

Лазуткина Мария Владимировна
Финансовый университет при Правительстве РФ
Юрасова Ирина Олеговна
Финансовый университет при Правительстве РФ

Анализ изменений в отчете о прибылях и убытках страховых компаний в результате перехода с МСФО 4 на МСФО 17

Аннотация.

Данная статья представляет собой обзор ключевых изменений, вносимых Международным стандартом финансовой отчетности 17 (МСФО 17) «Договоры страхования», в сравнении с его предшественником МСФО 4. Основное внимание уделяется трансформации формата отчета о прибылях и убытках, в частности новому фокусу на финансовом результате от страховой деятельности. В статье детально разбираются основные эффекты перехода, включая переклассификацию статей, учет временной стоимости денег, дисконтирование убытков, введение явной рискковой поправки и новый порядок признания убыточных договоров. Особое внимание уделяется различиям между общей и упрощенной моделью оценки, а также сложностям, возникающим при сравнении отчетности разных компаний из-за различных подходов к распределению операционных расходов. Материал служит практическим руководством для понимания фундаментальных новаций МСФО 17 и их влияния на представление финансовых результатов страховых компаний.

Ключевые слова: IFRS 4, IFRS 17, договоры страхования, страховая компания

Lazutkina Maria Vladimirovna
Financial University under the Government of the Russian Federation
Yurasova Irina Olegovna
Financial University Under the Government of the Russian Federation

Analysis of Changes in Insurance Companies' Statement of Profit or Loss due to the Transition from IFRS 4 to IFRS 17

Abstract. This article provides an overview of the key changes introduced by International Financial Reporting Standard 17 (IFRS 17) Insurance Contracts compared to its predecessor, IFRS 4. It focuses on the transformation of the statement of profit or loss, particularly the new emphasis on the financial result from insurance services. The analysis details the principal transition effects, including the reclassification of line items, the accounting for the time value of money, the discounting of losses, the introduction of an explicit risk adjustment, and the new recognition requirements for onerous contracts. Special attention is given to the differences between the General Model and the Premium Allocation Approach, as well as the challenges in comparability between companies due to divergent methodologies for allocating operating expenses between insurance and operational activities. This work serves as a practical guide to understanding the fundamental innovations of IFRS 17 and their impact on the financial reporting of insurance entities.

Keywords: IFRS 4, IFRS 17, insurance contracts, comparability of reporting, insurance company.

Introduction

The implementation of International Financial Reporting Standard 17 (IFRS 17) Insurance Contracts represents the most significant transformation in insurance accounting in over two decades, fundamentally reshaping how insurers recognize, measure, present, and disclose their financial performance. Replacing IFRS 4, which allowed diverse, often national, accounting practices, IFRS 17 introduces a consistent, principles-based model aimed at enhancing transparency, comparability, and the faithful representation of an insurer's financial position. This shift moves reporting from an input-based model, focused primarily on cash flows, to an output-based model that emphasizes the present value of future cash flows, the explicit recognition of risk, and the separation of insurance service results from investment outcomes. This article provides a structured overview of the key changes introduced by IFRS 17, detailing its impact on the statement of profit or loss, the measurement of insurance contracts, and the consequential challenges and strategic implications for financial reporting within the insurance sector.

Changes in profit or loss due to the transition from IFRS 4 to IFRS 17

Financial reporting under IFRS 17 will have a different structure compared to IFRS 4. The primary focus in the statement of profit or loss will be on the financial result from insurance activities.

The changes are as follows: contracts for outward reinsurance and gross operations are now reported separately. Gross earned premium is now called revenue, and the main portion of the amount is transferred precisely to this line item. Reinsurance, which was included in net earned premiums, is transferred to a separate line "Income and Expenses Related to Held Reinsurance Contracts."

A new line item appears in the "Investment Activity" section, which was not present in IFRS 4: "Financial Income/Expenses from Insurance Contracts." This line includes all effects related to the accounting for the time value of money on insurance liabilities.

