

Current Issues in General Insurance

Hotel Sea Princess, Mumbai

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Introduction to IndAS

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IndAS-117 for Non-Life Insurers



Initial View

- Not much change for non-life insurance companies vis-à-vis life insurers
- PAA simplification can be applied...thus only some minor changes required

FY23: Non-Life Portfolio mix

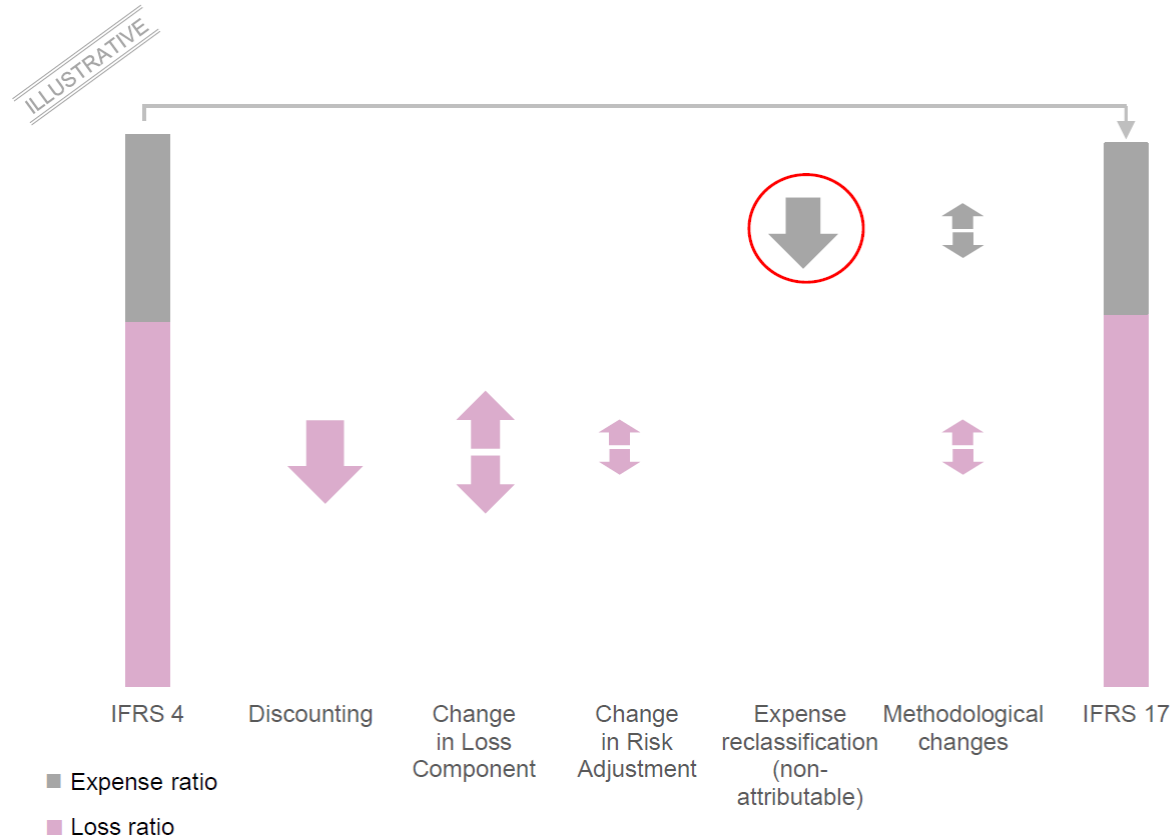
Line of business	FY23 GWP	PAA Applicable?
Motor OD	12.4%	Yes
Motor TP	19.3%	No
Crop	12.5%	No
Health Retail	13.8%	No
Personal Accident	2.7%	Yes
Health Group	17.8%	No
Health Government Schemes	3.3%	No
Overseas Medical	0.4%	Yes
Fire	9.3%	Yes
Liability	1.9%	Yes
Engineering	1.7%	Yes
Marine Cargo	1.5%	No
Marine Hull	0.5%	Yes
Credit Guarantee	0.7%	Yes
Other Misc	2.0%	Yes
Aviation	0.3%	Yes
Total	2,56,910	Only 32% portfolio directly eligible for PAA

IndAS-117: Management View



- DAC allowance would increase the overall profitability for the Company
- Onerous contracts can be hidden by aggregating cohorts
- Discounting of reserves will increase the overall profitability for the Company
- Risk adjustment does not have material impact on the current numbers

Reconciliation of combined ratio IFRS 4 to IFRS 17



Major drivers

- Discounting of claims
- Changes in loss component and risk adjustment possible in both directions
- **Elimination of non-attributable expenses (reclassified to other operating result) reduces combined ratio**
- Methodological changes, e.g. regarding accruals of earning patterns and seasonality of costs

The conundrum



- Taxation based on Indian GAAP
- Solvency based on Indian GAAP or Balance Sheet basis economic view (once RBC gets implemented)
- IndAS P&L, Balance Sheet for public disclosure

So What is changing?



- Movement to a principle based regime against extant prescriptive norms...need huge adaptation
- Roles, responsibility and accountability of an Actuary...need clarity
- Implications on product offering, IT Systems, business decision making etc.
- IndAS is not just 117...others standards also applicable and need awareness for Actuaries e.g. IndAS 109
- Clarity around pricing assumptions and methodology, documentation as it can influence choice of methodology or the standard applicable

What are the Challenges?



- Changing business models and regulations
- Consistency over time, market expectations, public disclosures etc.
- Applicable Practice Standards, relevant Institute guidance, market acceptability
- Availability of data, system flexibility
- Clarity around implementation of Standards, expectations from Actuarial fraternity

Lastly, What Next?

Let's roll-up our sleeves.....and join hands to learn



**Any Questions ?
Thank you for your attention!**



**It's not sinking or swimming – but
surfing!**