Report of the Implementation Group on Ind AS in Insurance Sector in India

Forwarding Letter

December 29, 2016

To

Smt. V.R.Iyer
Member (F&I)
Insurance Regulatory and Development Authority of India
3rd Floor, Parishram Bhavan,
Basheer Bagh, Hyderabad-500004

Madam,

Sub: Report of the Implementation Group (IG) on Ind AS in Insurance Sector in India

This has reference to the Order Ref: IRDA/F&A/ORD/ACTS/201/11/2015 dated 17th November 2015 and the first meeting of the IG wherein, I was entrusted with the responsibility of being Group Head.

I have great pleasure in submitting the report of the Implementation Group on Ind AS in the Insurance Sector in India. This Report details the recommendations of the group constituted 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. The Authority may examine the recommendations in the Report for appropriate incorporation in the relevant Regulations/guidelines.

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,

P.R. Ramesh

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Group Head-Implementation Group

(P. R. Ramesh)
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Introduction and Approach

1. The need for uniform reporting of financial statements of business entities is an off shoot of globalization. India, being an important player, in the evolving world economy, needs to respond to international trends. With several businesses operating across borders and reaching international capital markets, there is a need for establishing globally recognised standards and uniformity in reporting and analysis of information. The International Financial Reporting Standards (IFRS) envisage a reporting system which meets these requirements.

2. The steps to move towards IFRS issued by the International Accounting Standards Board (IASB) were initiated in India way back in 2006 with ICAI setting up a task force to examine convergence with IFRS, which was a significant step towards bringing Indian financial reporting at par with global financial reporting standards. This was aimed at ensuring that the Indian markets become more attractive to global players. The initiative, however received a fillip after India's commitment at G20 held at Pittsburgh, post 2008 crisis where the focus was placed on issues relating to accountancy, including the aspect of reducing the complexity of accounting standards for financial instruments; clarity and consistency in the application of standards; moving towards one set of high quality globally acceptable accounting standards.

3. However, considering the nuances of Indian business environment the Government of India decided to converge with IFRS instead of adoption. This decision was taken after a detailed analysis of IFRS requirements and extensive discussion with various stakeholders.

4. To keep up the commitment, the initial tentative steps to implement Indian Accounting Standards (Ind AS) were taken in 2011 when 35 Ind AS were notified under the Companies Act, 1956. In order to prepare the insurance industry to meet all the requirements of IFRS and to position various policy measures, the Insurance Regulatory and Development Authority of India (IRDAI/the Authority) constituted a Committee on IFRS compliance in Indian insurance sector in August 2008 under the Chairmanship of Dr. R. Kannan, the then Member (Actuary). The Committee

submitted the report on IFRS Compliance in the Indian Insurance Industry covering various provisions of IFRS and their status in India; the international experience in implementing IFRS; and specific issues in the Indian context, which need to be addressed in the implementation of IFRS.

5. However, the Ministry of Corporate Affairs (MCA) took a decision not to implement the Ind AS at that time for various reasons including tax issues.

6. Two important accounting standards for insurance sector are Financial Instruments and Insurance Contracts. The complexity in the standard on insurance contracts is well known and is arising out of the current insurance Standard, IFRS 4, which is an interim standard. IFRS 4 Phase I permits continuation of diverse accounting practices and provided a temporary exemption from the general requirements of IFRS that accounting policies should be relevant and reliable leading to almost negligent comparability between insurance companies around the world. IASB has been working to address various issues in the existing IFRS 4 for many years now aiming to enhance comparability of financial reporting between entities, jurisdictions and capital markets. Phase II of IFRS 4 which will replace the existing standard on completion will also provide stipulations for presentation and disclosure to enhance comparability between entities across jurisdictions.

7. After around twelve years of rigorous study and analysis, IASB finally issued the Exposure Draft on Insurance Contracts in the year 2010 and sought the views of the public and other stakeholders on the same. The Authority had constituted a "Working Group on convergence to IFRS" under the Chairmanship of Shri R.K. Nair, the then Member (F&I) in September 2010 which deliberated on the Exposure Draft of IASB on Insurance Contracts. The Authority, based upon the recommendation of the Working Group, had forwarded its comments to IASB. Based on the feedback received from various stakeholders, a revised Exposure Draft was issued by the IASB in the year 2013. More recently in the IASB's meeting held on 16th November 2016, the effective date of the new insurance contracts Standard, numbered as IFRS 17 is indicated to be 1st January 2021

8. In July 2014, the IASB issued the completed version of IFRS 9 Financial Instruments setting out the requirements for recognising and measuring financial assets and financial liabilities and replacing IAS 39 Financial Instruments: Recognition and Measurement. The said standard has an effective date of 1st January 2018.

9. Pursuant to the announcement of the Finance Minister in July 2014 to adopt the Ind AS from the financial year 2015-16 on voluntarily basis and from the financial year 2016-17 on mandatory basis, various steps were taken by MCA, various regulatory bodies and the accounting profession to facilitate the implementation of Ind AS. The MCA notified 39 Ind AS through the Companies (Indian Accounting Standards) Rules, 2015 vide Notification dated February 16, 2015. The roadmap for the implementation of Ind AS for companies was also notified which intended to bring companies meeting specified criteria into full compliance with Ind AS from April 1, 2017. Banks, Insurance companies and NBFCs were, however, exempt from the applicability of the said notification.

10. Further, the MCA vide notification dated March 30, 2016 has laid down the roadmap for implementation of Ind AS for Scheduled Commercial Banks, Insurance companies and NBFCs from 1st April, 2018 onwards with one year comparatives. Post the notification, the Government of India has advised the Authority to take steps to ensure that the insurance industry is Ind AS compliant effective the said date.

11. The IRDAI had taken the stand that insurance sector in India would be converged with IFRS after the revised standard on Insurance Contracts viz., IFRS 4 is pronounced by IASB. The same was also conveyed to MCA; considering the stand of the Authority, the MCA vide its notification dated 16th February 2015 had exempted the insurance sector from the applicability of Ind AS (equivalent of IFRS in India) till 31st March 2018. While the revised standard IFRS 4 is still under finalisation, in order to prepare the Indian insurance sector towards convergence with Ind AS, the Authority, constituted an Implementation Group 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

12. The terms of reference of the Implementation Group are as under:

- i Review the applicability of Ind AS notified by MCA in the insurance sector
- ii Study the impact of Ind AS on the insurance sector
- iii Identify issues involved in implementation of Ind AS
- iv Provide the roadmap in addressing the IT system requirements on an ongoing basis
- v Identify IRDAI Regulations/stipulations which need to be reviewed in the light of Ind AS implementation
- vi Identify legislative amendments, if any, which may be required to converge towards Ind AS
- vii Prepare formats for the financial statements of insurers under Ind AS
- viii Draft application guides/education material to facilitate smooth convergence
- ix Recommend measures for capacity building among various stakeholders for implementation
- x Suggest measures to deal with any other tasks related to implementation of Ind AS

13. During the first meeting of the Implementation Group held on 9th December 2015, Shri P.R. Ramesh, was designated as Group Head for the Implementation Group by Smt. V.R. Iyer, Member (F&I). Various Sub-Groups were constituted to examine the Ind AS in detail. The group / subgroups comprise of Chartered Accountants, Actuaries, Industry Experts, Representatives of ICAI, IAI and officials of IRDAI.

14. The Implementation Group adopted a consultative approach. Outreach meetings were held with insurers to understand the various issues as regards implementation and concerns with regard to Ind AS, especially in the context of current accounting practices. The Implementation Group also reviewed the extant stipulations and guidelines as well as Ind AS notified by the MCA to identify potential issues with regard to Ind AS implementation. While legislation, regulations, circulars and guidelines which have a bearing on the preparation of financial statements have

been reviewed and are suitably considered in the report, it is recommended that any other provisions in the context of preparation and presentation of financial statements shall be consistent with the recommendations in this report. Further, from the date of implementation of Ind AS, circulars/master circulars issued by IRDAI on preparation of financial statements and on aspects which will now be governed by Ind AS for eg., circulars on accounting/valuation of interest rate swaps will have to be suitably modified/repealed.

15. The report takes into consideration suitably, various aspects discussed with stakeholders. The recommendations made in this report are generic in nature and are applicable to the insurance industry as whole. As the insurance sector in India has passed through the cycle of free unregulated market, nationalized scenario and opening up of the sector, there could be entities in existence which have passed through these phases and have issues unique to them arising out of legacy practices/products or governing legislation. For such specific aspects, it is recommended that the IRDAI may consider, in the interest of policyholders, to provide regulatory relief, if need be.

16. This Report does not deal with the impact on taxation arising due to transition to Ind AS. However, the Group recognises that taxation of insurance companies is as per specific provisions of the Income Tax Act, 1961 that do not apply to non-insurance entities. It is recommended that merely by transition to a new accounting framework the taxation of insurance companies should not change. The Authority, may take up the matter with the concerned authorities

17. Key recommendations of the Implementation Group are summarized in the Executive Summary.

18. The Implementation Group also formulated Ind AS compliant Formats for Preparation of Financial Statements of insurers and also summarizes the Regulatory stipulations which need to be reviewed in light of the issues considered in the report.

19. It may be noted that various recommendations made in this report are based on the collective views of the members of the Implementation Group and the Sub-

Groups which were tasked with the examination of the specific Ind AS at the time of finalization of report. These views are not intended to be authoritative interpretations of accounting standards.

20. As the changes to the IT systems of the insurers are part of the process of implementation of Ind AS and are to be worked upon after the approach of implementation is laid down and the formats for the presentation of financial statements are ready, the report is being released excluding the roadmap for addressing the IT system requirements on an ongoing basis. This reference point of the Implementation Group is being attended to by the Group that has been formed to address the issues in studying the Technology Impact on Implementation of Ind AS in Insurance Sector.

21. As the insurance sector in India is heading towards its first step on implementation of Ind AS, there is a need for organizing outreach programmes with the Industry for a smooth transition. Also, the Authority may engage with ICAI to publish an application guide/education material for the benefit of industry enabling them to have detailed guidance on preparation of Ind AS compliant financial statements.

Acknowledgements

22. The Implementation Group wishes to place on record its gratitude to Shri T. S. Vijayan, Chairman, IRDAI for his encouragement and support, Smt. V. R. Iyer, Member (F&I) for her continuous support and guidance and Smt. Pournima Gupte, Member (Actuary), IRDAI for her valuable inputs.

23. The Implementation Group acknowledges the efforts and contributions of each and every member of the Implementation Group and members and invitees of various Sub-Groups.

24. The Implementation Group benefitted from the efforts and the results of test run on the draft of formats for preparation of financial statements carried out by certain insurance companies including Star Union Dai-chi Life Insurance Co. Ltd., Bajaj Allianz Life Insurance Co. Ltd., ICICI Prudential Life Insurance Co. Ltd., HDFC

Standard Life Insurance Co. Ltd., LIC of India; Reliance Nippon Life Insurance Co. Ltd., ICICI Lombard General Insurance Co. Ltd., Bajaj Allianz General Insurance Co. Ltd., New India Assurance Co. Ltd., and General Insurance Corporation of India.

