IFRS - 4

Insurance Contracts

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Objective

1. The purpose of this is to specify IFRS financial information to be provided on insurance contracts, the issuer of such contracts (which is named in the IFRS insurer), until the Council completes the second phase of this project insurance contracts. In particular, the IFRS requires:

   (a) Perform a set of limited improvements in accounting for insurance contracts by insurers.

   (b) Financial instruments that give a discretionary component of participation (see paragraph 35). IFRS 7 Financial Instruments: Disclosure requires disclosure on financial instruments, including instruments that contain this component.

Scope

2. An entity shall apply this to IFRS:

   (a) Insurance contracts (including reinsurance contracts to accept) that emits and reinsurance contracts ceding.

   (b) Financial instruments that give a discretionary component of participation (see paragraph 35). IFRS 7 Financial Instruments: Disclosure requires disclosure on financial instruments, including instruments that contain this component.

3. This IFRS 3 does not address other aspects of the accounting of insurance companies, as the accounting for financial assets owned by insurance companies and financial liabilities issued by insurers (see IAS 32 and IAS 39 Financial Instruments: Recognition and Measurement) Except as provided in the transitional provisions of paragraph 45.

4. An entity shall not apply to the IFRS:

   (a) The product guarantees issued directly by the manufacturer, wholesaler or the retailer (see IAS 18 Revenue and IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

   (b) The assets and liabilities of employers arising from defined benefit plans (see IAS 19 employees and IFRS 2 Share-based payment), or obligations of retirement benefits for which reported plans by defined benefit retirement (see IAS 26 Accounting and financial information on plans for retirement benefits).

(c) contractual rights and obligations of contractual rate quota, dependent on the future use, or the right to use, a non-financial (e.g. some fees for licensing, royalties, fees contingent on leases and other similar items) And the guaranteed residual value for the tenant who is implicit in a leasing agreement (see leases IAS 17, IAS 18 Revenue and IAS 38 Intangible Assets).

(d) The financial surety, unless the issuer has previously established and explicitly believes that such contracts as insurance and has used accounting applicable to insurance contracts, in which case either apply IAS 32 and IAS 39 or this Standard to such financial surety. The issuer may decide this contract by contract, but once the decision is irrevocable.

(e) contingent counterparts, payable or receivable in a business combination (see IFRS 3 Business Combinations).

(f) direct insurance contracts held by an entity (i.e., direct insurance contracts where the entity is the policy-holder). However, the transferor to apply the IFRS reinsurance contracts ceding.

5. For ease of reference, the IFRS called insurer to any entity that issues an insurance contract, regardless of whether that entity is considered insurance for legal purposes or oversight.

6. A contract of reinsurance is a type of insurance. Accordingly, all references to insurance contracts, in the IFRS, also apply to contracts of reinsurance.

Embedded Derivatives

7. IAS 39 requires that an entity separate certain embedded derivatives of its major contracts, and measured at fair value, accounting for changes in income for the year. IAS 39 applies also to embedded derivatives in an insurance contract, unless the derivative in question is in itself an insurance contract.

8. As an exception to the requirement set out in IAS 39, the insurer does not require separate, or to measure at fair value, the option that the policyholder has to rescue the insurance contract for a fixed amount (or an amount based on a lump sum plus an interest rate), even if the exercise price is different from the carrying amount of the liabilities arising from the primary insurance. However, the requirement of IAS 39 applies to a put option or an option to redeem in cash, which are implicit in a main contract, provided that the surrender value varies depending on the change in a variable financial (as a price or price index referring to actions or raw materials listed), or change in a non-financial variable that is not specific to one side of the contract. Moreover, this requirement also applies if the policyholder the possibility of exercising the put option or

the option to rescue cash is activated when there is a change in that variable (for example, a put option that can be exercised if a particular stock index reaches a default).

9. Paragraph 8 will also apply to options to rescue a financial instrument that contains a discretionary participation component.

Unbundling of the components of deposit

10. Some insurance contracts contain both a component of insurance as a component of deposit. In some cases, the insurer shall be bound or have the power to dissociate these components:

(a) The decoupling is obligatory if the following conditions are met:

(i) An insurance company can assess the component of deposit (including any options rescue implied) separately (i.e., without considering the insurance component).

(ii) The accounting policies of the insurer do not require that recognizes all rights and obligations under the deposit component.

(b) The separation is permitted, but not mandatory, if the insurer can assess separate component of deposit, as described in paragraph (a) (i) above, but their policies accounting require that recognizes all rights and obligations under the deposit component, regardless of the bases that are used to value these rights and obligations.

(c) The separation will be prohibited if the insurance company cannot assess a separate component of the deposit, as set forth in paragraph (a) (i) above.

11. were inserted after an example where the accounting policies of the insurer does not require that recognizes all obligations under a deposit component. A transferor is entitled to receive compensation for losses by an entity reinsurer, but the contract obliges him to repay compensation in future years. This obligation is derived from a component of deposit. If the accounting policies of the transferor would enable it to recognize compensation as an income, without acknowledging the obligation resulting decoupling is mandatory.

12. To proceed with the dissociation of a contract, the insurance company:

(a) apply to the IFRS insurance component.

(b) apply IAS 39 to deposit component.

Recognition and Measurement

Temporary exemption from compliance with other IFRS

13. In paragraphs 10 to 12 of IAS 8 Accounting policies, changes in accounting estimates and errors specifies the criteria that the entity used to develop an accounting policy when there is no IFRS that is specifically applicable to a game. However, this IFRS exempts the insurer to apply these criteria in its accounting policies relating to:

(a) insurance contracts it issues (including both procurement costs as intangible assets associated with them, such as those described in paragraphs 31 and 32);

(b) reinsurance contracts ceding.

