

# IFRS 9/17 Glossary of main terms in alphabetical order

**Contractual service margin (CSM)**

A component of the asset or liability for the group of insurance contracts that represents the unearned profit the entity will recognise as it provides services in the future

**Liability for remaining coverage (LRC)**

The portion of the fulfilment cash flows that relates to coverage that will be provided under the contract in future periods plus the remaining CSM

**Fair Value Approach (FVA)**

A permitted transition approach as an alternative to the MRA for a group of contracts when FRA of that group of contracts is impracticable or MRA is not applicable

**Loss component**

Part of the LRC and represents the amount of losses arising from a group of onerous contracts

**Fair value through profit and loss (FVTPL)**

FVTPL means, that at each balance sheet date the asset or liability is remeasured at fair value and any movement in that fair value is directly taken to P&L

**Modified Retrospective Approach (MRA)**

A transition approach that allows for certain modifications to a full retrospective approach

**Full Retrospective Approach (FRA)**

A transition approach to determine the CSM (and OCI) as if IFRS 17 had always been applied

**Onerous contract test (OCT)**

An onerous contract test is necessary to identify and recognise onerous contracts and their respective losses. An onerous contract is a contract in which fulfilment cash outflows exceed the economic benefits expected to be received under the contract

**General Measurement Model (GMM) / Building-Block Approach (BBA)**

GMM – formerly BBA – is used to refer to the general methodology that applies to the measurement of insurance contracts as opposed to the simplified PAA or the VFA for participating primary business

**Other comprehensive income (OCI)**

The OCI is to reduce P&L volatility by parking effects from changes in interest rates and other market variables in equity (and releasing it to profit and loss over time respectively at the disposal date) instead of showing effects directly in P&L

**Group of Contracts (GoC)**

Contracts within a portfolio of contracts that are grouped together based on profitability levels and issued no more than 12 months apart

**Premium Allocation Approach (PAA)**

A simplified form of measuring insurance contracts in comparison with the GMM, which is permitted if the coverage period of contracts in a group is one year or less or more than a year if the entity can sufficiently prove that the approach does not significantly deviate from the GMM

**Liability for incurred claims (LIC)**

Comprises the fulfilment cash flows for claims and expenses already incurred but not yet paid

**Risk Adjustment (RA)**

Reflects the compensation an entity requires for bearing the uncertainty about amount and timing of cash flows that arise from non-financial risks as the entity fulfills insurance contracts

**Variable Fee Approach (VFA)**

A measurement model that is applied to insurance contracts with direct participation features and can be understood to be amended version of the GMM