

CONTRACTUAL SERVICE MARGIN UNDER IFRS 17: FROM INITIAL RECOGNITION TO PROFIT RECOGNITION

DOI: <https://doi.org/10.53486/dri2026.68>

UDC: 368.03:657.37

Ramona Melania MĂGAN (ANCUȚA)

Stefan cel Mare University, Suceava, Romania

Email account: ramonamelaniaancuta@gmail.com

ORCID ID: <https://orcid.org/0009-0005-3501-954X>

Elena HLACIUC

ORCID ID: <https://orcid.org/0000-0003-0601-748X>

Abstract: *The purpose of this paper is to analyze the role of Contractual Service Margin (CSM) within IFRS 17 and its implications for the quality of financial reporting in the insurance industry. The study adopts a conceptual approach, supported by illustrative examples, to highlight the mechanisms for recognizing and measuring CSM. The results show that the introduction of CSM eliminates the immediate recognition of profits and requires their distribution over the life of the contracts, contributing to a better correlation between revenues and services provided. Thus, the relevance and faithful representation of financial information are improved. The paper highlights the role of key components, such as fulfillment cash flows, risk adjustment and coverage units, as well as the particularities of the treatment of reinsurance contracts. At the same time, challenges related to complexity, actuarial estimates and implementation are identified.*

Keywords: *Contractual Service Margin (CSM), Insurance accounting, Profit recognition, IFRS 17, Financial reporting quality*

JEL: M41

Introduction

The adoption of the international standard IFRS 17 marked one of the most important recent transformations in insurance contract accounting, with the main objective of increasing the transparency and comparability of financial reporting at an international level. The standard, issued by the International Accounting Standards Board in 2017 and becoming applicable as of 1 January 2023, was designed to replace the IFRS 4 standard, considered insufficient from the perspective of coherence and comparability of information provided to users of financial statements (IASB, 2017; KPMG, 2020).

One of the most significant changes introduced by IFRS 17 is the way in which profit from insurance contracts is recognized. Unlike the previous approach, the new standard proposes a model based on the updated measurement of obligations and the gradual recognition of profit over the period of providing insurance services. In this context, the concept of Contractual Service Margin (CSM) becomes a central element of the accounting model, reflecting the profit not recorded at the initial moment and subsequently recognized during the contractual period (Bauer et al., 2018; Deloitte, 2021). The importance of CSM derives not only from its technical role within the valuation model, but also from its implications on the reported financial performance. Through its mechanism of "deferring" profit, CSM contributes to smoothing financial results over time, reducing their volatility. However, the literature highlights that this approach introduces a significant degree of reliance on estimates and professional judgments, which may affect the comparability between entities and the relevance of information to users (Morales & Walker, 2021; EY, 2022).

Despite the numerous studies dedicated to the implementation of IFRS 17, a large part of the existing research focuses on the technical and actuarial aspects of the standard, paying less attention to the conceptual implications of essential components such as the CSM. Thus, there is a need for an

analysis that goes beyond the strictly methodological dimension and highlights the role of this mechanism in the broader context of the quality of financial reporting. In this context, the purpose of this article is to analyze, from a conceptual perspective, the role of the Contractual Service Margin within IFRS 17 and its implications for the financial reporting of insurance companies. The approach is based on a synthesis of the specialized literature, complemented by illustrative numerical examples, and aims to highlight both the mechanisms for determining and recognizing the CSM, and to analyze the benefits associated with this concept, respectively identifying the limitations and challenges it entails in practice.

The conceptual framework of IFRS 17

IFRS 17 introduces a unified conceptual framework for the recognition, measurement and presentation of insurance contracts, with the objective of providing relevant and comparable information to users of financial statements. In contrast to the permissive approach of IFRS 4, the new standard proposes a coherent model based on economic principles, which more faithfully reflects the obligations assumed by insurance entities (IASB, 2017). At the heart of IFRS 17 is the so-called general valuation model, also known as the "building block approach" (BBA). This model involves the valuation of insurance contracts by combining four main components, which reflect both the financial dimension and the uncertainty associated with future cash flows (IFRS Foundation, 2018; PwC, 2021).