14. However, this IFRS does not relieve the insurer to comply with certain implications of the criteria set out in paragraphs 10 to 12 of IAS 8.Específicamente, the insurer:

(a) not recognized as liabilities provisions for claims incurred but not reported whether these claims arising from insurance contracts which do not exist at the date of the financial statements (such as provisions for disasters or stabilization).

(b) to carry out the test of adequacy in liabilities as described in paragraphs 15 to 19.

(c) remove a liability arising from insurance (or part thereof) of its balance sheet when and only when it is extinguished, i.e. when the obligation specified in the contract is awarded or canceled or expires its enforceability .

(d) not compensated:

(i) assets arising from reinsurance contract with liabilities arising from insurance that relate to them, or

(ii) expenses or income from reinsurance contracts with income or expenditure, respectively, of insurance contracts that relate to them.

(e) has deteriorated considerably if the value of its assets arising from reinsurance contracts (see paragraph 20).

Test adequacy of liabilities

15. **The insurer will assess, at each balance sheet date, the adequacy of liabilities arising from insurance contracts which recognized using the most current estimates of future cash flows from its insurance contracts. If the assessment showed that the carrying amount of its liabilities arising from insurance contracts (less deferred acquisition costs and intangibles that relate to them, such as those discussed in paragraphs 31 and 32) is not suitable , Considering the estimated future cash flows, the total amount of the difference that has occurred will be recognized in profit or loss.**

16. If the insurer applies a test of adequacy of liabilities that meets the minimum requirements specified, the IFRS does not impose additional requirements. These minimum requirements are as follows:

    (a) The test considers the current estimates of all cash flows arising from contracts, and cash flows associated with them as the costs of processing claims, as well as cash flows coming from the options and guarantees implied.

    (b) If the test shows that liabilities inappropriate, the total amount of the difference is recognized in profit or loss.

17. If the accounting policies followed by the insurance practice of not requiring a test of adequacy of liabilities that meets the minimum requirements of paragraph 16, the insurer:

    (a) Determine the carrying amount of insurance liabilities that are relevant * less the carrying amount of:

        (i) deferred acquisition costs that relate to such liabilities;

        (ii) related intangible assets, such as those acquired in a business combination or an assignment portfolio (see paras 31 and 32). However, assets related to reinsurance are not involved, because the insurer counted separately (see paragraph 20).

    (b) Determine whether the amount described in (a) is less than the carrying amount that would be required if the liabilities arising from insurance contracts were relevant within the scope of IAS 37 Provisions, contingent liabilities and contingent assets. If that were the case, the insurer will recognize the difference in total profit or loss, minorities and the carrying amount of deferred acquisition costs or related intangible assets, or increase the carrying amount of liabilities arising from contracts Insurance relevant.

18. If the test of adequacy of the liabilities of the insurer complied with the minimum requirements of paragraph 16, shall apply with the level of aggregation specified in this test. If, however, the adequacy test in liabilities not meet these minimum requirements,

the comparison described in paragraph 17 will be considering a portfolio of contracts that are, generically, and similar risks are managed together as a single portfolio .

19. The amount described in paragraph (b) of paragraph 17 (i.e., the result of applying IAS 37) reflect the margins of future investment (see paragraphs 27 to 29) if and only if the amount described in paragraph (a) of paragraph 17 also reflect these margins.

Impairment of Assets arising from reinsurance contracts

20. If it has deteriorated the value of an asset arising from reinsurance contracts ceded, the transferor will reduce its carrying amount, and will recognize a loss for the deterioration of value in profit or loss. An asset arising from reinsurance contracts it will have deteriorated its value, and only if:

(a) There is objective evidence, as a result of an event that occurred after the initial recognition of assets by reinsurance, that the assignor may not receive all amounts that are debited to the terms of the contract, and

(b) that event has an effect that can be reliably assess on the amounts that the transferor will receive the reinsurance entity.

Changes in accounting policies

21. Paragraphs 22 to 30 shall apply to changes made by an insurer that already applies IFRS, and to conduct an insurer being taken for the first time IFRS.

22. **An insurer may change its accounting policies for insurance contracts if, and only if, the change to make financial statements more relevant, but no less reliable for the purposes of making economic decisions of users, or more reliable, but no less important to meet those needs. The insurer will judge the relevance and reliability according to the criteria of IAS 8.**

23. To justify the change in its accounting policies on insurance contracts, the insurer show that switching more about its financial statements to the criteria of IAS 8, although the change does not need to meet all those criteria. We discuss below the following specific issues:

(a) interest rates today (paragraph 24);

(b) continuity of existing practices (paragraph 25);

(c) prudence (paragraph 26);

(d) margins of future investment (paragraphs 27 to 29);

(e) tacit (paragraph 30).

Interest rates current market

24. It is allowed but not required, that the insurer will change its accounting policies and re-appointed * liabilities arising from insurance contracts, in order to reflect interest rates prevailing market, recognizing the changes in those liabilities in profit or loss. At that time, it may also introduce accounting policies that require other estimates and assumptions to current liabilities appointed. The election described in this paragraph allows the insurer to change its accounting policies for liabilities designated, without having to apply these policies uniformly to all similar liabilities, as would have required IAS 8. If the insurer appoint some liabilities to implement this treatment option, will continue to implement the market interest rates today (and, if any, other current estimates and assumptions) evenly to all those liabilities in the exercises until they were extinguished.

Continuity of existing practices

25. The insurer can continue with the practices listed below, but cannot introduce any of them because it goes against paragraph 22:

(a) Rate liabilities arising from insurance contracts without a discount figures.

(b) Rate contractual rights relating to future investment management fees by an amount that exceeds its fair value, obtained by comparison with the committees currently charged other stakeholders in the market for similar services. It is likely that at the start of these contractual rights, fair value is equal to generation costs paid by obtaining them, unless future investment management fees and related costs are not in line with comparable on the market.

