Secretary, Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg,
New Delhi 110 002
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Dear Sir/Madam,

Sub: - Comments on Exposure Draft of Amendments to Ind AS 117, *Insurance Contracts.*

We are writing on behalf of the Bajaj Allianz Life Insurance Company Limited (BALIC) to comment on the Exposure Draft of Amendments to Ind AS 117.

Significant progress towards the implementation of Ind AS 117 has been made since the standard's publication. Concerns around the use of the standard are not unexpected given the complexities of insurance accounting and the divergence between existing accounting practices around the world.

We welcome these proposals to address some of the most pressing issues that were raised around the implementation of IFRS 17 globally.

We agree with the majority of the proposals in this Exposure Draft.

Our detailed comments are included in the Appendix to this letter.

Yours sincerely

Neeraj Garg

Sr. Manager - Financial and Regulatory Reporting
Bajaj Allianz Life Insurance Co. Ltd.
Pune

24th January, 2021

Appendix:-

Sr. No.	Paragraph	Suggestion	Justification
1.	Scope – ***Paragraph 7(h)***	We agree with the proposal given in Para 7(h). We believe it addresses the concerns raised by stakeholders adequately and the proposed accounting provides relevant information.	These scope exclusions will help Banks and NBFCs in applying Ind AS 109 to such contracts and thus avoid the impact of Ind AS 117.
2.	Scope – ***Paragraph 8A***	We agree with the scope of the exemption.	We consider that this option provides relevant information because more useful information for users of financial statements might be provided if an entity were to apply the same Standard to those contracts as it applies to other similar contracts it issues. *For example*, an entity that mainly issues insurance contracts may apply Ind AS 117 to these loans while an entity that mainly issues financial instruments may apply Ind AS 109.
3.	Expected recovery of insurance acquisition cash flows – ***Paragraphs 28A–28D, 105A–105B, B35A–B35C***	We agree with the proposals, although we note that the proposal increases complexity for preparers and arguably for users.	1. We believe the additional complexity is justified because a deferral better reflects the economic substance of the transactions and hence provides more relevant information. 2. Guidance on systematic and rational method on allocation of insurance acquisition cash flows to expected contract renewals along with recognition of asset at transition date would be helpful.
4.	Insurance acquisition cash flows – ***Paragraphs B35D (b)***	We believe that further clarification/illustrations are needed.	Example on assessing the recoverability of such an asset at the end of each reporting period if facts and circumstances indicate the asset may be impaired. This is a two-step impairment test: • At the level of a group of insurance contracts (group level impairment test) • An additional impairment test specific to insurance acquisition cash flows allocated to expected contract renewals (additional impairment test)
5.	Contractual service margin attributable to investment-return service and investment-related service - ***Paragraphs 44–45,***	We believe that further changes are needed.	1. We are concerned that the proposed amendments on investment-return services do not capture economically similar products that clearly include both insurance and investment return service but do not meet the criteria, as the contract cannot be surrendered nor

	109 and 117(c)(v), Appendix A, paragraphs B119–B119B		transferred. In our view, the proposed criteria for recognition of investment-return services need further consideration, since as currently drafted they would result in economically similar contracts having different accounting results. 2. Guidance on identification of coverage units for investment related or return services and how to determine whether, and to what extent investment activity enhances policyholder benefits.
6.	Reinsurance contracts held—recovery of losses on underlying insurance contracts - ***Paragraphs 62, 66A–66B, B119C–B119F***	We believe that further changes are needed. Insurance contracts and reinsurance contracts are related, but give rise to different rights and obligations. We therefore agree that despite that link between underlying insurance contracts and reinsurance contracts, they should be accounted for separately under Ind AS 117. The separation of the two contracts is consistent with the accounting requirements for other non-insurance contracts.	1. We noted that the proposed methodology disregards whether the reinsurance contract has a net gain or a net cost contractual service margin. However, we believe this is relevant for the assessment. A reinsurance contract with a net gain contractual service margin would reduce the overall loss on the insurance and reinsurance contract if added together. A reinsurance contract with a net cost contractual service margin would increase that overall loss, because the expected recoveries from the reinsurance are less than the net reinsurance premium paid. We believe recognising income on a reinsurance contract with a net cost contractual service margin is counter intuitive and could be misleading. 2. In case, where onerous group of contracts include both onerous contracts which are covered by group of reinsurance contracts and which are not covered by group of reinsurance contracts then a guidance is needed on systematic and rational basis of allocation to determine the portion of the loss component of the group of insurance contracts that relates to insurance contracts covered by the group of reinsurance contracts held.
7.	Presentation in the statement of financial position - ***Paragraphs 78–79, 99, 132***	We welcome the proposed amendments	Even though it is a departure from the unit of account as mentioned under Ind AS 117. Provided there is no need for a more granular allocation of cash flows for measurement purposes, allocation of cash flows at a portfolio level will provide relevant information.
8.	Effective date – ***Appendix C***	We are concerned about the proposed effective date	The effective date for the standard is proposed to be 1 April 2023. We are concerned that the proposed implementation date is achievable considering: • Taking into account the changes that are still being proposed to Ind AS 117;

			• Regulatory changes that are required to be made with respect to IRDAI compliances • Evaluation of impact on taxations on initial implementation • Significant operational challenges that insurers face in implementing the complex requirements • Impact on solvency *We also believe that risk based capital (RBC) implementation should be seen in conjunction with Ind AS 117 implementation. In Asia, we are the only country who doesn't have RBC hence it will be a lot bigger change for India and therefore more implementation time frame is required.* Further, in order to manage the transition, regulators in the Middle East, Malaysia and Korea required formal impact assessments to understand how IFRS 17 will apply to their local business. The European Financial Reporting Advisory Group also performed impact assessments for European insurers which fed into the IASBs wider consultation process on the new regulations. Given the current state of preparedness of Indian Insurers, the significant time investments yet to be made in technology, people and processes and the level of change that IFRS 17 represents, we believe it would be crucial for India to also perform an impact assessment before the final decision to go ahead with the standard in its current form. Please note that some other jurisdictions have adopted a delay from the global timeline, for example China, where unlisted insurers will transition in 2026, and Indonesia and Philippines where transition is salted for 2025, ***Basis the above, we believe that the effective date of the standard to be extended by another 2-3 years from the date of its global implementation and after considering implementation of RBC norms. This will provide reasonable time frame for Indian insurers to implement the standard.***
9.	Transition modifications and reliefs - ***Paragraphs C3(b), C5A, C9A, C22A***	We agree with the proposal.	We believe this simplification should ease implementation challenges and should not result in a significant loss of useful information.