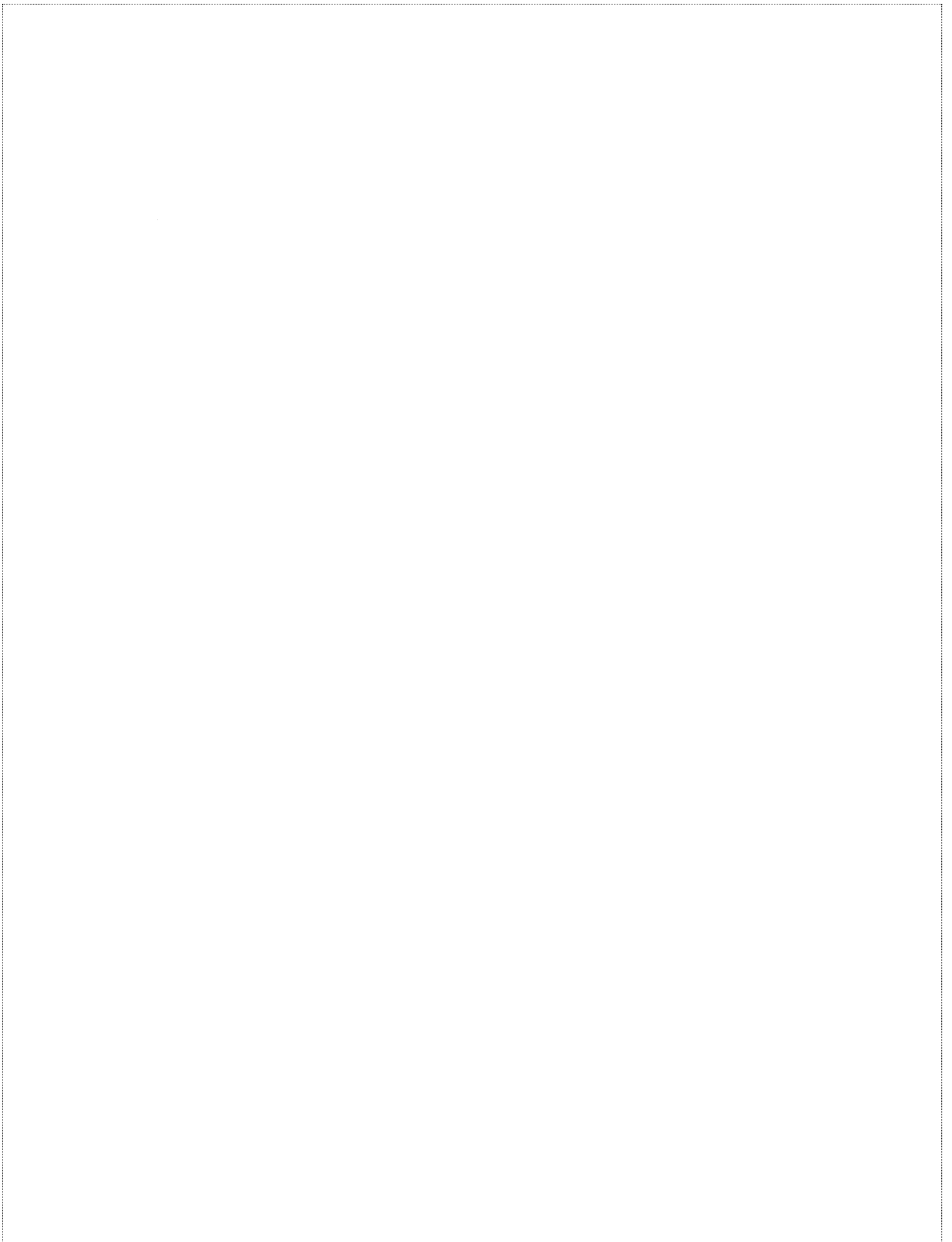


REPORT OF THE WORKING
GROUP ON NEW STANDARD
ON INSURANCE CONTRACTS
(EQUIVALENT TO IFRS 17
INSURANCE CONTRACTS)



October 31, 2018



Forwarding Letter

31st October 2018

To

Dr. Subhash C Khuntia,
Chairman,
Insurance Regulatory and Development Authority of India
SY.NO.115/1, Financial District,
Nanakramguda,Gachibowli,
Hyderabad-500032

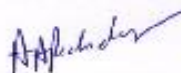
Sir,

Sub: Report of the Working Group on new standard on Insurance Contracts (equivalent to IFRS 17 Insurance Contracts)

This has reference to the Order Ref: IRDA/F&A/ORD/ACTS/184/08/2017 dated 21st August 2017 constituting the Working Group to submit its report on the terms of reference contained therein.

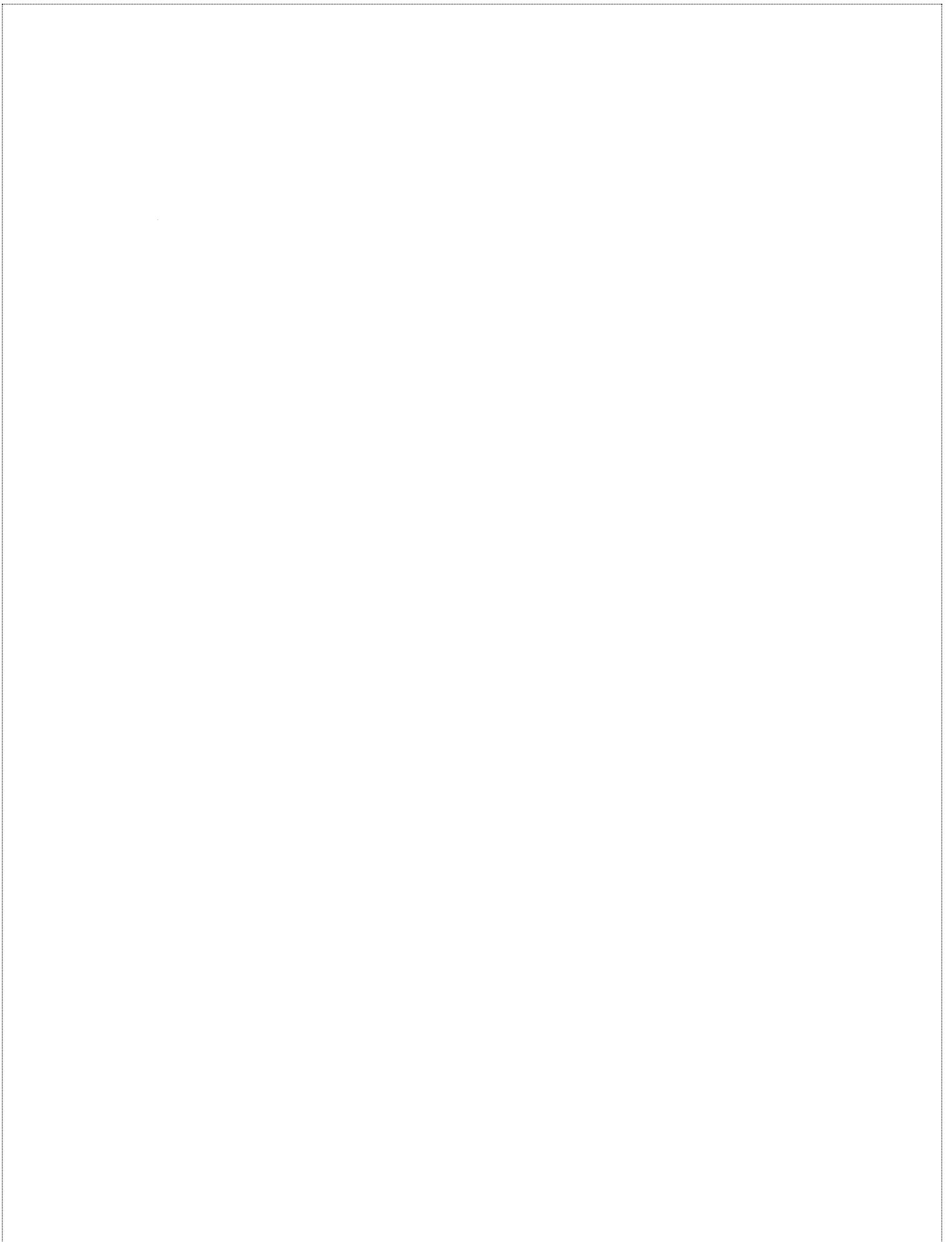
I have great pleasure in submitting the report of the Working Group. On behalf of the members and special invitees of the Group and on my behalf, I convey my sincere thanks for entrusting us with this responsibility.

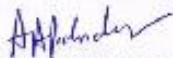
Yours faithfully,


(Ashutosh Pednekar)
Group Head- Working Group

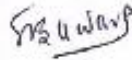
C C :
Shri PravinKutumbe,
Member (F & I),
IRDAI

Smt. Pournima Gupte,
Member (Actuary),
IRDAI




(Ashutosh Pednekar)
Group Head

Members:



(S. B. Zaware)
Chairman, ASB, ICAI



(Vidhyadhar Kulkarni)



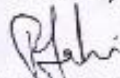
(S.N. Rajeswari)



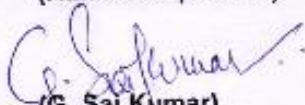
(Dinesh Pant)



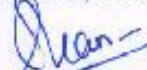
(Vikas Mehra)



(Ramandeep Sahni)



(G. Sai Kumar)



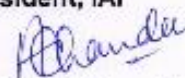
(Shankar Garigapathy)



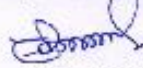
(Murtuza Vajih)



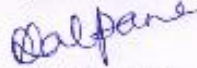
(Sunil Sharma)
President, IAI



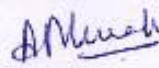
(Avinash Chander)




(S.M. Jain)



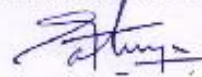
(N. Kalpana)



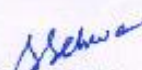
(Asha Murali)



(Venkatakrishna N)



(Rahul Ahuja)



(Shefali Sehwan)