25. The Implementation Group places on record the efforts and support extended by nominees of ICAI and IAI in finalizing this report. In addition, the presentation made by Munich Re also enabled the Group to appreciate the concerns relating to the Reinsurance companies.

26. The Implementation Group is grateful to Shri V. Manickam, Secretary, Life Insurance Council and Shri R. Chandrasekaran, Secretary, General Insurance Council, for organizing and facilitating the outreach meetings with insurers, which brought out various concerns/ issues on implementation.

27. The Implementation Group places on record its appreciation for the support received from all the officials of Finance, Investments and Actuarial departments of IRDAI in finalizing the Report.

Executive Summary of the Recommendations

1. Ind AS 40: Investment Property: - The existing stipulations should be continued, i.e., life companies to revalue investment property at a minimum every three years and general insurance companies not to revalue investment property.

2. In order to continue with the existing stipulations on revaluation of investment property in case of life insurance companies, unless Ind AS 40 is amended providing for fair value option, it may be appropriate that the IRDAI may give a regulatory override requiring life insurance companies to continue the existing practice of revaluing the investment property.

3. Ind AS 7: Cash Flow Statements: - With a view to comply with the existing legal requirements, continuation of the existing prescription under IRDAI Regulations to prepare cash flow statement (Receipts and Payments Account) as per the direct method under Ind AS 7, Statement of Cash Flows, is recommended even though the option of preparing cash flow statement as per indirect method is available under Ind AS 7. However, IRDAI may consider allowing the option of the indirect method to reinsurance companies.

4. Products where the death benefit cannot be less than 105% of the premiums paid are recommended to be considered to have the significant risk cover.

5. The present Regulations in effect require that all obligations and rights of an insurance contract are recognized on the balance sheet. These obligations and rights are recognized in separate line items either as liabilities, insurance reserves etc. Hence, all the linked products (unit linked products and variable insurance products) and all the non-linked products (including variable insurance products classified as non-linked products) are recommended not to be unbundled.

6. The insurer while submitting a new product or modification to the existing product, in its File & Use document or use and file system, should specify whether for the purpose of accounting it falls under the definition of insurance contract or other

financial instrument along with the specific criteria which determines it as an insurance contract or other financial instrument.

7. In order to comply with the disclosure requirements an insurance company will need to determine the data available with it and then it will need to collate it suitably. In case the information required to be disclosed is not available then it is suggested that insurance companies embark on the task of collating the same and then vetting it for completeness, accuracy and appropriateness.

8. Cost may be mandated as the basis for the accounting for investments in subsidiaries, associates and joint ventures in the separate financial statements.

9. Trade date accounting may be prescribed as the uniform basis of initial recognition of securities by all insurers.

10. IRDAI may provide specific guidance to insurers on the following key matters relating to the treatment for solvency, allocation / attribution to policyholders and dividend capacity

    a. Treatment of OCI balances for FVTOCI debt unrealized gains or losses
    b. Treatment of OCI balances for FVTOCI equity for both realized and unrealized gains and losses
    c. Treatment of unrealized gains and losses of FVTPL instruments
    d. Adjustments arising from First Time Adoption of Ind AS

    The IRDAI may also consider the impact of actuarial practices on the valuation of liabilities while determining the treatment of the unrealized gains and losses balances stated above.

11. The IRDAI may consider permitting insurance companies to hedge their FVTOCI investments (debt and equity) to mitigate accounting and economic volatility.

12. FIMMDA or a similar body may be entrusted with the responsibility to formulate a valuation approach for illiquid, hard to price and unquoted securities.

13. With a view to comply with the requirements of the Insurance Act 1938 as well as the requirements of Ind AS 1, the following should 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.*
c. Revenue Account (Policyholders' Account) and Profit and Loss Account (Shareholders' Account), as required by the Insurance Act, 1938.
d. Receipts and Payments Account [Cash Flow Statement as per the direct method in accordance with Ind AS 7: *Statement of Cash Flows*].
e. Notes including:
    - Summary of significant accounting policies
    - Other explanatory notes annexed to, or forming part of, any document referred to in Sub-clause (a) to Sub-clause (d) above
f. Comparative information in respect of the preceding period.

14. 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.

15. Since the Revenue Account (Policyholders' Account) and the Profit and Loss Account (Shareholders' Account) are required to be prepared under the Insurance Act 1938, while 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) should be prepared along with the Statement of Profit and Loss. The Revenue Account and the Profit and Loss Account should be presented in a columnar form with the totals of individual items of the two reconciling with those in the Statement of Profit and Loss. The allocation or the apportionment of income and expense items, in the

Revenue Account and Profit and Loss Account should be done as per the existing practice.

16. 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 re-classifies items in its financial statements as specified in Ind AS 1, it would be sufficient that a requirement in this regard is included as a note to the balance sheet.

17. Section 11 of the Insurance Act 1938 should be amended to change the requirements related to financial statements in accordance with Ind AS.

18. Separate formats for entities carrying on life insurance business and those carrying on general insurance business are recommended. General insurance business includes reinsurance and health insurance businesses.

19. Manner of presentation of various items of assets, liabilities and equity in the balance sheet:

    (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) Paragraph 60 of Ind AS 1 requires that entities present current and noncurrent assets, and current and non-current liabilities, as separate classifications in the Balance Sheet except where a presentation based on liquidity provides information that is reliable and more relevant. 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.

20. 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.

21. Considering the nature of the insurance business, and the requirements contained in Ind AS 1 that the expenses shall be reflected nature-wise, format of statement of profit and loss have been prepared in a manner to

    a. clearly identify gross premium and gross claims incurred; with reinsurance cessions on premium reinsurance recoveries and reinsurance payments shown separately
    b. investment income and net gain/loss on fair value changes and gain/loss on de-recognition of financial assets at amortised cost;
    c. to segregate benefits/ incurred claims and change in insurance contract liabilities;
    d. acquisition costs as an item of expense; and
    e. exceptional items and gain or loss on discontinued operations to be presented separately.

22. In order to comply with the requirements of Ind AS 108, *Operating Segments*, in addition to segments specified in the Regulations, the insurer should also provide operating segment information as per the aforesaid Ind AS, wherever applicable.

23. At present, Part I of Schedule 'A' and Schedule 'B' of IRDAI Regulations contain 'Accounting Principles for Preparation of Financial Statements'. It is recommended to continue with this part. Keeping in view the fact that Ind AS 104, *Insurance Contracts*, largely allows independence in adopting accounting policies with regard to liabilities, income and expenses related to insurance contracts, the same have been continued, although certain modifications have been made in respect of those areas where Ind AS specifically provide for accounting treatments.

24. 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 2018-19, with comparatives for the year 2017-18, information would be available for two years. The Authority needs to decide the regulations for prescribing the presentation of summary of the remaining three years.

25. 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.

26. 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 formats of the Revenue Account and the Balance Sheet should be the same as per the draft Regulations to the extent applicable and subject to audit.

27. At present, Schedule 'C' of the IRDAI Regulations 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.

28. The draft regulations recommended by the Sub-Group are as follows:

    (i) Draft notification containing short title of commencement, definitions and preparation of financial statements as per Schedule 'A' and Schedule 'B'.

    (ii) Schedule A (for Life Insurance business); and Schedule B (for General Insurance business) comprising of

    Part I: Accounting Principles for Preparation of Financial Statements.

    Part II: General Instructions for Preparation of Financial Statements.

    Part III: Balance Sheet including Statement of Changes in Equity.

    Part IV: Statement of Profit and Loss, Revenue (Policyholders) and Profit and Loss (Shareholders) Accounts.

    Part V: Other Disclosures

Chapter I: Indian Accounting Standards (Ind AS)

1.1 **Introduction to Ind AS**

The accounting standards as specified in the Annexure I to this report called the Indian Accounting Standards (Ind AS) are the accounting standards applicable to classes of companies specified under the Companies (Indian Accounting Standards) Rules, 2015. With the notification of these IFRS converged accounting standards, India can now claim to have financial reporting standards that are contemporary and at par with the global standards.

1.2 While all of those standards are applicable to the insurance sector, the following Ind AS are not applicable:

a) Ind AS 106: Exploration for and Evaluation of Mineral Resources
b) Ind AS 114: Regulatory deferral accounts
c) Ind AS 11: Construction Contracts
d) Ind AS 41: Agriculture

1.3 Ind AS 18: Revenue does not deal with revenue arising from insurance contracts within the scope of Ind AS 104: Insurance Contracts; but it would be applicable for other forms of revenue of insurers as specified in the standard.

1.4 The following Ind AS are not applicable in the current regulatory framework in India:

a) Ind AS 2: Inventories

   In some countries insurance companies purchase spare parts etc., when they provide replacement option in their indemnity contracts. As such a practice is not prevalent in India, in the current scenario, this standard will not be applicable.

b) Ind AS 29: Financial Reporting in Hyperinflationary Economies. In the current environment in India, this standard is not applicable. It may however be noted that for entities that operate businesses in countries that have a hyperinflationary economy, the standard will need to be applied to those business units.

1.5 The following standards shall be applicable in modified form to the insurance sector:

a) Ind AS 7: Statement of Cash Flows

1. While the standard provides option for the entities to provide cash flow statements under both direct as well as indirect method, the present IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 (the Regulations), mandate that only direct method be followed for insurance companies. There is nothing specific in the insurance business that renders either method invalid or less relevant while it is international practice that indirect method is permitted. Specifically, big reinsurance companies used the indirect method.

2. With a view to comply with the existing legal requirements, continuation of the existing prescription under IRDAI Regulations to prepare cash flow statement (Receipts and Payments Account) as per the direct method under Ind AS 7, Statement of Cash Flows, is recommended. However, IRDAI may consider allowing the option of the indirect method to reinsurance companies.

b) Ind AS 40: Investment Property

1. For life companies, it is mandatory to revalue the investment property at least once in three years and the difference between the fair value and carrying amount is treated as revaluation reserve under Equity. However, no such revaluation is allowed for non-life companies.

2. Such treatment of revaluation for life companies is not permitted under Ind AS 40 which requires entities to follow cost model with disclosures of fair value.

3. Given that the benefit to policyholders, especially for the participating business, depends on the value of the investment assets, accounting property at

historical cost would render property as an asset class meaningless in the policyholder funds. While this would be a deviation from the Ind AS 40, the Group believes that such deviation is warranted given the underlying business model.

4. Based on the above, it is recommended that life companies continue the current practice of valuing investment property at Fair Value. The change in the carrying amount of the investment property shall be recognised in Fair Value Changes on Investment Property on account of policyholders as a liability and those on account of shareholders in the Statement of Changes in Equity forming part of Balance Sheet.

For 'Other than' Life companies' (viz., general, health and reinsurance):

5. The treatment of Investment property relating to 'other than life' insurance companies was also reviewed. Currently, as per the Regulations, revaluation is not allowed and investment property should be valued at cost subject to impairment provisions and fair value disclosure requirement.

6. The aspect that the 'other than life' insurance contracts are mostly short term in nature and hence the investment pattern should match the liability profile that pertains to the policyholders and the perceptible differences between the life industry and the 'other than life' industry in Asset Liability Management were also considered.

7. It was highlighted that moving from the current cost based model to a fair value model could result in significant tax liabilities without the cash flow to bear it.

