



27th December 2018

Shri. Injeti Srinivas
Secretary
Ministry of Corporate Affairs,
5th Floor, A-Wing, Shastri Bhawan,
New Delhi-110001

Dear Sir,

IND AS 117 adoption for the insurance industry in India

The Actuarial Profession is expected to play an important role in implementation of IND AS 117 standard for insurers in India and the Institute of Actuaries of India (IAI) is committed to making positive contributions to support a successful transition in India, through providing technical expertise, training & education, presentations and position papers supporting interpretation and implementation of key aspects of the proposed financial reporting standard. The IAI also recognises that a timely implementation of the standard for the Indian Insurance industry is vital so that there is consistency with the global adoption of IFRS 17.

As a key stakeholder interested in successful transformation of the Indian insurance industry, we are writing to you with our views on how to ensure a successful, least disruptive path towards implementation of this important standard.

The IAI has taken cognizance of the following domestic and global developments:

- The current exposure draft of IND AS 117, Insurance Contracts proposes an effective date of 1 April 2020 ([Ref: ED/Ind AS/2018/03 - Appendix C](#)) for insurance business in India;
- Globally, the International Accounting Standards Board (IASB) on 14 November 2018 has voted to propose a deferral of the effective date for IFRS 17 to 1 January 2022. IASB has also decided to propose extending the temporary exemption for insurers to apply the financial instruments standard, IFRS 9 to 2022, so that both IFRS 9 and IFRS 17 can be applied at the same time. In the meantime, IASB is also expected to consider potential amendments to the current standard;
- Indian insurers currently do not report under Ind AS 104, having been granted exemption as per IRDAI circular, IRDA/F&A/CIR/ACTS/146/06/2017; and therefore are expected to transition directly from local GAAP to the Ind AS 117 standard; and
- Lastly, but most importantly, the insurance industry in India is poised for two significant transitions: in respect of financial reporting under Ind AS 117 as has been mentioned above, as well as in respect of modernisation of the current solvency regime to a risk based capital framework, a roadmap for which has been set out by an IRDAI Committee (Ref: Committee report on RBC Approach and MCVL of Indian Insurance Business - [Part I](#) and [Part II](#)).

Noting the above developments as well as the current state of preparedness of the industry as a whole, the Institute of Actuaries of India strongly believes that the insurance industry would benefit from:

- A deferral of adoption of Ind AS 117 to an effective date of 1 April 2022. This would enable alignment with the proposed global adoption of the IFRS 17 standard as well as enable Indian insurers to efficiently plan implementation programs by learning from – as well as simultaneously contributing to – the emerging best practices globally;



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- A simultaneous adoption of Ind AS 109 effective 1 April 2022, together with an extension of the current exemption granted in respect of the adoption of Ind AS 104. This would help avoid unnecessary costs of multiple transitions for the insurers as well as provide more clarity to the users of such financial statements;
- An alignment of the transition dates for the proposed new solvency regime under a risk-based capital framework to the proposed transition of the accounting standards. Whilst we note that, per se, the solvency reporting regime and the financial reporting regime could be independent of each other, nevertheless there are multiple areas of synergies and overlaps. Hence, if the transition dates are aligned, the insurance industry would greatly benefit from such efficiencies. We believe that an effective date of 1 April 2022 should make this achievable.

The IAI is proactively working to support insurers as well as practitioners in developing skills to implement this important standard.

We hope that all the relevant stakeholders including: the insurance industry regulator, the relevant accounting and actuarial professional bodies and the industry at large can work together to ensure a single, effective, overall transformation of the reporting frameworks for the insurance industry in India.

Yours sincerely,

Sunil Sharma
President

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A Statutory body Established by Act of Parliament for Regulation and Development of Actuarial Profession

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