



Institute of Actuaries of India

Statutory body established under an Act of Parliament

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23rd January 2021

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

Dear Sir,

Re: Exposure Draft of Amendments to Ind AS 117, Insurance Contracts

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 of accounting standards. We are proactively supporting insurers and our members by providing technical expertise, training & education, presentations and position papers on 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 to ensure consistency with the global adoption of IFRS 17. As a key stakeholder in the successful transformation of the Indian insurance industry, we are writing to you with our views on the proposed amendments to Ind AS 117, which we hope will ensure a successful and least disruptive path towards implementation of this important standard.

The International Accounting Standards Board (IASB) has adopted an exhaustive process of consultation in arriving at the latest version of IFRS 17. During this process, stakeholders from across the globe raised various issues with the standard in its current form, some of which were debated and adopted in the 2020 amendments, while others were rejected. While we share some of the concerns of international stakeholders, most notably related to the cohorting requirements for direct participating business, at this stage of the process, the Indian insurance industry may best be served by an accounting standard that is as close to as possible in form to IFRS 17. This will reduce the burden on insurance companies that report financial results both locally and abroad and also instil wide confidence in the financial statements prepared in India. We therefore have no comments on the amendments to the Ind AS 117 exposure draft as drafted at this time.

We would, however, make two practical implementation recommendations to benefit Indian insurers as follows:

1. Industry impact assessment

It is important to note that Ind AS 117 represents a step change for Indian insurance accounting, given that we are yet to adopt an economic balance sheet approach in any other regulatory reporting. While our peers in Europe and in many Asian countries have already transitioned to a market-consistent risk-based capital framework already, and can leverage this for IFRS 17 reporting, our current factor-based



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solvency framework and book-value accounting methods will need to undergo significant upgradation, and the impacts of the new accounting standard are therefore significantly less clear. 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 businesses. 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, and the level of change that IFRS 17 represents, we believe it would be crucial for India to also perform a formal impact assessment for impacted entities before taking the final decision to go ahead with the standard in its current form.

2. Delay of the effective date

We would recommend a delay of the effective date of Ind AS 117, given:

- The increased burden on Indian insurers of implementing an economic balance sheet reporting framework for the first time, and the additional burden that a transition to RBC along similar timelines would place on Indian insurers.
- The current state of preparedness of the industry and the significant time investments yet to be made in technology, people and processes. With the need to prepare comparative balance sheets for 1 April 2022, insurers currently have little more than a year to substantially complete their implementation processes, with international IFRS 17 experience suggesting this would not provide sufficient time to complete the exercise.
- The need to perform impact assessments as highlighted above, to ensure that the effects on Indian specific issues and related reporting (e.g. taxation) can be understood and resolved.

A delay (for example, to 1 April 2024) would allow us to benefit from the experience of our international colleagues as they adopt the new standard, understand the financial consequences through impact assessments and provide sufficient time to complete the transition and resolve India-specific issues. Indeed, we 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 the Philippines where transition is slated for 2025.

We look forward to your consideration of these comments and would be happy to engage with the ICAI to ensure a smooth transition to this important accounting standard.

Yours sincerely,

Subhendu Kumar Bal

President

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