsurance contract liabilities	(1,407)	-	-	-	-	-	-	(1,407)
Investment contract liabilities	-	-	-	-	(9,612)	-	-	(9,612)
Total insurance and investment contract balances	**(4,278)**	**(45,460)**	**(61,113)**	**(15,187)**	**(9,612)**	**(17,604)**	**-**	**(153,254)**
Other assets and liabilities								
Other assets	-	-	-	-	-	-	1,057	1,057
Other current liabilities	-	-	-	-	-	-	(3,913)	(3,913)
Lease liabilities	-	-	-	-	-	-	(6,922)	(6,922)
Subordinated debt	-	-	-	-	-	-	(36,156)	(36,156)
Total other assets and liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(45,934)**	**(45,934)**

IFRS 17(125)(a)

31 December 20X3	Life Risk	Savings	Participating			Property and Casualty	Other	Total
			Direct participating contracts	Investment contracts with DPF	Investment contracts without DPF			
Underlying assets (IFRS 17(111), IFRS 7(34)(a))								
Government bonds	-	859	7,683	1,569	634	-	-	10,745
Other debt securities	-	6,298	43,538	11,503	4,653	-	-	65,992
Equity securities	-	4,771	-	-	3,525	-	-	8,296
	-	**11,928**	**51,221**	**13,072**	**8,812**	**-**	**-**	**85,033**
Other investments (IFRS 7(34)(a))								
Cash and cash equivalents	-	-	-	-	-	-	26,377	26,377
Government bonds	680	6,950	-	-	-	7,287	11,593	26,510
Other debt securities	417	4,260	-	-	-	4,466	36,878	46,021
Equity securities	-	-	-	-	-	-	24,585	24,585
Derivatives	-	-	-	-	-	-	97	97
	1,097	**11,210**	**-**	**-**	**-**	**11,753**	**99,530**	**123,590**
Total investment assets and cash and cash equivalents	**1,097**	**23,138**	**51,221**	**13,072**	**8,812**	**11,753**	**99,530**	**208,623**
Insurance and investment contract balances								
Insurance contract assets (IFRS 17(131)(a))	1,540	-	-	-	-	-	-	1,540
Reinsurance contract assets (IFRS 17(131)(a))	3,618	-	-	-	-	643	-	4,261
Insurance contract liabilities	(5,022)	(22,462)	(51,221)	(13,072)	-	(12,054)	-	(103,831)
Reinsurance contract liabilities	(1,202)	-	-	-	-	-	-	(1,202)
Investment contract liabilities	-	-	-	-	(8,812)	-	-	(8,812)
Total insurance and investment contract balances	**(1,066)**	**(22,462)**	**(51,221)**	**(13,072)**	**(8,812)**	**(11,411)**	**-**	**(108,044)**
Other assets and liabilities								
Other assets	-	-	-	-	-	-	857	857
Other current liabilities	-	-	-	-	-	-	(3,153)	(3,153)
Lease liabilities	-	-	-	-	-	-	(7,623)	(7,623)
Subordinated debt	-	-	-	-	-	-	(35,137)	(35,137)
Total other assets and liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(45,056)**	**(45,056)**

6.1.1. Underwriting risk management

IFRS 17(124)

Underwriting risk comprises insurance risk, policyholder persistency risk and expense risk. The Group manages its underwriting risk based on the underwriting policy as approved by the Executive Risk Committee. The Risk Management Committee monitors the adequate application of the policy and reviews the trends in pricing, loss ratios and underwriting risks. The Committee is also involved in decisions made by the Executive Risk Committee on underwriting, pricing and market strategy.

Underwriting risk management - Life Risk, Savings and Participating contracts (excluding investment contracts without DPF)

IFRS 17(124)

The risk under insurance contracts is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random; however, it can be predicted with a certain disclosed level of reliability.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities. This could occur because the frequency or severity of claims and benefits or the amount of future expenses are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. The goal of the statistical methods is to minimise the deviation of actual figures from the expected figures.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and to achieve a sufficiently large population of risks within each of these categories to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk covered.

The main insurance risk the Group is exposed to in life insurance contracts is mortality risk. Mortality risk is the risk that a policyholder's time of death is different than expected.

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical underwriting is also included in the Group's underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicants.

The Group uses reinsurance to manage insurance risk within its risk appetite. Reinsurance is used to manage the risk in the term life insurance portfolio by transferring some of the mortality risk pro rata to the reinsurer through quota share reinsurance contracts.

Policyholder persistency risk - Life Risk, Savings and Participating contracts (excluding investment contracts without DPF)

IFRS 17(124)

The amount of insurance risk is also subject to contract holder behaviour. On the assumption that policyholders will make decisions rationally, overall underwriting risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health.

This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations.

Universal life policies and all policies issued within Participating product lines can be surrendered before maturity for a cash surrender value specified in the contractual terms. Cash surrender value equals the policyholder account value at the time of termination less any surrender penalties. The range of such penalties is between 2% and 3% of the policyholder account values for universal life contracts and between 4% and 6% for contracts within Participating product lines. Through these penalties, policyholders are discouraged to surrender contracts earlier than policy maturity. As such, penalties mitigate the expense risk arising from acquisition and other costs incurred when policies were issued as such costs were originally assumed to be spread over a longer period as early surrender was not expected.

Amounts payable on demand and their carrying value for insurance contracts are disclosed in notes 6.2, 6.3 and 6.4.

Underwriting risk management - Property and Casualty

IFRS 17(124)

The frequency and severity of claims can be affected by several factors. The most significant are the level of awards for morbidity risk (e.g. health recovery and incapacity for work) and the number of cases coming to court, especially for bodily injuries. This can be summarised as legislation risk. The amount of awards and the time for court settlement is set by the legislation. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts.

The Group manages these risks through its underwriting strategy (two of the techniques that are pivotal for automobile insurance are product pricing and portfolio segmentation), adequate reinsurance arrangements and proactive claims handling. The objective of the underwriting strategy is to ensure that the underwritten risks are well diversified in terms of type and amount of risk. The variability of risks is improved by the careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

The Group has limited its exposure by imposing maximum claim amounts on certain contracts as well as using reinsurance arrangements in order to limit its exposure to aggregate amount of claims (e.g. third party liability claims). The effect of such reinsurance arrangements is that the Group should not suffer total insurance losses above a certain level.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, to re-price the risk on renewal, to impose deductibles and to reject the payment of a fraudulent claim. Claims payment limits are always included to cap the amount payable on occurrence of the insured event.

Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation).

The Group has specialised claims units dealing with the mitigation of risks surrounding known claims. This unit investigates and adjusts all material or suspicious claims. The claims are reviewed individually at least annually and adjusted to reflect the latest information on the underlying facts, current law, contractual terms and conditions and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Expense risk

IFRS 17(124)

Expense risk is the risk of unexpected increases in policy maintenance, claim handling and other costs relating to fulfilment of insurance contracts. The risk is managed through budgeting and periodic cost evaluations.

Methods used and assumptions made

Methods used and assumptions made for insurance liabilities assessment are disclosed in note 2.2.3.

Changes from the previous period

IFRS 17(124)(c)
IFRS 7(33)(c)

There were no significant changes in Group's objectives, policies and processes for managing risk and the methods used to measure risk compared to the previous period.

6.1.2. Financial risk management

Market risk management and exposures

IFRS 17(124)
IFRS 7(33)

Market risk comprises interest rate, equity price and foreign currency risks. These risks arise from variability in fair values of financial instruments or related future cash flows as well as from variability of the FCF of insurance contracts due to variability in market risks variables.

Interest rate risk

IFRS 17(124)
IFRS 7(33)

The Group manages interest rate risk primarily by matching the timing of cash flows from debt instruments with the timing of cash flows from insurance and reinsurance contracts. Interest rate risk exposure that remains outside of the exposure limits is mitigated through interest rate derivatives.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the insurance contracts. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in interest rates. The mean duration of insurance liabilities is determined by means of projecting expected cash flows from the contracts. The mean duration of the assets is calculated in a consistent manner. Any gap between the mean duration of the assets and the mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations. Any mismatches that remain outside the risk appetite are hedged through derivatives; however, this is performed to a very limited extent in practice.

A maturity analysis of investment assets and insurance contract and investment contract liabilities by product lines is included in notes 6.2, 6.3 and 6.4. A maturity analysis of other investment assets and financial liabilities is included in note 6.5. An interest rate sensitivity analysis is included in note 6.6.1.