(c) Using non-uniform accounting policies for insurance contracts of dependents (and, where appropriate, for deferred acquisition costs and intangibles that relate to such contracts), except as permitted by paragraph 24. If these accounting policies were not uniform, the insurer may change, subject to change accounting policies are not more dispersed, and meet all the requirements of the IFRS.

Prudence

26. The insurer will not have to change its accounting policies for insurance contracts in order to eliminate excessive prudence. However, if the insurer and appreciates their insurance contracts with sufficient caution, not introduce additional doses of it.

Margins investment future

27. The insurer does not need to change its accounting policies for insurance contracts in order to eliminate future investment margins. However, there is a rebuttable presumption that the financial statements of the insurer will become less relevant and less reliable if they introduced an accounting policy that reflects future investment margins in the valuation of insurance contracts, except those that affect margins contractual payments. The two following examples illustrate accounting policies that reflect these margins:

(a) use a discount rate that reflects the expected return on assets of the insurer, or

(b) projecting yields of these assets according to an estimated rate of return, then discounting the projected yields to a different type, and including the outcome in the valuation of liabilities.

28. An insurer may obviate the rebuttable presumption described in paragraph 27 if and only if, all other components of a given change in accounting policies increase the relevance and reliability of its financial statements, to an extent sufficient to offset loss of relevance and reliability posed by the inclusion of future investment margins. For example, it can be assumed that accounting policies for insurance contracts, in a particular insurer, consist of a set of assumptions overly cautious from the start and a discount rate prescribed by the regulator, without direct reference to market conditions. In addition, the insurer ignores some options and guarantees implicit in the contracts. The insurer could get some financial statements more relevant and not less reliable, changing accounting standards generally targeted to the investor, which are widely used and involve:

(a) current estimates and assumptions;

(b) a reasonable adjustment (but not excessively prudent) to reflect the risk and uncertainty;

(c) valuations that reflect both the intrinsic value as the time value of the options and implied warranties in contracts;

(d) a discount rate of current market, even if such discount reflects the estimated yield of the assets of the insurance company.

29. In some assessment procedures, the discount rate used to determine the current value of a future profit margin. This profit is distributed among different time periods using a

formula. In proceedings cited, the discount rate only indirectly affects the valuation of liabilities. In particular, using a discount rate that is less appropriate to have a limited or no effect on the valuation of liabilities at the beginning of the transaction. However, in other proceedings, the discount rate determines a direct valuation of liabilities. In the latter case, because the introduction of a discount rate based on assets has a more significant effect, it is highly unlikely that the insurer may obviate the rebuttable presumption of paragraph 27.

Accounting tacit

30. In some models accounting, losses or gains made on assets of the insurer have a direct effect on the valuation of some or all of the following items: (a) its liabilities arising from insurance contracts, (b) costs deferred acquisition related and (c) intangible assets associated with them too, as these items are described in paragraphs 31 and 32. It allows, but does not require the insurer to change its accounting policies so that the gain or loss recognized but unrealized, in assets, affecting such valuations in the same way that a realized profit or loss. The corresponding adjustment to liabilities arising from insurance contracts (or deferred acquisition costs or intangible assets) will be recognized in equity if, and only if, unrealized gains or losses are recognized directly in equity. This practice is sometimes referred to as "tacit accounting."

Insurance contracts acquired in a business combination or a transfer portfolio

31. To comply with IFRS 3 Business Combinations, the insurer, on the date of acquisition, measured at fair value liabilities arising from insurance contracts entered into, as well as the assets be assured that it has acquired in business combination. However, it is permitted, but not required, the insurer to use a form of disaggregated presentation, consisting of decomposing the fair value of acquired insurance contracts into two components:

    (a) A liability valued in accordance with the accounting policies that the insurer used for insurance contracts it issues, and

    (b) An intangible asset, which represents the difference between (i) the fair value of contractual rights and obligations arising from insurance contracts assumed and acquired and (ii) the amount described in (a). The subsequent valuation of this asset is consistent with the valuation of liabilities arising from insurance contracts related.

32. The insurer acquiring a portfolio of insurance contracts may use the disaggregated presentation described in paragraph 31.

33. The intangible assets described in paragraphs 31 and 32 are excluded from the scope of IAS 36 Impairment of Assets and IAS 38 Intangible Assets. However, IAS 36 and IAS 38 will apply to customer lists and customer relationships that reflect expectations of future contracts, but not forming part of the rights or contractual obligations of insurance in existence when of the business combination or the assignment of portfolios.

Components of discretionary participation

Components of discretionary participation in insurance contracts

34. Some insurance contracts contain a component of discretionary participation, as well as a component guaranteed. The issuer of such contracts:

(a) May, but is not required, to recognize the element of guaranteed separately from the discretionary component of participation. If the issuer does not recognize the separate, classified the contract as a whole as a liability. If the issuer those classified separately consider the element guaranteed as a liability.

(b) qualify, if recognized the participation component separately from the discretionary element guaranteed, the same as a liability or as a separate component of equity. In the IFRS did not specify how the issuer can determine whether that is a component part of the liabilities or equity. The issuer may also unbundle this component in batches of liabilities and net worth, in which case they will use a uniform accounting policy with unbundling made. The issuer does not classify this component within an intermediate category that is neither liability nor equity.

(c) You may recognize all premiums received as ordinary income, not separate any part of the same as it relates to the equity component. The corresponding changes in the guaranteed element and part of discretionary participation component classified as liabilities are recognized in profit or loss. If all or part of the discretionary component of participation are classified as equity, a portion of those results can be attributed to that component (the same way that a portion attributable to minority interests). The issuer will recognize the results attributable to the equity component of the discretionary participation, as a distribution of outcomes, not as an expense or income (see IAS 1 Presentation of Financial Statements).

(d) Implement IAS 39, if the contract contains an embedded derivative that is within the scope of IAS 39, in this embedded derivative.