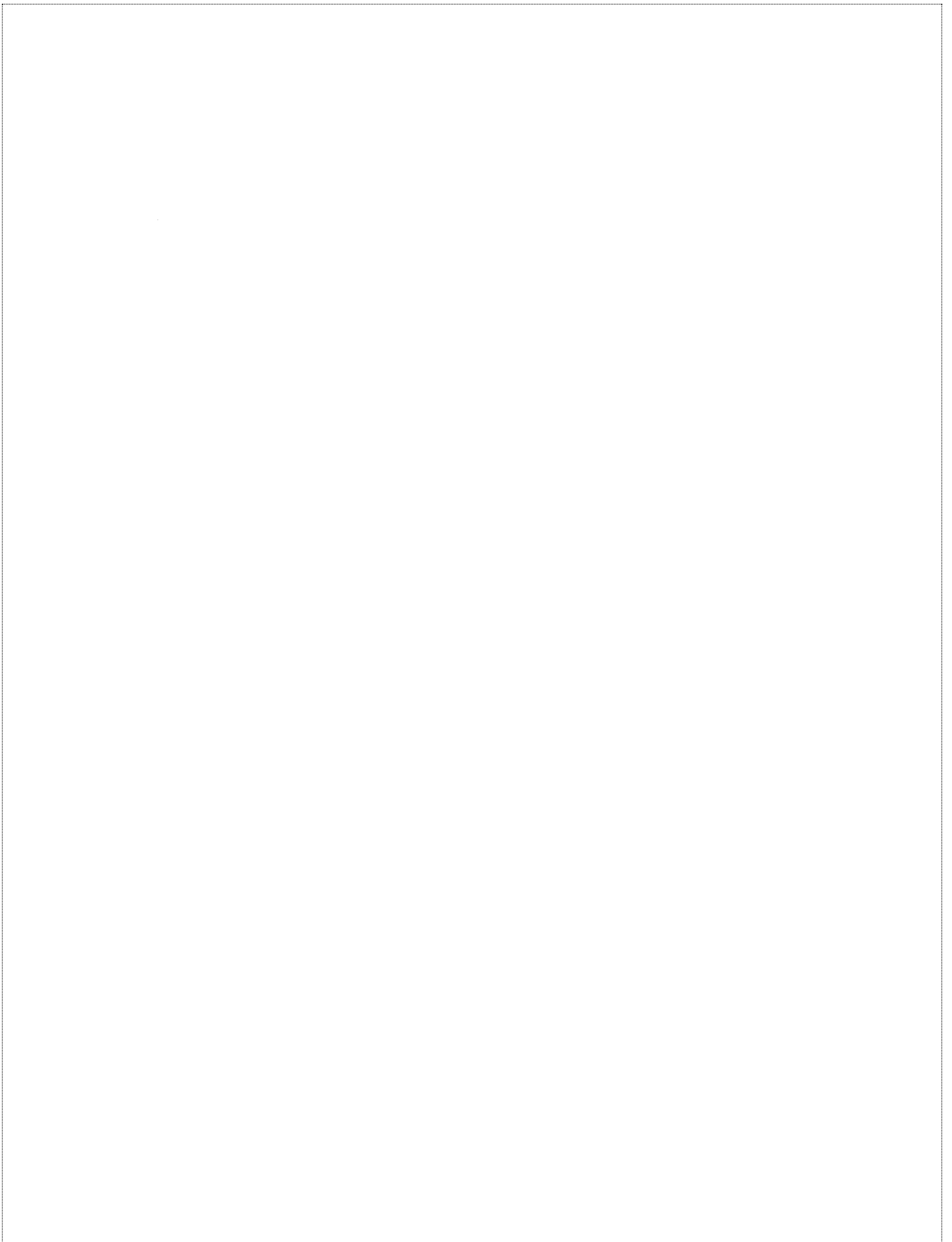
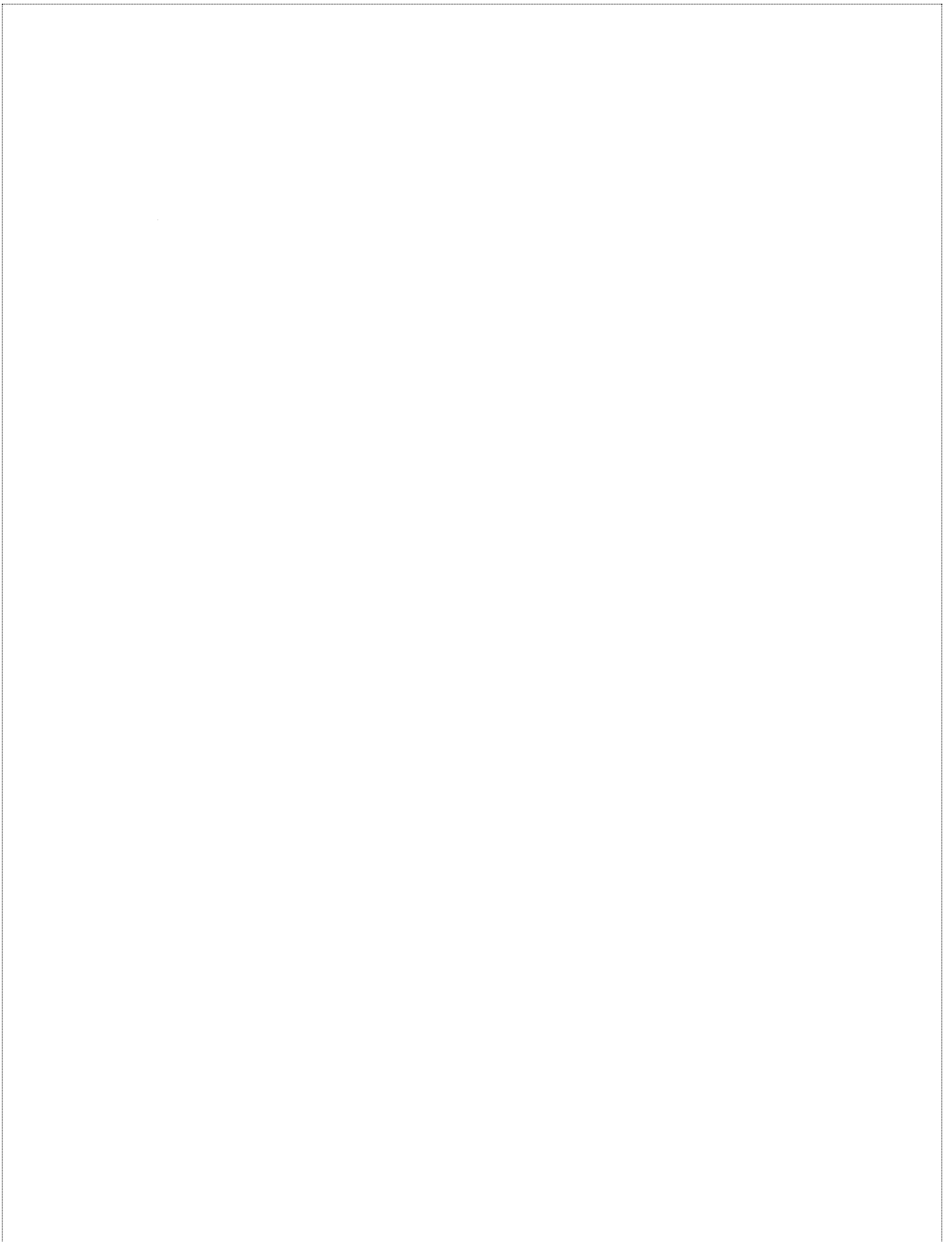


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¹ Ind AS 117 referred to in the report is the Exposure Draft of Ind AS 117 issued by ICAI on 12th February 2018



Executive Summary of the Recommendations

Standard and Regulations

1. The Draft Regulations may be notified after notification of Ind AS 117 and addressing issues/concerns, if any, that may come up from the findings of the Ind AS compliant proforma financial statements prepared by insurers as per the Draft Regulations.
2. The recommendations of the WG in this report and the Draft Regulations proposed are based on the IFRS 17 notified by the International Accounting Standards Board (IASB) on 18th May 2017 and the Exposure Draft of Ind AS 117 issued by the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI). These may undergo a change in case the IASB concludes that there is a need to amend IFRS 17 or issue clarifications, which will have to be suitably considered by the Authority.
3. Section 11 of the Insurance Act 1938 may be amended to consider Statement of Changes in Equity as a separate financial statement.
4. The Authority may take up with the ASB with regard to the amendment to Ind AS 1 in order to facilitate usage of titles for financial statements stipulated under specialized legislations by which 'Revenue Account' in case of insurance companies can be presented as a separate statement rather than making it part of 'Statement of Profit and Loss Account'.

Financial Statements

5. Single format of financial statements without distinguishing between life and other than life insurance business is recommended. This is because, IFRS 17 differentiates measurement of insurance contracts based on duration of contracts and does not distinguish between life and general insurance business.

6. Cash Flow Statement under Direct method is recommended. The Authority may examine whether reinsurance companies can be permitted indirect method of preparing Cash Flow Statement.
7. Information presently required to be disclosed in the Management Report may be presented along with the Board of Directors' Report in a manner similar to that of Corporate Governance Report.
8. Information primarily relevant to policyholders like fund-wise Revenue Account, Balance Sheet and additional disclosures may be presented by insurers on their respective websites instead of annexing these to financial statements.
9. As regards distribution of the revaluation reserve arising out of Investment Property under Shareholders funds, the Authority may consider giving separate stipulations.

Others

10. Ind AS compliant Balance Sheet of Insurance Companies may be used as a basis to carry out adjustments for solvency computations.
11. Some of the Regulations/Regulatory Stipulations would be impacted by Ind AS 117 (some of them identified are given in Chapter IV)
12. IRDAI to enhance capability of the industry and the regulator on the understanding and usage of Ind AS in general and Ind AS 117 and Ind AS 109, Financial Instruments, in particular.
13. IRDAI may request ICAI and IAI to bring out / publish education material on application of Ind AS 117.
14. Though the terms of reference of the WG do not extend to determining the impact of taxation it is recommended that insurers to share their concerns along with proposed solutions, with the Authority and ICAI to be taken up with the Central Board of Direct Taxes.

Chapter I: Introduction

1. India has converged with International Financial Reporting Standards (IFRS) as part of its commitment to the G20. Indian Accounting Standards (Ind AS) are the converged IFRS. For companies these have been notified in the Companies (Indian Accounting Standards) Rules, 2015, as amended. Implementation of Ind AS has been done in a phased manner as per the road map issued by the Ministry of Corporate Affairs (MCA). As per this road map entities regulated by the Insurance Regulatory and Development Authority of India (IRDAI / the Authority) were required to converge to Ind AS from 1st April 2018 with one year comparatives.
2. The Authority constituted an Implementation Group (IG) under the Chairpersonship of Smt. V. R. Iyer, Member-F&I vide order reference IRDA/F&A/ORD/ACTS/201/11/2015 dated 17th November 2015 to examine the implications of implementing Ind AS, address the implementation issues and facilitate formulation of operational guidelines to converge with Ind AS in the Indian Insurance sector. This IG, with Shri P. R. Ramesh as Group Head, submitted its report on December 29, 2016. The draft of the regulations recommended by the IG was issued as an Exposure Draft.
3. In the meantime, the International Accounting Standards Board (IASB) issued the new accounting standard on insurance contracts on 18th May 2017 (IFRS 17, Insurance Contracts) replacing IFRS 4. The Authority therefore, reviewed the position of Implementation of Ind AS in the Insurance Sector in India and postponed the effective date of implementation of Ind AS for its regulated entities by two years vide its circular dated 28th June 2017. Accordingly, the new effective date of convergence to Ind AS in the Insurance Sector is 1st April 2020.

4. In order to commence work on early adoption of new standard on insurance contracts in India equivalent of IFRS 17, *Insurance Contracts* a Working Group (WG) was constituted by the Authority vide its order dated August 21, 2017 (Annexure 1) with Shri Ashutosh Pednekar as the Working Group Head and members from the industry, professional experts, representative of the the Institute of Chartered Accountants of India (ICAI), representatives of the Institute of Actuaries of India (IAI) and officials of the IRDAI. The terms of reference of the WG are as under: -
 - i. Review of the new standard 'IFRS 17 - insurance contracts' and to identify relevant areas/aspects, which require suitable adoption in the Indian context.
 - ii. Identify changes arising out of new standard on insurance contracts
 - a. to be carried out in the draft regulations/formats recommended by the Implementation Group vide their report dated 29th December 2016;
 - b. to be carried out in other regulations/guidelines etc.
 - iii. Any other aspects that may arise in the course of implementation of the standard in the insurance sector.

The activities of the Group are briefly mentioned in Annexure 2.

5. Key recommendations of the Working Group are summarized in the Executive Summary.
6. It may be noted that various recommendations made in this report are based on the collective views of the members of the Working Group. These views are not intended to be authoritative interpretations of accounting standards and various laws and regulations.

Acknowledgements

7. The WG wishes to place on record its gratitude to Shri T. S. Vijayan, the then Chairman of IRDAI who constituted the WG. Dr. Subhash C Khuntia, Chairman, IRDAI for his encouragement and support and Shri Pravin Kutumbe, Member (F&I), IRDAI and Smt. Pournima Gupte, Member (Actuary), IRDAI for their continuous support, guidance and valuable inputs.
8. The WG acknowledges the efforts and contributions of each and every member and invitees of the WG.
9. The WG benefitted from the efforts and the results of test run carried out on the draft of formats for preparation of financial statements by Star Union Dai-chi Life Insurance Co. Ltd.
10. The WG places on record the efforts and support extended by nominees of ICAI and IAI in finalizing this report.
11. The WG is grateful to Shri V. Manickam, Secretary General, Life Insurance Council and Shri R. Chandrasekaran, Secretary General, General Insurance Council, for organizing and facilitating the outreach meetings with insurers, which brought out various concerns/ issues on implementation.
12. The WG places on record its appreciation for the support received from the officials of Finance & Accounts and Actuarial departments of IRDAI in finalizing the Report.

Chapter II: IFRS 17 / Ind AS 117 Insurance Contracts

1. In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17, Insurance Contracts. This culminated a journey of almost twenty years. IFRS 17 replaced IFRS 4, Insurance Contracts, which was an interim standard. IFRS 17 is a wholesome standard that deals with the recognition, measurement, presentation and disclosure requirements of insurance contracts. It applies to all entities that issue insurance contracts and not necessarily to entities regulated by an insurance regulator of the respective country. IFRS 17 is effective from accounting periods commencing on or after January 1, 2021. Early adoption is permitted provided the entity adopts IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers. In India, the equivalent standards, viz. Ind AS 109 and Ind AS 115 are notified. Hence, early adoption of IFRS 17 is permitted.
2. As the accounting standard (IFRS 17) is very exhaustive, complex and introduces new concepts, hitherto not applied even internationally, the WG felt that it required a detailed study to check and verify its relevance and applicability in the Indian Context. Accordingly, the WG worked closely with ICAI which was preparing the Indian equivalent of the standard in order to ensure that the standard that may be notified will be in harmony with the Industry practices and to that extent, it is expected that no further 'carve-outs/regulatory overrides' would be required by the Regulator.
3. The WG members facilitated industry inputs to the ICAI before it issued the exposure draft of Ind AS 117 Insurance Contracts, the Standard equivalent to IFRS 17. The exposure draft was issued on 12th February 2018. The WG members also contributed at the meetings of the Accounting Standards Board (ASB) of the ICAI on the comments received on the exposure draft before

ICAI's recommendation thereof to the National Advisory Committee on Accounting Standards (NACAS). The final standard is yet to be notified.

4. IFRS 17 requires a consistent accounting for all insurance contracts on a current measurement model and it is expected to provide useful information about profitability of insurance contracts. The definition of an insurance contract has remained substantially the same as in IFRS 4. However, the measurement of an insurance contract and its presentation in the financial statements has changed significantly.
5. Improvements introduced by IFRS 17 requires a company to measure insurance contracts using current estimates and assumptions that are updated (to be consistent with relevant market information), and that reflect the timing of cash flows and the uncertainty relating to the insurance contracts. The use of a measurement model with current inputs will provide current, updated information about the effect of insurance contracts on a company's financial position and risk exposure, and transparent reporting of changes in the insurance contract assets and liabilities.
6. IFRS 17 requires a company to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the company expects to recognise in the future. This information will provide additional metrics that can be used to evaluate the performance of insurers and how that performance changes over time. These requirements are significantly and fundamentally different from the present practices in India. It is expected that the financial numbers of an insurer will be much different from those presented as of now. Along with financial statements, there would be an impact on management information systems and reports too.
7. Because IFRS 17 requires a company to measure insurance contracts issued to reflect probability-weighted cash flows, as well as the timing and the risk of

those cash flows, the implementation of IFRS 17 is expected to require a high level of integration between finance, actuarial and risk processes.