Equity price risk

IFRS 17(124),(127)
IFRS 7(33),(34)(c)

The Group's exposure to equity price risk arises from investments in equity securities to the extent that the Group is exposed to changes in market prices. The Group holds equity securities in the Savings and Participating product lines' underlying asset portfolios backing the policyholder accounts as well as in surplus portfolios. The underlying assets are held in accordance with the contractual arrangement with policyholders, and the Group has limited risk management capacity for these underlying assets. However, the financial risk from such equities is primarily passed to policyholders. For surplus portfolios, the Group's policy is to hold a diversified portfolio of equity instruments with a maximum exposure of 10% to a single industry and 5% to a single issuer. There are no significant concentrations of equity price risk.

Equity exposures in the Savings and Participating product lines are disclosed in note 6.1. Other equity exposures are disclosed in note 3.4. An equity risk sensitivity analysis is included in note 6.6.2.

Currency risk

IFRS 17(124),(127)
IFRS 7(33),(34)(c)

The Group's policy is to issue insurance and investment contracts and invest in financial assets that are held in Oneland currency units except for investment contracts with DPF, which are denominated in foreign currency. The underlying items and underlying assets for investment contracts with DPF are held in accordance with the contractual arrangement with policyholders, and the Group has limited risk management capacity for these assets. However, the currency risk from such investment assets is primarily passed to policyholders. The Group is not exposed to currency risk in other product lines or portfolios.

For investment contracts with DPF, currency risk exposure and sensitivity to currency risk are disclosed in note 6.6.3.

Methods used and assumptions made

Methods used and assumptions made for the assessment of insurance liabilities are disclosed in note 2.2.3.

Credit risk management and exposures

IFRS 17(124)

Credit risk is the risk of financial loss resulting from a counterparty's failure to meet their contractual obligations. Credit risk arising from investments is described in note 3.7. The Group has significant credit risk arising from reinsurance contract assets. Other credit risks arising from insurance operations are not considered to be significant.

The Group structures the levels of credit risk arising from reinsurance it accepts by placing limits on its exposure to a single counterparty or groups of counterparties and to geographical and industry segments, if relevant. Such risks are subject to a review annually or more frequently. Limits on the level of credit risk by category and territory are approved quarterly by the Executive Risk Committee.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder.

The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to the finalisation of any contract. The financial analysis of reinsurers that is conducted at the Group level produces an assessment categorised by the Group's credit risk grading, based on the external credit ratings and internal reviews. The policy is to accept only low credit risk reinsurers (credit rating of minimum A).

The Executive Risk Committee, which directs the Group's reinsurance placement policy that is communicated to all operations, assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit ratings provided by ratings agencies and other publicly available financial information.

The Executive Risk Committee also receives details of recent payment history and the status of any ongoing negotiations between Group companies and third parties. This information is used to update the reinsurance purchasing strategy that is communicated to all global operations quarterly.

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Group's risk department.

The reinsurance contract assets and liabilities are analysed in the table below using the Group's credit risk rating. The table represents the credit risk exposure of the Group, which equals the maximum exposure to credit risk considering the ability to set off, where applicable, under the reinsurance contracts. The concentration of credit risk has not significantly changed compared to the prior year.

IFRS 17(125)(a),(127)

IFRS 17(131)

	31 December 20X4				31 December 20X3			
	AAA	AA	Not rated	Total	AAA	AA	Not rated	Total
Reinsurance contract assets	11,512	2,531	257	14,300	3,430	754	77	4,261
Reinsurance contract liabilities	(1,133)	(249)	(25)	(1,407)	(968)	(213)	(21)	(1,202)
Maximum credit risk exposure	**10,379**	**2,282**	**232**	**12,893**	**2,462**	**541**	**56**	**3,059**

Liquidity risk management

IFRS 17(124),(132)(a)
IFRS 7(33),(39)(c)

Liquidity risk is the risk that the Group will be unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for insurance and investment activities. In extreme circumstances, lack of liquidity could result in reductions on the consolidated balance sheet and sales of assets, or potentially an inability to fulfil policyholder commitments. The risk that the Group will be unable to fulfil policyholder commitments is inherent in all insurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Group's liquidity management process, as carried out within the Group and monitored by the Group, includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows and monitoring the liquidity ratios of the consolidated balance sheet against internal and regulatory requirements. Liquidity risk is also a significant consideration when the Group evaluates its overall ALM profile.

Monitoring and reporting take the form of cash flow measurements and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities, the expected claim payments for insurance contract liabilities and the expected collection date of the financial assets.

The Group also monitors unmatched medium-term assets, the level and type of near-term commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

A maturity analysis of investment assets and insurance contract and investment contract liabilities is included in notes 6.2, 6.3 and 6.4. A maturity analysis of other investment assets and financial liabilities is included in note 6.5.

Changes from the previous period

IFRS 17(124)(c)

There were no significant changes in the Group's objectives, policies and processes for managing risk and the methods used to measure risk compared to the previous period.

6.2. Life Risk and Savings

IFRS 17(124)
IFRS 7(33)

For the Life Risk and Savings contracts, uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in the policyholders behaviour and uncertainties regarding future inflation rates and expenses growth. Due to the long-term nature of the contracts issued in these product lines, IFRS 17 insurance contract carrying values are subject to interest rate risk variability.

Investments in these product lines comprise assets backing insurance liabilities and underlying assets held for universal life policies within the Savings product line. Investment assets backing insurance liabilities comprise fixed income instruments and are exposed primarily to interest rate, credit and liquidity risks. The Group holds various fixed income and equity securities in underlying assets for universal life contracts. The Group has limited exposure to market and credit risks arising from these underlying assets since the risk is primarily passed to the policyholders.

Underwriting and financial risk management is discussed in note 6.1.

Underwriting risk concentration

The table below presents the concentration of insured benefits across bands of insured benefits per individual life assured. The benefits insured figures are shown gross and net of reinsurance contracts.

IFRS 17(125)(a),(127)

in CU'000,000	31 December 20X4				31 December 20X3			
Insured benefits per individual life assured at the end of reporting period	Gross of reinsurance		Net of reinsurance		Gross of reinsurance		Net of reinsurance	
0-0.5	86,325	78%	37,156	91%	68,694	75%	30,305	89%
0.5-1.0	18,814	17%	3,043	7%	18,318	20%	2,963	9%
More than 1.0	5,534	5%	895	2%	4,580	5%	741	2%
Total	**110,673**	**100%**	**41,094**	**100%**	**91,592**	**100%**	**34,009**	**100%**

The risk is concentrated in the lower value bands. This has not changed from last year.

Interest rate and liquidity risks - Maturity analysis

The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from investment assets and insurance liabilities in the Life Risk and Savings product lines. When debt securities mature, the proceeds not needed to meet liability cash flows will be reinvested.

	31 December 20X4	1	2	3	4	5	6-10	>10	Total
IFRS 17(125)(a) IFRS 7(34)(a),(B11E)	**Underlying assets** [1]								
	Government bonds	14	12	20	22	33	130	1,209	1,440
	Other debt securities	106	84	148	158	243	950	8,867	10,556
		120	**96**	**168**	**180**	**276**	**1,080**	**10,076**	**11,996**
IFRS 7(34)(a),(B11E)	**Other investments**								
	Government bonds	194	155	271	290	445	1,743	16,268	19,366
	Other debt securities	119	95	166	178	273	1,068	9,971	11,870
		313	**250**	**437**	**468**	**718**	**2,811**	**26,239**	**31,236**
	Total investment assets	**433**	**346**	**605**	**648**	**994**	**3,891**	**36,315**	**43,232**
	Insurance contract balances								
	Insurance contract assets	5,235	4,374	3,592	3,010	2,482	7,317	583	26,593
	Reinsurance contract assets	(14,153)	(11,791)	(9,726)	(7,853)	(6,507)	(20,633)	4,803	(65,860)
IFRS 17(132)(b)(ii)	Insurance contract liabilities	45,852	40,458	35,645	31,260	27,807	36,445	(129,311)	88,156
IFRS 17(132)(b)(ii)	Reinsurance contract liabilities	(3,872)	(3,230)	(2,647)	(2,214)	(1,820)	(5,316)	(237)	(19,336)
	Total insurance contract balances	**33,062**	**29,811**	**26,864**	**24,203**	**21,962**	**17,813**	**(124,162)**	**29,553**
	Net discounted cash flows	**33,495**	**30,157**	**27,469**	**24,851**	**22,956**	**21,704**	**(87,847)**	**72,785**

(1) An equity securities balance of CU7,998 held within underlying assets is excluded from the table above.