8. It was brought out that there are certain elements of 'other than life' liability which are long tailed and that property as an asset class would form an important part of the investment portfolio of such liabilities. It was highlighted that allowing for investment return from property at fair value even if netted down for tax could be adding value in pricing of such contracts.

9. In the aforesaid background, the issue that came up was whether 'other than life' companies should also be allowed to revalue or to continue on cost based measurement.

10. With due consideration of the above points, it is recommended that cost based measurement should continue for 'other than life' companies.

Chapter II: Ind AS 101: First-time Adoption of Indian Accounting Standards

2.1 From the perspective of Ind AS 101: *First-time Adoption of Indian Accounting Standards*, in case Ind AS 40: *Investment Property*, continues to allow only cost model, the life insurance companies which are mandated to revalue investment property every three years under the existing IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002, would have the following two options available to them to adopt cost model for investment property under Ind AS:

a) The carrying amount of investment property under the previous GAAP can be considered to be the deemed cost under paragraph D7AA of Ind AS 101; or

b) Cost of investment property on the date of transition can be arrived by retrospectively following the cost model.

2.2 A view was expressed that it would be imperative for life insurance companies to continue the existing practice of revaluing their investment property at fair value and recognizing the gains/losses in equity in view of the fact that such companies pay bonus to the policyholders on the basis of fair value changes in such property. It was felt that while the disclosure of fair values as required in Ind AS 40 may be used for solvency purposes, the disclosures cannot be used for the purpose of declaration of bonus to the policyholders since the changes in the fair values in investment property should be recognized in the financial statements for this purpose. In order to continue with the existing stipulations on revaluation of investment property in case of life insurance companies, unless Ind AS 40 is amended providing for fair value option, it may be appropriate that the IRDAI may give a regulatory override requiring life insurance companies to continue the existing practice of revaluing the investment property.

2.3 It was also discussed that in case the discount rate to measure insurance contracts liability is required to be changed on adoption of Ind AS, transitional provision for the difference arising in the measurement of insurance contract liabilities on the date of transition may be required. It was noted that IRDAI has set up a Committee on Risk Based Capital Approach and Market Consistent Valuation of Liabilities in June 2016 to examine this aspect which is still to give its recommendations. Accordingly, whether to provide for transitional provisions in this regard was not decided at this stage.

Chapter III: Ind AS 104: Insurance Contracts

3.1 The current accounting standards and practices in India have not laid down any specific standards on the manner of recognition, presentation and disclosure with respect to accounting of insurance contracts. This gap is now being bridged through Ind AS 104, as part of IFRS convergence process. Ind AS 104: Insurance Contracts is an accounting standard that lays down the principles of accounting to be followed with respect to an insurance contract. The principles of accounting to be followed by an insurer vary based on whether the contract meets the specific requirements defined for an insurance contract or for a financial instrument. The insurance companies will have to follow the accounting principles relevant to either the insurance contracts, if the contracts offered by them fall within the definition of insurance contracts or financial contracts, if the contracts offered by them fall within the definition of financial contracts.

3.2 It is worth to briefly touch upon the long history of development of this standard. The project for having an accounting standard began in the IASB in 1997. In March 2004, IFRS 4 Insurance Contracts Phase I was issued. During the research and development phase of IFRS 4 Phase I, IASB realised that a wholesome standard is required for accounting of insurance contracts. Accordingly, IFRS 4 Phase I was released as an interim standard that permitted continuation of diverse accounting practices and provided a temporary exemption from the general requirements of IFRS that accounting policies should be relevant and reliable. IFRS 4 Phase I mainly covers identification of components of an insurance contract; does not prescribe any particular method of recognising revenue; does not contain measurement criteria for claims and acquisition costs and is closely linked with IAS 39 Financial Instruments - Recognition & Measurement. IFRS 4 Phase I has prescribed disclosures that identify and explain amounts used in an insurer's financial statements and enables users to understand the amount, timing and uncertainty of the future cash flows from insurance contracts. It is applicable to insurance contracts issued (including re-insurance contracts issued and held) and financial instruments issued with a discretionary participating feature. The IASB is still continuing research and development on IFRS 4 Phase II. Recently, the IASB has announced amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. This standard which permits an insurer to have an overlay approach or a temporary exemption approach known as the deferral approach is not considered necessary as it is proposed to apply Ind AS 109 (equivalent to IFRS 9). As far as India is concerned, Ind AS 104 corresponds to IFRS Phase I standard.

3.3 Ind AS 104 which is consistent with IFRS 4 Phase I is focused upon in this Chapter. However, it is being placed on record that Ind AS 104, in the current structure, may have a limited implementation period, as implementation of Ind AS for insurance companies is expected to start from April 2018 and also the expected commencement of IFRS 4 Phase II is after January 2020. This leaves a time period of two years to switch over to Phase II, if India intends to adopt or converge with the Phase II standard in 2020 itself. Hence, any decision being taken on the principles of accounting applicable to insurers based on the current provisions of Ind AS 104 need to be weighed considering the impending IFRS 4 Phase II also. This recommendation is given taking into consideration the limited period of time Ind AS 104 will apply. The Phase II standard is to be numbered as IFRS 17.

Product Mapping - Insurance Risk, Unbundling, Derivatives, etc.

3.4 Definition of Insurer: In accordance with the provisions of the Ind AS 104, insurer is defined as the party that has an obligation under an insurance contract to compensate a policyholder if an insured event occurs. The definition of insurer varies from the provisions of Insurance Act, 1938. The definition of an insurer as per section 2(9) read along with 2(7A) of the Insurance Act, 1938 is as under: -

Section 2(9) "insurer" means—

(a) an Indian Insurance Company,
(b) a statutory body established by an Act of Parliament to carry on insurance business, or
(c) an insurance co-operative society, or
(d) a foreign company engaged in re-insurance business through a branch established in India.

Explanation—For the purposes of this sub-clause, the expression "foreign company" shall mean a company or body established or incorporated under a law of any country outside India and includes Lloyd's established under the Lloyd's Act, 1871 (United Kingdom) or any of its Members;

Section 2 (7A): "Indian insurance company" means any insurer, being a company which is limited by shares, and —

(a) which is formed and registered under the Companies Act, 2013 as a public company or is converted into such a company within one year of the commencement of the Insurance Laws (Amendment) Act, 2015;

(b) in which the aggregate holdings of equity shares by foreign investors, including portfolio investors, do not exceed forty-nine per cent. of the paid up equity capital of such Indian insurance company, which is Indian owned and controlled, in such manner as may be prescribed.

Explanation —For the purposes of this sub-clause, the expression "control" shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders' agreements or voting agreements;

(c) whose sole purpose is to carry on life insurance business or general insurance business or re-insurance business or health insurance business;

3.5 Significant Insurance Risk

3.5.1 Ind AS 104 defines a variety of terms including insurance contracts, financial risk, insurance risk, insured event, insurance liability, financial guarantee contract, financial instruments, guaranteed benefits amongst others. As per para B10, some contracts expose the issuer to financial risk, in addition to significant insurance risk. For example, many life insurance contracts offer both a guaranteed minimum rate of return to policyholders (creating financial risk) and promise of death benefits that sometimes significantly exceed the policyholder's account balance (creating insurance risk in the form of mortality risk). Such contracts are insurance contracts. The sole criterion that needs to be applied in determining whether a contract is an insurance contract is the existence of significant insurance risk. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. Financial risk is defined as the risk of a possible future change in one or more of specified interest rate, financial instrument price, commodity price, forex rate, index of prices, credit rating or credit index or other variables. An Insurance Contract is defined to mean a contract under which one party (insurer) accepts significant insurance risk from another party (policy holder) by agreeing to compensate the policy holder if a specified uncertain future event (insured event) adversely affects the policy holder.

3.5.2 "Significant" as per Ind AS 104 means that an insured event causes an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Additional benefits are amounts that exceed those that would be payable if no insured event occurred and include claim handling and assessment costs, but exclude amounts such as potential loss of future management fees to the insurer on the death of the insured in case of a linked product, waiver of charges on death of the policyholder etc. From this definition, the principles of accounting laid down in Ind AS 104 apply to contracts which provide for significant additional benefits payable on any insured event, when compared to the amounts that may be paid if no insured event occurs. For example, surrender or cancellation of the policy can be considered as an uninsured event. Hence, Ind AS 104 will become applicable to all insurance contracts offered by insurers provided the benefits payable on any insured event individually or collectively for all insured events within a policy exceed the amount payable on surrender/cancellation significantly (as uninsured events in an insurance policy is the surrender/cancellation of the policy). For general insurance policies, the claim amounts can be spread across various claims of small size throughout the policy period.

3.5.3 In accordance with the provisions of B19 (g), it is mentioned that a contract is not considered as an insurance contract if it requires a payment based on a climatic, geological or any other physical variable that is not specific to a party to the contract (commonly described as weather derivatives). However, in the insurance contracts offered by general insurers, climatic, geological or other physical variables are the mechanisms used to determine a loss to the crop and these are not preconditions for payments. There could be cases where there are substantial changes in the climate, but there may not be any loss and hence there would be no payment. The event covered in a contract is loss to the crop and not changes in the weather. The mechanism to determine the loss could be based on various methods as prevalent at that time. In accordance with para B14, the definition of an insurance contract refers to an uncertain event for which an adverse effect on the policy holder is a contractual precondition for payment. This contractual precondition does not require the insurer to investigate whether the event actually caused an adverse effect, but permits the insurer to deny payment if it is not satisfied that the event caused an adverse effect. Hence, an insurer will need to examine / analyse whether such contracts issued require payment of benefit only if there is an adverse impact to the policyholder and if so, recognise it as an insurance contract. If not the contract will be a financial instrument and recognised under Ind AS 109.

3.5.4 Insurance products with the above features offered by the general insurance companies, health insurance companies and reinsurance companies will have to comply with the principles of accounting under Ind AS 104.

3.5.5 With regard to the insurance products offered by the life insurance companies, there are various generations of insurance policies available with different levels of benefits payable on various insured events. The IRDAI has notified IRDA (Linked Insurance Products) Regulations, 2013 and IRDA (Non-Linked Insurance Products) Regulations, 2013. In accordance with the provisions of these regulations, all life insurance products should have the minimum amount of death benefit as notified in the said regulations and for all pension products (for all individual pension products and group pension products), it should have minimum amount of benefit guaranteed at the outset which becomes payable either on death or on maturity Such products can be recognised as insurance contracts under Ind AS 104. All other pension products, group gratuity and group leave encashment products could be construed as not having significant insurance risk and would need to be recognised as financial instruments under Ind AS 109. In case the group products have any features that mean to cover a significant insurance risk, then such products will need to be classified as insurance contracts.

3.5.6 <u>Product Mapping - industry survey and other deliberations:</u>

Information was collected from a few insurance companies who may be presently reporting their financial performance to their promoters based on IFRS or US GAAP. These companies were requested to list their existing products based on the definition of insurance contracts as per Ind AS 104. Four life insurers and two general insurers viz., ICICI Prudential Life Ins. Co. Ltd.; Birla Sun Life Insurance Co Ltd. HDFC Standard Life Co. Ltd.; SBI Life Insurance Co. Ltd.; Bajaj Allianz Life Insurance Co. Ltd.; ICICI Lombard General Insurance Co. Ltd.; and HDFC Ergo General Insurance Co. Ltd. responded.