(e) will continue to apply in all untreated ends in paragraphs 14 to 20 and in paragraphs (a) to (d) of paragraph 34, its accounting policies in relation to these contracts, unless such changes in accounting policies way that complies with the provisions of paragraphs

21 to 30.

Components of discretionary participation in financial instruments

35. Requirements set out in paragraph 34 also apply to financial instruments that contain an element of discretionary participation. In addition:

(a) If the issuer classify the entire component of discretionary participation as a liability, apply the test of adequacy of liabilities set out in paragraphs 15 to 19 to the contract as a whole (that is, both the guaranteed element as the component discretionary participation). The issuer need not determine the amount that would apply IAS 39 to element guaranteed.

(b) If the issuer graded all or part of this as a separate component of net assets, liabilities recognized by the contract as a whole will not be less than the amount that would apply IAS 39 to element guaranteed. This amount includes the intrinsic value of any options rescue of the contract, but need not necessarily include its time value if paragraph 9 exempts that option be measured at fair value. The issuer need not disclose the amount that would apply IAS 39 to element guaranteed, nor present this amount separately. In addition, the issuer does not need to determine that amount if the total liabilities recognized clearly has a greater value.

(c) Although these contracts are financial instruments, the issuer may continue to recognize the premiums received by them as ordinary income, and recognize as an expense increases related carrying amount of the liabilities.

(d) Although these contracts are financial instruments, the issuer to implement the contents of paragraph (b) of paragraph 19 of IFRS 7 to contracts with a discretionary participation component, will reveal the total amount of interest expense recognized in profit exercise, but you will not need to calculate those interests by applying the effective interest method.

Disclosure

Explanation of the amounts recognized

36. **The insurer disclosed in its financial statements, information that helps users of the same to identify and explain the amounts that come from their insurance contracts.**

37. In order to comply with the provisions of paragraph 36, the insurer disclose the following information:

(a) Its accounting policies relating to insurance contracts and assets, liabilities, income and expense that relate to them.

(b) Assets, liabilities, revenues and expenses recognized (and, in this case that the cash flow statement by the direct method, cash flows) coming from insurance contracts. In addition, if the insurer is also assignor reinsurance, revealed:

(i) gains and losses recognized in profit or loss for reinsurance ceded;

(ii) whether the transferor postponed amortization and gains and losses from reinsurance ceded, the depreciation of the financial year and figures to remain any unamortized at the beginning and end of it.

(c) The procedure used to determine the assumptions that have a greater effect on the valuation of the amounts recognized referred to in paragraph (b). Whenever possible, the insurer will also quantitative information regarding these assumptions.

(d) The effect of changes in the assumptions used to value assets arising from insurance contracts and liabilities arising from insurance contracts, showing separately the effect of each of the changes that have had a significant effect in states Financial.

(e) Reconciliations of changes in liabilities arising from insurance contracts, assets arising from reinsurance contracts and, where appropriate, in deferred acquisition costs that relate to the past.

The nature and extent of risks arising out of insurance contracts

38. **The insurance company will reveal information that enables users of its financial statements, assessing the nature and extent of risks arising from insurance contracts.**

39. In order to comply with the provisions of paragraph 38, the insurer disclose the following information:

(a) Its objectives, policies and processes to manage the risks arising from insurance contracts, as well as methods used in such management.

(b) [deleted]

(c) information on the risk insurance (both before and after mitigate the same through reinsurance), including information concerning:

(i) sensitivity to risk insurance (see paragraph 39A).

(ii) concentrations of risk insurance, including a description of how it determines the direction these concentrations, as well as a description of shared characteristics that identify each concentration (for example the type of event insured, geographic area or currency).

(iii) claims actually produced compared to previous estimates (i.e., the evolution of the accident). The information on the evolution of the accident shall refer to the time interval since the first incident arose for which there is still uncertainty regarding the amount and timing of payment of benefits, without having to retrospectively beyond ten years. An insurance company does not have to disclose this information for claims in which the uncertainty regarding the amount and timing of the payments of benefits is resolved, usually within a year.

(d) information with respect to credit risk, liquidity risk and to the market risk that would be required to provide, under paragraphs 31 to 42 of IFRS 7, assuming that insurance contracts were within the scope of this Standard. However:

(i) There is no need for an insurer facilitate the analysis of maturity required in paragraph (a) of paragraph 39 of IFRS 7 reveals if, instead, about the estimated timing of net cash outflows from liabilities Recognized by insurance. This information may take the form of an analysis, according to the estimated dates of the amounts recognized in the balance.

(ii) If an insurer uses an alternative method to manage sensitivity to market conditions, such as an analysis of implied value, may use that sensitivity analyses to meet the requirement of paragraph (a) of paragraph 40 of IFRS 7. The insurer also disclose the information required by paragraph 41 of IFRS 7.

(e) information about exposure to market risk from embedded derivatives in an insurance contract that is their main contract, where the insurer is not required to measure at fair value these embedded derivatives, nor has opted by doing so.

39A To comply with the provisions of subparagraph (i) of paragraph (b) of paragraph 39, an insurer may choose to disclose the contents of paragraphs (a) or (b) through:

(a) A sensitivity analysis showing how it could have affected the outcome of the exercise and equity due to changes in the relevant risk variable, as reasonably possible occurrence in the balance sheet date; methods and assumptions used to prepare the sensitivity analysis, and any change in these methods and assumptions from the previous year. However, if an insurer used an alternative method to manage sensitivity to market conditions, such as analysis of implied value, could fulfill this requirement to reveal details of this sensitivity analysis alternative, as well as information required by the paragraph 41 of IFRS 7.

(b) qualitative information about the sensitivity, and information on the terms and conditions of insurance contracts that have a significant effect on the amount, timing and uncertainty of the cash flows of the insurer.