IFRS 17(125)(a)

31 December 20X3	1	2	3	4	5	6-10	>10	Total
Underlying assets [1]								
Government bonds	9	7	12	13	20	77	721	859
Other debt securities	63	50	88	94	145	567	5,291	6,298
	72	**57**	**100**	**107**	**165**	**644**	**6,012**	**7,157**
Other investments								
Government bonds	76	61	107	114	175	687	6,410	7,630
Other debt securities	47	37	65	70	108	421	3,929	4,677
	123	**98**	**172**	**184**	**283**	**1,108**	**10,339**	**12,307**
Total investment assets	**195**	**155**	**272**	**291**	**448**	**1,752**	**16,351**	**19,464**
Insurance contract balances								
Insurance contract assets	4,181	3,495	2,871	2,407	1,985	5,853	430	21,222
Reinsurance contract assets	(13,420)	(11,000)	(9,202)	(7,568)	(6,085)	(18,737)	1,859	(64,153)
Insurance contract liabilities	40,983	35,773	31,644	27,876	24,424	49,364	(108,412)	101,652
Reinsurance contract liabilities	(3,093)	(2,581)	(2,116)	(1,770)	(1,456)	(4,253)	(164)	(15,433)
Total insurance contract balances	**28,651**	**25,687**	**23,197**	**20,945**	**18,868**	**32,227**	**(106,287)**	**43,288**
Net discounted cash flows	**28,846**	**25,842**	**23,469**	**21,236**	**19,316**	**33,979**	**(89,936)**	**62,752**

IFRS 7(34)(a),(B11E) (Underlying assets; Other investments)
IFRS 17(132)(b)(ii) (Insurance contract liabilities; Reinsurance contract liabilities)

(1) An equity securities balance of CU4,771 held within underlying assets is excluded from the table above.

PwC Commentary - Maturity analysis

IFRS 17(132)(b)

There are two options to present the maturity analysis for groups of insurance contracts issued that are liabilities and groups of reinsurance contracts held that are liabilities. One option is to present the remaining contractual net cash flows on an undiscounted basis. The other option is to present the future cash flows on a present value basis. Both options are presented by estimated timing. The Group applied the discounted approach.

The Group has provided additional disclosure for financial assets and reinsurance contract assets. These disclosures are not specifically required by IFRS 17.

Liquidity risk - Amounts payable on demand

IFRS 17(132)(c)

Term life contracts issued and reinsurance contracts held have zero amounts payable on demand.

For universal life contracts issued, the amount payable on demand as at 31 December 20X4 is CU19,455 (20X3 - CU11,605) representing the policyholders' account values less applicable surrender fees (refer to note 6.1). The carrying amount of the respective groups of contracts as at 31 December 20X4 is CU45,460 (20X3 - CU22,462). All these amounts relate to insurance contracts issued that are liabilities (no groups of contracts were in an asset position as at 31 December 20X4 and 20X3).

Other risk management disclosures

The methods used and assumptions made for insurance liabilities assessment are disclosed in note 2.2.3. A sensitivity analysis relating to underwriting risk variables is disclosed in note 2.2.4. Equity risk exposures are disclosed in note 6.1 and investment asset credit risk exposures are disclosed in note 3.7. A sensitivity analysis relating to interest rate and equity risk variables is disclosed in note 6.6.

6.3. Participating

IFRS 17(124)
IFRS 7(33)

Participating contracts are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying assets comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Group's policy is to hold such investment assets. In Participating product lines, the Group is exposed to financial risks arising from the underlying assets it holds. For contracts issued in these product lines, IFRS 9 and IFRS 17 measurement model outputs are also subject to market risk variability. However, the Group has limited exposure to market and credit risks arising from these underlying assets since the risk is primarily passed to policyholders.

The composition of underlying assets is included in note 6.1.

Direct participating contracts and investment contracts with DPF have only fixed income underlying assets and are thus not subject to equity risk.

All underlying assets for investment contracts with DPF are denominated in a foreign currency.

Underwriting and financial risk management is discussed in note 6.1.

Underwriting risk concentration

IFRS 17(127)

The Group does not present underwriting risk concentration because mortality risk in the case of direct participating contracts is not substantial and is managed by underwriting procedures in the same way as in Life Risk and Savings products.

Interest rate and liquidity risks - Maturity analysis

The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from investment assets and insurance liabilities in the Participating product line. When debt securities mature, the proceeds not needed to meet liability cash flows will be reinvested.

Reference	31 December 20X4	1	2	3	4	5	>5	Total
IFRS 17(125)(a) IFRS 7(34)(a),(B11E)	**Underlying assets** (1)							
	Government bonds	666	623	582	544	508	8,758	11,681
	Other debt securities	4,012	3,752	3,506	3,277	3,064	52,775	70,386
		4,678	**4,375**	**4,088**	**3,821**	**3,572**	**61,533**	**82,067**
	Total investment assets	**4,678**	**4,375**	**4,088**	**3,821**	**3,572**	**61,533**	**82,067**
	Insurance and investment contract balances							
IFRS 17(132)(b)(ii)	Insurance contract liabilities	(4,083)	(3,818)	(3,568)	(3,335)	(3,118)	(53,704)	(71,626)
IFRS 7(34)(a)	Investment contract liabilities	(548)	(512)	(479)	(448)	(418)	(7,207)	(9,612)
	Total insurance and investment contract balances	**(4,631)**	**(4,330)**	**(4,047)**	**(3,783)**	**(3,536)**	**(60,911)**	**(81,238)**
	Net discounted cash flows	**47**	**45**	**41**	**38**	**36**	**622**	**829**

(1) An equity securities balance of CU3,845 held within underlying assets is excluded from the table above.

IFRS 17(125)(a)
IFRS 7(34)(a),(B11E)

31 December 20X3	1	2	3	4	5	>5	Total
Underlying assets [1]							
Government bonds	568	531	497	464	433	7,393	9,886
Other debt securities	3,432	3,209	2,999	2,801	2,617	44,636	59,694
	4,000	**3,740**	**3,496**	**3,265**	**3,050**	**52,029**	**69,580**
Total investment assets	**4,000**	**3,740**	**3,496**	**3,265**	**3,050**	**52,029**	**69,580**
Insurance and investment contract balances							
Insurance contract liabilities (IFRS 17(132)(b)(ii))	(3,448)	(3,224)	(3,013)	(2,814)	(2,629)	(44,844)	(59,972)
Investment contract liabilities (IFRS 7(34)(a))	(507)	(474)	(443)	(413)	(386)	(6,589)	(8,812)
Total insurance and investment contract balances	**(3,955)**	**(3,698)**	**(3,456)**	**(3,227)**	**(3,015)**	**(51,433)**	**(68,784)**
Net discounted cash flows	**45**	**42**	**40**	**38**	**35**	**596**	**796**

(1) An equity securities balance of CU3,525 held within underlying assets is excluded from the table above.

Liquidity risk - Amounts payable on demand

For contracts issued within the Participating product lines, the amounts payable on demand and the carrying amount of the respective groups of contracts are presented in the following table:

		31 December 20X4		31 December 20X3	
		Amount payable on demand	**Carrying amount**	**Amount payable on demand**	**Carrying amount**
IFRS 17(132)(c)	Direct participating contracts	57,630	61,113	48,301	51,221
IFRS 17(132)(c)	Investment contracts with DPF	14,473	15,187	12,459	13,072
IFRS 7(10)(b), (39)(a),(B11C)	Investment contracts without DPF	9,612	9,612	8,812	8,812

The amounts payable on demand represent the policyholders' account values less applicable surrender fees as at the reporting date stated in the table above (refer to note 6.1). All these amounts relate to contracts issued that are liabilities (no groups of contracts were in the asset position as at 31 December 20X4 and 20X3).

Other risk management disclosures

The methods used and assumptions made for insurance liabilities assessment are disclosed in note 2.2.3. A sensitivity analysis relating to underwriting risk variables is disclosed in note 2.2.4.

Equity risk exposures are disclosed in note 6.1 and investment asset credit risk exposures are disclosed in note 3.7. A sensitivity analysis relating to interest rate and equity risk variables is disclosed in note 6.6.

6.4. Property and Casualty

IFRS 17(124)
IFRS 7(33)

The Group issues the following types of automobile insurance contracts: mandatory motor third party liability insurance and voluntary insurance (casco), both covering damage and bodily injury. The majority of claims (attritional claims, damage to property) are settled within 12 months; therefore, the biggest risks connected with these claims are premium and reserving risks. For longer tail claims (large claims, bodily injury) that take some years to settle, interest rate risk also applies as IFRS 17 insurance contract carrying values are subject to interest rate risk variability.