3.5.7 As per the information collected from the general insurance companies, it was noticed that all the products currently offered by the general insurance companies fall under the definition of insurance contract of Ind AS 104. However, the information collected from the life insurers indicated a diverse practice. One of the insurers has taken a stand that where the risk is more than 5% of the premium the product could be classified as an insurance contract under Ind AS 104. It was also discussed that in UK insurers follow the threshold of 5% to decide the classification of an Insurance Contract. It was accepted that the approach of 5% appears reasonable to determine whether a significant insurance risk exists and hence, whether the product fits in the definition of an insurance contract.

3.5.8 It was noted that post new product regulations all the products being offered currently have the stipulated risk coverage which cannot be less than 105% of the premiums paid except the pension products where risk coverage is an option. In any insurance product, in the initial years, the amount of risk cover is substantial as compared to the premiums paid. When the product moves towards maturity proportions of risk coverage reduces as compared to total premiums paid. But, as per the product regulations, the death benefit cannot be less than 105% of the premiums paid. Therefore, all such products can be considered to have the significant risk cover. However, in the products covering child lives risk may start within say, two years from the date of commencement. In such cases in the initial two years' significant risk may not be covered. In the earlier products, prior to product regulations, risk was not covered till the child attained certain years of age, say seven years of age. In all such cases, on the start of risk coverage, significant risk transfer may not happen at the inception of the contract. In these contracts after the commencement of the policy, there is no option for the insurer or the insured to select the rates, terms and conditions with respect to the risk to be commenced. The terms and conditions, including the risk coverage to be transferred is already accepted at the outset and would be part of the policy terms and conditions of the children policy. Hence, in accordance with the provisions of para B29, if the contract specifies the rates (or a basis for setting the rates), the contract transfers insurance risk to the insurer at inception. Hence, in all, such policies qualify as insurance contracts.

3.5.9 A minimum threshold may be considered by IRDAI while issuing its application guide on preparation of financial statements. The threshold could be a satisfaction of one of the following three criteria:

- at least 5% of the Fund Value at any time during the life on the contract for unit linked products, or
- at least 5% of the annualized premium or Single Premium, as the case may be, at any time during the life on the contract for other than unit linked products
- Ratio of Expected Present Value (EPV) of death benefits to EPV of Other than death benefits is at least 5% measured at the inception of the policy

Further, wherever death benefit is mentioned above the morbidity benefits provided in these contracts, it could also be included in the determination of significance of insurance. Pure endowment and Immediate or deferred Life Annuity products where the annuities are guaranteed at the inception of the contract can be treated as insurance contracts. An entity may be permitted to classify a contract as an insurance contract even when its product is below the minimum criteria specified above provided it concludes and discloses in the financial statements the factors that give rise to significant insurance risk as defined in Ind AS 104.

3.5.10 <u>Embedded Derivatives</u>

1) Ind AS 109 requires an entity to separate embedded derivatives from the host contract and value them separately by FVTPL method if and only if economic characteristics and risks of the embedded derivative are not closely related to the host contract and separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. In accordance with the provisions of para 8, an exception to Ind AS 109 is that an insurer need not separate, and measure at fair value, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate), even if exercise price differs from the carrying amount of host insurance liability. Hence, insurers need not separate embedded derivatives if the derivative itself is an insurance contract. This also applies to options to surrender financial instrument with a discretionary participation feature (DPF). For example, if cancelling the deposit component of an insurance contract cancels the entire insurance component and the deposit component cannot be cancelled separately, then both are regarded as part of the insurance component.

2) Also, requirements in Ind AS 109 will apply to cash surrender option embedded in an insurance contract if the surrender value varies in response to the change in a financial variable (such as an equity or commodity price or index) or a non-financial variable that is not specific to a party to the contract. In accordance with this, in linked products the surrender value though varies based on the performance of the underlying assets, but still will not meet the definition of the embedded derivatives as the underlying asset is not separate to the contract.

3.5.11 <u>Unbundling of Deposit Component</u>

1) In accordance with Para 10 (a), unbundling is required if the insurer can measure the deposit component (including any embedded surrender options) separately (i.e. without considering the insurance component) and the insurer's accounting policies do not otherwise require it to recognise all obligations and rights arising from the deposit component.

2) In accordance with Para 10 (b), unbundling is permitted, but not required, if the insurer can measure the deposit component separately as above, but its accounting policies require it to recognise all obligations and rights arising from the deposit component, regardless of the basis used to measure those rights and obligations.

3) The present Regulations in effect require that all obligations and rights of an insurance contract are recognised on the balance sheet. These obligations and rights are recognised in separate line items either as liabilities, insurance reserves etc. Hence, it is viewed that para 10(a) of Ind AS 104 does not apply while para 10(b) permits an entity to continue its present practice and does not need to change. Such a view is consistent with the general thinking on the application of the present Ind AS 104 for a short period. Hence, all the linked products (unit linked products and variable insurance products) and all the non-linked products (including variable insurance products classified as non-linked products) are recommended not to be unbundled.

4) In case of deposit components with underlying guarantees, it was felt that the same need not be unbundled as deposit cannot be identified separately (Para 10c)

5) Hence, for all contracts offered by life insurers, except for those specifically mentioned above, the principles of accounting in accordance with the Ind AS 104 will apply though the insurer can measure the deposit component separately. This is on the basis that all the rights and obligations need to be recognised by the insurer as per the regulatory requirements.

3.5.12 Transition, Carve Out and Way forward

1) All products existing in the books of insurers as on the date of implementation, except products that do not have significant insurance risk as analysed above, are to be considered insurance contracts for the purpose of following the principles of accounting in accordance with Ind AS 104.

2) In accordance with para B25, an insurer is required to assess the significance of insurance risk contract by contract, rather than by reference to materiality to the financial statements. Thus, insurance risk may be significant even if there is a minimal probability of material losses for a whole book of contracts. This contract-by-contract assessment makes it easier to classify a contract as an insurance contract. However, if a relatively homogeneous book of small contracts is known to consist of all contracts that transfer insurance risk, an insurer need not examine each contract within that book to identify a few non-derivative contracts that transfer insignificant insurance risk. As on the date of transition, the insurer will have to determine the specific reporting standard i.e. either to be reported under Ind AS 104 or under Ind AS 109, for each of the product being offered by the insurer based on provision of para B25 and also to identify whether any unbundling is required, based on the principles already laid down by IRDAI in the product regulations and discussed in the above paragraphs. Based on such determination the contracts will need to be recognised and re-measured in accordance with the principles laid down in Ind AS 101: First Time Adoption of Indian Accounting Standards .

3) One more concern discussed was the three distinct types of products presently available - one set of products issued by LIC of India prior to the formation of IRDAI; one set of products issued by insurance companies prior to 2013; and one set of products issued post 2013 (those issued under the new product guidelines). As mentioned in this report the accounting of products issued after 2013 is more or less in accordance with the definition of insurance contracts under Ind AS 104 and segregating them between insurance contracts and investment contracts will not be an onerous task. It is recognized that applying the principles of Ind AS 104 to the first two sets of contracts can be onerous given the complexities of the product profile and the materiality of the outstanding contracts.

4) It is suggested that the insurer while submitting a new product or modification to the existing product, in its File & Use document or use and file system specify whether for the purpose of accounting it falls under the definition of insurance contract or financial instrument along with the specific criteria which determines it as an insurance contract or financial contract. This will help develop a database that

can then be analysed with the behaviour of the product. In case a product has distinct features whereby it can be split into two or more components then the assertion will need to be made for each of the components whether it is an insurance contract or a financial instrument.

5) During discussions, an issue was raised whether by identifying any amount as the deposit component, the requirements and compliances of acceptance of deposits under the Companies Act, 2013 will apply. However, after deliberations it was agreed that the said provisions will not apply, as the purpose of Ind AS is only to provide a reporting framework to the financial statements through a standard procedure and Ind AS is not a framework which determines the operational issues or matters pertaining to business environment. Ind AS requires the insurer to report its entire business in the financial statements either under the category of financial contract or as an insurance contract. The operational matters and the business environment are governed by the Insurance Act, 1938 and IRDA Act, 1999.

3.5.13 Discretionary Participation Feature

1) In accordance with the provisions of Para 34 of Ind AS 104, the discretionary participation feature and the guaranteed element in insurance contracts cannot be separated, if the underlying assets supporting the guaranteed element and the discretionary participation feature cannot be separated. Hence, these products will require the whole contract to be classified as a liability. Under unit linked products, some products are offered with discretionary participation feature. However, the assets supporting the guaranteed element and the discretionary participating feature are part of one fund and cannot be separated. Hence, these products will require the whole contract to be classified as a liability.

2) As regards Para 35 which deals with discretionary participation feature in financial instruments, no impact is expected in relation to the books of an insurance company as the insurers need to classify the whole contract as a liability.

3.5.14 <u>Shadow Accounting</u>

Ind AS 104 permits but does not require a preparer to change its accounting policies so that a recognised but unrealised gain or loss on an asset affects the measurement of either the insurance liabilities, related DAC and related intangible assets. Para 30 permits in such case to adjust the insurance liability (net of DAC or the intangible asset), to be recognised in OCI, if and only if, the unrealised gains or losses are recognised in OCI. This is called "shadow accounting". Presently, there is no difference in the manner of recognised but unrealised gains or losses; or realised gains or losses on an asset that affects the measurement of insurance liabilities and hence, this para will not apply to Indian insurance companies. Moreover, the current actuarial guidance notes permits for liability valuation to be adjusted in accordance with the manner of measuring corresponding assets.

3.5.15 <u>Liabilities and Reserves</u>

<u>Liability Adequacy Test and recognition and measurement</u>

1) In accordance with the para 15 of Ind AS 104, each insurer is required to assess at the end of each reporting period whether its recognised insurance liabilities are adequate using current estimates of future cash flows. To assess the adequacy, the insurer is required to apply a liability adequacy test. In accordance with para 16, if the insurer meets the following specified minimum requirements, no further requirements need to be complied for the purpose of financial reporting.

(a) Assessment considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees.

(b) If the liability is inadequate, the entire deficiency is recognised in profit or loss.

2) In accordance with para 26, an insurer need not change its accounting policies for insurance contracts to eliminate excessive prudence. However, if an insurer already measures its insurance contracts with sufficient prudence, it shall not

introduce additional prudence. Hence, the assessment of excessive prudence or sufficient prudence is a subject matter of judgment of the professional in estimating the liabilities taking into account the guidance notes and other recommended practices in estimating sufficient prudence with respect to life/non-life/health/reinsurer liability estimation. In accordance with the extant regulatory requirements, the margins for prudence and the rationale along with the compliance with the guidance note are already disclosed in the actuarial reports.

3) In accordance with the regulatory provisions, insurers are required to estimate the liabilities for each contract considering the experience of the insurer allowing for suitable margins, based on the degree of confidence in the expected level. Also the inadequacy in the liability, if any, will reflect in the change in liability and is recognised in the profit or loss of the entity. In accordance with these regulation life insurers are already following the specified minimum requirements of the liability adequacy test mentioned in para 15 and 16 except for slight changes suggested in paras 3.5.14 (8) and 3.5.14(9). Hence it can be considered that there are no further requirements for life insurers, except for the above and also the requirement of para 17 becomes redundant as by applying the extant regulatory requirements, insurers will comply with the requirements of para 16.