Effective date and transitional arrangements

40. The transitional provisions of paragraphs 41 to 45 apply to an entity that is already applying IFRS, where it applies this standard for the first time as it takes for the first time IFRS (first-time adopter).

41. The entity shall apply the IFRS for annual periods beginning on or after January 1, 2005. We recommend the early implementation. If an entity applies the IFRS in a prior period, disclose that fact.
The document called 41A Contracts for financial security (amendments to IAS 39 and IFRS 4), issued in August 2005, amended subsection (d) of paragraph 4, subsection (g) of B18 paragraph and paragraph (f) paragraph 19. An entity shall apply such changes for the years beginning on or after January 1, 2006. Early application is recommended. If an entity applies those changes to a previous year, it shall inform and apply, while the corresponding changes to IAS 39 and IAS 32.

Disclosure

42. The entity does not need to apply the requirements on disclosure of the IFRS to comparative information that relates to annual periods have begun before January 1, 2005, except for the information required by paragraphs (a) and (b) Of paragraph 37 on accounting policies as well as assets, liabilities, income and expense that would have recognized (and cash flows by using the direct method).

43. If it impracticable to enforce an order of specific paragraphs 10 to 35 to comparative information relating to the annual exercises whose home was prior to January 1, 2005, the entity disclose that fact. Applying the test of adequacy of liabilities (paragraphs 15 to 19) that comparative information would be impracticable in some cases, but it is highly unlikely that it is also implementing other requirements contained in paragraphs 10 to 35 this comparative information. In IAS 8 explains the meaning of "unworkable".

44. In applying paragraph 44 (c) (iii) of paragraph 39, an entity not disclose accurate information about the evolution of accidents that has taken beyond the five years preceding the first year to implement the IFRS. Moreover if, when applying for the first

time this IFRS, was unworkable preparing information on developments in the accident that occurred before the start of the first year for which complete entity present comparative information that complies with the Standard, disclose that fact.

Redesign of financial assets

45. Where an insurance company changed its accounting policies on liabilities arising from insurance contracts may, but without obligation to do so, to reclassify all or part of their financial assets accounted for as' at book value with changes in results'. This reclassification is permitted if the insurer changed accounting policies when applying for the first time this IFRS, and then makes policy change permitted by paragraph 22. The upgrading is a change in accounting policy, which applies IAS 8.

Appendix A

Definitions of terms

This appendix is an integral part of IFRS.

Assets arising from insurance contracts

The contractual rights net of insurance, arising out of an insurance contract.

Assets arising from reinsurance ceded

The net contractual rights of the transferor, in a contract of reinsurance.

Insurance (entity)

The party, in an insurance contract, has an obligation to compensate the policyholder in the event of the insured event.

Assignor

The holder of the policy in a reinsurance contract.

Component of Deposit

A component contract that does not count as a derivative, according to IAS 39, but would be within the scope of IAS 39 if it were a separate instrument.

Participation Component Discretionary

A contractual right to receive, as a supplement to the guaranteed benefits, additional ones:

(a) which provides represent a significant portion of the total contractual benefits;

(b) the amount or date of onset is contractually at the discretion of the issuer;

(c) that are contractually based on:

(i) the performance of a specific set of contracts or of a specific type of contract;

(ii) investment returns, which can be realized, unrealized or both, under a specific set of assets owned by the issuer, or

(iii) the result of the company, fund or other entity issuing the contract.

Contract surety

A contract which requires that the issuer make specific payments to reimburse the holder for the loss incurred by the debtor when a specific breach of its obligation to pay, in accordance with the conditions, original or amended, of a debt instrument.

Insurance

A contract in which one party (the insurer) accepts a significant risk insurance for the other party (the holder of the policy), agreeing to compensate the policyholder if an event occurs uncertain future (the insured event) that affects adversely on the policyholder Insurance (see Appendix B which contains guidelines on this definition).

Direct insurance

All insurance other than a reinsurance contract.

Guaranteed Element

An obligation to pay guaranteed benefits, included in a contract that contains an element of discretionary participation.

Insured Event

An uncertain future event that is covered by an insurance contract and creates risk insurance.

liability Insurance L

Contractual obligations net of insurance, arising out of an insurance contract.

Guaranteed Benefits

The payments or other benefits for which the policyholder under the policy or the investor has an unconditional right, which is not subject to the discretion of the issuer.
adequacy test liabilities
An assessment of whether the carrying amount of liabilities arising from insurance contract needs to be increased (or decreased the carrying amount, related assets and liabilities, deferred acquisition costs or the intangible assets), based on a review of future cash flows.

Reinsurer (entity)

The party, in a reinsurance contract, has an obligation to compensate the transferor in the event of the insured event.

Risk Insurance

Any risk, other than financial risk, transferred by the policyholder of a contract to the issuer.

Financial Risk

The risk posed by a possible future change in one or more of the following variables: an interest rate specified the price of a financial instrument, the price of a commodity trading, an exchange rate, a price index or interest, A credit rating or an index or other variable. If this is a non-financial variable, it is necessary that the same is not specific to one of the parties to the contract.

Dissociate

Account for the components of a contract as if they were separate contracts.

Policyholder's Contract

The part of the contract surely acquires the right to be compensated in the event of the insured event.

Fair Value

The amount by which an asset could be exchanged, canceled or a liability, among stakeholders and duly informed in a transaction conducted in arm's length.

Appendix B

Definition of insurance

This appendix is an integral part of IFRS.

B1 In this appendix provides guidelines on the definition of insurance given in the Appendix A. It addresses the following topics:

(a) "uncertain future event" (paragraphs B2 to B4);

(b) payment in kind (B5 paragraphs to B7);

(c) risk insurance and other risks (paragraphs B17 to B8);

(d) examples of insurance contracts (paragraphs B18 to B21);

(e) significant risk insurance (paragraphs B22 to B28);

(f) changes in the level of risk insurance (paragraphs B29 and B30).