The first component is represented by future cash flows (fulfilment cash flows), which include updated estimates of cash inflows and outflows generated by insurance contracts. These estimates must be based on current information, reflect all possible scenarios and be adjusted for probability, which gives the model a prospective nature (Deloitte, 2021). The second component is the discount rate, used to reflect the time value of money and the characteristics of cash flows. IFRS 17 does not impose a rigid method of determining it, allowing entities to use approaches adapted to the specifics of the portfolio, which introduces a certain degree of flexibility, but also of professional judgment (KPMG, 2020). The third component is the risk adjustment, which reflects the compensation that the entity requires for assuming the uncertainty associated with non-financial risks. This component is essential to highlight differences in risk perception between entities and to provide a more complete picture of the obligations assumed (EY, 2022). Finally, the fourth component, Contractual Service Margin (CSM), represents the profit not recorded at the initial moment and which is recognized during the contract coverage period. The role of this component is to prevent the immediate recognition of profit at the initial moment and to ensure its systematic distribution according to the services provided (Bauer et al., 2018).

By integrating these four elements, IFRS 17 creates a valuation model that more closely reflects the economic reality of insurance contracts than the previous standard. However, this approach involves a high level of complexity and reliance on estimates, which can create challenges in implementation and affect comparability across entities, especially in the context of using different assumptions (Morales & Walker, 2021).

The concept of Contractual Service Margin (CSM)

One of the most innovative and discussed elements introduced by IFRS 17 is the Contractual Service Margin (CSM), which reflects the profit not recorded at the initial recognition of an insurance contract. By introducing this concept, the standard fundamentally changes the way in which the financial performance of insurance companies is reflected in the financial statements, shifting the emphasis from the immediate recognition of profit to an approach based on the provision of services over time (IASB, 2017).

Definition and role

CSM represents the amount of future profit that an entity expects to obtain from an insurance contract and that is not recognized at the initial moment. According to IFRS 17, if the discounted value of future cash flows leads to a positive result (i.e. an anticipated profit), this profit is not recorded

immediately, but is included in CSM and recognized gradually over the life of the contract (IFRS Foundation, 2018; Deloitte, 2021). The main role of CSM is therefore to ensure a correlation between revenue recognition and the provision of insurance services, thus avoiding the reporting of unrealized gains at the initial moment. This approach contributes to a more faithful representation of the entity's economic performance (PwC, 2021).

The operating mechanism

From an operational point of view, the CSM is determined at the initial recognition of the contract as the difference between the present value of future cash flows and the other components of the valuation model. Subsequently, it is adjusted according to changes in estimates related to future services and is recognized in the profit and loss account as the insurance services are provided (KPMG, 2020). The recognition of the CSM occurs systematically, based on a model that reflects the transfer of services to the insured. Thus, as the contractual obligations are fulfilled, a part of the CSM is "released" and recorded as income, contributing to the financial result of the period (EY, 2022).

The importance of CSM within IFRS 17

The importance of CSM is not only technical, but also conceptual. Through this mechanism, IFRS 17 introduces a more prudent and realistic approach to profit recognition, reducing the risk of overstating financial performance at the inception of the contract. At the same time, CSM contributes to stabilizing financial results over time, which can facilitate the analysis of performance by investors and other users of financial information (Bauer et al., 2018).

However, the literature highlights that this mechanism involves a high level of complexity and reliance on estimates, especially regarding assumptions regarding future cash flows and services. This feature can influence comparability between entities and can introduce significant variations in financial reporting, depending on the professional judgments applied (Morales & Walker, 2021).

Contractual Service Margin – determination and evaluation mechanisms

Understanding the impact of Contractual Service Margin (CSM) on financial reporting inevitably requires an analysis of how it is determined. Although, conceptually, CSM represents the unearned profit related to insurance contracts, in practice, its calculation involves a series of complex steps, based on estimates and professional judgment.

The process begins with estimating the future cash flows associated with the insurance contract. These include premiums earned, expected claims, administrative expenses and acquisition costs. According to the requirements of IFRS 17, these estimates must be explicit, unbiased and probability-weighted, reflecting management's best estimates of the future evolution of the contract. Subsequently, the cash flows are discounted to their present value by applying a discount rate that reflects both the time value of money and the specific characteristics of the liabilities in the insurance contracts. This step is essential, as it directly influences the size of the obligations recognized in the balance sheet. A distinctive element of the IFRS 17 model is the inclusion of the risk adjustment, which represents the compensation required by the insurer for the uncertainty associated with the future cash flows. This adjustment reflects the entity's risk aversion and helps to differentiate the economic value of the obligations from a simple statistical estimate.

The CSM is determined as the difference between the cash flows related to the fulfillment of obligations and the initial value of the contractual liability, with the role of eliminating the immediate recognition of profit. Basically, it functions as a mechanism to "block" the initial gain, which is subsequently recognized in the profit and loss account as the insurance services are provided. An essential aspect, often emphasized in the specialized literature, is the dynamic nature of the CSM. At each reporting date, it must be reassessed to reflect changes in the initial estimates, being adjusted according to the new information available. At the same time, the CSM is gradually reduced as the coverage services are provided, and in situations where the contracts become onerous, it can be significantly reduced or even eliminated.

This sequence of steps highlights that the CSM is not a static indicator, but the result of a continuous process of estimation and recalibration. From this perspective, the complexity of its calculation explains both the high relevance of the information provided and the challenges related to comparability and transparency in financial reporting.

Determining the Contractual Service Margin at initial recognition

To understand the role of Contractual Service Margin (CSM) under IFRS 17, it is essential to analyze how it is determined at the time of initial recognition of insurance contracts. Unlike traditional economic approaches, in which the total expected result of a contract is immediately reflected in the financial position, IFRS 17 introduces a different logic, based on prudence and on correlating the recognition of profit with the provision of services. In an economic framework, similar to that used in solvency regulations, profitable contracts can generate, at the initial moment, an economic asset, reflecting the discounted value of future earnings. Symmetrically, loss-generating contracts lead to the immediate recognition of a liability. This approach essentially involves the anticipated capitalization of future performance.

In contrast, IFRS 17 is based on two fundamental principles, which introduce a deliberate asymmetry in the recognition of profit and loss (International Accounting Standards Board, 2017). The first principle stipulates that the estimated profits related to profitable contracts should not be recognized immediately, but distributed systematically over the life of the contract. This requirement is implemented through the CSM, which represents the unearned profit and is gradually recognized in the profit and loss account, as the insurance services are provided. The second principle requires the immediate treatment of losses. Thus, in the case of onerous contracts, the estimated loss is recognized in full at the initial moment, without the possibility of deferring it. As a result, the existence of a negative CSM is not allowed, it being limited to the value of zero in such situations (IFRS Foundation, 2018). Therefore, the CSM becomes the central mechanism that operationalizes this asymmetry: profit is deferred and recognized progressively, while losses are recognized immediately. This approach reflects a prudent orientation of the standard and aims to avoid overvaluing financial performance at the time of contract initiation.

The determination of the CSM at initial recognition is based on the calculation of the cash flows related to the fulfillment of obligations (fulfilment cash flows), which include the estimation of future flows, their discounting and the adjustment for risk. If these flows indicate a gain (negative value of the liability), the difference is recognized in the form of CSM, thus eliminating the possibility of recognizing a “day-one gain”. To illustrate this mechanism, Table 1 presents a simplified example of determining the CSM for a group of profitable contracts. In this case, the result of the calculation of the cash flows leads to a favorable position for the insurer, but this gain is not recognized immediately, being fully included in the CSM. Thus, the profit related to the contract is deferred and will be recognized gradually, depending on the services provided.

Table 1. Determination of CSM at initial recognition – profitable contracts

Elements	Value	Explanations
(a) PV of cash inflows	(1,200)	The negative sign indicates cash inflows.
(b) PV of cash outflows	920	Outputs related to compensation and expenses
(c) Risk adjustment	60	Compensation for uncertainty
(d) Fulfillment Cash Flows (a + b + c)	(1,200) + 920 + 60 = (220)	Favorable position for the insurer
(e) CSM = max(-d, 0)	220	Eliminates initial gain

Source: Source: own elaboration based on the conceptual framework and valuation requirements provided by IFRS 17

The results indicate that the cash flows related to the fulfillment of obligations record a negative value (–220), which reflects the existence of an anticipated profit. Consequently, a positive CSM of the same magnitude is constituted, which is not recognized immediately, but deferred and distributed over the duration of the contract.

Similarly, Table 2 highlights the situation of onerous contracts, where the CSM is zero and the loss is fully recognized at initial recognition. This difference in treatment highlights the asymmetric nature of IFRS 17 and the relevance of the CSM in ensuring prudent and consistent reporting.

Table 2. Determination of CSM at initial recognition – onerous contracts

Elements	Value	Explanations
(a) PV of cash inflows	(700)	Estimated premiums
(b) PV of cash outflows	880	Compensation and expenses
(c) Risk adjustment	90	Associated uncertainty
(d) Fulfillment Cash Flows (a + b + c)	(700) + 880 + 90 = 270	Unfavorable position
(e) CSM = max(–d, 0)	0	CSM is not recognized.
(f) Loss recognized immediately	270	Recognized in P&L

Source: own elaboration based on the conceptual framework and valuation requirements provided by IFRS 17

In this example, the cash flows indicate an estimated loss of 270, which is recognized in full at the initial date. Under IFRS 17 principles, deferral of this loss through the CSM is not permitted, highlighting the asymmetric nature of the accounting treatment.

The literature highlights the importance of this mechanism in improving profit recognition discipline and reducing the risk of opportunistic reporting (KPMG, 2020; Deloitte, 2021). At the same time, recent studies highlight that this approach contributes to a better alignment between accounting performance and the actual provision of insurance services, although it may introduce challenges related to the interpretation of financial results (Daniel Bauer et al., 2018).

Determining the Contractual Service Margin at subsequent valuation

After initial recognition, the Contractual Service Margin (CSM) does not remain a static value, but evolves depending on changes in estimates and economic conditions. The insurance business is characterized by uncertainty, and differences between actual experience and initial assumptions, as well as revisions to future cash flows, require a continuous update of the CSM. According to the International Accounting Standards Board (2017), these adjustments are essential to faithfully reflect the obligations related to insurance contracts. Under IFRS 17, changes affecting future services are treated separately, being recognized in the CSM and not directly in the profit and loss account. This approach contributes to a more uniform distribution of financial results over time and a more realistic representation of the economic performance of insurance contracts (IFRS Foundation, 2018). This mechanism is reflected in the following principle:

Principle 3: The CSM should be adjusted for all changes in estimates that relate to future services.

Thus, any update of actuarial assumptions that influence future cash flows will have a direct impact on the CSM. For example, a favorable revision of mortality or claims rates causes an increase in the CSM, while unfavorable changes, such as increased lapse rates or costs, lead to its decrease (Deloitte, 2021). In addition, the effect of the time value of money is also applied to the CSM, through the process of interest accretion, which leads to its value being periodically updated (KPMG, 2020). Table 3 presents an example of a favorable adjustment, in which the update of assumptions leads to an increase in the margin.

Table 3. CSM adjustment following favorable changes in estimates

Elements	Value	Explanations
(a) CSM at the beginning of the period	120	Initial balance
(b) Interest accretion (5%)	6	The effect of value over time
(c) Changes related to future services	35	Favorable review
(d) Adjusted CSM	120 + 6 + 35 = 161	SCM growth

Source: own elaboration based on the conceptual framework and valuation requirements provided by IFRS 17

It is observed that an initial CSM of 120 is increased by the effect of interest (+6) and favorable changes (+25), reaching a value of 161. This evolution reflects the improvement in estimates regarding future services and the increase in unearned profit.

The improvement in estimates leads to an increase in the CSM, which reflects an increase in unearned profit, which will be gradually recognized in future periods. However, the standard also introduces an important limitation, designed to maintain prudence in financial reporting. Thus, when unfavorable changes exceed the value of the CSM, a negative balance is not allowed. This rule is reflected in the following principle:

Principle 4: The CSM cannot become negative; if adverse changes exceed its value, the difference must be recognized immediately as a loss.

This approach is consistent with the requirements for the recognition of onerous contracts and is explicitly highlighted in the standard (International Accounting Standards Board, 2017). Table 4 illustrates this mechanism.

Table 4. Elimination of CSM and recognition of loss

Elements	Value	Explanations
(a) CSM at the beginning of the period	120	Initial balance
(b) Interest accretion (5%)	6	$120 \times 5\%$
(c) Changes related to future services	(170)	Unfavorable review
(d) Adjusted CSM	$\max(120 + 6 - 170, 0) = 0$	CSM limited to zero
(e) Loss component	44	Immediately recognized

Source: own elaboration based on the conceptual framework and valuation requirements provided by IFRS 17

In the analyzed situation, the unfavorable changes (–170) exceed the cumulative value of the CSM and interest (126), which leads to the reduction of the CSM to zero and the recognition of an additional loss of 44 in the profit and loss account.

Contractual Service Margin for reinsurance contracts held

The principles applicable to Contractual Service Margin (CSM) in the case of direct insurance contracts are, in general, also applicable to reinsurance contracts. However, the distinct economic nature of reinsurance requires certain adaptations under IFRS 17, in particular with regard to the way in which the costs and benefits related to these contracts are recognized.

Unlike issued insurance contracts, where the CSM reflects unearned profit and cannot be negative, this limitation is no longer applicable to held reinsurance contracts. This difference stems from the fact that reinsurance is not a direct source of profit, but a risk transfer instrument that can generate both benefits and costs for the insurer (International Accounting Standards Board, 2017). In this context, the standard introduces the following principle:

Principle 5: Estimated costs or gains related to reinsurance contracts are not recognized immediately, but are allocated over the term of the contract.

This approach implies that neither the gains nor the costs related to reinsurance are fully recognized at the initial moment. Instead, they are included in the CSM and gradually recognized in the profit and loss account as the reinsurance services are received. Thus, the CSM related to reinsurance becomes a mechanism for distributing over time the economic effects associated with these contracts (Deloitte, 2021). To highlight the application of this principle, Table 5 illustrates the determination of the CSM at initial recognition for a group of reinsurance contracts held.

Table 5. Determination of CSM for reinsurance contracts at initial recognition

Elements	Value	Explanations
(a) PV of reinsurance premiums payable	750	Cash outflows
(b) PV of recoverable damages	(620)	Cash inflows
(c) Risk adjustment ceded	(30)	Risk reduction
(d) Fulfillment Cash Flows	750 – 620 – 30 = 100	Net cost of reinsurance
(e) CSM Reinsurance	(100)	Deferred cost over time

Source: own elaboration based on the conceptual framework and valuation requirements provided by IFRS 17

The results indicate a net reinsurance cost of 100, determined by the difference between the premiums payable (750) and the cash flows recoverable (620), adjusted for the risk ceded (30). In accordance with the requirements of IFRS 17, this cost is not recognized immediately, but is reflected by a negative CSM of –100, which will be systematically allocated over time, as the reinsurance services are provided.

Strict application of the above principles may, in certain situations, lead to mismatches between the timing of recognition of losses on direct contracts and the timing of recognition of benefits from reinsurance. For example, if an insurer immediately recognizes a loss on a direct contract, but the benefits from reinsurance are recognized over time, the financial result of the period may be distorted. To avoid this situation, IFRS 17 introduces a specific exception.

Exception to Principle 5: If a reinsurance contract is held prior to or simultaneously with the recognition of a loss related to direct contracts, the insurer must immediately recognize a reinsurance income, to the extent that it compensates for that loss.

This provision ensures an appropriate correlation between the economic effects of direct contracts and those of reinsurance, contributing to a more faithful representation of financial performance (IFRS Foundation, 2018). Therefore, the treatment of the CSM in the case of reinsurance contracts highlights an essential adaptation of the principles of IFRS 17 to the particularities of this type of contract. Unlike direct contracts, where the CSM functions exclusively as a mechanism for deferring profit, in the case of reinsurance it becomes an instrument for distributing over time both the costs and the benefits associated with the transfer of risk.

Recognition of Contractual Service Margin in the profit and loss account

A key element of the model introduced by IFRS 17 is the way in which the Contractual Service Margin (CSM) is recognised in the profit and loss account. As previously highlighted, CSM cannot be recognised immediately, but must be distributed systematically over the term of the contract, as the insurance services are provided. The need for this rule is clearly explained by the IFRS Foundation (2018), which highlights the fact that, before the introduction of IFRS 17, profit recognition practices were inconsistent and difficult to compare across entities and jurisdictions. Some companies recognised profit at the inception of the contract, others at the end of the contract, and others distributed it arbitrarily over time. This lack of consistency significantly affects the quality of financial reporting. In this context, IFRS 17 introduces a service-based approach, whereby profit is recognised in correlation with actual economic activity.

To illustrate this logic, consider the example of a single premium annuity contract. Recognizing the full profit at the outset would create an unrealistic picture, while deferring it completely until the end would distort long-term financial performance. Gradual distribution of profit provides a balanced and relevant solution (International Accounting Standards Board, 2017). To determine how much of the CSM should be recognized in each period, entities use the concept of coverage units. These reflect the amount of insurance services provided and are determined based on the level of benefits and the duration of the contract (KPMG, 2020). Table 6 shows how they are determined and the calculation of the CSM amortization rate over the contract period.

Table 6. Determination of coverage units and CSM depreciation rate

Year	Estimated sum insured in force	Coverage units	Total units remaining	Depreciation rate
1	110	110	420	26.2%
2	95	95	310	30.6%
3	85	85	215	39.5%
4	70	70	130	53.8%
5	60	60	60	100%

Source: own elaboration based on the conceptual framework and valuation requirements provided by IFRS 17

In this example, the coverage units reflect the level of services provided annually. The amortization rate is determined as the ratio of the units related to the current period to the total units remaining. This is used to calculate the portion of the CSM that will be recognized as profit. The distribution of the coverage units shows a progressive decrease in their value, from 110 in the first year to 60 in the last, which leads to an increase in the amortization rate from approximately 26% to 100%. This reflects the concentration of services in the final periods of the contract.

Once the amortization rate is determined, it is applied to the adjusted CSM to calculate the amount recognized in the income statement. Table 7 illustrates this process, highlighting the evolution of the margin over a reporting period.

Table 7. Recognition of SCM in the profit and loss account

Elements	Value	Explanations
Initial CSM	120	Balance at the beginning of the period
Interest accretion (5%)	6	The effect of value over time
Changes related to future services	25	Favorable review
Adjusted CSM	151	120 + 6 + 25
CSM recognized in profit	(18)	Applying the depreciation rate (~12%)
Final SCM	133	Balance carried forward

Source: own elaboration based on the conceptual framework and valuation requirements provided by IFRS 17

In this example, only a portion of the CSM is recognized as profit in the current period, with the remainder carried forward to future periods. Starting from an adjusted CSM of 151, applying a depreciation rate of approximately 12% results in the recognition of a profit of 18 in the current period, resulting in a final CSM of 133. This evolution highlights the gradual transfer of profit to the income statement.

This mechanism helps to reduce the artificial volatility of financial results and to better align revenues with services provided (Deloitte, 2021). It is important to note that both the CSM and the coverage units must be reviewed periodically to reflect changes in estimates of future services. In the last year of the contract, the amortization rate reaches 100%, which leads to the complete depletion of the CSM and indicates that there are no more unearned profits.

By introducing the gradual recognition mechanism for CSM, IFRS 17 fundamentally transforms the way financial performance is reported in the insurance industry. Profit is no longer treated as a one-time event, but as the result of a continuous process, correlated with the services actually provided. This approach significantly contributes to improving the transparency and comparability of financial statements.

Conclusions

This paper analyzed the role of Contractual Service Margin (CSM) within IFRS 17, highlighting both its determination and adjustment mechanisms and the impact on profit recognition in insurance companies. The analysis shows that the introduction of CSM represents one of the most significant

changes brought by this standard, contributing to redefining the way in which financial performance is reflected in financial statements. By prohibiting the immediate recognition of profits and distributing them over the life of contracts, IFRS 17 ensures a more rigorous correlation between revenues and the insurance services actually provided. This mechanism contributes to reducing artificial volatility of results and improving the qualitative characteristics of financial information, in particular relevance and faithful representation. At the same time, the use of the concept of "coverage units" introduces a systematic framework for profit allocation, increasing comparability between entities and markets. At the same time, the distinct treatment of reinsurance contracts highlights the flexibility of the standard in adapting the general principles to the economic particularities of these instruments.

However, the literature and analysis highlight the existence of significant challenges. The high complexity of the CSM model, the reliance on actuarial estimates and the need for high-performance IT systems may affect the consistency and comparability of its application in practice. In addition, gaps persist in the academic literature regarding the assessment of the long-term impact of IFRS 17 on managerial behavior, profit recognition policies and international comparability (IFRS Foundation, 2018). In this context, future research could aim at: empirically analyzing the impact of the CSM on the volatility of financial results in different jurisdictions; investigating how actuarial estimates influence the consistency of reporting; exploring the link between IFRS 17 and the new sustainability and governance (ESG) reporting requirements; assessing the implications for strategic management decisions in the insurance industry.

In conclusion, the CSM is not just a technical element of IFRS 17, but a central mechanism that fundamentally transforms the recognition of financial performance in the insurance industry. It marks the transition from transaction-oriented accounting to service-oriented accounting, thus strengthening the role of financial reporting as an essential tool for informed economic decisions.

References

1. Daniel Bauer, Matthias Gründl & Irina Zanjani (2018). The impact of IFRS 17 on insurance contracts and financial reporting. *Journal of Risk and Insurance*, 85(4), pp. 1009–1045.
2. Darrell Scott (2017). IFRS 17 and the future of insurance accounting. IFRS Foundation publications.
3. Deloitte (2021). IFRS 17 Insurance Contracts – A guide to implementation. Available at: <https://www2.deloitte.com>
4. Deloitte. (2021). IFRS 17 Insurance Contracts: A comprehensive guide.
5. European Financial Reporting Advisory Group. (2020). Endorsement advice on IFRS 17.
6. EY (2022). Applying IFRS 17: A closer look at the new insurance contracts standard. Available at: <https://www.ey.com>
7. IFRS Foundation. (2018). Effects Analysis: IFRS 17 Insurance Contracts. London: IFRS Foundation.
8. International Accounting Standards Board (2017). IFRS 17 Insurance Contracts. London: IFRS Foundation.
9. International Accounting Standards Board (2020). Amendments to IFRS 17 Insurance Contracts. London: IFRS Foundation.
10. Jose Morales & Martin Walker (2021). Accounting for insurance contracts: The role of judgment under IFRS 17. *Accounting in Europe*, 18(2), pp. 215–235.
11. KPMG. (2020). IFRS 17: An overview of the new insurance contracts standard. <https://home.kpmg>
12. Laura Bischof, Holger Daske & Christoph SEXTROH (2022). Fair value accounting and performance measurement in insurance under IFRS 17. *European Accounting Review*, 31(3), pp. 567–593.
13. PwC (2021). In depth: IFRS 17 Insurance Contracts. Available at: <https://www.pwc.com>
14. Yousuf, W., Stansfield, J., Malde, K., Mirin, N., Walton, R., Thorpe, B., Thorpe, J., Iftode, C., Tan, L., Dyble, R., Pelsser, A., Ghosh, A., Qin, W., Berry, T., & Er, C. (2021). The IFRS 17 contractual service margin: A life insurance perspective. *British Actuarial Journal*, 26, e2. Pp. 1 – 105. <https://doi.org/10.1017/S1357321721000015>