4) The regulations applicable to general, health and reinsurers prescribe with respect to the unexpired risks that the reserve for unexpired risk be a fixed percentage of the premium. However, if it is found to be inadequate, premium deficiency reserve is created for the entire line of business and not by contract. The existing practice of estimating the reserve for unexpired risk and the premium deficiency reserve may require modification to reflect the assessment of the current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees in order to meet the specified minimum requirements of the liability adequacy test, for the unexpired risk.

5) With respect to the expired portion, as it meets the specified minimum requirements, it may be considered that no further requirements are necessary for the expired portion.

6) Also, the inadequacy in the liability, if any, will reflect a change in liability and is recognised in profit or loss of the entity. In accordance with this regulation, non-life insurers/health insurers/reinsurers are already following the specified minimum requirements of the liability adequacy test mentioned in para 15 and 16 for expired portion, but may need change in the estimation of liability for unexpired risk liability. Hence it is recommended that the change in the estimation of liability for unexpired risk be done, to meet the specified minimum requirements of the liability adequacy test.

7) In accordance with para 14 (a), insurers can recognize as a liability any provision for possible future claims, provided those claims are expected under the insurance contracts which exist in the books of the insurer and are not terminated at the end of the reporting period. The provisions can be such as catastrophe provision to provide for expected catastrophes or equalisation provision in case of with profit fund. However, the insurer cannot hold such liabilities with respect to claims expected from the insurance contracts which are not in existence at the end of the reporting period.

8) With respect to the equalization provision, insurers may have to discontinue the practice of showing the undeclared amount of bonus under the funds for future appropriation and now separately create an equalisation reserve (Undistributed Participating Policyholders Surplus (UPPS) which reflects the undeclared bonus and is a part of the liability. To that extent, there could be requirement to make necessary changes to the regulation mentioned above on liability valuation for life insurers.

9) With respect to the recognition and measurement, para 14 (c) requires insurers to continue to carry the liability in the balance sheet until it is extinguished i.e., when the obligation specified in the contract is discharged or cancelled or expires. Hence, with respect to the policies which have lapsed with or without the surrender value, the insurer will have to carry the liability created with respect to all policies in the balance sheet and remove from the balance sheet when these are terminated. To that extent, the current practice of showing the lapsed provisions for non-linked policies under the funds for future appropriation will have to be

discontinued and the entire liability will be recognised in the balance sheet until the end of the revival period for policies with no surrender value acquired or till the policies are surrendered or revived. To that extent, there could be requirement to make necessary changes to the regulation mentioned above on liability valuation for life insurers.

10) For linked products, due to the introduction of the discontinuance fund, the entire fund in the discontinuance fund is part of the reserve and is extinguished only on termination or surrender, hence provisions of paragraph 14 (c) can be considered to be followed.

11) If the changes required to meet the specified minimum requirements are not considered for implementation to meet the liability adequacy test, paras 17, 18 and 19 of the Ind AS 104 will have to be followed for the purpose of reporting by the insurer. For the purpose of reporting as per para 17 (a), an insurer will have to determine whether the carrying amount of the relevant insurance liabilities is less than the carrying amount of (i) any related deferred acquisition costs (DAC); and (ii) any related intangible assets. In this regard, the Ind AS neither permits nor prohibits DAC. Relevance of DAC comes only if requirement of para 16 is not met. As mentioned above with changes (as mentioned in para (6) above) in the regulatory framework, the LAT can be met. This applies to all types of insurance business - life, general, health and reinsurance.

12) Otherwise, an insurer will have to determine the value of liabilities which do not meet the requirements of para 16, the DAC, the intangible assets and also determine the value of the liabilities in accordance with the Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. If the value determined as per para 17 (a) is less than the value determined based on the Ind AS 37, the insurer will have to recognise the entire difference in profit or loss and decrease the carrying amount of the related deferred acquisition costs or related intangible assets; or increase the carrying amount of the relevant insurance liabilities. This may require complete change in the entire process of estimating the liabilities of an insurer and the entire regulatory framework may require a change in terms of reserving and financial statement reporting. It is not recommended to follow this path.

13) The measurement of a financial asset at fair value will take into consideration discounting the net present values of estimated cash flows of that asset. Presently, while estimating insurance liabilities the discounting is done considering the rate of return on the underlying assets. In Ind AS, for the purposes of LAT, current estimates of contractual cash flows are to be considered. Hence, while applying Ind AS 104 there could be a mis-match in the method of measuring related assets and liabilities.

3.5.16 <u>Applicability of Ind AS 104 to an Insurer</u>

As mentioned earlier the term, "insurer" is used by Ind AS 104 and is also used in the Insurance Act, 1938, but has different definitions. It was noted that Ind AS 104 applies to any contract issued by any entity, whether regulated by IRDAI or not, that meets the definition of an insurance contract and such an entity is referred to as an insurer in the accounting standard. Accordingly, if a non-insurer (i.e., an entity not regulated by IRDAI) issues such a contract and recognises it in the financial statements as an insurance contract it does not make it obligatory on that entity to be registered with IRDAI. Corollary to the above, based on the definition provided in the Ind AS, if an IRDAI regulated entity issues a contract that is required to be recognised in the financial statements not as an insurance contract but as some other type of contract, based on the provisions of the Insurance Act, 1938, then those contracts will follow the principles of accounting, for the purpose of financial reporting, as per the respective standard applicable for that contract. All such contracts would still be within the purview of the IRDAI.

3.5.17 <u>Reinsurance</u>

1) Ind AS 104 applies to all reinsurance contracts issued and held by an entity. As per para 14 (d), an insurer shall not offset (i) *reinsurance assets* against the related insurance liabilities; or (ii) income or expense from reinsurance contracts against the expense or income from the related insurance contracts. To that extent, the reporting requirements for reinsurance assets and liabilities, income and

expenses from reinsurance contracts may need to be modified to reflect the gross amounts. Further, all reinsurance assets are to be tested for impairment.

2) While deliberating on Paragraph 37 which require an insurer to disclose information on gains and losses recognised in profit or loss on buying reinsurance it was felt that the present methodology of creating reserves adopted by insurance companies contains an element of gain or loss on buying reinsurance (cessions). Accordingly, to comply with this requirement such gain or loss will need to be presented as a separate item.

3.5.18 <u>Disclosures</u>

1) Paragraphs 36 to 39A mentions the disclosures that are required under Ind AS 104. The disclosures pertain to explanation of recognised amounts and nature and extents of risks arising from insurance contracts.

2) Summary of the disclosure requirements with regard to explanation of recognised amounts is as under: -

a) its accounting policies for insurance contracts and related assets, liabilities, income and expense.

b) the recognised assets, liabilities, income and expense (and, if it presents its statement of cash flows using the direct method, cash flows) arising from insurance contracts. Furthermore, if the insurer is a cedant, it shall disclose:

   (i) gains and losses recognised in profit or loss on buying reinsurance; and
   (ii) if the cedant defers and amortises gains and losses arising on buying reinsurance, the amortisation for the period and the amounts remaining unamortised at the beginning and end of the period.

c) the process used to determine the assumptions that have the greatest effect on the measurement of the recognised amounts described in (b). When practicable, an insurer shall also give quantified disclosure of those assumptions.

d) the effect of changes in assumptions used to measure insurance assets and insurance liabilities, showing separately the effect of each change that has a material effect on the financial statements.

e) reconciliations of changes in insurance liabilities, reinsurance assets and, if any, related deferred acquisition costs.

3) Summary of the disclosure requirements with regard to nature and extent of risks arising from insurance contracts is as under: -

a) its objectives, policies and processes for managing risks arising from insurance contracts and the methods used to manage those risks.

b) information about *insurance risk* (both before and after risk mitigation by reinsurance), including information about:

i. sensitivity to insurance risk (see paragraph 39A)

ii. concentrations of insurance risk, including a description of how management determines concentrations and a description of the shared characteristic that identifies each concentration (e.g. type of insured event, geographical area, or currency)

iii. actual claims compared with previous estimates (i.e. claims development). The disclosure about claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments, but need not go back more than ten years.

c) An insurer need not disclose this information for claims for which uncertainty about the amount and timing of claims payments is typically resolved within one year.

d) information about credit risk, liquidity risk and market risk that paragraphs 31–42 of Ind AS 107 require if the insurance contracts were within the scope of Ind AS 107. However:

   i. an insurer need not provide the maturity analysis required by paragraph 39(a) and (b) of Ind AS 107 if it discloses information about the estimated timing of the net cash outflows resulting from recognised insurance liabilities instead. This may take the form of an analysis, by estimated timing, of the amounts recognised in the balance sheet.

   ii. if an insurer uses an alternative method to manage sensitivity to market conditions, such as an embedded value analysis, it may use that sensitivity analysis to meet the requirement in paragraph 40(a) of Ind AS 107. Such an insurer shall also provide the disclosures required by paragraph 41 of Ind AS 107.

e) information about exposures to market risk arising from embedded derivatives contained in a host insurance contract if the insurer is not required to, and does not, measure the embedded derivatives at fair value.

f) The disclosure can be achieved by the insurer disclosing either (a) or (b) as follows:

   i a sensitivity analysis that shows how profit or loss and equity would have been affected if changes in the relevant risk variable that were reasonably possible at the end of the reporting period had occurred; the methods and assumptions used in preparing the sensitivity analysis; and any changes from the previous period in the methods and assumptions used. However, if an insurer uses an alternative method to manage sensitivity to market conditions, such as embedded value analysis, it may meet this requirement by disclosing that alternative sensitivity analysis and the disclosures required by paragraph 41 of Ind AS 107.

ii qualitative information about sensitivity, and information about those terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the insurer's future cash flows.

4) In order to comply with the disclosure requirements an insurance company will need to determine the data available with it and then it will need to collate it suitably. In case the information required to be disclosed is not available then it is suggested that insurance companies embark on the task of collating the same and then vetting it for completeness, accuracy and appropriateness.

3.5.19 Impact on Regulations / Circulars of IRDAI and Solvency

1) Majority of the provisions in the Ind AS 104 are already being followed and no major impact in terms of changes is envisaged. There could be modifications required in the current format of financial statements to reflect the gross amounts on reinsurance. There may also be a need to modify the existing provisions of liability valuation as per the reporting requirements for the liability valuation in paragraph 16 of Ind AS 104. If such modifications are not adopted, insurers will have no choice except to follow the alternative given in paras 17, 18 and 19 which may prove to be a complete deviation from the existing approach. In order to have standard approach across the industry, IRDAI may have bring a standard approach for compliance with the Ind AS.

2) The Group recommends IRDAI consider prescribing a methodology for solvency computation based on the Ind AS compliant financial statements (also refer para 5.37 below).

3.5.20 <u>IFRS 4 Phase II (IFRS 17)</u>

1) As mentioned earlier in this report, Ind AS 104 in its present form will be applied by an insurance company for a brief period. Following the IASB timelines, if the Phase II (IFRS 17) is proposed to be made effective from 1st January 2021, Indian entities will apply the standard from accounting periods commencing April 1, 2021. It was felt that IRDAI should continue to track the development of Phase II and its impact on accounting, solvency and information technology systems. This stems from the fact that the Phase II introduces entirely new concepts of recognising an insurance contract and its presentation and disclosures in financial statements.