Event uncertain future

Uncertainty B2 (or risk) is the whole essence of insurance. Accordingly, at least one of the following factors must be uncertain at the beginning of an insurance contract:

(a) if the event does not produce or insured;

(b) when they occur, or

(c) how much would have to pay the insurance if they produce.

B3 In some insurance contracts, the insured event is the discovery of a loss during the duration of the contract, even if the loss in question originated from an event occurred before the start of the contract. In other insurance contracts, the insured event must take place within the duration of the contract, even if the resulting loss was discovered after the end of the term of the contract.

B4 Some insurance policies cover events that have already occurred, but whose financial effects are still uncertain. An example is a reinsurance contract covering the insurance directly against the unfavorable evolution of the accident and declared by policyholder's policies. In these contracts, the insured event is the discovery of the final cost of such benefits.

Payments in kind

B5 Some insurance contracts require or allow payments are made in kind. For example when the insurer directly replaces an item stolen, rather than repay the amount the policyholder under the policy. Another example occurs when the insurer uses its own hospitals and medical personnel to provide medical services covered by the contracts.

B6 Some service contracts fixed quota, where the level of service depends on an uncertain event, meet the definition of insurance provided in this IFRS, but are not regulated as insurance contracts in some countries. One example is the maintenance contracts in which the service provider agrees to repair a team if you have specific breakdowns. The flat fee for the service is based on the number of failures expected, but there is uncertainty about whether specific equipment will stop working. The breakdown of the team affects its owner, so that the contract compensates the same (in kind, not cash). Another example is contract assistance for automobiles, in which the owner agrees, in exchange for a fixed annual fee, repair the vehicle on the road or towed to the nearest workshop. The latter contract meets the definition of insurance, even if the service provider is not carrying out repairs or not to bear the cost of parts replaced.

B7 The implementation of this IFRS to contracts mentioned in paragraph B6 are not expected to be more burdensome that the application of IFRS to be used if the contracts were outside the scope of this Standard:

(a) is unlikely to take significant liabilities by breakdowns or breaks already occurred.

(b) If you apply IAS 18 Revenue, the service provider would recognize ordinary income based on the level of achievement (as well as other specific criteria). This procedure will also be acceptable within this IFRS, which allows the service provider (i) continue with their current accounting policies for these contracts unless it involves practices prohibited under paragraph

14, and (ii) to improve their accounting policies if they allow paragraphs 22 to 30.

(c) The service provider will consider whether the cost of complying with its contractual obligation to provide it exceeds the amount of regular income received in advance. To do this, apply the test of adequacy liabilities described in paragraphs 15 to 19 of the IFRS. If this rule is not applicable to such contracts, the service provider apply IAS 37 Provisions, contingent liabilities and contingent assets to determine whether the contracts were onerous for the entity.

(d) For such contracts, it is unlikely that the requirements to disclose information contained in this IFRS add significant revelations regarding which are binding in other IFRS.

The distinction between risk insurance and other hazards

B8 The definition of insurance referred to the risk insurance, which is defined in the IFRS as any risk, other than financial risk, transferred by the policyholder of a contract to the same issuer. A contract setting out the issuer to a financial risk, but that does not have a significant component of risk insurance is not an insurance contract.

B9 The definition of financial risk in Appendix A, includes a list of non-financial and financial variables. The list contains non-financial variables that are not specific to any party to the contract, such as an index of losses caused by earthquakes in a particular region or an index of temperatures in a particular city. The list excludes non-financial variables that are specific to one side as the occurrence or not of a fire that damages or destroys an asset of the same. In addition, the risk of changes in the fair value of non-financial assets will not be a financial risk if the fair value reflects not only changes in market prices for such assets (a variable financial), but also the status or condition a specific non-financial assets belonging to a party to the contract (a variable non-financial). For example, if a guarantee of the residual value of a specific car exposes the guarantor to the risk of changes in the physical state of the same, the risk is risk insurance, not a financial risk.

B10 Some contracts expose the issuer to a financial risk, as well as significant risk insurance. For example, many life insurance contracts guarantee a minimum rate of return to policyholders (which creates financial risk), while promising compensation for death that exceeds several times the account balance of the policyholder (which creates risk insurance in the form of risk of death). These contracts are insurance contracts.

B11 In some contracts, the occurrence of the event caused insured to pay an amount tied to a price index. These contracts are insurance contracts, provided that the payment depends on the insured event can be significant. For example, an annuity linked to an index of the cost of life insurance risk transfer, since the payment is caused by an uncertain event-the survival of the beneficiary's income. Tying the price index is an embedded derivative, but also transfers risk insurance. If the resulting transfer of risk is significant, the embedded derivative meets the definition of insurance, in which case need not be separated and measured at fair value (see paragraph 7 of this IFRS).

B12 The definition of risk insurance refers to the risk that the insurer accepts the policyholder. In other words, the risk insurance is a pre-existing risk, transferred from the policyholder to the insurer. For that reason, or risk created by the new contract may not be risk insurance.

B13 The definition of insurance contract refers to an event that could adversely affect the policyholder to policyholder. This definition does not limit the payment by the insurer, an amount that has to be equal to the financial impact of adverse event. For example, the definition does not preclude an award like "new-for-old", which pays the policyholder an amount sufficient to allow the reinstatement of an active old damaged by an asset again. Likewise, the definition does not limit the payment in a contract for life insurance temporary financial losses suffered by the dependants of the deceased, nor prevent the payment of predetermined amounts to quantify the loss caused by death or by an accident.