8. IFRS 17 substantially retains the scope of IFRS 4, so, essentially, the requirements under IFRS 17 affect the same population of contracts accounted for when applying IFRS 4. Similar to IFRS 4, IFRS 17 does not apply to insurance contracts in which the company is the policyholder; the only exception is when those contracts are reinsurance contracts. IFRS 17 applies to and provides consistent framework for accounting of contracts that are:
 - a) insurance contracts issued (i.e. sold);
 - b) reinsurance contracts held (i.e. acquired); or
 - c) investment contracts with discretionary participation features issued.

9. A company is required to apply the requirements of IFRS 17 to a group of contracts rather than on a contract-by-contract basis. In grouping insurance contracts, a company is required to identify portfolios of contracts and to divide each portfolio into:
 - a) a group of contracts that are onerous at initial recognition, if any;
 - b) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
 - c) a group of remaining contracts, if any.

In addition, a group of contracts cannot include contracts issued more than one year apart.

10. With regard to recognition, IFRS 17 requires a company to recognise a group of insurance contracts it issues from the earliest of the following:
 - a) the beginning of the coverage period;
 - b) the date on which the first payment from a policyholder is due; and
 - c) for a group of onerous contracts, when the group becomes onerous.

11. Ind AS 109 is required to be applied to determine whether there is an embedded derivative to be separated and, if there is, how to account for that derivative. It is also to be applied to separate from a host insurance contract an investment component if, and only if, that investment component is distinct. Ind AS 109 is required to be applied to account for the separated investment component.
12. There are two measurement models in IFRS 17 viz. general measurement approach which is also called the Building Block Approach (BBA) and the Premium Allocation Approach (PAA). An entity is required to assess its rights and obligations arising from a group of insurance contracts and reflect them net on the balance sheet on discounted basis.
13. IFRS 17 recognises that insurers manage risk by transferring a portion to reinsurers by entering into reinsurance contracts. The Standard generally requires an entity to account the reinsurance contracts that it holds by using an approach that is consistent with the accounting of the underlying insurance contracts.
14. The manner of presentation of the financial performance of an insurance contract is also prescribed by the Standard. This is done by presenting the insurance service result i.e. the insurance revenue less insurance service expenses and the insurance finance income or expenses in the statement of comprehensive income.
15. Revenue from insurance contracts represents the consideration that a company expects to be entitled to in exchange for services provided under the contracts. It includes the consideration that covers the amount of contractual service margin recognized in profit or loss for the period and the amount of insurance expenses incurred in the period. Many insurance contracts with investment features include a deposit component—i.e. an amount paid by the

policyholder that is repaid by the insurer even if an insured event does not occur. Where such repayment happens, the amount so repaid need to be excluded from the insurance revenue, as the collection of a deposit is not revenue and the repayment of that deposit is not an expense

16. Insurance service expenses reflect the costs incurred in providing services in the period, including incurred claims, and exclude the repayment of deposit components. IFRS 17 requires a company to account for the fulfillment cash flows and the contractual service margin on a discounted basis that reflects the timing of cash flows. As time passes, the effect of the time value of money reduces and this reduction is reflected in the statement of profit and loss as an insurance finance expense. In effect, the insurance finance expenses are akin to interest paid on an advance payment and reflects the fact that policyholders typically pay premiums up front and receive benefits only at a later date. Insurance finance income or expenses also include the effect on the carrying amount of insurance contracts of some changes in financial assumptions (i.e. discount rates and other financial variables). A company recognises the effect of those changes in discount rates and other financial variables in the period in which the changes occur. The company can choose where to present this—either in profit or loss, or disaggregated between profit or loss and other comprehensive income. This choice is made by portfolio of contracts.
17. The Standard requires a number of disclosures with regard to additional information about amounts recognized in the balance sheet and in the statement of comprehensive income, the significant judgements made when applying IFRS 17, and the nature and extent of risks that arise from issuing insurance contracts.
18. For the purpose of this report, 'IFRS 17' and 'Ind AS 117' are used interchangeably. The WG has considered various requirements of the Standard in arriving at its recommendations. The WG has relied upon the

various documents of IASB on IFRS 17 which include the Application Guidance, Illustrative Examples, Basis for Conclusions, the Effect Analysis. The Group also referred to publicly available illustrative formats of financial statements.

19. The WG noted that in case of any service offered by an insurer that does not meet the definition of an insurance contract, Ind AS 115 Revenue from Contracts with Customers will be applied for such services.

Chapter III: Approach on Drafting the Regulations on Preparation of Financial Statements

- 1 To identify the changes arising out of IFRS 17 to be carried out in the draft regulations / formats recommended by the Implementation Group constituted under IRDAI Order dated 17th November 2015 in their report dated 29th December 2016, a Drafting Group was formed under the leadership of Sri Vidhyadhar Kulkarni, Head, Technical Directorate and Secretary, Accounting Standards Board (ASB), ICAI and Dr. Avinash Chander, Ex- Technical Director, ICAI as Co-chair. The Drafting Group used the Draft/Formats recommended by the Implementation Group as the basis document on which changes/modifications arising from the new standard viz. IFRS 17 have been carried out. The Draft Regulations have been formulated as per the approach indicated in the subsequent paragraphs with focus on IFRS 17 and are attached as Annexure 3. However, to the extent not revised on the under mentioned aspects, the Report of the Implementation Group dated 29th December 2016 holds good.

Financial Statements

- 2 With a view to comply with the requirements of the Insurance Act 1938 as well as the requirements of Ind AS 1, the following are recommended to be the complete set of financial statements for the purpose of the Ind AS compliant IRDAI Regulations for the reasons stated hereinafter:
 - a. Balance Sheet (including Statement of Changes in Equity), in accordance with Ind AS 1: *Presentation of Financial Statements*.
 - b. Statement of Profit and Loss for the period, in accordance with Ind AS 1, *Presentation of Financial Statements* including Policyholders' Account (Revenue Account) and Shareholders' Account (Profit and Loss Account), as required by the Insurance Act, 1938.

c. Receipts and Payments Account [Cash Flow Statement as per Ind AS 7: *Statement of Cash Flows*].

d. Notes including:

- i. Summary of significant accounting policies;
- ii. Other explanatory notes annexed to, or forming part of, any document referred to in Sub-clause (a) to Sub-clause (c) above; and
- iii. Comparative information in respect of the preceding period.

3 Since the Statement of Changes in Equity is an extension of the balance sheet and gives detailed information with regard to the share capital, reserves etc., it is recommended to be included as a part of the balance sheet even though under Ind AS 1, it is prescribed as a separate financial statement. This is because Section 11 of the Insurance Act 1938 does not recognize the Statement of Changes in Equity as a separate financial statement.

4 Since the Revenue Account (Policyholders' Account) and the Profit and Loss Account (Shareholders' Account) are required to be prepared under section 11 of the Insurance Act 1938, the Statement of Profit and Loss as per Ind AS 1 should be prepared to reflect the financial performance for the period for both policyholders and shareholders. The Revenue Account (Policyholders' Account) and the Profit and Loss Account (Shareholders' Account) are made part of Statement of Profit and Loss.

5 Section 11 of the Insurance Act 1938 is required to be amended to consider Statement of Changes in Equity as a separate financial statement.

6 Instead of identifying, as a separate financial statement as required under Ind AS 1, a Balance Sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in

its financial statements as specified in Ind AS 1, it was considered adequate that a requirement in this regard is included as a note to the Balance Sheet.

- 7 IFRS 17 differentiates measurement of insurance contracts based on duration of contracts and does not distinguish between life and general insurance business. Hence, separate formats for entities carrying on life insurance business and those carrying on general insurance business are not being recommended.

Balance Sheet

- 8 Manner of presentation of various items of assets, liabilities and equity in the balance sheet was decided as follows:
- a. The presentation order in the balance sheet of assets, liabilities and equity should be based on the concept that equity represents residual interest in the assets of the entity after deducting liabilities.
 - b. In the case of the insurance industry, given its nature of business, the liquidity-based presentation would provide more reliable and relevant information. Accordingly, the recommended balance sheet format follows liquidity based presentation.
 - c. The presentation requirements particularly paragraph 78 of the Ind AS 117 have also been considered.
- 9 The presentation and disclosure requirements contained in the formats on Investment Property are based on the assumption that Ind AS 40, Investment Property, will be amended to permit both fair value model and cost model in accordance with the Exposure Draft in this regard issued by the ASB of the ICAI. Also, the proposed amendments to Ind AS 16, Property, Plant and Equipment, permitting fair value model for owner occupied property backing certain insurance contracts would also be carried out as a consequence of Ind AS 117.

- 10 'Performance Wise' and 'Maturity Wise' disclosures under the Note on Loans as presently required in the Regulations are not included as more detailed disclosures are required under Ind AS 107, Financial Instruments: Disclosures.
- 11 With regard to requiring policy loans as a separate asset in the balance sheet, it was noted that BC 114 to IFRS17, has considered this aspect as to “whether to permit an entity to separate a non-insurance component when not required to do so by IFRS 17; for example, some investment components with interrelated cash flows, such as policy loans. Such components may have been separated when applying previous accounting practices. However, the IASB concluded that it would not be possible to separate in a non-arbitrary way a component that is not distinct from the insurance contract nor would such a result be desirable. Permitting an entity to separate such components would mean that the entity measures the components in the contract on an arbitrary basis. The Board also noted that when separation ignores interdependencies between insurance and noninsurance components, the sum of the values of the components may not always equal the value of the contract as a whole, even on initial recognition. That would reduce the comparability of the financial statements across entities.” In view of the same, loans against insurance contracts which are to be accounted for under Ind AS 117 are not included in the note on ‘Loans’ and would have to be considered in computation of the amounts of insurance contracts assets/liabilities.
- 12 Separate ‘notes’ to Balance Sheet for presenting “Investment contracts with Discretionary Participation Features” are not given. Since these contracts are also measured and reported similar to insurance contracts with direct participation features, relevant notes/formats as applicable for “Insurance Contracts not measured under Premium Allocation Approach” are recommended to be used.

Statement of Profit and Loss

- 13 Considering the nature of the insurance business, and the requirements contained in Ind AS 1 that the expenses shall be reflected nature-wise, the Format of Statement of Profit and Loss has been prepared in a manner to meet the presentation requirements of Ind AS 1 as well as Ind AS 117 particularly, paragraphs 78 and 80, Ind AS 109 or Ind AS 115 or other standards as applicable. Exceptional items and gain or loss on discontinued operations are recommended to be presented separately as per the requirements of Schedule III to the Companies Act, 2013.
- 14 In order to promote comparability, it has been recommended that components of OCI be disclosed before tax related effects with a separate line item giving the aggregate amount of income tax relating to those components.
- 15 Ind AS 117, Insurance Contracts, gives options in the recognition, measurement and presentation of various items. While with regard to presentation of certain items in OCI under paragraph 88(b) and 89 (b) read with paragraph 90, the formats have been formulated as though both the options are permitted by the Regulator to the insurance sector. In respect of other optional treatments permitted in the Ind AS, a general instruction has been included permitting entities to follow any of the options. A considered view on whether or not to permit options or limit it to one to ensure uniform presentation is a Regulatory call, the consideration of which should be based on evaluation of pros and cons of each of the options.

Notes to Financial Statements

- 16 The insurer is required to present the Revenue Account under the classification/types as recommended in the draft Regulations. Apart from the said requirement, the insurer shall also present segment information in accordance with the relevant Ind AS as applicable. Further, as per the requirements of Ind AS 117, information related to assets and liabilities has to

be presented for various segments/classes of insurance business. In this regard, specific reference is invited to paragraph 96 of Ind AS117 which reads as under:

“Paragraphs 29-31 of IAS 1 set out requirements relating to materiality and aggregation of information. Examples of aggregation bases that might be appropriate for information disclosed about insurance contracts are:

- a) Type of contract (for example, major product lines);
- b) Geographical area (for example, country or region); or
- c) Reportable segment as defined in IFRS 8 Operating segments.”

Accordingly, various notes to accounts, particularly those related to insurance contract assets and liabilities contain information as required above.

- 17 The Transitional Provisions of Ind AS 117 contain various options with regard to existing insurance contracts covered under the Ind AS. In view of the long term nature of various insurance contracts which would continue for many years, the amounts under various options would be carried forward until the liabilities under the contracts are derecognised. The aforesaid transitional line items have been included in Notes related to insurance contracts liabilities/assets to ensure uniformity of presentation.

Cash Flow Statement

- 18 The draft Regulations recommend the ‘direct method’ of preparing and presenting the cash flow statement, under Ind AS 7, Cash Flow Statement, since Section 11 of the Insurance Act 1938 requires preparation of 'Receipts and Payments' Account. There has been representation from reinsurance company that they be permitted indirect method of preparing cash flow statement.

Regulatory Requirements and Other Aspects

- 19 A summary of financial statements for the last five years in the manner as may be prescribed by the Authority should be provided as at present. In the initial years, Ind AS financial statements would be available for less than five years, e.g., for the year 2020-21, with comparatives for the year 2019-20, information would be available for two years. The Authority needs to decide the regulations for prescribing the presentation of summary of the remaining preceding three years i.e., whether on the basis of Ind AS or as per the existing GAAP. However, the WG recommends that for such periods figures as per existing GAAP may be presented as Ind AS presentation for the remaining three years would require restatement of financial statements for those years as well.
- 20 Information presently required to be disclosed in the Management Report may be presented along with the Board of Directors' Report in a manner similar to that of Corporate Governance Report by companies other than those carrying on insurance business. As in the case of Corporate Governance Report for companies other than insurance companies, the same may be separately audited and, accordingly, the auditor may give a separate report.
- 21 As per the existing Regulations, fund-wise Revenue Account, Balance Sheet and additional disclosures are to be annexed to the annual financial statements. The nature of disclosures required therein are primarily relevant to the policyholders. Accordingly, such information may be presented by insurers on their respective websites instead of annexing these to financial statements. The Authority may issue appropriate instructions in this regard. The formats of the Revenue Account and the Balance Sheet is recommended to be the same as per the draft Regulations to the extent applicable and subject to audit.