The features of accounting for an insurance contract in the Phase II are: -

a) Identify and recognise the contract - The defining feature of an insurance contract is the presence of significant insurance risk

b) Measure contract at initial recognition - The measurement of an insurance contract incorporates all available information, in a way that is consistent with observable market information

c) Re-measure in subsequent periods - The IASB believes that a current value measure of an insurance contract provides the most useful information about insurance contracts in the statement of financial position including recognise changes in estimates

d) Present results in financial statements - The presentation will be consistent between insurers and entities that do not issue insurance contracts

e) Disclosures - The IASB proposes to extend the existing disclosures in IFRS 4 relating to the risks and amounts reported in the financial statements. The focus is on Amounts, Judgements and Risks

f) Other matters

i. An optional simplified measurement approach for simpler insurance contracts, based on the unearned premium reserve approach is used in many jurisdictions
ii. Accounting requirements for reinsurance contracts that an entity holds, based on the general model
iii. Accounting requirements for investment contracts with discretionary participating features

g) First Time Adoption

i. Retrospective application: When historical data exists and hindsight is not required
ii. Prescribed simplified approach: When not all historical information is available but information about historical cash flows is available or can be constructed
iii. Liability calibrated to fair value: When no historical information about cash flows is available to determine the contractual service margin

2) It is felt that IRDAI as well as all insurance companies in India will need to have a pro-active approach to this Phase II. Specifically, Indian entities may not have adequate historical data. The Authority, the ICAI and the insurers should forge an alliance of determining how this data can be compiled and used while applying Phase II.

Chapter IV: Ind AS 109: Financial Instruments

4.1 In July 2014, the International Accounting Standards Board (IASB) completed its work on IFRS 9 ‘Financial Instruments’ which is the standard that is replacing IAS 39 as the key source of guidance on accounting for financial instruments under IFRS. In India, as part of the Ind AS adoption process, Ind AS 109 (corresponding to IFRS 9) has been issued and is relevant and applicable for all entities applying Ind AS.

4.2 The requirements of Ind AS 109 along with existing accounting practices and IRDA (Investments) Regulations, 2000 and the provisions of the Insurance Act, 1938 and guidelines on the matter have been compared to identify and assess potential issues as well as suggest solutions. IFRS converged Indian Accounting Standards (Ind AS) published by the Ministry of Corporate Affairs (MCA) and the impact of differences with IFRS have also been reviewed.

4.3 Overview of the key requirements of Ind AS 109 / IFRS 9

1) The requirements of Ind AS 109 with regard to the classification and measurement of financial instruments which are similar to the requirements laid down in IFRS 9 issued by the IASB have been reviewed. The fact that there were a number of IRDAI directions containing guidance and instructions on accounting matters which may not necessarily conform to the requirements of Ind AS 109 have been taken cognizance of.

2) The unique features of the Indian insurance sector where a significant portion of the sector had historically adopted a ‘cost’ basis of accounting for investments (with the exception of unit linked insurance portfolios and quoted equity holdings which are valued at fair value) have also been considered.

3) Considering the criticality of the area of financial instruments accounting and the largely principle based requirements in Ind AS 109 with regard to the classification and measurement of financial assets as well as the significant impact of the provisions of the standard on the financial statement position and performance

of an entity, an ‘outreach’ approach was adopted to gain feedback from insurers regarding the implementation issues expected in the following specific areas:

a) Contractual cash flow characteristics of financial assets

b) Classification of the financial assets vis-à-vis the business model test

c) Implementation challenges, especially with regard to Effective Interest Rate (‘EIR’)

d) Treatment of unrealized gains and losses for accounting, taxation and solvency purposes

e) Consideration of how Expected Credit Losses (‘ECL’) would be reflected

4) Broadly, the key issues identified, are divided into the following areas.

4.3.1 Classification of financial assets
4.3.2 Recognition of financial assets
4.3.3 Measurement of financial assets
4.3.4 Reclassification of financial assets
4.3.5 Classification and Measurement of Financial Liabilities
4.3.6 Hedge accounting and derivatives
4.3.7 Impairment and ECL

4.3.1 Classification of financial assets

1. After initial recognition, as per Ind AS 109, financial assets may be classified as subsequently measured at

(a) Amortised cost

(b) Fair Value Through Profit and Loss (FVTPL) or

(c) Fair Value Through Other Comprehensive Income (FVOCI).

2. Ind AS 109 allows subsequent measurement at amortised cost for debt instruments only if they satisfy both of the following conditions:

a) *Business Model Test:* The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

b) *Characteristics of Cash Flow Test:* The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin

3. Financial assets are to be subsequently measured at FVOCI if both of the following conditions are satisfied:

a) *Business Model test*: The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

b) *Cash Flow Characteristic test:* Same requirements as described above

4. A financial asset shall be measured at FVTPL, unless it is measured at amortised cost or FVOCI in accordance with conditions specified above. However, even if the above conditions are met, an entity has the option to irrevocably designate, at initial recognition, a financial asset as measured at FVTPL, if doing so removes or significantly reduces a measurement or recognition inconsistency (referred to as an *'accounting mismatch'*) that would arise from measuring assets or liabilities or recognising the gains/losses on them on different bases.

5. An entity's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity's business model does not depend on management's intention for an individual instrument. Accordingly, this condition is not intended to be an instrument by instrument approach to classification and does not depend upon management's

intentions for an individual instrument, but should be determined on a higher level of aggregation. It is typically observable through activities that the entity undertakes to achieve the objectives of the business model under which the financial asset is acquired. Such evidence could include how the performance of the business model of the assets held within that business model are reported to the key management personnel (KMP). The objective of the business model is determined by key management personnel. An entity's business model for managing financial assets is a matter of fact and not merely an assertion.

6. In terms of Ind AS 109, investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are required to be classified at FVTPL. For other equity investments, an entity has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present subsequent changes in fair value in OCI rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. There is no recycling of amounts from OCI to profit and loss (for example, on sale of an equity investment), nor are there any impairment requirements. However, the entity might transfer the cumulative gain or loss within equity on sale/ disposal of the investment.

7. Interests in subsidiaries, associates and joint ventures are accounted for in accordance with Ind AS110: *Consolidated Financial Statements,* Ind AS 27: *Separate Financial Statements,* Ind AS 28: *Investments in Associates and Joint Ventures* or Ind AS 111: *Joint Arrangements.* The said standards require or permit an entity to account for an interest in a subsidiary, associate or joint venture as the case may be in accordance with some or all of the requirements of Ind AS 109.

8. Derivatives (excluding those that are part of hedging relationships) are measured at FVTPL. There is no bifurcation of embedded derivatives for financial assets recorded at Amortized Cost or FVOCI.

4.3.2 Recognition of financial assets

1. As per Ind AS 109, an entity may recognise a financial asset in its Balance Sheet only when it becomes a party to the contractual provisions of the instrument. In the case of regular purchase or sale, Ind AS 109 allows the option to use either trade date or settlement date accounting.

2. Trade date refers to the date that an entity commits itself to purchase or sell an asset. Under trade date accounting for purchases, the entity recognises an asset to be received and the liability for the payment on the trade date itself. Settlement date is the date on which the asset is delivered to the entity in the case of purchase or delivered by the entity in the case of sale. Under settlement date accounting for purchases, the entity recognises the asset on the date it is received. Under settlement date accounting for assets carried at fair value, the change in fair value between trade date and settlement date is required to be recognised in the Profit and Loss Account or Other Comprehensive Income as required.

3. The standard requires that entities shall apply the same method consistently for all purchases and sales of financial assets that are classified in the same way as per Ind AS 109.

4.3.3 Measurement of financial assets

1. When an entity first recognises a financial asset, it shall measure it at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

2. The fair value of a financial asset at initial recognition is normally the transaction price (i.e. the fair value of the consideration given); however, if part of the consideration given is for something other than the financial instrument, the fair value of the financial instrument is estimated using a valuation technique.

4.3.3 <u>(a) Fair Value Measurement</u>

1. One of the key issues deliberations were relating to the application of fair value measurement given its extensive use and application under Ind AS 109 and the significance of financial instruments on an insurer's balance sheet.

2. Challenges in migrating to fair value measurement arise on account of the absence of active markets for corporate bonds and loans, differences with current IRDAI stipulation of valuation under the IRDA (Preparation of Financial Statements and Auditor's Report) Regulations, 2002, absence of an established body of accredited valuers and lack of adequate historical experience in the use of fair value by insurers.

3. In deliberations on recommendation with respect to Fair Value Measurement the following were the objectives:

(a) Valuations should be in accordance with the Indian Accounting Standards and international best practices
(b) Transparency in the application of the valuation methodology and the inputs to the valuation process
(c) Valuation to be determined on an independent and objective basis; and
(d) Consistency in valuation of identical or similar instruments

4. Also the need for providing guidance on fair value measurement on assets and liabilities was also deliberated. However, since there is an Indian Accounting Standard Ind AS 113 that provides detailed guidance on how fair value is to be determined and that there is no international precedent of providing additional guidance over and above Ind AS 113 / IFRS 13, it was not found appropriate to provide additional guidance.

5. Based on the aforementioned objectives, the broad recommendations are as set out below:

(a) In cases where quoted prices are available on active markets, fair value measurement may be carried out on this basis without the need for any regulatory guidance on the matter.

(b) In cases where quoted prices are not available but there are sufficient market observable inputs available, an independent agency such as FIMMDA may develop the mechanisms to provide valuations for various instruments, taking into account the requirements of Ind AS 113. The use of an independent agency specifying the valuation would provide guidance to market participants as well as facilitate consistent application across the insurance industry. In order to improve credibility of such a methodology, the assumptions and basis for the unobservable inputs should be published in a transparent manner.

(c) In certain cases, involving complex and highly illiquid instruments, it may be necessary to have valuations certified by an external valuer/ expert.

6. The IRDAI may also consider reviewing limits on investments in unlisted securities.

4.3.3 (b) Role of FIMMDA

It was noted that in the absence of an established body of accredited valuers in India and lack of adequate historical experience in the use of fair values by insurers, the possibility of bias and inconsistencies in valuation of instruments which are not quoted and traded in active markets cannot be effectively eliminated unless the valuations are based on values provided by an independent agency. In such cases it is recommended that the detailed valuation framework to be provided by FIMMDA as besides meeting the objectives set out earlier, the credibility of such a valuation would be significantly enhanced.

4.3.3 (c) Illiquid/ Complex/ Structured instruments

In certain cases, involving highly illiquid or complex/ structured instruments, it is recommended that the valuation be carried out by independent external valuers/

experts. Insurers may rely on valuations determined by themselves internally based on sound and established internal systems with the approval of their Board of Directors provided, however, that a valuation of such instruments is carried out by an independent external valuer/expert at intervals not exceeding 12 months.