Investments in this product line include assets backing insurance liabilities, which comprise fixed income instruments and are exposed primarily to interest rate, credit and liquidity risks.

Underwriting and financial risk management is discussed in note 6.1.

Underwriting risk concentration

Automobile Insurance risk concentration by product and geography is included in the tables below with reference to the carrying amount of the insurance contract liabilities arising from these contracts.

IFRS 17(125)(a),(127)

Product	31 December 20X4 Cities	Countryside	Total	31 December 20X3 Cities	Countryside	Total
Commercial fleets	2,761	2,341	5,102	1,372	1,087	2,459
Personal cars	5,454	5,562	11,016	3,782	4,616	8,398
Trucks	1,234	1,002	2,236	389	808	1,197
Total insurance contracts issued liabilities	**9,449**	**8,905**	**18,354**	**5,543**	**6,511**	**12,054**

Interest rate and liquidity risks - Maturity analysis

The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from investment assets and insurance liabilities in the Property and Casualty product line (the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held measured under the PAA are not included in the tables). When debt securities mature, the proceeds not needed to meet liability cash flows will be reinvested.

IFRS 17(125)(a)
IFRS 7(34)(a),(B11E)
IFRS 17(132)(b)(ii)

31 December 20X4	1	2	3	4	5	6-10	>10	Total
Other investments								
Government bonds	4,523	2,366	1,521	963	604	974	291	11,242
Other debt securities	2,772	1,450	932	590	370	597	179	6,890
	7,295	**3,816**	**2,453**	**1,553**	**974**	**1,571**	**470**	**18,132**
Total investment assets	**7,295**	**3,816**	**2,453**	**1,553**	**974**	**1,571**	**470**	**18,132**
Insurance contract balances								
Reinsurance contract assets	186	29	18	12	9	23	7	284
Insurance contract liabilities	(4,170)	(2,113)	(1,358)	(860)	(541)	(881)	(264)	(10,187)
Total insurance contract balances	**(3,984)**	**(2,084)**	**(1,340)**	**(848)**	**(532)**	**(858)**	**(257)**	**(9,903)**
Net discounted cash flows	**3,311**	**1,732**	**1,113**	**705**	**442**	**713**	**213**	**8,229**

IFRS 17(125)(a)
IFRS 7(34)(a),(B11E)
IFRS 17(132)(b)(ii)

31 December 20X3	1	2	3	4	5	6-10	>10	Total
Other investments								
Government bonds	4,291	783	500	332	320	762	299	7,287
Other debt securities	2,048	817	460	296	196	467	182	4,466
	6,339	**1,600**	**960**	**628**	**516**	**1,229**	**481**	**11,753**
Total investment assets	**6,339**	**1,600**	**960**	**628**	**516**	**1,229**	**481**	**11,753**
Insurance contract balances								
Reinsurance contract assets	63	23	13	8	6	13	5	131
Insurance contract liabilities	(2,259)	(899)	(506)	(325)	(216)	(514)	(201)	(4,920)
Total insurance contract balances	**(2,196)**	**(876)**	**(493)**	**(317)**	**(210)**	**(501)**	**(196)**	**(4,789)**
Net discounted cash flows	**4,143**	**724**	**467**	**311**	**306**	**728**	**285**	**6,964**

Liquidity risk - Amounts payable on demand

IFRS 17(132)(c)

Automobile insurance contracts issued and reinsurance contracts held have zero amounts that are payable on demand.

Other risk management disclosures

The methods used and assumptions made for insurance liabilities assessment are disclosed in note 2.2.3. A sensitivity analysis relating to underwriting risk variables is disclosed in note 2.2.4. Investment asset credit risk exposures are disclosed in note 3.7. A sensitivity analysis relating to interest rate variables is disclosed in note 6.6.1.

6.5. Other financial assets and liabilities

IFRS 7(33)

The Group's financial assets and liabilities not relating to insurance and investment (contracts) operations comprise mainly cash and cash equivalents, investment assets and subordinated debt. The Group is exposed to interest rate, equity, credit and liquidity risks from these financial assets and liabilities.

Financial risk management is discussed in note 6.1.

Interest rate and liquidity risks - Maturity analysis

The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from financial assets, lease liabilities and financial liabilities that do not relate to insurance and investment (contracts) operations. When debt securities mature, the proceeds not needed to meet liability cash flows will be reinvested.

IFRS 7(34)(a)
IFRS 7(B11E)

31 December 20X4	1	2	3	4	5	6-10	Total
Assets [(1)]							
Cash and cash equivalents	20,866	-	-	-	-	-	20,866
Government bonds	2,036	815	6,920	1,816	1,424	462	13,473
Other debt securities	6,918	2,769	23,519	6,171	4,839	1,574	45,790
Derivatives	101	144	44	(3)	4	-	290
Other assets	1,057	-	-	-	-	-	1,057
	30,978	**3,728**	**30,483**	**7,984**	**6,267**	**2,036**	**81,476**
Liabilities							
Other current liabilities	(3,913)	-	-	-	-	-	(3,913)
Lease liabilities	(1,251)	(1,150)	(1,055)	(967)	(884)	(1,615)	(6,922)
Subordinated debt	(1,935)	(1,692)	(23,081)	(5,366)	(4,082)	-	(36,156)
	(7,099)	**(2,842)**	**(24,136)**	**(6,333)**	**(4,966)**	**(1,615)**	**(46,991)**
Net discounted cash flows	**23,879**	**886**	**6,347**	**1,651**	**1,301**	**421**	**34,485**

(1) An equity securities balance of CU30,527 is excluded from the table above.

IFRS 7(34)(a)
IFRS 7(B11E)

31 December 20X3	1	2	3	4	5	6-10	Total
Assets [(1)]							
Cash and cash equivalents	26,377	-	-	-	-	-	26,377
Government bonds	2,785	646	605	5,720	275	1,562	11,593
Other debt securities	8,858	2,055	1,924	18,195	875	4,971	36,878
Derivatives	-	-	52	50	(2)	(3)	97
Other assets	857	-	-	-	-	-	857
	38,877	**2,701**	**2,581**	**23,965**	**1,148**	**6,530**	**75,802**
Liabilities							
Other current liabilities	(3,153)	-	-	-	-	-	(3,153)
Lease liabilities	(1,249)	(1,148)	(1,056)	(968)	(887)	(2,315)	(7,623)
Subordinated debt	(6,627)	(1,410)	(1,340)	(21,685)	(202)	(3,873)	(35,137)
	(11,029)	**(2,558)**	**(2,396)**	**(22,653)**	**(1,089)**	**(6,188)**	**(45,913)**
Net discounted cash flows	**27,848**	**143**	**185**	**1,312**	**59**	**342**	**29,889**

(1) An equity securities balance of CU24,585 is excluded from the table above.

The following table presents the estimated amount and timing of the remaining contractual undiscounted cash flows arising from lease liabilities and financial liabilities that do not relate to insurance and investment (contracts) operations. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

IFRS 7(34)(a),(39)(a),(B11)

31 December 20X4	1	2	3	4	5	6-10	Total
Other current liabilities	(3,913)	-	-	-	-	-	(3,913)
Lease liabilities	(1,314)	(1,268)	(1,221)	(1,175)	(1,128)	(2,116)	(8,222)
Subordinated debt	(1,872)	(1,872)	(26,872)	(6,572)	(5,260)	-	(42,448)
Total undiscounted cash flows	**(7,099)**	**(3,140)**	**(28,093)**	**(7,747)**	**(6,388)**	**(2,116)**	**(54,583)**
31 December 20X3							
Other current liabilities	(3,153)	-	-	-	-	-	(3,153)
Lease liabilities	(1,311)	(1,266)	(1,222)	(1,177)	(1,132)	(3,127)	(9,235)
Subordinated debt	(6,827)	(1,560)	(1,560)	(26,560)	(260)	(5,260)	(42,027)
Total undiscounted cash flows	**(11,291)**	**(2,826)**	**(2,782)**	**(27,737)**	**(1,392)**	**(8,387)**	**(54,415)**

Other risk management disclosures

Equity risk exposures are disclosed in note 3.4 and investment asset credit risk exposures are disclosed in note 3.7. A sensitivity analysis relating to interest rate and equity risk variables is disclosed in note 6.6.