- 22 Regulatory disclosures on discontinued policies, controlled fund and persistency ratios are recommended to be omitted from the draft Regulations as they are either covered under the standard, or covered elsewhere or are not relevant/redundant.
- 23 As per the extant stipulations under the IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002, the revaluation reserve arising out of revaluation of investment property has to be taken to Equity. The provision further states that "*the Authority may specify the amount to be released from the revaluation reserve for declaration of bonus to policyholders*". As this aspect is covered by the Ind AS 117, the same is not covered in the draft Regulations. However, in case directions are to be given as regards distribution of the revaluation reserve arising out of Investment Property under Shareholders funds, the Authority may consider giving separate stipulations.
- 24 For the benefit of preparers and users of the financial statements, in view of the complexities involved in the standard, education material will have to be provided by the ICAI and IAI soon after the IRDAI notifies the formats for implementation.
- 25 At present, Schedule 'C' of the IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations 2002, contains the requirements with regard to the Auditors' Report. The ICAI may be requested to provide the format for the same in view of the fact that of late various Standards on Auditing have also been revised.
- 26 Based on the above, the draft regulations recommended by the Group are as follows:
- Part I: General Instructions
- Part II: Balance Sheet including Statement of Changes in Equity

Part III: Statement of Profit and Loss Account

Part IV: Disclosures

- 27 The WG discussed and accordingly, the group head has written to ASB, ICAI in August 2018, requesting for an amendment to Ind AS 1 in order to facilitate usage of titles for financial statements stipulated under specialized legislations by which 'Revenue Account' in case of Insurance companies can be presented as a separate statement rather than making it part of 'Statement of Profit and Loss Account'.

Chapter IV: IRDAI Regulations/Circulars/Guidelines that will be impacted by IFRS 17/ Exposure Draft of Ind AS 117

1. In order to identify changes to be carried out in other regulations / guidelines etc., a Regulatory Group was formed under the leadership of Smt. J Meena Kumari, Chief General Manager, IRDAI. The Regulatory Group was not required to draft the changes / amendments.
2. The following Regulations have been identified as being impacted by Ind AS 117 either requiring major amendments or modifications to references to the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002:

Sr No	Regulations
1	Insurance Regulatory and Development Authority (Actuarial Report and Abstract) Regulations, 2016
2	Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulations, 2016
3	Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of life Insurance Business) Regulations, 2016
4	Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000
5	Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002
6	Insurance Regulatory and Development Authority (Distribution of Surplus) Regulations, 2002
7	IRDAI (Scheme for Amalgamation and Transfer of Gen Ins Business) Regulations, 2011
8	IRDAI (Scheme of Amalgamation and Transfer of Life Ins Business) Regulations, 2013
9	IRDAI (Linked Insurance Products) Regulations, 2013

10	IRDAI (Non-Linked Insurance Products) Regulations, 2013
11	IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015
12	IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015.
13	IRDAI (Regulation of Insurance business in Special Economic Zone)Rules, 2015
14	IRDAI (Other Forms of Capital) Regulations, 2015
15	IRDAI (Expenses of Management of Insurers transacting life insurance business) Regulations, 2016
16	IRDAI (Loans or Temporary advances to the Full-time Employees of the Insurers) Regulations, 2016
17	IRDAI (Expenses of Management of Insurers transacting General or Health Insurance Business) Regulations, 2016
18	IRDAI (Investment by Private Equity Funds in Indian Insurance Companies) Guidelines, 2017

3. Observations on certain Regulations:

Regulation	Observations
IRDAI (Assets, Liabilities, and Solvency Margin of Life Insurance Business) Regulations, 2016 & IRDAI (Assets, Liabilities, and Solvency Margin of General Insurance Business) Regulations, 2016 (ALSM Regulations)	<p>i. Terminology used in the ALSM Regulations may be aligned with the terms of Ind AS:</p> <p>a) Terms like fictitious assets, sundry debtors on account of Policy Contracts, leasehold improvements, debit balance in P/L, Service tax (GST) etc, may be aligned with Ind AS terminology</p>

	<p>b) Terms used in the manner of determining the Mathematical reserves viz., the Gross Premium Valuation Method, Margin for adverse Deviation, are not used in the Ind AS 117 under those names instead the same concept is referred as fulfilment cash flows, risk adjustment for nonfinancial risk etc.</p> <p>ii. References to the IRDA (Preparation of Financial Statements and Auditor’s Report of Insurance Companies) Regulations, 2002 require suitable amendments.</p> <p>iii. Methodology of liability valuation viz., 1/365 or 50%, the requirement of creating premium deficiency reserve etc., are not relevant under the new standard.</p> <p>iv. No differentiation between life, general, health, reinsurance business.</p> <p>v. Recommendation: A Single Regulation on the Assets, Liabilities and Solvency Margin may be formulated with same approach/principles</p>
<p>IRDAI (Actuarial Report and Abstract for Life Insurance Business) Regulations, 2016 (ARA Regulations)</p>	<p>i Return on Assets are regulatory returns, the ARA Regulations are not impacted by the Ind AS.</p> <p>ii Release of CSM for Par business will have to be specified (as required under the Insurance Legislation).</p> <p>iii ‘Surplus’ presented in an IFRS 17 financial statements will have to be studied to identify</p>

	the amount on which bonus has to be declared.
IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002	As the Regulations are based on Accounting Standards, they have to be repealed once Ind AS compliant Regulations are notified.

4. IRDAI Circulars which needs to be amended suitably:

Circular	Observations
Master Circulars on preparation of financial statements. Corporate Governance guidelines. Master Circular on Investments.	<p>i IRDA/F&A/GDL/CG/100/05/2016 dated 18th May, 2016: Corporate Governance Guidelines needs amendments to consider relevant points from Management Report</p> <p>ii IRDA/F&A/CIR/232/12/2013 dated 11th December 2013-Master Circular on Preparation of Financial Statements and Filing of Returns-Life Insurance Companies</p> <p>iii IRDA/F&I/CIR/F&A/231/10/2012 dated 5th October 2012-Master Circular on Preparation of Financial Statements: General Insurance Business & IRDA/F&A/CIR/FA/126/07/2013 dated 3rd July 2013 Corrigendum on Master Circular.</p>

	<p><i>Rationale:</i></p> <p>The circulars will undergo substantial changes as the same are covered under the Draft Regulations. Some stipulations which prescribe the timelines/formats will have to be issued under a separate Circular.</p> <p>iv Master Circular on Investments, IRDAI (Investments) Regulations, 2016:</p> <p><i>Rationale:</i></p> <p>The circular deals with investment categories, risk and audit committees and other operational guidelines along with 'valuation of investments', as the valuation of investments will now be governed by applicable Ind AS viz., Ind AS 109, Ind AS 40, the circular will have to undergo changes accordingly.</p>
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5. Other Recommendations:

The Group recommends that the Ind AS compliant Balance Sheet of Insurance Companies may be used as a basis to carry out adjustments for solvency computations.

Chapter V: Other Aspects on implementation of IFRS 17 / Ind AS 117

- 1 The WG recommends that Ind AS 117, Insurance Contracts, be applied by Indian insurers as per the timeline specified / notified by the MCA. Presently, transition to Ind AS is slated to happen on 1st April 2020 with comparatives as at 31st March 2019. The transition will necessitate insurers to move from a framework that is prescribed by regulations to a principle based Ind AS framework. The WG attempted to test run the draft formats. Industry represented that significant additional time and resources would be required to re-measure insurance contracts as per Ind AS 117. The WG hence recommends that the Authority call for Ind AS compliant proforma financial statements as per the draft regulations proposed. This would enable understanding the impact of Ind AS 117 on the insurance industry.

- 2 It is necessary for IRDAI to ensure a minimum level of presentation and disclosure requirements. Hence, the WG has prepared the draft of the regulations on preparation of financial statements. The IRDAI may consider the draft including the formats of financial statements to be the Ind AS compliant regulations to be issued after its due process. The WG accepts that the timeline for implementation of Ind AS 117 is short. The earlier reports of various committees of IRDAI on Ind AS are available and insurers have got the opportunity to read, understand and test the applications of various Ind AS. In respect of Ind AS 117 the insurers will need to set in motion a process by which management judgements can be made much in advance of the date when the Standard becomes effective. This will involve, at the minimum, a commitment from the top management, a project leader at a senior management level, involvement of the actuarial team, involvement of the auditors, simulations of various scenarios, assessing availability of information and its quality. The WG also felt that both the industry councils will have to play active role in implementation of Ind AS. This will enable a consistent application of the Standard and aid comparability between companies.

- 3 The Standard is principle-based and so are the other Ind AS. Hence, it is expected that the financial statements of insurers will look much different from the present formats. There could be diverse management estimates that would have a bearing on the manner in which the financial statements are prepared. All these would have to be under a regulatory scrutiny. It is essential for IRDAI to enhance its capability on the understanding and usage of Ind AS in general and Ind AS 117 and Ind AS 109 Financial Instruments in particular. This could be done through formal classroom trainings as well as availing the services of professionals and industry experts, in particularly for Ind AS 117 and Ind AS 109.
- 4 The WG recommends that education material on application of Ind AS 117 be issued. Presently, the ICAI has a process of issuing standard specific education material. The IRDAI may request the ICAI and IAI to prepare Ind AS 117 education material. The ICAI and IAI may be requested to involve insurance industry players proficient in Ind AS 117 for this purpose. The WG has identified the following points (though not exhaustive) which need to be considered for inclusion in the education material: -
- a) Calculation of risk adjustments
 - b) Whether Health products (with renewability) option will have to follow BBA or PAA (as the option for renewability does not make the product long term, it cannot be BBA)
 - c) Treatment of Bank Guarantees/Subsidies
- 5 One of the most critical aspects of a successful implementation of Ind AS 117 is deployment of appropriate computer systems and software applications. The WG recognizes that insurers will need time to assess various software applications and system providers. It is recommended that insurers commence the process at the earliest possible point in time without waiting for the Ind AS 117 to be notified as also the regulations.

6 The aspect of taxation was discussed in the industry outreach programmes. The terms of reference of the WG do not extend to determining the impact of taxation. Hence, the WG did not discuss the same. However, the WG has recommended to the insurers to prepare a document (preferably through the two councils) and share their concerns along with proposed solutions to address those concerns, with the Authority and ICAI for onward submission to the Central Board of Direct Taxes. This could, if required, be extended to changes required under the taxation laws and rules.

7 The WG was also closely watching international developments on implementation of IFRS 17. The IASB in its meeting held on October 24, 2018 discussed feedback it had received from stakeholders about the IFRS 17 and agreed on the criteria it will use in evaluating potential changes to IFRS 17, namely that any changes should not:

- result in less useful information for investors;
- disrupt existing implementation processes; and
- risk undue delays in the effective date of a Standard that is much needed to address inadequacies in the current wide range of insurance accounting practices.

As per the news item of the 24th October 2018 of IASB, the Board will discuss whether there is a need to propose changes to IFRS 17 in the coming months. If any changes were to be proposed, the Board will follow its normal due process for standard-setting, which includes a public consultation.

8 The recommendation of the WG in this report and the Draft Regulations proposed are based on the IFRS 17 notified by the IASB on 18th May 2017 and the Exposure Draft of Ind AS 117 issued by the ICAI. These may undergo a change in case the IASB concludes that there is a need to amend IFRS 17 or issue clarifications, which will have to be suitably considered by the Authority.

- 9 The WG opines that the general perception that there shall be minimal disruption in the General Insurance Industry in implementation of Ind AS is not true for the following reasons:
- Till date there is little reliance on actuarial calculations/assumptions driven by legislative and objective calculations.
 - Contract terms are generally a year or less.
 - Recent innovations and legislative compulsions led to long term products in general insurance space.
10. The WG also deliberated the issue of when an obligation is considered as discharged vis-à-vis the requirement of the Insurance Act, 1938 and the wordings of the Standard. It was felt that a legal opinion be taken as regards 'Unclaimed Amounts' particularly to understand when is the obligation considered as discharged in accordance with para 74 of the standard when a claim is made and the payment is not received by the policyholder.
11. The WG deliberated and opined that an issue may be referred to IASB and IAI on whether Indian Par products are to be estimated under the BBA approach considering them under insurance contracts without direct participation feature as against the claim made by some of the industry participants to consider them as insurance contracts with direct participation feature. Also, while deliberating on the classification of Indian Par products, applicable legal provisions may be taken note of particularly compliance with Section 49 of the Insurance Act, 1938.