4.3.3 <u>(d) Unquoted Equity Instruments</u>

1. For investments in subsidiaries, jointly ventures and associates, it was noted that Ind AS permits and therefore it is recommended that the IRDAI prescribe valuation to be at cost subject to testing for impairment. This is consistent with the principles of Ind AS 27 which provides an option of accounting for investments in subsidiaries, joint ventures and associates either at cost or in accordance with Ind AS 109, in the separate financial statements of the parent entity.

2. In respect of other equity instruments (not quoted or traded) entities will be required to develop an estimate of fair value in accordance with the guidance contained in Ind AS 113 by using assumptions that a market participant would consider. It was considered if there was merit in permitting cost as a basis of valuation where data for valuation was not considered to be reliable or adequate. However, it was decided on balance that fair valuation would be more relevant as a measure for financial statement reporting and instead the IRDAI could consider separately as to what should be the treatment of unrealized gains and losses determined on such unquoted equity instruments for solvency / dividend distribution purposes.

4.3.3 <u>(e) Reclassification of financial assets</u>

1. An entity is required to reclassify financial assets only in the limited circumstances of a change in the business model. Reclassification can only be applied prospectively from the reclassification date as per the provisions of Ind AS 109. Any previously recognised gains, losses or interest cannot be restated.

2. In case of a reclassification from amortised cost category to FVTPL or FVOCI categories, the fair value is measured at reclassification date and gain/loss is to be

recognised in the profit or loss or OCI, respectively. In the case of a reclassification from fair value to amortised cost, the fair value at reclassification date becomes the carrying amount.

3. The following table illustrates reclassification between categories and the accounting impact:

Sr. No.	**Original Category**	**New Category**	**Accounting impact**
1	Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference from carrying amount should be recognized in profit or loss.
2	FVTPL	Amortised Cost	Fair value at the reclassification date becomes its new gross carrying amount.
3	Amortised cost	FVOCI	Fair value is measured at reclassification date. Difference from carrying amount should be recognized in OCI. Effective interest rate is not adjusted as a result of the reclassification.
4	FVOCI	Amortised Cost	Fair value at the reclassification date becomes its new gross carrying amount.

<u>4.3.3 (f) Classification and Measurement of Financial Liabilities</u>

1. Ind AS 32 and Ind AS 109 were reviewed and it was also compared with the requirements in existing IRDA Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 and IRDA (Investment) Regulations, 2000 to identify and assess potential issues as well as suggest solutions.

2. The key issues identified by the subgroup pertain to the following areas

(a) Initial recognition

(b) Subsequent measurement

(c) De-recognition of financial liabilities

(d) Offsetting/ netting

(e) Equity versus liability classification

(a) Initial recognition

Ind AS 109 requires initial measurement of financial liabilities at fair value irrespective of the category in which the financial liability will be subsequently categorised. As per the standard, at initial recognition, a financial asset or financial liability shall be measured at fair value, plus or minus, in the case of a financial asset or financial liability not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to the acquisition or issue of the financial liability. The standard also states that the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

(b) Subsequent measurement

Ind AS 109 provides for two measurement categories for financial liabilities, viz. fair value through profit and loss (FVTPL) and amortised cost. Financial liabilities held for trading and derivatives are classified under FVTPL while all other financial liabilities are measured at amortised cost, unless the fair value option is used. Subject to certain conditions, Ind AS 109 provides the option to designate a financial liability as FVTPL.

(c) De-recognition of financial liabilities

Financial liabilities are de-recognised when they are extinguished i.e. the rights to their cash flows expire. An area where Ind AS 109 provides more guidance as compared to current Indian GAAP is with regard to situations where one liability is being replaced with another liability; including how to assess if such a situation represents a new liability or a continuation of an existing liability. No significant change in practice is envisaged in this area.

(d) Off-setting/ netting

1. Ind AS places a high threshold for any balances to qualify for offsetting or net presentation in a balance sheet. The requirements include:

1) A currently legally enforceable unconditional right to settle an asset and liability on a net basis
2) An intention to either settle on a net basis or to realise the asset and settle the liability simultaneously (which may be backed by past practice).

2. Further, in accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability. Application Guidance AG 38 of Ind AS 32 states that where the legal right of set off is enforceable only on the occurrence of some future event e.g. default of the counterparty, such arrangements do not meet the condition for off-set.

3. A key consideration that is related to this area is the consideration of how reinsurance arrangements are to be presented and accounted for in the Ind AS financial statements.

(e) Equity vs Liability classification

1. As per Ind AS 32, classification as equity or liability for a financial instrument is based not on its legal form (e.g. a share or a bond) but in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. Accordingly, a number of changes in current practice could be envisaged in this area (not specific to insurance entities based on currently used financial instruments).

2. There were no issues identified with reference to classification and presentation of 'Paid up Equity Share Capital' and 'Reserves & Surplus' in the financial statements. However, there would be a need to decide whether certain reserves created in OCI can be treated as "free reserves" for the distribution of dividend or consideration of solvency etc.

3. Such reserves currently resulting from Ind AS principles include (a) FVOCI assets, (b) cash flow hedge reserve, (c) own credit risk on financial liabilities, (d) revaluation surplus and (e) re-measurement of net defined benefit liability (asset) for employee benefits under Ind AS 19.

4.3.3 (g) Hedge accounting and derivatives

1. Ind AS 109 requires the recognition and initial measurement of all derivatives on the Balance Sheet at fair value. While there are relatively few insurers that make extensive use of derivatives currently, the identification of embedded derivatives in insurance or investment contracts (covered in Chapter III Ind AS 104: *Insurance Contracts*) and subsequent measurement at fair value as required under Ind AS would represent a refinement in current practices and may even be challenging in certain cases.

2. The key elements of challenge and subjectivity relate to the selection and use of models based on unobservable inputs for the purposes of valuation. In order to ensure consistent application across the insurance industry, it is suggested that the IRDAI may devise standardised valuation methodologies.

3. Given that the hedge accounting requirements under Ind AS 109 may be complex as compared to present practices, insurers need to ensure adequate skilling and coordination of their human resources engaged in risk management, treasury operations, valuation and accounting.

4.3.3 (h) Impairment and ECL

1. Ind AS 109 has a single impairment model that applies to all financial assets classified as at amortised cost and at fair value through other comprehensive income ('FVOCI'). Loan commitments issued and not measured at fair value through profit or loss ('FVTPL'), financial guarantee contracts issued and not measured at FVTPL and lease receivables are also covered within the scope of impairment requirements laid down by Ind AS 109. It is pertinent to note that investments in equity instruments are outside the scope of impairment requirements laid down by Ind AS 109 as these

are required to be accounted either at FVTPL or at FVOCI with no reclassification of any fair value gains or losses to profit or loss.

2. Under the expected credit losses approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Hence, all financial assets in scope will carry a loss allowance.

3. The Ind AS 109 ECL requirements are applicable to all financial assets classified under amortised cost, FVOCI, lease receivables, trade receivables, commitments to lend money and financial guarantee contracts.

4. Initially, on origination or purchase of a financial instrument, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established (Stage 1). Subsequently, if the credit risk increases significantly and the resulting credit quality is not considered to be low credit risk, full lifetime expected credit losses are recognised (Stage 2). Once the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated after netting the impairment allowance from the gross carrying amount (Stage 3).

5. Under Ind AS 109, 12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. It is not the expected cash shortfalls over the next twelve months instead, it is the effect of the entire credit loss on an asset weighted by the probability that this loss will occur in the next 12 months. It is also not the credit losses on assets that are forecast to actually default in the next 12 months. If an entity can identify such assets or a portfolio of such assets that are expected to have increased significantly in credit risk, lifetime expected credit losses are recognised.

4.4 Key recommendations on Ind AS 109

Key recommendations on Ind AS 109 are set out below (certain potential application issues are set out at the end of this Chapter):

1) Cost may be mandated as the basis for the accounting for investments in subsidiaries, associates and joint ventures.

2) Trade date accounting may be prescribed as the uniform basis of initial recognition of securities by all insurers.

3) IRDAI may provide specific guidance to insurers on the following key matters relating to the treatment for solvency, allocation / attribution to policyholders and dividend capacity

   a. Treatment of OCI balances for FVTOCI debt unrealized gains or losses
   b. Treatment of OCI balances for FVTOCI equity for both realized and unrealized gains and losses
   c. Treatment of unrealized gains and losses of FVTPL instruments
   d. Adjustments arising from First Time Adoption of Ind AS

   The IRDAI may also consider the impact of actuarial practices on the valuation of liabilities while determining the treatment of the unrealized gains and losses balances stated above.

4) The IRDAI may consider permitting insurance companies to hedge their FVTOCI investments (debt and equity) to mitigate accounting and economic volatility.

5) FIMMDA or a similar body may be entrusted with the responsibility to formulate a valuation approach for illiquid, hard to price and unquoted securities.

6) Insurers may approach the IRDAI with their proposed approach for fair valuation of financial instruments to get feedback before transition to Ind AS takes place on 1 April 2017.

7) For Indian Rupee denominated GoI securities, the practical application of ECL rules would lead to a zero loss provision being established.

Potential application issues:

Sr. No.	Key requirements of the standard	Matter for consideration	Recommendation	Any implication on		
				IRDAI Guidelines	Taxation	Solvency
	Classification and measurement of financial assets					
1	Business model test	At what level is the business model test to be conducted? Should there be specific guidance issued by the IRDAI to ensure consistency of what level in an organisation is the business model test conducted at?	The business model test is to be determined at the level at which portfolios are managed in the entity. This level would typically be below the operating segment level but above the level of operating personnel. This determination requires judgment and the standard Ind AS 109 does contain guidance on how this assessment is to be made. No additional guidance is required to be issued by the IRDAI as the operations of each insurance entity could operate differently and a common prescription may not achieve the intent of the standard.	✕		

2	Business model test	What level of sales of securities would not preclude a 'hold to collect' business model?	No bright line prescriptions should be considered for this assessment. It is possible that an infrequent sale or sales of securities may not vitiate the business model determination so long as it can be demonstrated that this does not change the intent of how the entity manages the portfolio and past actions / empirical evidence is supportive of such continued classification.	✕		
3	Cash flow characteristics test	Would equity / mutual fund investments qualify for amortised cost accounting if an entity has the intent and ability to hold these investments for a long term?	No. Such investments fail the cash flow characteristics test and therefore will have to be accounted for at fair value. In the case of equity securities that are non-trading in nature, this could either be at FVTPL or FVTOCI and for mutual fund and similar investments this will be only at FVTPL. The intent to hold these investments for an extended period has no bearing on the accounting classification.	✕		

4	Cash flow characteristics test	If certain investments are going to be at FVTOCI or FVTPL under Ind AS compared to cost accounting under current accounting standards; what are the implications on policyholder liabilities and on solvency?	The IRDAI should consider clarifying the following key matters: 1) The treatment / consideration of OCI balances for solvency, distributability as dividends and how the appointed actuaries are to consider such fair values / OCI balances for the purposes of actuarial determinations / bonus declarations etc. 2) The permissibility of entities to undertake hedging activities to mitigate economic volatility associated with their investments in shares.	✕	✕	✕
5	Fair value measurement	How will the valuation of unquoted securities be conducted? Is it possible for the IRDAI to issue fair valuations for use by insurance companies?	The fair valuation of unquoted securities can involve judgement and be somewhat subjective. However, asking the IRDAI to issue fair valuation may not be keeping with the responsibility that preparers of financial statements. What is possible is that the IRDAI may provide feedback to various insurance companies on their proposed approach to fair valuation in the run up to Ind AS adoption by them in 2018-19 and thereby achieve consistency in the approach to fair valuation by all insurance companies.	✕		✕

6	Fair value measurement	How should block premiums and discounts be dealt with under Ind AS 109 fair valuation?	Relevant implementation guidance on the consideration of block premiums and discounts is provided in Ind AS 113. The summary of those requirements is that for a quoted security in an active market, the market price is not adjusted for any premiums or discounts. For securities in inactive markets or unquoted securities, the consideration of illiquidity from a market participant's perspective is an integral part of the fair value. However, even in these cases, the illiquidity adjustment is preformed at a unit of account level which is in most cases the individual security level and therefore does not strictly incorporate a block premium or discount. This position is well accepted globally even though it does have its critics. Entities in India will therefore have to determine an appropriate approach for the consideration of illiquidity adjustments for securities in inactive markets / non traded securities.			

