IFRS 17: Insurance contracts

Accounting double entries – a simplified guide

Version: 19 December 2025

Background

IFRS 17 is applicable for NHS bodies from 2025/26. It provides accounting guidance for entities who are *issuers* of insurance contracts. The new standard is applied retrospectively from 1 April 2024, restating comparatives as though IFRS 17 had always applied.

The existence of such contracts in the NHS is expected to be rare. However, due to how IFRS 17 impacts on national outturn for the NHS under HM Treasury rules, please make NHS England's national finance teams aware if your entity does identify any such contracts.

Purpose of this document

This document has been prepared to aid organisations, who have identified insurance contracts for which they are the issuer, understand (in simple terms) the double entries involved in accounting for such contracts under IFRS 17, and the interaction with the net insurance liability/asset on the SoFP. Understanding these double entries will enable entities to prepare the reconciliation of opening to closing balances on the components of the insurance contract liability / asset as required by paragraph 100 of the Standard.

As well as being a disclosure requirement of the Standard, these reconciliations are reproduced in TAC schedules for NHS providers. Where insurance contracts are identified but are not material locally, the reporting entity might not disclose all requirements of the standard in their local accounts, however this reconciliation is still required for national reporting and must be produced for all insurance contracts identified under IFRS 17.

This document is intended to be a simplified guide to some of the principles of IFRS 17 double entries only and does not cover all elements of the Standard. This document does not constitute an accounts direction to NHS bodies and is not a substitute for affected entities reading the Standard and the DHSC GAM.

Broader IFRS 17 application guidance produced by the Department of Health and Social Care is available here: https://www.england.nhs.uk/financial-accounting-and-reporting/financial-reporting/#dhscifrs17

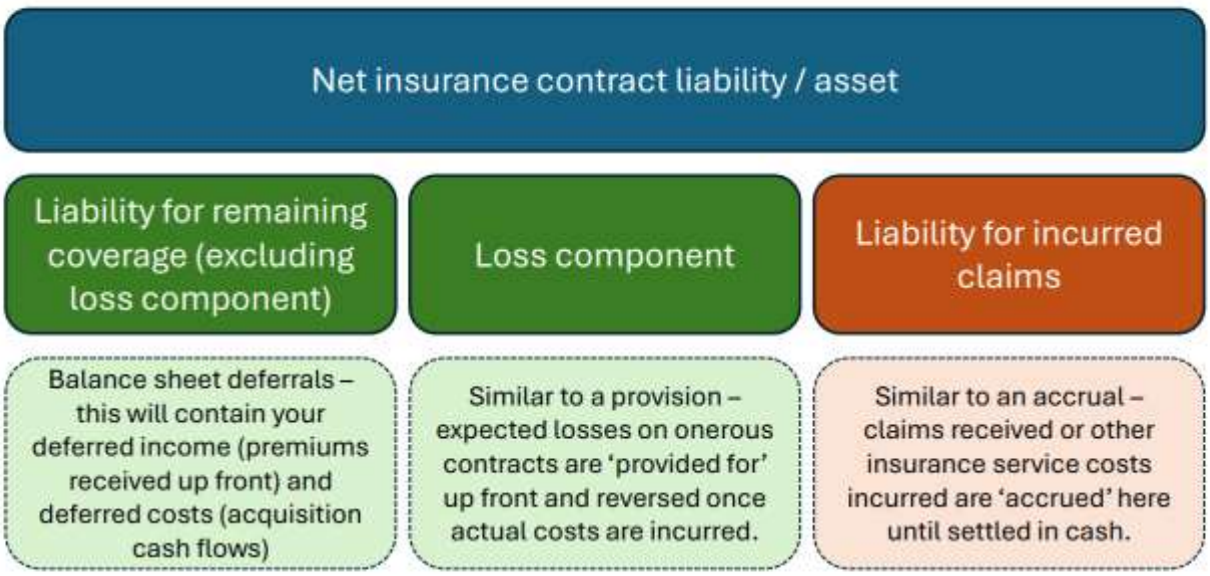
Insurance contract liability / asset

Before considering IFRS 17 double entries, it is first necessary to understand conceptually what the three components of the net insurance contract liability / asset represent.