There are effects that are not reclassifications but change the recognition amount. In the general measurement model, which is applied infrequently outside of life insurance, primarily in mortgage insurance and other long-term contracts, revenue is not equal to earned premium. This indicator will be greater than earned premium because it accounts for the time value of money. Consider two contracts: one where the entire premium is received upfront, and the second where the premium is received in installments. Under IFRS 4, earned premiums for such contracts did not differ. However, from an economic perspective, the contract where the premium is received upfront is more beneficial, as these funds can be invested to generate investment income before losses occur.

If Premium Allocation Approach is used, recognition will be similar to IFRS 4. However, under the General Measurement Model, an effect exists: for a contract without installments, where the entire premium is received immediately, the total insurance revenue will be higher than for a contract with installments.

For a contract with an upfront premium, the company has the opportunity to invest these funds for an average of six months before losses are incurred, allowing it to earn investment income roughly equal to half of the annual rate. This effect will be reflected in revenue, and the result from insurance activity (Section 1) will increase. A corresponding amount with the opposite sign will be reflected in investment activity. Thus, a portion of investment income is effectively reallocated to insurance activity.

From the line item "Net losses incurred reinsurance" the main part moves to the line "Incurred Insurance Losses and Changes in Liabilities for Incurred Claims." A portion transfers to "Losses from Onerous Contracts," and another portion connected with outward reinsurance moves to "Income and Expenses Related to Outward Reinsurance." Losses are shown on a gross basis, while all reinsurance operations are netted into a single line. All remaining amounts are transferred to the line "Incurred Insurance Losses and Changes in Liabilities for Incurred Claims." "Incurred Insurance Losses" are losses that occurred during the reporting period. They may already be settled or, if not settled, are reflected with created provisions, i.e., at an estimated amount. "Changes in Liabilities for Incurred Claims" is what was previously referred to as "run-off." This reflects the

re-measurement of losses that occurred in earlier periods, which were either paid in a different amount than expected or had their estimate changed in the current period. This "run-off" is now shown as a separate line.

Consider effects that are not reclassifications but change the recognition amount, using the example of the time value of money.

Assume a loss occurs amounting to 1,500 currency units. Under IFRS 4, this amount remained 1,500, even if the loss was settled in one or two years. Under IFRS 17, a loss to be paid in one year is valued at 1,250 currency units on the current date, as investment income (e.g., at 20% per annum) can be earned over the year. Thus, the line "Incurred Insurance Losses" will recognize 1,250, not 1,500. The longer the settlement period for a loss, the lower its current valuation for the company. The remaining 250 will be deducted from investment activity and transferred to insurance activity. If payment occurs in two years, the discounted loss amount would be 1,042 currency units. The ability to defer payment means funds are temporarily invested. The standard requires that investment income arising from the timing difference between premium receipt and loss payment be reflected in the results of insurance activity, not investment activity. This demonstrates that the income is generated specifically from insurance activity, not from abstract investment of assets.

Proceed to the next aspect – the risk adjustment. A best estimate of a loss is one where provisions would be sufficient with a 50% probability. However, in reality, losses may be higher, so the standard requires selecting a level of confidence (conservatism) for provisioning. Most of the market uses a confidence level of 70–80% to ensure sufficiency of provisions. In the financial statements, the best estimate and the risk adjustment are disclosed separately. Under IFRS 4, the confidence level was embedded in the estimate and not separately disclosed, making comparison of liabilities with competitors incorrect, as their risk adjustment could be higher or lower. Now, comparison of liability amounts is possible provided the level of risk adjustment is comparable.