6.6. Sensitivity analysis to market risk variables

PwC commentary - Sensitivity analysis to market risk variables

IFRS 17(128)

Entities are required to disclose a sensitivity analysis to demonstrate the impact of reasonably possible changes in risk variables at the end of the reporting period on profit or loss and equity. For each type of market risk, entities shall demonstrate the impact of changes in risk variables on profit or loss and equity in a way that explains the relationships between the sensitivities arising from contracts in the scope of IFRS 17 to those from investment assets held by entities.

The requirement to disclose a sensitivity analysis to market risk variables is not new compared to IFRS 4. However, IFRS 17 specifically requires explaining the relationship between the sensitivities to changes in risk variables arising from insurance contracts and those arising from investment assets held by the entity.

6.6.1. Interest rate risk sensitivity

The following table presents analysis of how a possible shift in market interest rates might impact the balances of contracts within the scope of IFRS 17, investment contracts without DPF balances and investment assets, as well as the net impact on profit or loss and equity. The Group’s other financial assets and liabilities are not significantly sensitive to interest rates.

IFRS 7(40)(a)

				0.3% increase in interest rates Impact on:				0.3% decrease in interest rates Impact on:			
		Net insurance/ investment contracts balance	**Investment assets subject to interest rate risk [1]**	**Net insurance/ investment contracts balance**	**Investment assets**	**Profit or loss**	**Equity**	**Net insurance/ investment contracts balance**	**Investment assets**	**Profit or loss**	**Equity**
	31 December 20X4										
IFRS 17(128)(a)(ii)	Life Risk	(4,278)	4,407	(88)	(103)	(191)	(140)	91	107	198	146
IFRS 17(128)(a)(ii)	Savings	(45,460)	38,825	610	(1,320)	(710)	(522)	(622)	1,347	725	533
IFRS 17(128)(a)(ii)	Participating - direct participating contracts	(61,113)	61,113	921	(935)	-	(10)	(951)	966	-	11
IFRS 17(128)(a)(ii)	Participating - investment contracts with DPF	(15,187)	15,187	256	(251)	5	4	(262)	257	(5)	(4)
	Participating - investment contracts without DPF	(9,612)	5,767	99	(99)	-	-	(100)	100	-	-
IFRS 17(128)(a)(ii)	Property and Casualty	(17,604)	18,132	68	(109)	(41)	(30)	(70)	114	44	32
	Investment assets in other segments	-	59,553	-	(542)	(542)	(398)	-	554	554	407
	31 December 20X3										
IFRS 17(128)(a)(ii)	Life Risk	(1,066)	1,097	(137)	(27)	(164)	(121)	142	28	170	125
IFRS 17(128)(a)(ii)	Savings	(22,462)	18,367	55	(634)	(579)	(426)	(56)	646	590	434
IFRS 17(128)(a)(ii)	Participating - direct participating contracts	(51,221)	51,221	762	(773)	-	(8)	(777)	789	-	9
IFRS 17(128)(a)(ii)	Participating - investment contracts with DPF	(13,072)	13,072	215	(210)	5	4	(220)	216	(4)	(3)
	Participating - investment contracts without DPF	(8,812)	5,287	93	(93)	-	-	(96)	96	-	-
IFRS 17(128)(a)(ii)	Property and Casualty	(11,411)	11,753	32	(71)	(39)	(29)	(33)	74	41	30
	Investment assets in other segments	-	48,568	-	(442)	(442)	(325)	-	452	452	332

(1) Cash and cash equivalents were excluded from this table due to their short maturity and the insignificant impact from variability in interest rates.

IFRS 17(128)(b)-(c)
IFRS 7(40)(b)-(c)

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

6.6.2. Equity price risk sensitivity

The following table presents analysis of how a possible shift in market equity prices might impact insurance and investment contract balances and the respective underlying assets held for Savings and Participating contracts and other investment assets, as well as the net impact on profit or loss and equity.

Reference		Net insurance/ investment contracts balance	Investment assets subject to equity risk	10% increase in equity prices Impact on: Net insurance/ investment contracts balance	Investment assets	Profit or loss	Equity	10% decrease in equity prices Impact on: Net insurance/ investment contracts balance	Investment assets	Profit or loss	Equity
IFRS 7(40)(a)											
	31 December 20X4										
IFRS 17(128)(a)(ii)	Savings	(45,460)	7,998	(683)	800	117	86	683	(800)	(117)	(86)
	Participating - investment contracts without DPF	(9,612)	3,845	(385)	385	-	-	385	(385)	-	-
	Other	-	30,527	-	3,053	3,053	2,244	-	(3,053)	(3,053)	(2,244)
	31 December 20X3										
IFRS 17(128)(a)(ii)	Savings	(22,462)	4,771	(407)	477	70	51	407	(477)	(70)	(51)
	Participating - investment contracts without DPF	(8,812)	3,525	(353)	353	-	-	353	(353)	-	-
	Other	-	24,585	-	2,459	2,459	1,807	-	(2,459)	(2,459)	(1,807)

IFRS 17(128)(b)-(c)
IFRS 7(40)(b)-(c)

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

6.6.3. Currency risk sensitivity

The following table presents analysis of how a possible shift in market currency exchange rates might impact the investment contract balances and the respective underlying assets, as well as the net impact on profit or loss and equity. Transactions or balances not within the scope of IFRS 17 are not subject to currency risk (refer to note 6.1.2). For investment contracts with DPF, the impact of a +/-5% possible change in the foreign currency exchange rate is not symmetrical primarily due to guarantees protecting the amounts invested by policyholders.

Reference		Net insurance contracts balance	Investment assets exposed to currency risk	5% increase in exchange rates Impact on: Net insurance contracts balance	Investment assets	Profit or loss	Equity	5% decrease in exchange rates Impact on: Net insurance contracts balance	Investment assets	Profit or loss	Equity
IFRS 7(40)(a)											
	31 December 20X4										
IFRS 17(128)(a)(ii)	Participating - investment contracts with DPF	(15,187)	15,187	(759)	759	-	-	606	(759)	(153)	(112)
	31 December 20X3										
IFRS 17(128)(a)(ii)	Participating - investment contracts with DPF	(13,072)	13,072	(654)	654	-	-	518	(654)	(136)	(100)

IFRS 17(128)(b)-(c)
IFRS 7(40)(b)-(c)

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

6.7. Capital management

IAS 1(134)-(136)
IFRS 17(126)

The Group's objectives when managing capital are:

a. To comply with the insurance capital requirements that Oneland's regulator requires. In this respect, the Group manages its capital on a basis of 150% of its minimum regulatory capital position presented in the table below. Management considers the quantitative threshold of 150% sufficient to maximise shareholders' return and to support the capital required to write each of the businesses that the Group operates.

b. To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

c. To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Group's capital is defined as capital and reserves attributable to owners of Value Insurance Plc as presented on the consolidated balance sheet.

The local insurance regulator in Oneland specifies the minimum amount and type of capital that must be held in addition to insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The Group is subject to insurance solvency regulations in the territory in which it issues insurance and investment contracts and where it has complied with all the local solvency regulations. The Group has embedded in its ALM framework the necessary tests to ensure continuous and full compliance with such regulations. Note that the Group currently issues contracts only in Oneland.

The table below summarises the minimum required capital for the Group and the regulatory capital held. The current year is, in general, an estimate that is updated once calculations prepared for the regulators are final.

		20X4	20X3
IAS 1(135)(d)	Regulatory capital held	141%	139%
IFRS 17(126)	Minimum regulatory capital	58,100	50,500

In Oneland, the solvency and capital adequacy margins are calculated based on Oneland Solvency Law, which requires the application of a formula that contains variables for expenses, inflation, investment earnings, death, disability claims, surrenders, policyholder options, distribution of assets among investment classes and the matching of specific classes of assets and liabilities.

The Group is subject to a 20X2 Oneland law requiring insurance groups to calculate a consolidated solvency margin. The Group must establish appropriate internal controls to ensure solvency sufficient to cover all of the Group's insurance liabilities, to inform Oneland's insurance regulatory authorities annually of certain intra-Group transactions and to calculate on a consolidated basis the capital needed to meet the respective solvency requirements of the Group's insurance subsidiaries.

During the period, the Group was compliant with the externally imposed capital requirements.

Appendix A: Comparison of the disclosure requirements in IFRS 4 and IFRS 17

A.1. Explanation of recognised amounts

Overview

IFRS 17(98),(93)-(96)

IFRS 4 requires an entity to disclose information that identifies and explains the amounts in its financial statements arising from insurance contracts. In order to comply with this objective, IFRS 4 outlines what should be disclosed regarding reconciliations, policies, methods and processes but provides limited guidance on how these disclosure requirements should be met.