- The liability for remaining coverage is the entity's obligation to service claims for insured events that have not yet occurred. This obligation relates to the unexpired portion of the coverage period. It is more relatable as two separate components:

  - Loss component – Where fulfilment cash outflows (claims) are expected to exceed fulfilment cash inflows (premiums) the contract is onerous and the expected loss is recognised in expenditure on inception and credited to the loss component of the liability. It is conceptually helpful to think of this like a provision. The 'provided' loss will be reversed out as time passes and claims are incurred.
  - Liability for remaining coverage (excluding loss component) – this is the net fulfilment cash flows for the coverage period not yet elapsed excluding the loss component plus the contractual service margin if the contract is not onerous. This is conceptually helpful to think of like balance sheet deferrals. For example premiums are generally received up front. Once received in cash they are no longer part of the remaining fulfilment cash flows and the liability for remaining coverage increases. In practice – premiums received up front are credited to this account and deferred until they are recognised as income over the coverage period.
- The liability for incurred claims is the entity's obligation to investigate and pay out on any valid claims or any other insurance expenses incurred. It's the obligation related to the elapsed period of coverage. It may also include an estimate of claims for events that have occurred but have not yet been received. This is conceptually helpful to think of as an accrual. When claims are received they should be accrued. After validation they are either settled (accrual utilised) or declined (accrual released).

Due to the timing of cash flows, at any point in time the net balance for a given contract or group of contracts may be an overall asset or a liability. A liability is more likely.



The net insurance contract liability / asset can be considered a control account for insurance contracts. All transactions relating to the contract should pass through the liability. The next section sets out the basic double entries expected to be seen for insurance contracts and how they interact with the net liability / asset. This summary excludes experience adjustments.

IFRS 17 Insurance contract double entries in simple terms

Insurance element	Description		Accounting double entry Blue = SoFP entry Red = I&E entry	Impact on national budgets
Premiums	Premiums received from policyholders are immediately credited to the liability for remaining coverage and deferred for recognition as income over the coverage period	Initial recognition	Dr cash Cr Liability for remaining coverage	n/a
		Subsequent	Dr Liability for remaining coverage Cr Insurance revenue	Cr NRF RDEL
Losses on onerous contracts	Where the expected cash outflows exceed the expected cash inflows the insurance contract is onerous and the expected loss is recognised immediately. The loss recognised will be updated for subsequent changes to the fulfilment cash flows, including reversing the loss recognised (only to the extent that the loss component of the liability becomes zero). When claims are received they are recognised in expenditure in full and the previously recognised loss component reversed.	Initial recognition	Cr Loss component (liability) Dr Insurance expense	Dr RAME
		Subsequent – remeasurements	Dr/Cr Loss component Cr/Dr Insurance expense	Dr/Cr RAME
		Subsequent – claims received	Dr Loss component Cr Insurance expense	Cr RAME
Claims received / other service expenses	When an insured event occurs, the insurer recognises the obligation to investigate and pay/service valid claims	Initial – claims received	Dr Insurance expense Cr Liability for incurred claims	Dr CDEL
Claims paid / other service expenses paid	Fulfilment cash flows incurred for both: • payments direct to policyholders for valid claims; and • payments for services provided to fulfil the contract	Subsequent – claims paid	Dr Liability for incurred claims Cr Cash	n/a

Finance income and expenses	Fulfilment cash flows are discounted to present value. Unwinding of this discount generates finance expenses or income.	Unwinding	Cr/Dr Contract liability (most likely loss component) Dr/Cr Finance expenses	Dr/Cr RAME
Insurance acquisition cash flows	Initial costs directly attributable to selling the insurance contract(s) to the policyholder. These costs are deferred within the liability for remaining coverage and recognised in expenditure over the coverage period.	Initial recognition	Dr Liability for remaining coverage Cr cash	n/a
		Subsequent	Cr Liability for remaining coverage Dr Insurance expense	Dr NRF RDEL
Investment component	Where the premium (or part of it) is repayable to the policyholder if no claims are made. If it becomes repayable it is refunded without recognising any income or expenditure.	Initial	Dr cash Cr Liability for remaining coverage	n/a
		Subsequent – if claim made	Dr Liability for remaining coverage Cr Insurance revenue	Cr NRF RDEL
		Subsequent – if no claim made	Dr Liability for remaining coverage Cr Liability for incurred claims	n/a
		Subsequent – repayment of investment component	Dr Liability for incurred claims Cr Cash	n/a