Consider the loss component. Two contracts are given as an example. For one, premiums exceed losses. Under IFRS 4, premiums and losses were recognized evenly over periods. If there was a contract with premiums less than losses, under IFRS 4 these contracts were not analyzed separately. Under IFRS 17, loss-making segments must be considered separately. Profitable contracts are analyzed as before, with even recognition of premiums and losses. For loss-making contracts, revenue (earned premium) will be recognized evenly, while insurance service expenses will be recognized as follows: all excess of losses over premiums (the entire loss) is recognized in the first period, and in subsequent periods, the financial result from the contract will be zero. When results across segments are summed, the financial result will differ from that under IFRS 4.

Regarding reclassifications, first, the reinsurance commission for inward reinsurance must now reduce the premium for inward reinsurance. Second, the main portion of the commission is moved to the line "Amortization of Acquisition Cash Flows," while the commission for outward reinsurance is moved to "Operations for Outward Reinsurance."

Acquisition costs include agency and brokerage commissions, salaries of sales staff, and sometimes a portion of general expenses such as IT support and office rent used by sellers. Under IFRS 4, the commission was earned evenly, while other expenses could be recognized immediately. Under IFRS 17, all acquisition costs must be recognized evenly over the coverage period. If a contract is concluded with installment payments, the commission is also recognized proportionally with installment payments.

In other income and expenses, the most significant change is the result from direct loss compensation operations, which was previously included in other income and expenses and is now moved to the line "Incurred Insurance Losses and Changes in Liabilities for Incurred Claims." This is a reclassification.

Similarly to losses, all income and expenses from direct loss compensation are also subject to discounting.

The transition to IFRS 17 did not affect Section 2 "Investment Activity." Consider Section 3 "Operational Activity."

Under IFRS 4, expenses not related to insurance contracts remained in administrative expenses. IFRS 17 requires creating an expense allocation model that will allocate a portion of operating expenses to insurance losses (moving them from Section 3 to Section 1).

On the international market, one-third of companies move over 95% of expenses to Section 1, one-third move 85–95%, and one-third move less than 85%. In the Russian market, predominantly 50–60% of expenses are moved to Section 1. When comparing financial statements with competitors, this effect leads to different perspectives on insurance activity. If a company transfers 95% of expenses to Section 1, the result from insurance activity appears worse not due to the quality of the insurance portfolio but because a larger portion of general expenses is attributed to insurance. If only 40% of expenses are transferred, the result from insurance activity appears better, but a significant line item for administrative expenses remains. Since these amounts are now reported in different sections, direct comparison of financial results between companies becomes challenging.

Conclusion

In conclusion, the adoption of IFRS 17 marks a paradigm shift towards greater economic realism and comparability in insurance financial reporting. By mandating a consistent measurement model based on the present value of future cash flows, explicitly disclosing risk adjustments, and separating insurance service performance from investment outcomes, the standard provides stakeholders with a clearer, more faithful representation of an insurer's profitability and risk profile. However, this enhanced transparency comes with significant implementation complexity. Insurers must navigate new accounting mechanics, such as discounting, the treatment of onerous contracts, and the allocation of operational expenses, which can lead to substantial volatility in reported earnings. Ultimately, while IFRS 17 imposes a considerable operational burden, its successful implementation promises to foster more disciplined risk management, improve market discipline, and lead to a better-informed assessment of the insurance industry's financial health and value creation.

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Сведения об авторах

Лазуткина Мария Владимировна, бакалавр, Финансовый университет при Правительстве РФ, Москва, Россия.

Юрасова Ирина Олеговна, кандидат экономических наук, доцент кафедры аудита и корпоративной отчетности Факультета налогов, аудита и бизнес-анализа Финансового университета при Правительстве РФ, Москва, Россия.

Information about the authors

Lazutkina Maria Vladimirovna, bachelor's degree, Financial University under the Government of the Russian Federation, Moscow, Russia.

Yurasova Irina Olegovna, Candidate of Economics, associate Professor of the Department of Audit and Corporate Reporting Faculty of Taxes, Audit, and Business Analysis, Financial University Under the Government of the Russian Federation, Moscow, Russia.