IFRS 17 requirements are much more extensive. It requires the entity to provide specific reconciliations showing how the net carrying amounts of insurance contracts changed during the period as a result of changes in cash flows and income and expenses recognised in the statement(s) of financial performance.

Most of the disclosure requirements in IFRS 17 relate to both insurance contracts issued (including investment contracts with DPF where those are within the scope of IFRS 17) and reinsurance contracts held, with the reconciliations to be presented separately for these two categories. However, as the disclosure requirements in the standard are presented from the view of an insurance contract issued, the requirements have to be adapted for the purposes of reinsurance held.

Some of the disclosure requirements in IFRS 17 depend on the measurement model applied for the respective insurance contracts issued or reinsurance contracts held. A summary of the requirements for each measurement model is provided in note A.4 of this appendix.

The level of detail required in quantitative reconciliations in IFRS 17 is generally greater than that required by IFRS 4. The new requirements mean that entities will need to prepare new and more granular reconciliations.

The following summary includes comments on the new disclosure requirements in IFRS 17, as well as the major changes from IFRS 4.

Reconciliations of insurance contract liabilities analysed by the LRC and the LIC

IFRS 17(98)-(100),(102)-(103),(105)

Significantly expanded

The requirements of IFRS 17 state that the entity shall present a reconciliation from the opening to the closing balance separately for all the following components of the insurance contract liabilities:

The requirements of IFRS 17 state that the entity shall present a reconciliation from the opening to the closing balance separately for all the following components of the insurance contract liabilities:

- the net LRC, excluding any loss component;
- any loss component; and
- the LIC (with additional reconciliations for estimates of the present value of future cash flows and the risk adjustment for non-financial risk for insurance contracts measured under the PAA).

The requirements of IFRS 17 specify the components of the insurance contract liabilities to be reconciled, as well as certain line items to be presented in the reconciliations, if applicable.

The reconciliations are required separately for insurance contracts issued and reinsurance contracts held. Reinsurance contracts held cannot be onerous, and therefore, any loss component reconciliation requirement under IFRS 17(100)(b) is not applicable.

Although IFRS 4 requires entities to provide a reconciliation of changes in insurance contract liabilities, those requirements are not as prescriptive and detailed as those required by IFRS 17. Thus, these new and expanded disclosure requirements may prove to be an operational challenge for entities due to the very granular information that needs to be provided showing changes in the insurance and reinsurance balances in the period.

Reconciliations of insurance contract liabilities analysed by measurement components

IFRS 17(98)-(99),(101)-(102),(104)-(105)

Significantly expanded	IFRS 17 also requires a reconciliation from the net opening to the net closing balance of the following measurement components of the insurance contract assets or liabilities: • estimates of the present value of future cash flows; • the risk adjustment for non-financial risk; and • the CSM. The requirements of IFRS 17 specify the components of the insurance contract liabilities to be reconciled, as well as certain line items to be presented in the reconciliations, if applicable. The reconciliations are required separately for insurance contracts issued and reinsurance contracts held. This reconciliation is not required for insurance contracts measured the PAA. Although IFRS 4 requires entities to provide a reconciliation of changes in insurance contract liabilities, those requirements are not as prescriptive and detailed as those required by IFRS 17. Similar to the requirement above, this disclosure requirement may prove to be an operational challenge for entities due to the very granular information that needs to be provided showing changes in the insurance and reinsurance balances in the period.

Analysis of insurance revenue

IFRS 17(106)

New	IFRS 17 provides a definition of insurance revenue that did not exist previously. For insurance contracts issued, IFRS 17 requires entities to present an analysis of the insurance revenue recognised in the period. The analysis looks at how changes in the LRC (including expected insurance service expenses, changes in the risk adjustment and the recognition of the CSM in revenue) and the recovery of insurance acquisition cash flows have affected insurance revenue in the period. This disclosure requirement is not applicable to insurance contracts measured under the PAA. Under IFRS 4, insurance revenue is not a defined term, and no disclosures analysing the composition of insurance revenue are required.

Impact of contracts initially recognised in the period

IFRS 17(107)-(108)

New	IFRS 17 requires entities to disclose the impact of insurance contracts issued and reinsurance contracts held that have been initially recognised in the reporting period presented. The standard requires a separate presentation showing the effect that contracts initially recognised in the period have on: • the estimates of the present value of future cash outflows (separately showing the amount of insurance acquisition cash flows); • the estimates of present value of future cash inflows; • the risk adjustment for non-financial risk; and • the CSM. Furthermore, the standard requires the effects above to be disclosed separately for contracts that have been acquired from other entities (in transfers or business combinations) and for groups of contracts that are onerous. This disclosure requirement is not applicable to insurance contracts measured under the PAA.

Expected recognition of the CSM (CSM run-off)

IFRS 17(109)

New	For non-onerous contracts, IFRS 17 requires entities to disclose when the CSM that remains at the end of each reporting period is expected to be recognised in profit or loss. This will provide users with more visibility into an entity's future profit patterns. This disclosure shall be separately provided for insurance contracts issued and reinsurance contracts held. This disclosure requirement is not applicable to insurance contracts measured under the PAA.

Explanation of insurance finance income or expenses

IFRS 17(110)

New	IFRS 17 requires entities to disclose and explain the total amount of insurance finance income or expenses recognised in the period. Specifically, entities shall explain the relationship between insurance finance income or expenses and the investment return on assets. The objective of the disclosure requirement is to enable readers of financial statements to evaluate sources of finance income or expenses recognised in the period.

Composition of underlying items for contracts measured under the VFA

IFRS 17(111)

New	For contracts measured under the VFA, entities are required to disclose the composition of the underlying items and their fair value.

Effects of risk mitigation for contracts measured under the VFA

IFRS 17(112)

New	For contracts measured under the VFA, entities are required to disclose the effects of risk mitigation (IFRS 17(B115)) on the CSM in the period.

Effects of change in eligibility for the OCI option for contracts measured under the VFA

IFRS 17(113)

New	For contracts measured under the VFA, entities are required to provide additional disclosures if the entity changes the basis of how it disaggregates insurance finance income or expenses between profit or loss and OCI because of a change in whether it holds the underlying items. The required disclosures are: the reason why this change is made; the amount of the adjustment for the affected line items; and the carrying amount of the group of insurance contracts to which the change applied.

Effects of groups of insurance contracts accounted for at the transition date other than fully retrospectively

IFRS 17(114)

New	At transition and for all affected subsequent periods, IFRS 17 requires that entities distinguish between the effects of insurance contracts measured using the modified retrospective approach and the fair value approach on the CSM and insurance revenue in the subsequent periods. That is, entities shall show how contracts accounted for not using the full retrospective approach at transition have affected a reconciliation from the opening to the closing balance of the CSM (as disclosed at the level of detail required by IFRS 17(101)(c)) and the amount of insurance revenue (applicable to insurance contracts issued) in the subsequent periods. This disclosure shall be separately provided for insurance contracts issued and reinsurance contracts held. This disclosure requirement is not applicable to insurance contracts measured under the PAA.

Determination of measurement of groups of insurance contracts at the transition date for those groups accounted for other than fully retrospectively

IFRS 17(115)

New	In order to provide users with an understanding about the significance of the methods used at transition and the judgements used in determining amounts at transition, the entity shall explain how the measurement of groups of insurance contracts at the transition date was determined. This disclosure is required for all periods in which the above disclosures applying IFRS 17(114) are made.

Transitional disclosures on the use of the OCI option

IFRS 17(116)

New	For entities that choose to apply the OCI option (i.e. to disaggregate insurance finance income or expenses between profit or loss and OCI), IFRS 17 specifies various transitional measures to determine the effects that should be accounted for in OCI at the transition date. For such contracts, entities are required to disclose a reconciliation from the opening to the closing balance of the cumulative amounts included in OCI for financial assets measured at FVOCI related to the groups of insurance contracts. This disclosure is required for all periods in which amounts determined at transition exist.

Additional disclosures for insurance contracts measured under the PAA - Eligibility for application of the PAA and use of options therein

IFRS 17(97)

New	For insurance contracts measured under the PAA, the entity is required to disclose the following: • which of the PAA eligibility criteria it has satisfied; • whether it adjusts the LRC and LIC for the time value of money and the effect of financial risk; and • whether the option to expense insurance acquisition cash flows when incurred was elected. This disclosure is required for insurance contracts issued and reinsurance contracts held.