IRDA/F&A/ORD/ACTS/ 184 / 08 /2017

August 21, 2017

ORDER

Working Group on new standard on Insurance Contracts (equivalent to IFRS 17 Insurance Contracts)

It has been decided that IRDAI shall commence work on early adoption of new standard on insurance contracts in India equivalent of IFRS 17 *Insurance Contracts* promulgated by the International Accounting Standards Board (IASB) on 18th May 2017. In order to work towards early adoption of new standard on insurance contracts, equivalent to IFRS 17, the following Working Group is constituted:

Working Group Head:

1. Sri Ashutosh Pednekar Partner, M/s M. P. Chitale & Co.

Members:

2. Sri Dinesh Pant Appointed Actuary, Life Insurance Corporation of India
3. Ms. Asha Murali Appointed Actuary, M/s ICICI Prudential Life Insurance Co. Ltd
4. Sri P. Kutumbe ED-F&A, Life Insurance Corporation of India
5. Sri G. Sai Kumar Sr VP & Financial Controller – F&A, M/s Star Union Dai-ichi Life Insurance Co. Ltd
6. Smt. S.N. Rajeswari GM-F&A, New India Assurance Co. Ltd.
7. Smt. Shefali Sehvani M/s ICICI Lombard General Insurance Co. Ltd.
8. Sri Rahul Ahuja M/s Max Bupa Health Insurance Co. Ltd.
9. Sri Murtuza Vajihi Partner, M/s M. P. Chitale & Co.
10. Representative of Institute of Chartered Accountants of India (ICAI)
11. President of Institute of Actuaries of India (IAI)
12. Smt. J. Meena Kumari, CGM (Inspection), IRDAI

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13. Sri S.P. Chakraborty, GM (Actuarial), IRDAI
14. Smt. J. Anita, GM (NL), IRDAI
15. Sri C.S. Kumar, DGM (Actuarial), IRDAI
16. Smt. Uma Maheswari, DGM (F&A-NL), IRDAI

Member-Convener

Smt. B. Padmaja, DGM (F&A-L), IRDAI

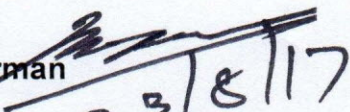
The Working Group shall work on the following Terms of Reference:

1. Review of the new standard 'IFRS 17 – insurance contracts' and to identify relevant areas/aspects, which require suitable adoption in the Indian context
2. Identify changes arising out of new standard on insurance contracts
 - a. To be carried out in the draft regulations/formats recommended by the Implementation Group vide their report dated 29th December 2016
 - b. To be carried out in other regulations/guidelines etc.
3. Any other aspects that may arise in the course of implementation of the standard in the insurance sector

The Working Group may meet as many times as required and co-opt members (experts from industry and within IRDAI) as may be considered necessary. Expenses incurred by external Members in attending various meetings may be reimbursed as per the norms of the Authority.

The Working Group shall report within three months of the order .

Chairman


23/8/17

Annexure 2

Activities of the Working Group on New Standard on Insurance Contracts (Equivalent of IFRS 17 Insurance Contracts) was formed vide IRDA/ F&A/ ORD/ACTS /184/06/2017 dated 21st August 2017 (WG)

1. The WG met for seven times between 4th October 2017 and 8th October 2018 in which an extensive study and interactions have been taken up on the standard. In addition to the meetings in person, they interacted over phones/e-mails and video conferences. Out of the seven meetings two were combined meetings with ICAI. In the combined meeting, the members of the WG facilitated industry inputs elaborating about the nuances of Indian Insurance industry to ICAI. After detailed deliberations, ICAI issued the Exposure Draft of the Indian equivalent of IFRS 17 viz., Ind AS 117 on 12th February 2018.

2. Following the first meeting of the WG the following members were co-opted into the WG:

- a. Smt. Tania Chakrabarti, Appointed Actuary on Consulting Basis, M/s Bharti Axa General Insurance Co. Ltd.
- b. Shri V. C Jain, DGM & CFO, GIC of India
- c. Shri Shankar Garigapathy, Lloyds India Reinsurance Branch
- d. Shri Vidhyadhar Kulkarni, Head Technical Directorate and Secretary, Accounting Standards Board, ICAI

In the subsequent deliberations, the following members were co-opted:

- a. Dr. Avinash Chander, Ex-Technical Director, ICAI
- b. Smt. Kalpana, LIC of India
- c. Shri Ramandeep Sahni, Bajaj Allianz Life Insurance Co. Ltd.
- d. Shri Venkat Krishnan, Bajaj Allianz Life Insurance Co. Ltd.

Following Shri P. Kutumbe's exit from LIC of India, Shri S.M. Jain, LIC of India was nominated for the WG. Pursuant to Smt. Shefali Sehواني's exit Shri Vikas Mehra,

was nominated from M/s ICICI Lombard General Insurance Co. Ltd. Smt. Shefali Sehwan represented Lloyds India Reinsurance Branch thereafter.

Smt. Tania Chakrabarti and Sri V. C. Jain were unable to attend all the meetings of the WG.

Smt. M. Sashikala, Director and General Manager, General Insurance Corporation of India and Smt. Jayashree R, DGM, General Insurance Corporation of India were able to attend the seventh meeting of the WG.

Shri Sanjeeb Kumar, President of IAI attended the WG meetings initially, following Shri Sunil Sharma assuming the charge of the President of IAI, he attended the seventh meeting of the WG.

Shri Ram Naresh, Shri Titus Francis and Shri Sharad S. from New India Assurance Co. Ltd. also attended some of the meetings.

3. In order to work upon second terms of reference of the WG, in a focused manner, two groups were formed to

- Formulate Ind AS compliant draft of Regulations on Preparation of Financial Statements of Insurers along with formats for presentation viz., the Drafting Group (DG)
- Study the impact of IFRS 17 on various Regulations/Circulars/guidelines of IRDAI viz., Group on Regulations (GR)

Drafting Group:

4. Drafting Group was formed under the leadership of Shri Vidhyadar Kulkarni, Secretary, Accounting Standards Board (ASB), ICAI and Dr. Avinash Chander, Ex- Technical Director, ICAI as Co-chair. The following were the members of the group:

Sr.No.	Name	Organisation
1.	Smt. S.N. Rajeswari,	GM & CFO, New India Assurance Co. Ltd.
2.	Smt. Kalpana	Life Insurance Corporation of India
3.	Smt. Asha Murali	Appointed Actuary, M/s ICICI Prudential Life Insurance Co. Ltd.
4.	Smt. Shefali Sehvani	CFO, Lloyds' India Reinsurance Branch
5.	Shri Vikas Mehra	M/s ICICI Lombard General Insurance Co. Ltd.
6.	Shri Murtuza Vajih	Partner, M/s M. P. Chitale & Co.
7.	Shri Ramandeep Sahni	CFO, Bajaj Allianz Life Insurance Co. Ltd.
8.	Shri Venkatakrisna N.	Bajaj Allianz Life Insurance Co. Ltd.
9.	Shri Shardul Admane	DGM (F&A - Life), IRDAI
10.	Smt. B. Padmaja	DGM (F&A - Life), IRDAI

5. The Drafting Group met eight times over ten days between February 2018 to September 2018.

6. The following members of the DG were involved in preparing the draft formats for discussions:

1.	Shri Vidhyadar Kulkarni	Secretary, Accounting Standards Board (ASB), ICAI and
2.	Dr. Avinash Chander	Ex- Technical Director, ICAI as Co-chair.
3.	Shri Murtuza Vajih	Partner, M/s M. P. Chitale & Co.
4.	Shri Ramandeep Sahni	CFO, Bajaj Allianz Life Insurance Co. Ltd.
5.	Sri Venkatakrisna N.	Bajaj Allianz Life Insurance Co. Ltd.
6.	Smt. B. Padmaja	DGM (F&A - Life), IRDAI

This group met five times over six days between March 2018 to June 2018.

Group on Regulations:

7. Group to identify Regulations/Regulatory Stipulations impacted by Ind AS 117 was formed with the following members:

1. Smt. Meena Kumari, CGM, IRDAI as a lead
2. Shri S.P. Chakraborty, GM, IRDAI
3. Shri Sudipta Bhattacharya, GM, IRDAI
4. Dr. Avinash Chander, Ex-Technical Director, ICAI
5. Shri Murtuza Vajih, Partner, M/s M.P. Chitale & Co.

6. Smt. S.N. Rajeswari, GM, New India Assurance
7. Shri Dinesh Pant, AA, LIC of India
8. Smt. B. Padmaja, DGM, IRDAI

8. The Group met for three times.

Outreach programmes/test run on the formats:

9. Considering the complexities of the new standard on insurance contracts viz., IFRS 17, the WG engaged with CFOs and Appointed Actuaries of both life and general insurance industry. General Insurance Council and Life Insurance Council organised the outreach meetings in July 2018 with respective sectors. During the outreach program, the WG requested the insurers to carry out a trail run on the formats. Volunteers were asked to run the audited figures of FY 2017-18 on the draft of new formats (insurers were asked to work upon presentation of the financials, measurement was not expected), to check the correctness/accuracy of the formats. This was because the WG appreciated that it would not be possible to do a re-measurement of insurance contracts as required by the Standard in the given timelines. Star Union Dai-Ichi Life Insurance Company Limited volunteered and submitted the audited numbers fitted into the draft Ind AS financial statements formats. The assumptions applied and the methodology used by it was explained which was useful to the WG in determining the efficacy of the draft formats. Other volunteers requested significantly more time and resources to carry out the trial run and hence were unable to provide their output of the trial run, owing to paucity of time.

10. The WG suggested in industry outreach meetings that the Standard needs to be read in detail and understood by reading the Application Guidance, Illustrative Examples and the Effect Analysis.

Outreach with PSUs:

11. The WG also had separate meetings with seven PSUs of General Insurance sector in August 2018 and LIC of India in September 2018 to understand and address the specific issues unique to them like legacy aspects, taxation aspects etc., These PSUs involved operational level staff from various departments of their organisation in the meetings.

Interactions with the International Accounting Standards Board:

12. The Head of the Working Group and some of the members along with IRDAI officials have been part of Interactions with International Accounting Standards Board (IASB) organised by ICAI in April 2018 and July 2018. During the interactions some of the grey areas of the standard were raised with officials of IASB.

Interactions with ICAI:

13. Members of the WG were actively involved in facilitation of Industry inputs to the Accounting Standards Board of ICAI for issuance of Exposure Draft of Ind AS 117. Members of the WG were also involved in the discussions on the Exposure Draft of Ind AS 117 with the Accounting Standards Board of ICAI

WG request to ASB:

14. Based on the discussions of the WG, the group head has written to ASB, ICAI in August 2018, requesting for an amendment to Ind AS 1 in order to facilitate usage of titles for financial statements stipulated under specialized legislations by which 'Revenue Account' can be presented as a

separate statement rather than making it part of 'Statement of Profit and Loss Account' by a insurance company.

Annexure 3
Draft Regulations

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA,
HYDERABAD

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA
(PREPARATION OF FINANCIAL STATEMENTS OF INSURERS) REGULATIONS,
20XX.

NOTIFICATION

HYDERABAD, the XXXX XXXXX, 20XX.

F. No. IRDA/Reg/XXX/XXXX: In exercise of the powers conferred by section 114A of the Insurance Act, 1938, (4 of 1938), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely: -

1. Short title and commencement

- (1) These regulations may be called the Insurance Regulatory and Development Authority of India (Preparation of Financial Statements of Insurers) Regulations, 20XX ('The Regulations').
- (2) They shall come into force with effect from accounting periods commencing on or after 1st April, 2020. On and from the commencement of these regulations, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 shall stand repealed. Notwithstanding the said repeal any things done or any action taken or purported to have been done or taken or any operation undertaken or any direction given or any proceeding taken or any penalty, punishment, forfeiture or fine imposed under the repealed Regulations shall, insofar as it is not inconsistent with the provisions of these Regulations, be deemed to have been done or purported to have been done or taken under the corresponding provisions of these Regulations;

2. Definitions - In these regulations, unless the context otherwise requires

- (1) "*Act*" means the Insurance Act, 1938 (4 of 1938);
- (2) "*Authority*" means the Insurance Regulatory and Development Authority of India established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);
- (3) "*Indian Accounting Standards (IndAS)*" means the Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time.
- (4) "*Insurer*" means the insurer as defined under section 2 (9) of the Act.

All words and expressions used herein and not defined but defined in the Insurance Act, 1938 (4 of 1938), or in the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), shall have the meanings respectively assigned to them in those Acts. For the purpose of these Regulations, the terms and expressions defined in Ind AS shall prevail.

3. Preparation of Financial Statements -An insurer holding certificate of registration granted by the Authority shall comply with the Ind AS and the requirements of these Regulations except that in case of life insurance business, the investment property and/or the owner occupied property (to the extent permitted) that has/have been included as a part of investments backing the insurance contracts with direct participating features and investment contracts with discretionary participating features shall be measured and accounted for in accordance with the Fair Value Model as per Ind AS 40, *Investment Property*, and in case of other than the life insurance business, the same shall be measured and accounted for in accordance with the Cost Model as per that Ind AS.

PART I

General instructions for preparation of Financial Statements

1. This Schedule prescribes the minimum disclosure requirements in the Financial Statements. Complete set of Financial Statements for the purpose of these Regulations comprises:
 - a) Balance Sheet (including Statement of Changes in Equity) in accordance with Ind AS1, *Presentation of Financial Statements*.
 - b) 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.
 - c) Receipts and Payments Account [Cash Flow Statement as per direct method in accordance with Ind AS 7, *Statement of Cash Flows*].
 - d) Notes including:
 - i. Summary of significant accounting policies
 - ii. Other explanatory notes annexed to, or forming part of, any document referred to in Sub-clause (a) to Sub-clause (c) above.
 - e) Comparative information in respect of the preceding period.
2. Line items, sub-line items and subtotals shall be presented as an addition or substitution on the face of the Financial Statements when required for compliance with the Act, Guidelines/Circulars issued by the IRDAI from time to time or specified in the Ind AS.