B14 Some contracts require a payment if an event occurs specified uncertain, but do not demand that has caused an adverse effect on the policyholder as a precondition for such payment. Such a contract will not be an insurance contract, even if the policyholder what used to reduce exposure to underlying risk. For example, if the policyholder uses a derivative to cover non-financial underlying a variable that is correlated with the cash flows of other assets of the entity, the derivative will not be an insurance contract for payment is not conditional on the policyholder is adversely affected by a reduction in the cash flows of another asset. By contrast, the definition of insurance contract refers to an uncertain event, after which the adverse effect on the policyholder is a precondition for the contract payment. This precondition contract does not require the insurer to investigate whether the event has actually caused an adverse effect, but you cannot deny payment if the condition that the event has caused such side effects.

B15 disruption or persistence (i.e., the risk that the other party cancels the contract before or after the time expected by the insurer in fixing the price) will not be a security risk, since the payment to the other party does not depend on uncertain future an event that affects the same. Likewise, the risk of spending (i.e., the risk of unexpected increases in administrative costs associated with the management contract, which has no relation to costs associated with events policyholders) will not be a security risk, since an unexpected increase in expenditure does not affect adversely the counterpart of the contract.

B16 therefore, a contract that expose the insurance risks of disruption, persistence or expense, it will not be an insurance contract, unless they also expose the insurer to a risk insurance.

However, if the issuer of that contract reduced that risk by using a second contract to transfer part of that risk to a third party, this new contract will expose the other party to risk insurance.

B17 An insurer may accept a significant risk of an insurance policyholder only if the insurer is an entity other than the policyholder. In the event that the insurer is a mutual, mutual accepts the risk from each holder of the policy and the concentrated. Although policyholder's policies assume this risk concentrated in a collective manner, as partner owners, mutual has also accepted the risk, which is the essence of an insurance contract.

Examples of insurance contracts

B18 The following are examples of contracts that qualify for insurance contracts, provided that the transfer of insurance risk is significant:

(a) insurance against theft or damage to property.

(b) liability insurance assurance products, professional responsibility, liability or legal defense costs.

(c) Life insurance and deaths (although death is certain, it is uncertain when occurrence or, for certain types of life insurance, whether or not happening in the period covered by insurance).

(d) insurance annuities and pensions (i.e., contracts which provide for compensation for an uncertain future event-the survival of the income it receives or pensioner-to help the renter or pensioner to maintain a given standard of living, which could be otherwise adversely affected because their survival).

(e) Disability and healthcare.

(f) surety bonds, bonds of loyalty, bonds and performance bonds to guarantee bids (i.e., contracts which provide compensation if the other party breach of contractual obligation, for example the obligation to construct a building).

(g) credit insurance, which provides for specific payments to reimburse the holder for a loss in which it incurs because a debtor fails to fulfill its specific obligation to pay on time, original or modified, established by a debt instrument. These contracts can take different legal forms, such as a guarantee, some types of letters of credit, a credit derivative contract in case of default or an insurance contract. However, while these contracts fall within the definition of insurance, also conform to the contract surety of IAS 39 and, therefore, are within the scope of IAS 32 and IAS 39, and outside of the IFRS [see paragraph (d) of paragraph 4]. However, if the issuer of a financial surety has expressed previously and explicitly believes that such contracts as insurance and had applied the accounting of insurance contracts, may choose between the application of IAS 32 and IAS 39 or this Standard to such financial surety.

(h) Security products. The product guarantees, issued by a third, covering the goods sold by a manufacturer, wholesaler or retailer fall within the scope of the IFRS. However, the product guarantees issued directly by the manufacturer, wholesaler or retailer does not fall within its scope, since they are covered by IAS 18 Revenue and IAS 37 Provisions, contingent liabilities and contingent assets.

(i) Insurance by hidden defects in title deeds (i.e., insurance against the discovery of defects in the title deeds of land that are not apparent when they subscribed to the insurance contract). In this case, the effect is assured the discovery of a defect in the title, not the defect itself.

(j) assistance in travel (i.e., compensation, in cash or in kind to the policyholder under the policy for losses incurred during a trip). In paragraphs B6 and B7 have been analyzed some contracts of this kind.

(k) Bonds catastrophe, which provides for reductions in payments of principal, interest or both if a specific adverse event affecting the issuer of the bond (except for that specific event no cree a risk insurance which is significant, for example in the case of change in an interest rate or foreign exchange).

(l) permutations of insurance and other contracts which provide payments based on climate change, geological or other type of physical variables that are specific to one side of the contract.

(m) reinsurance contracts.

B19 The following are examples of contracts that do not constitute insurance contracts:

(a) investment contracts, which have the legal form of an insurance contract but that does not expose the insurer to a significant risk insurance, such as life insurance contracts in which the insurer does not support a death risk significant (these contracts are financial instruments other than insurance, or service contracts, see paragraphs B20 and B21).

(b) Contracts that have the legal form of insurance, but transmitted around the significant risk of insurance policyholder, through mechanisms that are directly enforceable and do not foresee possibility of cancellation, which are in accordance with future payments as a result of the policyholder direct insured losses, for example some financial reinsurance contracts or certain on collective contracts (such contracts are financial instruments other than insurance, or service contracts, see paragraphs B20 and B21).

(c) self, in other words, retention of a risk that could have been covered by insurance (in this case there is no insurance because there is an agreement with another party).

(d) Contracts (such as betting) that require payments if an event occurs uncertain future, but not require, as a precondition contract, the event that adversely affect the holder. However, this does not preclude the provision of a default disbursement in order to quantify the loss caused by events such as death or an accident (see also paragraph B13).

(e) Derivatives that expose a party to a financial risk, but not a security risk, because forcing it to make payments based solely on changes in one or more variables such as: a type of specific interest, the price of a particular financial instrument, the price of a specific raw material, the exchange rate of a particular currency, a price index or specific interest rates, a credit rating or credit given an index or another variable similar assumption, in the case of non-financial variables, these are not specific to a variable part of the contract (see IAS 39).

(f) A guarantee related to a credit (or a letter of credit, a credit derivative contract in case of default or an insurance credit) requiring payments even if the holder has not incurred losses as a result that the debtor has not made payments at maturity (see IAS 39).

