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INSIGHTS

ACCOUNTING & TECHNOLOGY

IFRS 17 insurance contracts in Cambodia

How CIFRS IFRS 17 measures insurance contracts with the general model or PAA, recognises the contractual service margin and presents insurance revenue and finance income — with the Cambodian insurer and ACAR angle.



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HOW DOES A CAMBODIAN INSURER ACCOUNT FOR INSURANCE CONTRACTS UNDER IFRS 17?

IFRS 17 applies to insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. The general model measures the contract as the fulfilment cash flows plus the contractual service margin: the present value of future cash flows, the risk adjustment and the CSM, which is recognised in profit or loss over the coverage period. A simplified premium allocation approach is available for eligible short-duration contracts. In Cambodia, insurers are public-interest entities and apply CIFRS; the actuarial, regulatory and tax work is significant, and the NAC adoption/effective date should be confirmed.

IN SHORT

- IFRS 17 applies to insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features.
- The general model uses fulfilment cash flows (present value of cash flows plus a risk adjustment) and a contractual service margin (CSM).
- The CSM is the unearned profit and is recognised over the coverage period; an onerous contract is recognised immediately.
- The premium allocation approach is a simplified model for eligible short-duration contracts.
- In Cambodia, insurers are public-interest entities; the actuarial, regulatory and tax work is significant, and the NAC position should be confirmed.

What IFRS 17 covers

IFRS 17 applies to insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. An insurance contract is a contract under which one party accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

The standard applies to the issuer of the insurance contract, not to the policyholder. A company that buys insurance accounts for the premium as an expense or prepayment under the relevant standard, not under IFRS 17. A reinsurer accounts for the reinsurance contracts it issues; a cedant accounts for the reinsurance contracts it holds.

A contract can contain insurance and non-insurance components. The entity separates the components if they are distinct, or applies the standard to the whole contract if they are not. The separation analysis should be documented at inception.

The general model

The general model measures an insurance contract as the fulfilment cash flows plus the contractual service margin. The fulfilment cash flows are the present value of the future cash flows, including premiums, claims, expenses and options and guarantees, plus a risk adjustment for non-financial risk. The discount rate reflects the time value of money and the characteristics of the cash flows.

The CSM is the unearned profit at initial recognition. It is recognised in profit or loss over the coverage period as the entity provides insurance coverage. If the contract is onerous at initial recognition, the loss is recognised immediately; a later reversal is recognised in profit or loss to the extent the loss is reversed.

At each reporting date, the entity updates the fulfilment cash flows and the CSM for new estimates, experience adjustments and changes in assumptions. Some changes adjust the CSM; others are recognised in profit or loss. The allocation depends on the source of the change and the terms of the contract.

THE BUILDING BLOCKS OF THE GENERAL MODEL

Block	What it is	Where it goes
Future cash flows	Present value of premiums, claims, expenses	Fulfilment cash flows
Risk adjustment	Compensation for non-financial risk	Fulfilment cash flows
CSM	Unearned profit at initial recognition	Profit or loss over coverage
Onerous contract	Loss at initial recognition	Profit or loss immediately
Finance income/expense	Interest on the liability and assets	Profit or loss / OCI (policy choice)

The premium allocation approach

The premium allocation approach (PAA) is a simplified model for eligible insurance contracts. It is available if the coverage period of each contract is one year or less, or if the entity reasonably expects that the measurement under the PAA would not differ materially from the general model.

Under the PAA, the liability for remaining coverage is measured at the premiums received less the acquisition cash flows and the revenue recognised, with an additional liability for incurred claims. The entity still recognises an onerous contract and still applies the risk adjustment and the discounting where required.

The PAA is common for short-duration property, casualty and health contracts. A long-duration life or annuity contract usually requires the general model. The eligibility should be assessed contract by contract or portfolio by portfolio, and documented.

Presentation and disclosure

IFRS 17 changes the presentation of the insurer's results. The statement of profit or loss presents insurance revenue, insurance service expenses, the insurance service result, insurance finance income or expenses, and the investment result separately from the insurance result. The balance sheet presents insurance contract liabilities and assets, and reinsurance contract assets and liabilities, separately.

The notes disclose the CSM roll-forward, the reconciliation of the liability for remaining coverage and the liability for incurred claims, the assumptions, the risk adjustment, the discount rates and the sensitivity of the results. The disclosure is extensive and needs actuarial and finance input.

The entity can choose to present insurance finance income or expenses in profit or loss or in OCI, depending on the assets backing the contracts and the accounting policy. The choice should be applied consistently and disclosed.

> **The CSM is not cash**
>
> The contractual service margin is unearned profit, not a bank balance. It is released to profit or loss as coverage is provided, and it can absorb or reflect changes in estimates.

The Cambodian insurer

Cambodian insurers are public-interest entities and apply CIFRS. The actuarial valuation, the data, the assumptions and the regulatory reporting are significant workstreams. The insurance regulator, ACAR and the GDT have different reporting requirements, and the accounting result, the regulatory result and the tax result may differ.

CIFRS for SMEs does not have an insurance contracts section. An insurer is likely to be a public-interest entity and to apply full CIFRS, including IFRS 17. The NAC adoption and effective date should be confirmed for the specific entity.

The tax treatment of insurance contracts, the CSM, the risk adjustment and the investment income is separate from the accounting. The insurer should reconcile the IFRS 17 result to the tax return and the regulatory return, and document the differences.

Audit evidence

The auditor evaluates the actuarial model, the data, the assumptions, the discount rates, the risk adjustment and the CSM. Under CISA, ISA 540 applies to the accounting estimates and ISA 620 applies when the auditor uses an actuary. The auditor should test the completeness of the contract data, the calculation of the fulfilment cash flows and the release of the CSM.

The audit team should include or access actuarial expertise. The auditor should challenge the key assumptions, compare them with experience and market data, and consider the sensitivity of the result. The documentation should show the work performed and the conclusion.

- Contract data, policy administration and claims records.
- Actuarial model, assumptions and discount rates.
- CSM calculation and release.
- Risk adjustment and sensitivity.
- Regulatory and tax reconciliations.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Does IFRS 17 apply to all insurance contracts?

It applies to insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. It does not apply to the policyholder's side of an insurance contract, which is accounted for under the relevant expense or prepayment standard.

When can an insurer use the PAA?

When the coverage period of each contract is one year or less, or when the entity reasonably expects that the PAA measurement would not differ materially from the general model. The eligibility is assessed and documented.

How is profit recognised under IFRS 17?

The CSM is recognised in profit or loss over the coverage period as the insurer provides coverage. An onerous contract is recognised immediately. Changes in estimates can adjust the CSM or be recognised in profit or loss, depending on their source.

Does CIFRS for SMEs have an IFRS 17 equivalent?

No. CIFRS for SMEs does not have an insurance contracts section. An insurer is likely to be a public-interest entity and to apply full CIFRS, including IFRS 17. Confirm the framework and the NAC position for the entity.

SOURCES

Where the rules come from

01 IFRS 17 Insurance Contracts (https://www.ifrs.org/issued-standards/list-of-standards/ifrs-17-insurance-contracts/) — IFRS Foundation

02 IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement — IFRS Foundation

03 Cambodian International Financial Reporting Standards (CIFRS) — National Accounting Council / ACAR, Ministry of Economy and Finance

04 ISA 540 Auditing Accounting Estimates and ISA 620 Using the Work of an Auditor's Expert — IAASB / KICPAA

05 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023) (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation