

Current Issues in General Insurance



Hotel Sea Princess

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IFRS 17 Implementation Approach

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Factors to consider

- Proforma Financials
- Training
- System Changes
- Control Environment
- Taxation
- Solvency

- Proforma Financials
 - Regulators
 - Formats
 - Disclosures
 - Accounting Policy Choices
 - Discussion Papers on Key Issues
 - Key Estimations
 - Other IND AS
 - 32 Standards applicable
 - 11 applicable in specific scenarios.

Requirements of the Insurance Act 1938 and Ind AS 1 complied

- Balance Sheet (including Statement of Changes in Equity), in accordance with Ind AS 1: Presentation of Financial Statements
- Single format for entities carrying on life insurance business and those carrying on general insurance business (includes reinsurance and health insurance businesses)
- Statement of Profit and Loss for the period, in accordance with Ind AS1, Presentation of Financial Statements including Policyholders' Account (Revenue Account) and Shareholders' Account (Profit and Loss Account), as required by the Insurance Act, 1938
- Receipts and Payments Account [Cash Flow Statement as per Ind AS 7: Statement of Cash Flows]. Direct method is recommended.
 - whether reinsurance companies can be permitted indirect method of preparing cash flow statement.
- Notes including:
 - Summary of significant accounting policies
 - Other explanatory notes annexed to, or forming part of, any document referred to in Sub-clause (a) to Sub-clause (c) above
 - Comparative information in respect of the preceding period.

Formats.. Balance Sheet

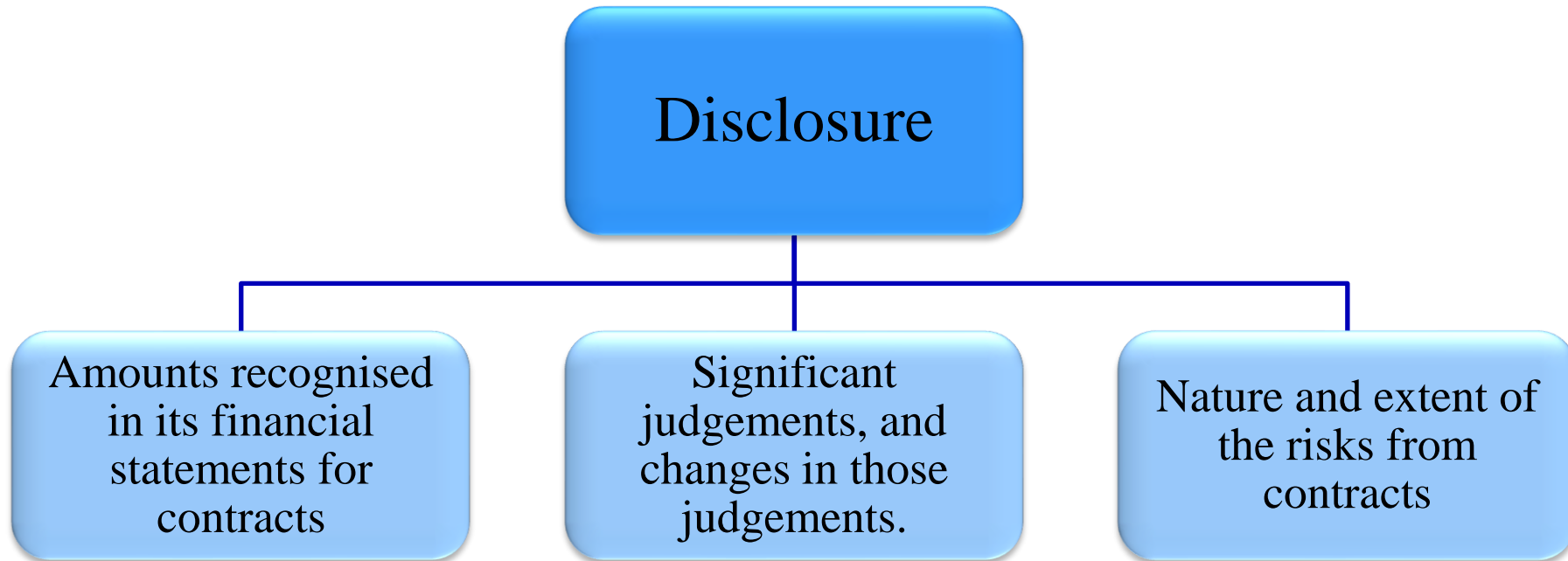
- Presentation order in the balance sheet
- Liquidity based presentation,
- Equity represents residual interest in the assets of the entity after deducting liabilities.
- Compliance with the presentation requirements particularly paragraph 78 of the Ind AS 117

Formats.. Statement of Profit and Loss

- Format prepared to meet the presentation requirements of Ind AS 1 as well as Ind AS 117 particularly, paragraphs 78 and 80
- Exceptional items and gain or loss on discontinued operations to be presented separately as per the requirements of Ind AS as well as Schedule III to the Companies Act, 2013.
- Where options given by the standard in the context of items to be included in OCI or P/L (insurance finance income & expenses: paras 88 - 90 of Ind AS 117) - formats formulated for both the options
 - # Whether or not to permit options or limit it to one to ensure uniform presentation is a Regulatory call

Formats.. Notes to Financial Statements

- Separate Revenue Accounts to be presented for different types of business as specified in the Regulations as at present.
- Insurer shall also present segment information in accordance with the Ind AS 108 where required if different from the above.
- Segment/class of insurance business information required to be made in certain notes, e.g., insurance contracts assets/ liabilities (as per paragraph 96 of Ind AS 117)



Presentation and Disclosure requirements documented in para 78 to 132 of IND AS 117.

Disclosures - Overview

Amounts	Judgements	Risk
<ul style="list-style-type: none">• Present value of future cash flows• Risk and the contractual service margin• New contracts written in the period	<ul style="list-style-type: none">• Estimating inputs and methods• Effects of changes in the methods and inputs used• Reason for change, identifying the type of contracts affected	<ul style="list-style-type: none">• Nature and extent of risks arising• Extent of mitigation of risks arises from reinsurance and participation• Quantitative data about exposure to credit, market and liquidity risk

Key Accounting Policy Choices

- GMM/PAA approach
- Lines of Business /Cohorts
- Transition choices
 - Modified Retrospective
 - Fair Value
 - Fully Retrospective
- Insurance Finance Income/Expense

Discussion Papers on Key issues

- Components of Insurance Acquisition cost
- Expense considered for cash flow
- Investment Valuation vis-à-vis the Business Model Test.

System changes

- Impact if any, on the core system
- Smaller application engines to compute CSM
- Chart of accounts.

Training

- Preparers of FS
- Actuaries
- Auditors
- Regulators



Implementation Approach



Implementation in practice



THANK YOU

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