3. Where compliance with the requirements of the Act, Guidelines/Circulars issued by the IRDAI from time to time and Ind AS applicable to insurance companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes, *inter se*, in the Financial Statements or statements forming part thereof, the same shall be made and the requirements of this notification shall stand modified accordingly.
4. The presentation and disclosure requirements specified in these Regulations are in addition to and not in substitution of the requirements specified in the Ind AS. Additional disclosures specified in the IndAS shall be made in the notes to accounts or by way of additional statements, unless required to be presented on the face of the Financial Statements. Wherever an Ind AS provides for alternative presentation and disclosure requirements apart from those specified in the Regulations, an entity may adopt them.
5. (i) In addition to the disclosures specified in these Regulations, notes to accounts shall provide where required (a) narrative descriptions or disaggregations of items recognized in the Financial Statements; and (b) information about items that do not qualify for recognition in Financial Statements.

(ii) Each item on the face of the Financial Statements shall be cross-referenced to any related information in the notes to accounts. In preparing the Financial Statements including the notes to accounts, a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation, unless specific information is required to be disclosed separately by the Authority.
6. Financial Statements shall disclose all 'material' items, i.e. the items if they could, individually or collectively, influence the economic decisions that users make on the basis of the Financial Statements. Materiality depends on the size or nature of the item or a combination of both, to be judged in the particular circumstances. An entity need not provide a specific disclosure required by an Ind AS and/or these Regulations if the information is not material except when specifically required by law.
7. The figures in the Financial Statements may be rounded off to the nearest lakhs.

Part II
Balance Sheet including Statement of Changes in Equity

Name of insurance company			
Registration No....			
Date of Registration with IRDAI			
Particulars	Note	Current Year	Previous Year
Assets			
Cash and cash equivalents	1		
Investments	2		
Loans	3		
Other Financial Assets	4		
Investment property	5		
Insurance contract assets	6a		
Reinsurance contract assets	6b		
Property, Plant and Equipment	7		
Goodwill	8		
Other Intangible Assets	9		
Current tax assets	-		
Deferred tax assets	-		
Other assets	10		
Assets classified as held for sale	-		
Total Assets			
Liabilities			
Insurance contract liabilities	6a		
Reinsurance contract liabilities	6b		
Investment contract liabilities (for life insurance business)	6c		
Borrowings	11		
Other Financial liabilities	12		
Current tax liabilities	-		
Deferred tax liabilities	-		
Other liabilities	13		
Provisions	14		
Total Liabilities (A)			
Equity			
Equity			
Share Capital			
Assigned Capital			
Other Financial Instruments classified as Equity			
Other Equity			
Total Equity (B)			
Total Liabilities & Equity (C)= (A) + (B)			

STATEMENT OF CHANGES IN EQUITY (Current Year)														
Registration No.....														
Date of Registration														
A. Equity														
Particulars	Balance at the beginning of the year			Changes during the year			Balance at the end of the year							
Share Capital														
Assigned Capital														
Other Financial Instruments classified as Equity														
B. Other Equity														
Particulars	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus				Debt instruments through Other Comprehensive Income	Insurance Finance Reserve	Equity Instruments through Other Comprehensive Income	Effective Portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of foreign operation	Others	Total
			Capital Reserve	Securities Premium Account	Retained Earnings	Other Reserves								
Balance at the beginning of the year														
Changes in accounting policy or prior period errors														
Restated balance at the beginning of the reporting period														
Profit for the year														
Other Comprehensive Income for the year														
Total Comprehensive Income for the year														
Dividends														
Transfer to Retained Earnings														
Other changes: Movement in Revaluation Reserve														
Deferred Tax on Revaluation Reserves movement														
Others changes (to be specified)														
Balance at the end of the year														

Note1: Insurance Finance Reserve relates to disaggregation of insurance finance income and expenses where an entity chooses to present the same under Other Comprehensive Income in accordance with the requirements of Ind AS 117.

2: Remeasurement of defined benefit plans and the fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss (FVTPL) shall be recognised as a part of retained earnings with separate disclosure of such items along with the relevant amounts in the notes.

STATEMENT OF CHANGES IN EQUITY (Previous Year)														
Registration No.....														
Date of Registration														
A. Equity														
Particulars	Balance at the beginning of the year			Changes during the year				Balance at the end of the year						
Share Capital														
Assigned Capital														
Financial Instruments classified as Equity														
B. Other Equity														
Particulars	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus				Debt instruments through Other Comprehensive Income	Insurance Finance Reserve	Equity Instruments through Other Comprehensive Income	Effective Portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of foreign operation	Others	Total
			Capital Reserve	Securities Premium Account	Retained Earnings	Other Reserves								
Balance at the beginning of the year														
Changes in accounting policy or prior period errors														
Restated balance at the beginning of the reporting period														
Profit for the year														
Other Comprehensive Income for the year														
Total Comprehensive Income for the year														
Dividends														
Transfer to Retained Earnings														
Other changes: Movement in Revaluation Reserve														
Deferred Tax on Revaluation Reserves movement														
Others changes (to be specified)														
Balance at the end of the year														

Note1: Insurance Finance Reserve relates to disaggregation of insurance finance income and expenses where an entity chooses to present the same under Other Comprehensive Income in accordance with the requirements of Ind AS 117.

2: Remeasurement of defined benefit plans and the fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss (FVTPL) shall be recognised as a part of retained earnings with separate disclosure of such items along with the relevant amounts in the notes.

Notes to Balance Sheet

Note 1: Cash and Cash equivalents

Particulars	Current Year	Previous Year
Cash (including cheques and drafts)		
Bank balances in deposits and current accounts		
Others (to be specified)		
Total Cash and Cash equivalents		

Cash and Cash equivalents		
- In India		
- Outside India		
Total		

Note: Cash and Cash Equivalents include amounts of Rs.....(Fair Value Rs..) towards underlying items of the Insurance Contracts with Direct Participating Features

Note 2: Investments (Current Year)

Particulars	Policyholders								Investments backing Unclaimed Amounts	Shareholders	Total
	Backing Insurance Contracts				Backing Investment Contracts						
	Direct Participating		Other than Direct Participating	Total	Linked	Non-linked	Investment contracts with Discretionary Participation Features	Total			
	Linked Business	Others									
Part I											
In India											
(1) Government securities											
(2) Debt securities											
(3) Equity instruments											
(4) Mutual funds											
(5) Others (specify)											
Total (A)											
Outside India											
(1) Government securities											
(2) Debt securities											
(3) Equity instruments											
(4) Mutual funds											
(5) Others (specify)											
Total (B)											
Total Investments (Part I) (C)= (A)+(B)											
Part II: Basis of Measurement											
(1) At Amortised Cost (Gross)											
Less: Impairment Loss											
Net Amortised Cost											
(2) At Fair Value Through Other Comprehensive Income-Debt (Gross)											
Less: Impairment Loss											
Net Fair Value Through Other Comprehensive Income-Debt											
(3) At Fair Value Through Other Comprehensive Income-Equity											
(4) Designated at Fair Value through Profit or Loss											
(5) At Fair Value Through Profit or Loss											
(6) Others (to be specified)											
Less: Impairment Loss											
Others (Net)											
Total (Part II)											
Part III: Interest Accrued included in above											
(1) At Amortised Cost											
(2) At Fair Value Through Other Comprehensive Income											
(3) Designated at Fair Value through Profit or Loss											
(4) At Fair Value Through Profit or Loss											
(5) Others (to be specified)											
Total (Part III)											

Note 2: Investments (Previous Year)

Particulars	Policyholders							Investments backing Unclaimed Amounts	Shareholders	Total	
	Backing Insurance Contracts				Backing Investment Contracts						
	Direct Participating		Other than Direct Participating	Total	Linked	Non-linked	Investment contracts with Discretionary Participation Features				Total
	Linked Business	Others									
Part I											
In India											
(1) Government securities											
(2) Debt securities											
(3) Equity instruments											
(4) Mutual funds											
(5) Others (specify)											
Total (A)											
Outside India											
(1) Government securities											
(2) Debt securities											
(3) Equity instruments											
(4) Mutual funds											
(5) Subsidiaries, associates and joint ventures											
(6) Others (specify)											
Total (B)											
Total Investments (Part I) (C)= (A)+(B)											
Part II: Basis of Measurement											
(1) At Amortised Cost (Gross)											
Less: Impairment Loss											
Net Amortised Cost											
(2) At Fair Value Through Other Comprehensive Income-Debt (Gross)											
Less: Impairment Loss											
Net Fair Value Through Other Comprehensive Income-Debt											
(3) At Fair Value Through Other Comprehensive Income-Equity											
(4) Designated at Fair Value through Profit or Loss											
(5) At Fair Value Through Profit or Loss											
(6) Others (to be specified)											
Less: Impairment Loss											
Others (Net)											
Total (Part II)											
Part III: Interest Accrued included in above											
(1) At Amortised Cost											
(2) At Fair Value Through Other Comprehensive Income											
(3) Designated at Fair Value through Profit or Loss											
(4) At Fair Value Through Profit or Loss											
(5) Others (to be specified)											
Total (Part III)											

Note 3: Loans

Particulars	Current Year					Previous Year					
	Amortised cost	At Fair Value			Total	Amortised cost	At Fair Value			Total	
		Through Other Comprehensive Income	Designated at Fair Value Through Profit or Loss	Through Profit or Loss			Sub-Total	Through Other Comprehensive Income	Designated at Fair Value Through Profit or Loss		Through Profit or Loss
SECURITY WISE CLASSIFICATION											
Secured (A)											
a) On mortgage of property											
i) In India											
ii) Outside India											
b) On Shares, Bonds, Government Securities, etc.											
c) Others (to be specified)											
Unsecured (B)											
Gross (C)=(A)+(B)											
Less : Impairment loss (D)											
Net (E)= (C)-(D)											
BORROWER-WISE CLASSIFICATION											
In India											
(a) Central and State Governments											
(b) Banks and Financial Institutions											
(c) Subsidiaries, Associates and Joint Ventures											
(d) Others (to be specified)											
Gross (F)											
Less : Impairment loss (G)											
Net Loans (H)= (F)-(G)											
Outside India											
(a) Central and State Governments											
(b) Banks and Financial Institutions											
(c) Subsidiaries, Associates and Joint Ventures											
(d) Others (to be specified)											
Gross (I)											
Less: Impairment Loss (J)											
Net Loans (K)= (I)-(J)											
Total Net Loans (H) + (K)											

Note: This note does not cover loans against insurance contracts which are to be accounted for under Ind AS 117

Note 4:Other Financial Assets

Particulars	Current Year	Previous Year
Derivatives Dividends Receivable Rent Receivables Application money for investments Due from insurers(under co-insurance arrangements) Due from Insurance agents, Insurance Intermediaries Others(to be specified)		
Total	-	-

Note (i): Disclosure of Derivatives would need to specify the kinds of derivatives i.e. Currency forwards, Interest Rate swaps, alongwith the disclosures of whether the same are towards cash flow hedges, fair value hedges, and/or undesignated derivatives.

(ii): Other Financial Assets include amounts of Rs.....(Fair Value Rs..) towards underlying items of the insurance contracts with Direct Participating Features.

Note 5: Investment Property for life insurance business						
Particulars	Policyholders (I)		Shareholders (II)		Total (III)= (I) + (II)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
LAND						
<i>At the beginning of the year</i>						
Additions						
Disposals						
Reclassification from/to held for sale						
Fair Value changes						
Other adjustments (please specify)						
<i>At the end of the year</i>						
Net carrying amount of Land as at the end of the year (A)						
BUILDINGS						
<i>At the beginning of the year</i>						
Additions						
Disposals						
Reclassification from/to held for sale						
Fair Value changes						
Other adjustments (please specify)						
<i>At the end of the year</i>						
Net carrying amount of Buildings as at the end of the year (B)						
Investment Property under construction (C)						
TOTAL (D)=(A) + (B)+(C)						

Note 5: Investment Property for other than life insurance business

Particulars	Policyholders (I)		Shareholders (II)		Total(III) = (I) + (II)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
LAND						
<i>At the beginning of the year</i>						
Additions						
Disposals						
Reclassification from/to held for sale						
Other adjustments (please specify)						
<i>At the end of the year</i>						
<i>Accumulated impairment as at the beginning of the year</i>						
Disposals						
Impairment/(reversal of impairment)						
Reclassification from/to held for sale						
Other adjustments (please specify)						
<i>Accumulated impairment as at the end of year</i>						
Net carrying amount of Land as at the end of the year (A)						
BUILDINGS						
<i>At the beginning of the year</i>						
Additions						
Disposals						
Reclassification from/to held for sale						
Other adjustments (please specify)						
<i>At the end of the year</i>						
<i>Accumulated depreciation and impairment as at the beginning of the year</i>						
Depreciation for the year						
Disposals						
Impairment/(reversal of impairment)						
Reclassification from/to held for sale						
Other adjustments (please specify)						
<i>Accumulated depreciation and impairment as at the end of year</i>						
Net carrying amount of Buildings as at the end of the year (B)						
Investment Property under construction (C)						
TOTAL (D)=(A) + (B)+(C)						

Note 6:

Insurance Contracts Assets/Liabilities - Summary

Particulars	Current Year		Previous Year	
	Assets	Liabilities	Assets	Liabilities
Insurance Contracts				
Re-Insurance Contracts				

Note: Liabilities in respect of Insurance Contracts and Reinsurance Contracts shall be presented for each class or segment of business. For the purpose of determining class or segment, an entity shall be guided by para 96 of Ind AS 117.

Note 6a.1: Insurance Contracts not measured under the PAA: Movements in carrying amounts for each class or segment(Class or segment shall be as per para 96 of Ind AS 117)
Analysis by remaining coverage and incurred claims

Particulars	Current Year				Previous Year			
	Liability/asset for remaining coverage		Liability for Incurred Claims	Total	Liability/asset for remaining coverage		Liability for Incurred Claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
Opening assets								
Opening liabilities								
Net opening balance								
Changes in profit or loss and OCI								
Insurance revenue (A)								
i) Contracts under the modified retrospective approach								
ii) Contracts under the fair value approach								
iii) Other contracts								
Insurance service expenses(B)								
Incurred claims and other insurance service expenses								
Amortisation of insurance acquisition cash flows								
Losses and reversal of losses on onerous contracts								
Adjustments to liabilities for incurred claims								
Insurance service result(C) = (A) –(B)								
Investment components(D)								
Finance income/ expenses from insurance contracts (net)(E)								
Effect of movements in exchange rates(F)								
Others (to be specified)(G)								
Total changes in profit or loss and OCI(H)= (C)+(D) + (E) + (F)+ (G)								
Cash flows								
Premiums received								
Claims and other insurance service expenses paid (including investment components)								
Insurance acquisition cash flows								
Total cash flows								
Net closing balance								
Closing assets								
Closing liabilities								
Net closing balance								

Note: Break up of amounts between P/L and OCI to be shown

Note 6a.2: Insurance Contracts measured under the PAA: Movements in carrying amounts for each class or segment (Class or segment shall be as per para 96 of Ind AS 117)

Analysis by remaining coverage and incurred claims

Insurance contracts	Current year			Previous year				
	Liability/ asset for Remaining coverage	Liability for Incurred claims		Total	Liability/ asset for Remaining coverage	Liability for Incurred claims		Total
		Estimation of PV of future CF	Risk Adjustment for non-financial risk			Estimation of PV of future CF	Risk Adjustme nt for non- financial risk	
Opening assets								
Opening liabilities								
Net opening balance								
Changes in Profit or Loss and OCI								
Insurance revenue(A)								
i) Contracts under the modified retrospective approach								
ii) Contracts under the fair value approach								
iii) Other contracts								
Insurance service expenses(B)								
Incurred claims and other insurance service expenses								
Amortisation of insurance acquisition cash flows								
Adjustments to liabilities for incurred claims								
Insurance service result(C)=(A)-(B)								
Finance income /expenses from insurance contracts (net)(D)								
Effect of movements in exchange rates(E)								
Others (to be specified)(F)								
Total changes in Profit or Loss and OCI(G)= (C)+(D)+(E)+(F)								
Cash flows								
Premiums received								
Claims and other insurance service expenses paid								
Insurance acquisition cash flows								
Total cash flows								
Net closing balance								
Closing assets								
Closing liabilities								
Net closing balance								

Note 6a.3: Insurance Contracts not measured under the PAA : Movement of carrying amounts for each class or segment (Class or segment shall be as per para 96 of Ind AS 117)

Analysis by measurement component

Particulars	Current Year					Previous Year					
	Estimation of PV of future Cash Flows	Risk Adjustment for non-financial risk	CSM			Total	Estimation of PV of future Cash Flows	Risk Adjustment for non-financial risk	CSM		Total
			Contracts under Modified retrospective approach	Contracts under Fair value approach	Other Contracts				Contracts under Modified retrospective approach	Contracts under Fair value approach	
Opening assets											
Opening liabilities											
Net opening balance											
Changes in Profit or Loss and OCI											
Changes that relate to current services											
CSM recognised for services provided											
Change in risk adjustment for non-financial risk for risk expired											
Experience adjustments											
Changes that relate to future services											
Contracts initially recognised in the year											
Changes in estimates that adjust the CSM											
Changes in estimates that result in losses and reversal of losses on onerous contracts											
Changes that relate to past services											
Adjustments to liabilities for incurred claims											
Insurance service result											
Net finance expenses from insurance contracts											
Effect of movements in exchange rates											
Total changes in Profit or Loss and OCI											
Total cash flows (analysed in Note6a.1)											
Net closing balance											
Closing assets											
Closing liabilities											
Net closing balance											

Note: Break up of amounts between P/L and OCI to be shown.

For contracts measured under the PAA this table is not required.

Note 6b.1: Reinsurance Contracts: Movement in Carrying Amounts for each class or segment (Class or segment shall be as per para 96 of Ind AS 117)
Analysis by remaining coverage and incurred claims

Particulars	Current Year			Previous Year		
	Liability/ asset for remaining coverage	Liability for Incurred Claims	Total	Liability / asset for remaining coverage	Liability for Incurred Claims	Total
Opening assets						
Opening liabilities						
Net opening balance						
Changes in Profit or Loss and OCI						
Net expenses from reinsurance contracts						
Net finance income from reinsurance contracts						
Effect of non-performance risk of reinsurers						
Effect of movements in exchange rates						
Others (please specify)						
Cash flows						
Premiums paid						
Amounts received						
Total cash flows						
Net closing balance						

Note: This table is applicable for both the contracts measured under PAA and those not under PAA

Note 6b.2: Reinsurance Contracts not measured under the PAA: Movement of carrying amounts for each class or segment (Class or segment shall be as per para 96 of Ind AS 117) Analysis by measurement component

Particulars	Current Year					Previous Year						
	Estimation of PV of future CF	Risk Adjustment for non-financial risk	CSM			Total	Estimation of PV of future CF	Risk Adjustment for non-financial risk	CSM		Other Contracts	Total
			Contracts under Modified retrospective approach	Contracts under Fair value approach	Other Contracts				Contracts under Modified retrospective approach	Contracts under Fair value approach		
Opening assets												
Opening liabilities												
Net opening balance												
Changes in Profit or Loss and OCI												
Changes that relate to current services												
CSM recognised for services provided												
Change in risk adjustment for non-financial risk for risk expired												
Experience adjustments												
Changes that relate to future services												
Contracts initially recognised in the year												
Changes in estimates that adjust the CSM												
Changes in estimates that result in losses and reversal of losses on onerous contracts												
Changes that relate to past services												
Adjustments to incurred claims												
Net expenses from reinsurance contracts												
Net finance expenses from insurance contracts												
Effect of movements in exchange rates												
Total changes in Profit or Loss and OCI												
Total cash flows (analysed in Note6.3)												
Net closing balance												
Closing assets												
Closing liabilities												
Net closing balance												

Note: Break up of amounts between P/L and OCI to be shown.
For contracts measured under the PAA this table is not required.

Note6.1: Insurance and reinsurance contracts not measured under the PAA: Effect of contracts initially recognized in the year for each class or segment (Class or segment shall be as per para 96 of Ind AS 117)

Particulars	Current Year			Previous Year		
	Profitable Contracts	Onerous Contracts	Total	Profitable Contracts	Onerous Contracts	Total
Insurance acquisition cash flows						
Claims and other insurance service expenses payable						
Estimates of present value of cash outflows						
Estimates of present value of cash inflows						
Risk adjustment for non-financial risk						
CSM						
Losses recognised on initial recognition						
<i>New Reinsurance contracts held during the year</i>						
Estimates of present value of cash inflows						
Estimates of present value of cash outflows						
Risk adjustment for non-financial risk						
CSM						
Total						

Note 6.2: Claims Development (to be given for ten years) (for other than life insurance business): For each class or segment (Class or segment shall be as per para 96 of Ind AS 117)

Particulars	Beyond 10	CY(-)10	CY(-)9	CY(-)8	CY(-)7	CY(-)6	CY(-)5	CY(-)4	CY(-)3	CY(-)2	CY(-)1	Current Year (CY)	Total
Estimates of undiscounted cumulative claims (A)													
At end of accident year													
one year later													
two year later													
three year later													
four year later													
five year later													
six year later													
seven year later													
eight year later													
nine year later													
ten year later													
Cumulative claims paid (B)													
Liabilities-accident years past ten years (C=A-B)													
Liabilities-accident years before the past ten years(D)													
Effect of discounting(E)													
Liabilities for incurred claims included in the Balance Sheet (including Statement of Changes in Equity) (F=C+D-E)													

Note: to be given for all the lines of business for Accident Year co-hort

Note6c: Investment Contracts Liabilities: Class/segment shall be as per para 96 of Ind AS 117 for life insurance business

Particulars	Current Year	Previous Year
<i>Opening Balance</i>		
Amounts recognised in Profit or Loss and in OCI*		
Investment return on underlying		
Management fees deducted		
Any movement in exchange rates		
Others (Please specify)		
Subtotal (a)		
Cash Flows:		
Premiums / Contributions received		
Benefits Paid		
Subtotal (b)		
<i>Closing Balance</i>		

* The items should be separately disclosed under profit or loss and in OCI as applicable

- Note: 1. The movement in investment contracts (Profit or Loss) shall be equal to investment return on underlying. Revenue from investment management services (Profit or Loss) shall be equal to management fees deducted
2. Investment contracts with discretionary participation features shall be presented separately in the same format as prescribed for 'insurance contracts not measured under PAA approach'

Note 7:Property, plant and equipment

Particulars	Land			Buildings			Equipment		Furniture and Fittings		Vehicles		Others (to be specified)		Total			
	Freehold	Owner Occupied property backing Insurance contract with DPF	Right to Use under a lease	Freehold	Owner Occupied property backing Insurance contract with DPF	Right to Use under a lease	Owned	Right to Use under a lease	Owned	Right to Use under a lease	Owned	Right to Use under a lease	Owned	Right to Use under a lease	Free hold /Owned	Right to Use under a lease	Owner Occupied property backing Insurance contract with DPF	Total
Current Year																		
<i>At cost or fair value at the beginning of the year</i>																		
Additions																		
Revaluation adjustment, if any																		
Disposals																		
Reclassification from/to held for sale																		
Other adjustments (please specify)																		
<i>At cost or fair value at the end of the year</i>																		
<i>Accumulated depreciation and impairment as at the beginning of the year</i>																		
Depreciation for the year																		
Disposals																		
Impairment/(reversal) of impairment																		
Reclassification from/to held for sale																		
Other adjustments (please specify)																		
<i>Accumulated depreciation and impairment as at the end of year</i>																		
Net carrying amount as at the end of the year (A)																		
Capital Work in Progress including advances for capital assets (B)																		
Total (C) = (A) + (B)																		
Previous Year																		
<i>At cost or fair value at the beginning of the year</i>																		
Additions																		
Revaluation adjustment, if any																		
Disposals																		
Reclassification from/to held for sale																		
Other adjustments (please specify)																		
<i>At cost or fair value at the end of the year</i>																		
<i>Accumulated depreciation and impairment as at the beginning of the year</i>																		
Depreciation for the year																		
Disposals																		
Impairment/(reversal) of impairment																		
Reclassification from/to held for sale																		
Other adjustments (please specify)																		
<i>Accumulated depreciation and impairment as at the end of year</i>																		
Net carrying amount as at the end of the year (A)																		
Capital Work in Progress including advances for capital assets (B)																		
Total (C) = (A) + (B)																		

Note 8: Goodwill

Particulars	Current Year	Previous Year
At cost, beginning of the period		
Additions		
Disposals		
Other adjustments (to be specified)		
Total cost (A)		
<i>Accumulated impairment:</i>		
At beginning of the period		
Additions		
Disposals		
Other adjustments (to be specified)		
Total impairment (B)		
Net carrying amount (C) =(A)+ (B)		

Note 9: Other Intangible Assets

Particulars	Current Year			Previous Year		
	Software	Others	Total	Software	Others	Total
At cost or fair value at the beginning of the period						
Additions						
Disposals						
Other adjustments (to be specified)						
At cost or fair value at the end of the period						
Accumulated amortization and impairment at beginning of the period						
Amortization for the year						
Disposals						
Impairment/(reversal) of impairment						
Other adjustments (to be specified)						
Total amortization and impairment						
Net carrying amount (A)						
Intangible assets under development (B)						
Total (C)= (A) + (B)						

Note 10: Other assets

Particulars	Current Year	Previous Year
Deposits with ceding companies		
Prepayments		
Stamps on Hand		
Others (to be specified)		
Total Other Assets		

Note 11: Borrowings

Particulars	Current Year	Previous Year
Debentures/Bonds		
Borrowings from Banks		
Borrowings from Financial Institutions		
Others (to be specified)		
Total		

Note 12: Other financial liabilities

Particulars	Current Year	Previous Year
Derivatives		
Insurance Agents and Insurance Intermediaries' Balances		
Balances due to Other Insurers (under co-insurance arrangements)		
Deposits held on reinsurance ceded		
Sundry Creditors		
Unclaimed amounts		
Others (to be specified)		
Total		

Note :Disclosure of Derivatives would need to specify the kinds of derivatives i.e. Currency forwards, Interest Rate Swaps, alongwith the disclosures of whether the same are towards cash flow hedges, fair value hedges, and/or undesignated derivatives

Note 13: Other liabilities

Particulars	Current Year	Previous Year
Premiums received in advance		
Unallocated Premium *		
Proposal Deposit [#]		
Rates and Taxes Payable		
Others (to be specified)		
Total Other Liabilities		

*Unallocated premium includes amounts received from policyholders pending unitisation and/or excess premium received.

[#]Proposal Deposit includes amounts received from policyholders which are pending policy issuance.

