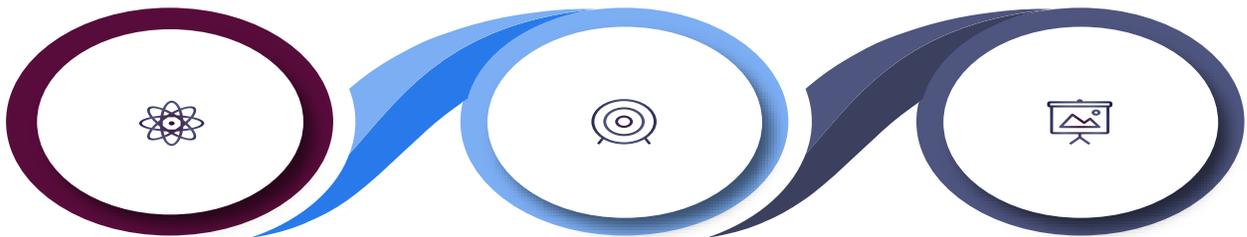# IFRS17- Level of Aggregation

## Introduction

IFRS17 necessitates all entities writing insurance contracts to identify portfolios of insurance contracts, subdivided into various groups at initial recognition. The three key parameters for grouping are as below:

**Insurance Contracts divided according to Risk Condition**

**Further subdivision of contracts based on Time Condition**

**Final groups decided by subdividing as per Profitability Condition**

## Other Considerations

Some key things to be kept in mind for entities, while grouping their business are:

**Assessment of Groups**
No reassessment of Groups of contracts can be done after being identified at initial recognition

**Grouping of contracts 1 year apart**
IFRS 17 mentions that the contracts that are issued one year apart will have to be allocated to the new groups. Companies can investigate aligning its grouping with respect to financial year for the ease of grouping.

**Framework**
The Company should look to devise a framework which uses their existing reporting frameworks to determine the broad group in which the contracts are likely to fall when measured as per IFRS 17.

**Legal Constraints**
If contracts within a portfolio fall in different groups only because law and/or regulation specifically constraints the entity's practical ability to set a different price for different characteristics, the entity may include those contracts in the same group.

**Measurement**
To measure a group of contracts, the entity may estimate fulfilment cashflows at a higher level of aggregation than the group or portfolio.

**Liability for past service**
Groups may have liabilities that may be outstanding beyond the coverage period such as liabilities for IBNR claims. Thus, companies need to hold the liability as part of the respective Group which will remain active until settlement date.

Level of Aggregation of Insurance Contracts is key in IFRS17 as the groups once formed cannot be changed/revisited and are subsequently used for computing all the key cashflows. If you have not started grouping your business to be IFRS17 ready, it is now time to begin the gap assessment.

To gain more insights on the above grouping considerations under IFRS17 or for any other related discussions, please feel free to reach out to us at kap@ka-pandit.com.

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