A.2. Significant judgements in applying IFRS 17

Overview

	IFRS 4 requires entities to disclose information about the amounts presented in their financial statements from insurance contracts. This includes information on: • accounting policies for insurance contracts and related assets, liabilities, income and expenses; • the process used to determine the assumptions that have the greatest effect on the measurement of the recognised amounts of assets, liabilities, income, expenses and cash flows arising from insurance contracts; and • the effect of changes in assumptions used to measure insurance assets and insurance liabilities, showing separately the effect of each change that has a material effect on the financial statements. IFRS 17 builds on these and the existing requirements in IAS 1 and requires an entity to disclose significant judgements and changes in judgements made in applying IFRS 17.

Inputs, assumptions and estimation techniques

IFRS 17(117)

Expanded	An entity is required to disclose the methods used to measure insurance contracts and the processes for estimating the inputs to those methods, as well as changes in methods and processes. In addition to this, entities are also required to disclose quantitative information about the inputs, unless this is impracticable. Specifically, methods and processes that should be described include: • the approach used to distinguish changes in estimates of future cash flows that arise from the exercise of discretion from other changes in estimates of future cash flows for insurance contracts measured under the GMM (IFRS 17(B98)); • the approach used to determine the risk adjustment for non-financial risk; • the approach used to determine discount rates; and • the approach used to determine investment components. IFRS 4 already sets out certain requirements about policies and processes used for assumptions in measuring insurance contracts. The requirements of IFRS 17 are a development of this.

Methods used to disaggregate insurance finance income or expenses between profit or loss and OCI

IFRS 17(118)

New	An entity is required to disclose the methods used to determine the amount of insurance finance income or expenses recognised in profit or loss if the entity applies the OCI option and disaggregates the total amount between profit or loss and OCI (IFRS 17(88)(b),(89)(b)).

Confidence level for determining risk adjustment for non-financial risk

IFRS 17(119)

New	If an entity uses a confidence level approach to determine the risk adjustment for non-financial risk, IFRS 17 requires it to disclose the confidence level assumption used. If an entity uses another technique for determining the risk adjustment for non-financial risk, IFRS 17 requires it to disclose the technique used as well as the confidence level corresponding to the results of that technique. From an operational perspective, this disclosure requirement may be challenging if the risk adjustment is not calculated based on a confidence level approach.

Yield curve used to discount cash flows not varying based on underlying items

IFRS 17(120)

New	IFRS 17 requires the entity to disclose the yield curve or range of yield curves used to discount cash flows that do not vary based on the returns of underlying items. When an entity provides this disclosure in aggregate for a number of groups of insurance contracts, it shall be provided in the form of weighted averages or relatively narrow ranges.

A.3. Nature and extent of risks that arise from contracts within the scope of IFRS 17

Overview

IFRS 17(121)-(125)

	IFRS 4 requires an entity to disclose information to enable users of its financial statements to evaluate the nature and extent of risks arising from insurance contracts. In order to achieve this, IFRS 4 sets out a number of more detailed requirements that an entity shall disclose in order to comply with this requirement. IFRS 17 combines the existing requirements on risk disclosures from IFRS 4 and IFRS 7, and entities preparing risk disclosures in accordance with IFRS 17 will recognise a large number of the requirements from the disclosures that are already presented under IFRS 4 and IFRS 7. Under IFRS 17, an entity shall disclose information that enables users of its financial statements to evaluate the nature, amount, timing and uncertainty of future cash flows from contracts within the scope of IFRS 17. The risks typically expected to arise are insurance risk and financial risks (market risk, credit risk and liquidity risk). For each type of risk identified, the entity is required to disclose its exposure, how the exposure arises, its objectives, policies and processes for managing the risk and the methods that are used to measure the risk. Any changes in risks or risk management compared to the previous period have to be disclosed. An entity shall provide both quantitative and qualitative information about its exposure to each of the risks.

Information about effect of regulatory frameworks

IFRS 17(126)

New	An entity shall disclose information about the effect of the regulatory frameworks in which it operates (for example, minimum capital requirements or required interest-rate guarantees). Additionally, an entity should disclose when it applies IFRS 17(20) to contract aggregation requirements (i.e. when laws and regulations restrict an entity's ability to set a different price or level of benefits to certain policyholders with different characteristics).

All types of risk - Concentrations of risk

IFRS 17(127)

Existing	IFRS 17 requires an entity to disclose information about the concentrations of risk that arise from contracts within the scope of IFRS 17. The requirements include a description of how the entity determines the concentrations and a description of the shared characteristic that identifies each concentration. An example of this could be if the entity provides interest rate guarantees that come into effect at the same level for a material number of contracts. This requirement is not new compared to IFRS 4 and is not expected to require additional disclosures.

Insurance and market risks - Sensitivity analysis

IFRS 17(128)-(129)

Expanded	IFRS 17 requires an entity to disclose information about sensitivities to changes in risk variables arising from contracts within the scope of IFRS 17. The disclosures shall include the effect on profit or loss and equity of reasonably possible changes in the risk variables as well as the methods and assumptions used in preparing the sensitivity analysis and any changes in these compared to previous periods (including the reason for this). Specific requirements are described for insurance risks and market risk separately. This requirement is not new compared to IFRS 4; however, IFRS 17 specifically requires explaining the relationship between the sensitivities to changes in market risk variables arising from insurance contracts and those arising from financial assets held by the entity. If an entity uses an alternative sensitivity analysis to manage risks arising from contracts within the scope of IFRS 17, it may use this sensitivity analysis instead of that required above. Additional disclosure requirements are applicable in this case to explain the methods used as well as their objectives and limitations, main parameters and assumptions.

Insurance risk - Claims development

IFRS 17(130)

Existing	IFRS 17 requires an entity to disclose a comparison of the development of actual claims and previous estimates, starting with the period when the earliest material claim arose and for which there is still uncertainty about the amount and timing of the claims payments at the end of the reporting period, but the disclosure is not required to start more than ten years before the end of the reporting period. This disclosure is not required where uncertainty about the amount and timing of the claims payments is typically resolved within one year. IFRS 17 specifically requires this disclosure to be reconciled with the LIC, which was not an explicit requirement under IFRS 4.

Credit risk - Other information

IFRS 17(131)

Existing	IFRS 17 requires an entity to disclose the amount that best represents the maximum exposure to credit risk as well as information about the credit quality of reinsurance contracts held. Information about credit risk has previously been required by IFRS 4 and IFRS 7; however, IFRS 17 introduces an explicit requirement to disclose the credit quality of reinsurance contracts held that are assets, which may lead to additional information being disclosed.

Liquidity risk - Other information

IFRS 17(132)

Expanded	IFRS 17 requires an entity to describe how liquidity risk is managed and disclose a maturity analysis that as a minimum shows the net cash flows for groups of insurance contracts issued that are liabilities and groups of reinsurance contracts held that are liabilities for each of the first five years and aggregated cash flows beyond that. The analysis can be provided based on undiscounted net cash flows by estimated timing or on the estimates of the present value of future cash flows by estimated timing. This disclosure is not required for the LRC relating to contracts measured under the PAA. An entity shall also disclose any amounts that are payable on demand, explaining the relationship between such amounts and the carrying amount of the related groups of insurance contracts. Information about liquidity risk has previously been required by IFRS 4 and IFRS 7; however, IFRS 17 introduces explicit requirements regarding the net cash flows from insurance related liabilities and information about amounts payable on demand, which may lead to additional information being disclosed.