Note 14: Provisions

Particulars	Current Year	Previous Year
For defined benefit plans		
Others (to be specified)		
Total Provisions		

Part III

Statement of Profit and Loss of (Name of insurance company)								
for the year ended								
Particulars		Note	Current Year			Previous Year		
			Policyholders (Revenue A/c)	Shareholders (P & L A/c)	Total	Policyholders (Revenue A/c)	Shareholders (P & L A/c)	Total
Insurance Revenue	(A)	15						
Insurance Service Expenses	(B)	16						
Net expenses from reinsurance contracts **	(C)	-						
Insurance Service Result	(D)	(A)- (B)-(C)						
Interest revenue on financial assets not measured at FVTPL		17						
Other investment revenue (including fair value changes)		18						
Impairment loss on financial assets		19						
Dividends								
Gains/losses arising from the derecognition of debt instruments measured at FVOCI								
Gains/losses arising from the derecognition of financial assets measured at amortised cost								
Investment Income	(E)							
Finance income/ expenses from insurance contracts (net)		20a + 20b						
Finance income/ expenses from reinsurance contracts (net)								
Insurance Finance Income/Expenses	(F)							
Movement in investment contract liabilities	(G)							
Net Finance Result	(H)	(E)-(F)- (G)						
Revenue from investment management services								
Other income		21						
Other expenses		16						
Other finance costs		22						
Other Revenue/expenses (net)	(I)							
Profit / (Loss) before Exceptional Items	(J)	(D) + (H)+(I)						
Exceptional Items								
Profit / (Loss) before tax								
Income tax expense								
Profit/ (Loss) from continuing operations								
Profit/ (Loss) from discontinued operations								
Tax expense of discontinued operations								
Profit / (Loss) from discontinued								

operations (after tax)								
Profit/(loss) for the period								
Other Comprehensive Income								
1 (i) Items that will not be reclassified to profit or loss (specify items and amounts)								
(ii) Income tax relating to items that will not be reclassified to profit or loss								
Sub-total								
2 (i) Items that will be reclassified to profit or loss (specify items and amounts)								
(ii) Income tax relating to items that will be reclassified to profit or loss								
Sub-total								
Total Other Comprehensive Income								
Total Comprehensive Income								
Earnings per Equity Share (for continuing operations)								
(1) Basic								
(2) Diluted								
Earnings per Equity Share (for discontinued operations)								
(1) Basic								
(2) Diluted								
Earnings per Equity Share for profit/(loss) of the period (for discontinued and continuing operations)								
(1) Basic								
(2) Diluted								

** Ind AS 117 para 86 gives an option to present income and expenses from reinsurance contracts as a single amount. In case the entity chooses to present this as a single amount, this line item may be used. If the entity chooses to present separately, then presentation has to be made in the respective notes of claims and premium as per Para 86 (a), (b) and (c) of Ind AS 117

Notes to statement of profit and loss

Note 15: Insurance revenue

Particulars	Current Year			Previous Year		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
Contracts not measured under the PAA						
Amounts relating to changes in liabilities for remaining coverage						
i). CSM recognised for services provided						
ii). Change in risk adjustment for non-financial risk.						
iii). Release of expected incurred claims and other insurance service expenses						
Recovery of insurance acquisition cash flows						
Sub-total						
Contracts measured under the PAA						
Premium allocated for the period						
Less: Acquisition costs						
Sub-Total						
Total insurance revenue						

Note 16: Insurance Service and Other Expenses for life insurance business

Particulars		Current Year			Previous Year		
		Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
a)	Incurring claims						
	i). Mortality						
	ii). Annuity						
	iii). Health						
	iv). Riders						
	v). Others						
b)	Losses and reversals on onerous contracts						
c)	Adjustments to liabilities for incurred claims						
d)	Employee benefit expenses						
e)	Commission						
f)	Other expenses						
(i)	Travel & Conveyance						
(ii)	Rent						
(iii)	Rates & taxes						
(iv)	Repairs & Maintenance						
(v)	Energy Cost						
(vi)	Printing & Stationery						
(vii)	Communication expenses						
(viii)	Legal & Professional fees						
(ix)	Auditor Fees						
(x)	Advertisement & Publicity						
(xi)	Bank Charges						
(xii)	Depreciation & Amortisation						
(xiii)	Impairment losses (other than on financial assets)						
(xiv)	Acquisition cost for financial instruments classified/ designated as FVTPL						
(xv)	Miscellaneous expenses						
	Adjusted for						
(A)	Amounts attributed to insurance acquisition cash flows (Refer Note 6.1 & 6.3)						
(B)	Amortisation of insurance acquisition cash flows (Refer Note 6.1 & 6.3)						
	Total						
	Represented by:						
	-Insurance service expenses						
	-Other expenses						

Note: Those changes related to carrying amounts of groups of insurance contracts included in Other Comprehensive Income applying para 90 of Ind AS 117 shall be included in Other Comprehensive Income

Note 16: Insurance Service and Other Expenses for other than life insurance business

Particulars		Current Year			Previous Year		
		Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
a)	Incurred claims						
b)	Losses and reversals on onerous contracts						
c)	Adjustments to liabilities for incurred claims						
d)	Employee benefit expenses						
e)	Commission						
f)	Other expenses						
(i)	Travel & Conveyance						
(ii)	Rent						
(iii)	Rates & taxes						
(iv)	Repairs & Maintenance						
(v)	Energy Cost						
(vi)	Printing & Stationery						
(vii)	Communication expenses						
(viii)	Legal & Professional fees						
(ix)	Auditor Fees						
(x)	Advertisement & Publicity						
(xi)	Bank Charges						
(xii)	Depreciation & Amortisation						
(xiii)	Impairment losses (other than on financial assets)						
(xiv)	Acquisition cost for financial instruments classified/ designated as FVTPL						
(xv)	Miscellaneous expenses						
	Adjusted for						
	Amounts attributed to insurance acquisition cash flows(Refer Note 6.1 & 6.3)						
	Amortisation of insurance acquisition cash flows (Refer Note 6.1 & 6.3)						
	Total						
	Represented by:						
	Insurance Service expenses						
	Other expenses						

Note: Those changes related to carrying amounts of groups of insurance contracts included in Other Comprehensive Income applying para 90 of Ind AS 117 shall be included in Other Comprehensive Income

Note 17: Interest revenue on financial assets not measured at FVTPL

Particulars	Current Year						Previous Year					
	Amortised Cost		Fair value through OCI		Total		Amortised Cost		Fair value through OCI		Total	
	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders
Interest on												
i). Government Securities												
ii). Deposits with Banks/Financial Institutions												
iii). Debentures/ Bonds												
iv). Other Debt Securities												
Total												

Note 18: Other Investment Revenue (including fair value changes)

Particulars		Current Year						Previous Year					
		At FVTPL		Designated as FVTPL		Total		At FVTPL		Designated as FVTPL		Total	
		Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders
a)	Net Gain/(loss) on Fair Value changes*												
i.	Government Securities												
ii.	Deposits with Banks/Financial Institutions												
iii.	Debentures/ Bonds												
iv.	Other Debt Securities												
v.	Equity												
vi.	Mutual Funds												
vii.	Derivatives												
viii.	Investment Property**												
ix.	Owner Occupied Property backing insurance contracts with Direct Participating Features												
x.	Others (please specify)												
	Sub-Total												
b)	Rental Income from Investment Property												
c)	Foreign exchange gain on Financial Assets												
	Total												

* These includes both realised and unrealised gains/ (loss)

** Not required for other than life insurance business.

Note 19: Impairment of financial assets

Particulars	Current Year								Previous Year							
	On financial instruments measured at fair value through OCI		On financial instruments measured at Amortised Cost		On financial instruments measured at any other basis		Total		On financial instruments measured at fair value through OCI		On financial instruments measured at Amortised Cost		On financial instruments measured at any other basis		Total	
	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders
i). Government Securities																
ii). Deposits with Banks/Financial Institutions																
iii). Debentures/ Bonds																
iv). Other Debt Securities																
v). Policy Loans																
vi). Others (to be specified)																
Total Impairment on Financial Instruments																

Note 20 a : Finance expenses from insurance contracts (of Policyholders)

Particulars	Current Year	Previous Year
Changes in fair value of underlying items of insurance contracts with direct participating features		
Changes in fair value of underlying items or fulfilment cash flows that do not adjust the CSM		
Interest accreted		
Effect of changes in interest rates and other financial assumptions		
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		
Others (please specify)		
Total finance expenses from insurance contracts		

Note : If an entity has selected the accounting policy in para 88(b) & 89(b), it shall disclose separately the amounts recognised in OCI.

Note 20 b: Finance expenses from reinsurance contracts

Particulars	Current Year	Previous Year
Changes in fair value of underlying items of insurance contracts with direct participating features		
Changes in fair value of underlying items or fulfilment cash flows that do not adjust the CSM		
Interest accreted		
Effect of changes in interest rates and other financial assumptions		
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		
Others (please specify)		
Total finance expenses from reinsurance contracts		

Note : If an entity has selected the accounting policy in para 88(b) & 89(b), it shall disclose separately the amounts recognised in OCI.

Note 21:Other Income

Particulars	Current Year			Previous Year		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
Net gain/(loss) on ineffective portion of hedges						
Net gain/(loss) on derecognition of property, plant and equipment						
Net gain or loss on foreign currency transactions and translation (other than considered as finance cost)(to be specified)						
Others (to be specified)						
Total Other Income						

Note 22: Finance cost

Particulars	Current Year			Previous Year		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
Interest on financial liabilities measured at amortised cost						
Dividend on redeemable preference shares treated as liability						
Others (to be specified)						
Total Finance Cost						

Part IV

A. Notes to Accounts

1. **Contingent Liabilities and Commitments** (to the extent not provided for)
 - a) Contingent Liabilities shall be classified as:
 - i. Claims, other than those under policies not acknowledged as debt;
 - ii. Statutory demands/liabilities in dispute, not provided for;
 - iii. Other money for which the company is contingently liable;
 - iv. Guarantees excluding financial guarantees given by or on behalf of the Company.
 - b) Commitments shall be classified as:
 - i. Estimated amount of contracts remaining to be executed on capital account and not provided for;
 - ii. Uncalled liability on shares and other investments partly paid;
 - iii. Other commitments (specify nature).
2. The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on irredeemable preference shares shall also be disclosed separately.
3. When a company applies an accounting policy retrospectively or makes a restatement of items in the Financial Statements or when it reclassifies items in its Financial Statements, a "Balance Sheet" as at the beginning of the earliest comparative period shall be presented.
4. Share application money pending allotment shall be classified into equity or liability in accordance with relevant Indian Accounting Standards. Share application money to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable shall be separately shown under 'Other financial liabilities'.
5. Preference shares including premium received on issue, shall be classified and presented as 'Equity' or 'Liability' in accordance with the requirements of the relevant Indian Accounting Standards. Accordingly, the disclosure and presentation requirements in this regard applicable to the relevant class of equity or liability shall be applicable *mutatis mutandis* to the preference shares. For instance, where redeemable preference shares are classified and presented under 'liabilities' as 'borrowings', the disclosure requirement in this regard applicable to borrowings shall be applicable *mutatis mutandis* to such redeemable preference shares.

6. Compound financial instruments such as convertible debentures where split into equity and liability components, as per the requirements of the relevant Indian Accounting Standards, shall be classified and presented under the relevant heads in 'Equity' and 'Liabilities'.
7. Apart from the requirement of reflecting the Revenue Account as required under clause 1 (b) of Part I and other requirements under these Regulations, the insurance entity shall also present segment information in accordance with the Ind AS as applicable.
8. Items of expense and income in excess of one percent of the total revenue (insurance revenue & Insurance Finance Income) or Rs. 5 lakh whichever is higher shall be shown separately.
9. The assigned capital for a foreign reinsurer operating through a branch office established in India in terms of Section 2 (9) (d) of the Act, shall be presented as a separate component of equity.
10. Basis of allocation and apportionment of expenses (other than Commission) to various classes of insurance business.
11. Computation of managerial remuneration.

B. Regulatory Disclosures for life insurance business

1. An insurer shall prepare Revenue Account, at a minimum, for the sub-classes Life, Annuity, Pension, Health and Variable Insurance under the following types:
 - 1) Participating
 - 2) Non-Participating Non linked
 - 3) Non-Participating Linked

Further, divisions into Individual and Group business will have to be given.

2. Percentage of business sector-wise (Rural Sector, Social Sector)

C. Regulatory Disclosures for other than life insurance business

1. An insurer (other than life insurance business) shall prepare Revenue Account separately for fire, marine and miscellaneous insurance business and separate schedules shall be prepared for the following lines of business.
 - i). Fire
 - ii). Marine Cargo and Marine (Other than Marine Cargo)
 - iii). Motor
 - iv). Health including Personal Accident
 - a. Health Retail

- b. Health Group
 - c. Health Government Schemes
 - v). Miscellaneous
 - a. Retail
 - b. Group/Corporate
 - vi). Any other segment which contributes more than 10 percent of the Miscellaneous class of business;
 - vii). Any other class as may be specified by the Authority
- 2. Percentage of business sector-wise (Rural Sector, Social Sector and Motor TP)

D. Regulatory Disclosures for life and other than life Insurance business

1. Details of various penal actions taken by various Government Authorities shall be disclosed as may be prescribed by the Authority;
2. Unclaimed amounts of policyholders shall be disclosed as may be prescribed by the Authority;
3. Encumbrances to assets of the company in and outside India.
4. Contracted amount in relation to investments for:
 - i). Purchases where deliveries are pending;
 - ii). Sales where receipts are pending
5. A summary of Financial Statements for the last five years, in the manner as may be prescribed by the Authority;
6. Accounting Ratios as may be prescribed by the Authority.