(g) contracts that require payments based on climatic variables, geological or other physical quantities that are not specific to one side of the contract (commonly known as weather derivatives).

(h) of catastrophe bonds, which provide for reductions in payments of principal, interest or both, based on climatic variables, geological or other physical quantities that are not specific to one side of the contract.

B20 If the contracts described in paragraph B19 create financial assets and financial liabilities, are within the scope of IAS 39. Among other things, this means that the parties to the contract used what is sometimes called deposit accounts, which involves the following:

(a) One party recognizes the contribution received as a financial liability, rather than as ordinary income.

(b) The other side recognizes the contribution received as a financial asset, rather than as an expense.

B21 If the contracts described in paragraph B19 do not create financial assets and financial liabilities will apply IAS 18. According to IAS 18, regular income associated with a transaction involving the provision of services are recognized according to the realization of that contract, provided that the outcome of the same can be estimated reliably.

Significant Risk Insurance

B22 An insurance contract will be transferred only if a significant risk insurance. In paragraphs B21 to B8 has analyzed the risk insurance. In the following paragraphs discusses the assessment of whether that risk insurance is significant.

B23 The risk insurance will be significant if, and only if, an event insured could pay the insurance significant additional benefits in any scenario, excluding the scenarios that have no commercial character (that is, who do not have a noticeable effect on economic aspects of the transaction). The significant additional benefits that may arise in scenarios that are commercial in nature, implies that the status of the preceding sentence could be satisfied even if the insured event was extremely unlikely, or even if the expected present value (that is weighted in terms of probability) of cash flows contingent outside a small proportion of the expected present value of all remaining contractual cash flows.

B24 The additional benefits described in paragraph B23 relate to amounts exceeding those that would have been payable if the event does not occur insured (excluding the scenarios that have no commercial character). These amounts are included additional costs of processing claims and assessing them, but excludes:

(a) The loss of ability to collect the policyholder for future services. For example, a contract for life insurance linked to investment, the death of the policyholder means that the insurer is unable to provide services and investment management and charge a commission for doing so. However, this economic loss to the insurer does not reflect any risk insurance, in the same way as the manager of an investment fund does not run any risk insurance in connection with the possible death of the client. Therefore, the potential loss of future commissions by investment management will not be relevant in assessing how much risk insurance has been transferred by the contract.

(b) waiver in the event of death, other officers had been practiced by redemption or cancellation of the policy. Since the contract has given rise to these positions, the renunciation of practicing the same does not compensate the policyholder of a pre-existing risk. Therefore, are irrelevant to assess how much risk insurance has been transferred by the contract.

(c) A payment conditional on an event that does not cause a significant loss of the policyholder to policyholder. For example, consider a contract that requires the insurer to pay one million currency units if an asset suffers a physical injury, causing the policyholder negligible economic loss amounting to a monetary unit. In that contract, the policyholder transferred to the insurer an insignificant risk of loss of a monetary unit. At the same time, the contract creates a risk that is not insurance, whereby the issuer must pay 999,999 currency units if specified event occurs. Since the issuer does not accept a significant risk from the policyholder, this contract shall not secure.

(d) Possible via reinsurance recoveries. The insurer counted them as separate.

B25 The insurer will evaluate the significance of risk insurance contract by contract, and not by reference to the relative importance with respect to the financial statements *. Thus, the risk insurance could be significant even if there was a very little likelihood of material losses for the entire portfolio that includes a type of contracts. This assessment, conducted contract by contract makes it easier classification of a contract as insurance. However, if it is known that within a portfolio that includes a type of small contracts and relatively homogeneous, all of them transferred risk insurance, the insurer will not need to examine each contract, within that portfolio, to finish identifying a small number of them other than derivatives and risk transfer insurance insignificant.

From B26 to B23 paragraphs B25 It follows that if a contract contains a death benefit that exceeds the amount payable in the event of survival, the contract is an insurance contract unless the additional provision for death is insignificant (judged by reference to the contract itself, not the entire portfolio that includes such contracts). As stated in paragraph (b) B24, waiver of charges for cancellation or rescue in the event of the death of the policyholder, not be included in assessing whether the waiver does not compensate the policyholder for a risk incumbent. Likewise, a contract where rents are paid regular sums for a lifetime of the policyholder is an insurance contract, unless the total of these payments for life is insignificant.

B27 Paragraph B23 refers to additional benefits. These additional benefits might include an obligation to pay before benefits if the insured event occurred in advance, without the payment adjusted to reflect the value of money over time. An example is a sure full life for a fixed amount (in other words, insurance that provides a fixed death benefit, regardless of when the death of the policyholder under the policy, and have an unlimited coverage in Time). The death of the policyholder is a fact true, but the date thereof is uncertain. The insurer will suffer a loss in those contracts where the policyholder dies early, even if there was no overall loss in the portfolio for this type of contract).

If B28 are dissociated, in an insurance contract, the component of the deposit and insurance component, the significance of insurance risk transferred will be evaluated solely by reference to the insurance component. The significance of insurance risk transferred by an embedded derivative will be evaluated solely by reference to that embedded derivative.

Changes in the level of risk insurance

Some contracts do not transfer B29, in its initial stage, no risk insurance to the insurance, although it transferred at a later date. For example, consider a contract which envisages a return on investment given, and include an option for the policyholder to enable him, at maturity, using revenue from that investment to buy an annuity, the prices they typically charge insurance render others at the time that the holder exercises the option. This contract does not transfer insurance risk to the insurer until it is exercised the option, as the insurer is free to put a price on the annuity with an approach that reflects the risk insurance that will transfer on that date. However, if the contract specifying the price of an annuity (or the criteria for establishing them), would transfer the risk insurance since its inception.

B30 A contract that meets the conditions to be classified as insurance will continue to be so until all the rights and obligations are extinguished or set expire.