A.4. Explanation of recognised amounts under IFRS 17 as applicable to each measurement model

	Disclosure	GMM	PAA	VFA
IFRS 17(97)	Additional disclosures for insurance contracts measured under the PAA - Eligibility for application of the PAA and use of options therein	✗	✓	✗
IFRS 17(98)-(100), (102)-(103),(105)	Reconciliations of insurance contract liabilities analysed by the LRC and LIC	✓	✓	✓
IFRS 17(100)(c)(i)-(iii)	Reconciliations of insurance contract liabilities analysed by the LRC and LIC	✗	✓	✗
IFRS 17(98)-(99), (101)-(102), (104)-(105)	Reconciliations of insurance contract liabilities analysed by measurement components	✓	✗	✓
IFRS 17(106)	Analysis of insurance revenue	✓	✗	✓
IFRS 17(107)-(108)	Impact of contracts initially recognised in the period	✓	✗	✓
IFRS 17(109)	Expected recognition of the CSM (CSM run-off)	✓	✗	✓
IFRS 17(110)	Explanation of insurance finance income or expenses	✓	✓	✓
IFRS 17(111)	Composition of underlying items for contracts measured under the VFA	✗	✗	✓
IFRS 17(112)	Effects of risk mitigation for contracts measured under the VFA	✗	✗	✓
IFRS 17(113)	Effects of change in eligibility for the OCI option for contracts measured under the VFA	✗	✗	✓
IFRS 17(114)	Effects of groups of insurance contracts accounted for at the transition date other than fully retrospectively	✓	✓	✓
IFRS 17(115)	Determination of measurement of groups of insurance contracts at the transition date for those groups accounted for other than fully retrospectively	✓	✓	✓
IFRS 17(116)	Transitional disclosures on the use of the OCI option	✓	✓	✓

✓ Requirement applicable

✗ Requirement not applicable or explanatory

Appendix B: Summary of IFRS 17 and IFRS 7 disclosures not included in the Illustration[1]

	Disclosure	Rationale
IFRS 17(112), (B115)	Contracts measured under the VFA: effect of the risk mitigation approach applying IFRS 17(B115) on the adjustment to the CSM in the period	The Group does not apply the risk mitigation approach.
IFRS 17(113)	Contracts measured under the VFA: changes in the basis of disaggregation of insurance finance income or expenses between profit or loss and OCI	The Group applies the OCI option for contracts measured under the VFA in 20X3 and 20X4. No changes occurred in the basis of disaggregation for the reporting year.
IFRS 17(123) IFRS 7(35)	If disclosure of risk exposures at the end of the period is not representative of risk exposures during the period, an entity shall disclose that fact, the reason why it's not representative and further information that is representative of its risk exposures during the period	The Group believes the risk exposures presented as at the end of the period are representative of its exposure to risk during 20X3 and 20X4.
IFRS 17(126)	Disclosing application of IFRS 17(20), relating to contract aggregation into groups taking into account regulatory constraints on pricing or level of benefits	Not applicable as law and regulation do not specifically constrain the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics.
IFRS 17(129)	Disclosure of an alternative sensitivity analysis for insurance and market risks as compared to the sensitivity analysis required by IFRS 17(128)(a)	The disclosure requirement is not applicable to the Group as it discloses the sensitivity analysis as required by IFRS 17(128)(a).
IFRS 17(132)(b)(i)	Disclosure of liquidity risk analysis, by estimated timing, of the remaining contractual undiscounted net cash flows as an option for the liquidity analysis prepared on the discounted basis as permitted by IFRS 17(132)(b)(ii)	IFRS 17(132)(b) has the option to present the analysis on the basis of (i) the remaining contractual undiscounted net cash flows; or (ii) the present value of future cash flows. The Group has chosen option (ii).
IFRS 17(C32)-(C33)	Redesignation of financial assets if IFRS 9 had been applied to annual reporting periods before the initial application of IFRS 17	The Group did not apply IFRS 9 to annual reporting periods before the initial application of IFRS 17.
IFRS 7(8)(a)(ii),(iii)	Carrying amounts of financial assets at FVTPL or own shares/own financial liabilities to be recognised as financial assets.	The Group does not invest in financial instruments that meet the criteria of IFRS 9(3.3.5) or IAS 32(33A).
IFRS 7(8)(e)(ii)	Carrying amounts of financial liabilities at FVTPL held for trading.	The Group does not hold financial liabilities held for trading.
IFRS 7(8)(a)(i),(e)(i),(9)(b),(d)	Credit derivatives	The Group does not hold credit derivatives.
IFRS 7(8)(h)(ii),(11A),(11B),(20)(vii)	Equity instruments designated at FVOCI	The Group has not designated any equity instruments at FVOCI.
IFRS 7(10)(c)-(d)	Financial liabilities designated at FVTPL with changes in the liabilities credit risk to be recognised in OCI - transfers within equity and amounts realised at derecognition.	There were no transfers within equity and no amounts realised at derecognition for the Group's investment contracts without DPF.

(1)The summary does not include transition disclosures required by IFRS 17, IFRS 9 and IAS 8 in the year of adoption of the respective standards.

	Disclosure	Rationale
IFRS 7(11)(b)	Disclosures made for IFRS 7 (9)(c),(10)(a),(10A)(a) or IFRS 9(5.7.7)(a) not faithfully representing the change in fair value due to changes in credit risk.	The Group provides disclosures to comply with IFRS 7(9)(c),(10)(a) and considers those as faithfully representing changes in fair value due to changes in credit risk. Other requirements on the left are not applicable to the Group.
IFRS 7(10A),(11)(c)	Financial liabilities designated at FVTPL with all changes in the fair value required to be recognised in profit or loss.	The Group does not hold such financial liabilities.
IFRS 7(12B), (12C),(12D), 9(B5.6.1)(b)	Reclassification of financial assets	The Group does not have any reclassification of assets into a different measurement category.
IFRS 7(13A)-(13F)	Offsetting financial assets and financial liabilities	The Group does not offset financial assets and liabilities.
IFRS 7(14),(15),(38)	Collateral	The Group does not have collateral.
IFRS 7(17)	Compound financial instruments with multiple embedded derivatives	The Group does not have such instruments.
IFRS 7(18),(19)	Defaults and breaches	The Group had no defaults or breaches during the financial periods presented.
IFRS 7(20)(b)	Interest expense on financial liabilities not measured at FVTPL	Not disclosed as subordinated debt disclosures have not been included in this illustrative example.
IFRS 7(20)(a)(v)	Gain and losses on financial liabilities at AC	There were no net gains or losses for financial liabilities measured at AC.
IFRS 7(20)(c)	Fee income and expense arising from financial assets and liabilities not at FVTPL or from trust and other fiduciary activities.	The Group did not recognise such fee income or expenses during the period.
IFRS 7(20A)	Derecognition of financial assets measured at AC	Net gains from the derecognition of financial assets measured at AC are not material to the Group's consolidated financial statements.
IFRS 7(21A)-(24G)	Hedge accounting	The Group does not apply hedge accounting.
IFRS 7(28)	Fair value gains and losses if transaction price is not the best evidence of fair value	Not applicable to the Group.
IFRS 7(35H)(b)(iii), (35M)9b)(iii)	Credit risk	The Group does not hold trade receivables, contract assets or lease receivables.
IFRS 7(35F)(c)	Credit risk	The ECL was not measured on a collective basis.
IFRS 7(35F)(f),(35I)(b), (35J)	Credit risk	Assumed no modification of contractual cash flows was present for the periods presented.
IFRS 7(35H)(b)(ii),(c), (35M)(b)(ii),(c)	Reconciliation of loss allowance and credit risk rating grades for credit-impaired financial assets (purchased or originated credit-impaired and those credit-impaired at the reporting date).	The Group does not hold such financial assets.
IFRS 7(35K)(b)-(c), (36)(b),(38)	Credit risk	Assumed no collateral or credit enhancements were present for the periods presented.
IFRS 7(35L)	Financial assets written off subject to enforcement activity	The Group did not write-off financial assets during the period that are still subject to enforcement activity.

	Disclosure	Rationale
IFRS 7 (35H)(b)(iii),(35N)	Credit risk	The Group does not hold trade receivables, contract assets or lease receivables.
IFRS 7(36)(a)	Maximum exposure to credit risk for financial instruments to which the IFRS 9 impairment requirements are not applicable. Not required when carrying values best represent the maximum exposure to credit risk.	All Group's financial assets to which IFRS 9 impairment requirements are not applicable are measured at FVTPL with the maximum exposure best presented by carrying values.
IFRS 7(39)(b)	Maturity analysis for derivative financial liabilities	The Group does not hold derivatives in a liability position.
IFRS 7(41)	Alternative to the sensitivity analysis from IFRS 17(40)	The Group applied IFRS 17(40) and did not use the alternative.
IFRS 17(42)	If the disclosure of a sensitivity analysis is not representative of a risk inherent in a financial instrument, an entity shall disclose that fact and the reason why it's not representative	The Group believes the sensitivity analyses presented are representative of the risks inherent in the financial instruments.
IFRS 7(42A)-(42H)	Transfers of financial assets	Not applicable to the Group.

Contact us

The PwC Insurance Industry Accounting Group (the IIAG) comprises 22 members with robust insurance industry, technical accounting and actuarial knowledge.

The membership is widespread, with representatives from North America, South America, Asia, Australia, Africa and Europe. The IIAG's multidisciplinary experience from around the world with insights on emerging issues enables the firm to produce timely high-quality technical accounting advice for our clients, promotes consistent application of technical decisions on a global basis and ensures a thought leadership process that helps manage IFRS decision making.

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