7	Transaction costs	Transaction costs have been traditionally been expensed as incurred by insurance companies; can this process continue under Ind AS?	Under Ind AS, transaction costs relating to non FVTPL financial instruments are required to be added to the initial fair value of the financial instrument and therefore the current practice cannot continue without change as a matter of principle. However, an entity may consider the materiality (which is always considered in the preparation of financial statements) of the amounts involved before reaching a final conclusion on this area.	✕		
8	Accounting for interests' in subsidiaries, associates and JVs	Does Ind AS require fair valuation of these investments in the standalone financial statements of an entity?	No, Ind AS does not require such investments to fair valued though it allows for investments in associates and JVs to be fair valued if an entity chooses to do so. The IRDAI may consider mandating cost (less impairment, if any) basis of accounting to ensure consistency of application across the insurance sector.	✕		

9	Initial recognition	Ind AS provides a choice of accounting for securities on trade date or settlement date. Is this a free choice and can there be different policies followed for different types of investments eg. equity shares and government securities	Ind AS does not preclude either trade date or settlement date accounting as long as it is followed consistently for each measurement category i.e. FVTPL, FVTOCI, amortised cost. The IRDAI may consider mandating trade date accounting for all securities in line with what is most commonly followed practice internationally and to ensure consistency of application across the insurance sector.	✕		
10	FVTOCI option for equity securities	Once FVTOCI equity instruments are sold and a gain on loss is recognised, what should be the treatment for the purpose of determination of policyholder liabilities / solvency and distribution as dividends?	Under Ind AS, once a FVTOCI instrument is derecognised, any gain on loss remain in OCI and is not reclassified to profit and loss. A transfer within reserves is permitted. Any such realised gain or loss should be considered as being part of the amounts available for distribution as dividends. As regards the solvency and policy holder liability treatment (eg. FVOCI investments in a participating fund for a life insurance company), the IRDAI may issue suitable prescriptions to ensure clarity and consistency of application.	✕	✕	✕

Comparison with currently applicable regulations for Investments and under IND AS 109

Sr. No.	Type of instrument	Current accounting treatment	Treatment under Ind AS 109
1	Equity securities	For Unit Linked – at FV through the Revenue Account For Non Unit Linked – at FV with changes being accumulated in a Fair Value Change Account. Any diminution, if determined, to be recognized in the Revenue Account / P&L account Unquoted equity securities are carried at cost less impairment, if any	For Unit Linked at Fair Value Through P&L ('FVTPL') For Non-unit linked at FVTPL or Fair Value Through Other Comprehensive Income (FVOCI) based on an irrevocable choice of the insurer at the point of initial recognition / on transition to Ind AS
2	Securities Lending and Borrowing	Accrual basis	At amortised cost using effective interest rate
3	Investment in Mutual Funds	For Unit Linked – at FV / NAV though the Revenue Account For Non Unit Linked – at FV/ NAV with changes being accumulated in a Fair Value Change Account. Any diminution, if determined, to be recognized in the Revenue Account / P&L account	FVTPL

4	Perpetual debt instruments of Bank's Tier 1 capital and debt instruments of Upper Tier 2 capital of Banks	Valued based on call option date to determine maturity	FVTPL
5	Interest Rate Derivatives	IRDAI has issued circular on Interest Rate Swaps requiring accounting as per AS 30 (this may have to be withdrawn)	Either 1) Marked to Market – FVTPL or 2) applying hedge accounting principles
6	G-Sec, Corporate bonds and debentures	Unit Linked – at FV determined using CRISIL valuations with changes recognized in the Revenue Account Non Unit Linked – at amortised cost	For Unit Linked- FVTPL For the Non Unit Linked portfolio, either 1) FVTOCI (likely designation for portfolios that are traded infrequently) or 2) Amortised cost if the portfolio is effectively purchased and held to collect contractual cash flows and meets the SPPI test; depending on the business model adopted by each insurer

7	Impairment of Loans And other debt financial assets carried at Amortised Cost or FVOCI	Loans are classified as Standard, Sub Standard, Doubtful or Loss assets. A provision of 0.4% is applied on Standard loans. For sub-standard loans (greater than 90 days overdue) provision of 10% is held. For doubtful loans (sub-standard for more than 1 year) a provision of 20, 30 or 100 per cent is applied and loss assets are written off. Income recognition on a realization basis for all NPAs.	Expected Credit Loss provisions will be applied to all Stage 1 assets. For assets that are Stage 2 (generally any asset greater than 30 days overdue) and Stage 3 (generally any asset greater than 90 days overdue) a provision equal to the lifetime expected loss is to be established.
8	Government guaranteed loans	Treated as standard till the time the Government repudiates any guarantee if invoked	ECL provisions as described earlier will be applicable

Chapter V: Presentation of Financial Statements and Disclosures

5.1 The current financial reporting framework for insurance companies is based on the requirements contained in the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations (hereinafter referred to as 'IRDAI Regulations') 2002, read with the relevant requirements of the Insurance Act 1938. The aforesaid requirements are supplemented by instructions issued by the IRDAI from time to time as circulars and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). These requirements needed to be reviewed and revised in the light of the requirements of Ind AS.

5.2 For the purpose of revision of the existing IRDAI Regulations for drafting the Ind AS-compliant regulations, the requirements of the key Ind AS notified under the Companies (Indian Accounting Standards) Rules 2015, as amended by the Companies (Indian Accounting Standards) Amendment Rules 2016 were reviewed. In particular, the presentation and disclosure requirements contained in Ind AS 1: *Presentation of Financial Statements* were considered.

5.3 The international practices were also reviewed by considering the financial statements of some international insurance companies prepared under the requirements of International Financial Reporting Standards (IFRS). For instance, financial statements of Prudential Plc, AXA, AEGON, RSA, QBE, Aviva, ING, Hannover Re, Zurich and Allianz, incorporated and listed in the EU region, were reviewed. Though the current financial statements of the aforesaid companies were prepared under IAS 39, *Financial Instruments: Recognition and Measurement*, which will eventually be replaced with IFRS 9, *Financial Instruments*, it was observed that many of the presentation and disclosure practices will be useful even under an IFRS 9 scenario with appropriate modifications.

5.4 The format of Ind AS-compliant Schedule III to the Companies Act, 2013, notified as Division II by the Ministry of Corporate Affairs on 6th April, 2016 was also reviewed. The formats of the proposed III Schedule to the Banking Regulation Act 1949 prepared by the Working Group on the Implementation of Ind AS by Banks in India constituted by the Reserve Bank of India was also reviewed.

5.5 Consolidated financial statements, Ind AS specific disclosures and interim financial statements were not considered as these aspects would be covered by the Ind AS. In case any specific requirements are needed, the IRDAI may consider issuing instructions on these aspects.

Complete Set of Financial Statements

5.6 The existing IRDAI Regulations require the following:

- (i) Accounting principles for preparation of financial statements;
- (ii) Disclosures forming part of Financial Statements;
- (iii) General instructions for preparation of Financial Statements;
- (iv) Contents of Management Report;
- (v) Revenue Account (Policyholders' Account);
- (vi) Profit and loss account (Shareholders' Account);
- (vii) Balance sheet;
- (viii) Schedules forming part of Financial Statements; and (ix) Receipts and Payments Account.

5.7 Under Ind AS 1, the complete set of financial statements comprises the following:

- (a) Balance sheet as at the end of the period;
- (b) Statement of profit and loss for the period;
- (c) Statement of changes in equity for the period;
- (d) Statement of cash flows for the period;
- (e) Notes, comprising summary of significant accounting policies and other explanatory information;
- (f) Comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of Ind AS 1; and
- (g) 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 in accordance with paragraphs 40A-40D of Ind AS 1.

5.8 With a view to comply with the requirements of the Insurance Act, 1938 as well as the requirements of Ind AS 1, It is recommended that the following should 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.*

(c) Revenue Account (Policyholders' Account) and Profit and Loss Account (Shareholders' Account), as required by the Insurance Act, 1938.

(d) Receipts and Payments Account [Cash Flow Statement as per the direct method in accordance with Ind AS 7: *Statement of Cash Flows*].

(e) Notes including:

- Summary of significant accounting policies.
- Other explanatory notes annexed to, or forming part of, any document referred to in Sub-clause (a) to Sub-clause (d) above

(f) Comparative information in respect of the preceding period.

5.9 While the Statement of Changes in Equity has been listed as a separate financial statement under Ind AS 1, it has not been so identified under the Insurance Act, 1938. 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 and surplus etc., it could be included as part of the balance sheet and that it would not be construed to be a non-compliance with Ind AS. This approach is consistent with that adopted by the Working Group for Implementation of Ind AS in Banks constituted by the Reserve Bank of India. Accordingly, it is recommended that the format of balance sheet should include Statement of Changes in Equity.

5.10 To comply with the requirements of Ind AS 1, an insurance company should prepare the statement of profit and loss in accordance with Ind AS 1. The Revenue Account (Policyholders' Account) and the Profit and Loss Account (Shareholders' Account) are required to be prepared under the Insurance Act, 1938

5.11 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) should be prepared along with the Statement of Profit and Loss. The Revenue

Account and the Profit and Loss Account should be presented in a columnar form with the totals of individual items of the two reconciling with those in the statement of profit and loss. The allocation or the apportionment of income and expense items, in the Revenue Account and Profit and Loss Account should be done as per the existing practice.

5.12 It is acknowledged that including Revenue Account (Policyholders' Account) and Profit and Loss Account (Shareholders' Account) may not strictly be in accordance with the requirements of Ind AS 1. However, any addition to the complete set of financial statements as prescribed under Ind AS would not result in non-compliance with the Ind AS since complete information under Ind AS is made available to the stakeholders.

5.13 Continuation of the nomenclature of Receipts and Payments Account as prescribed under the Insurance Act, 1938 as a separate financial statement would also not be considered to be a non-compliance with Ind AS since the information required to be given under this account shall be the same as that under Ind AS 7: *Statement of Cash Flows*, and the fact that it is equivalent to Statement of Cash Flows should be inserted in the title of statement. With a view to comply with the existing legal requirements, continuation of the existing prescription under IRDAI Regulations to prepare Cash flow statement (Receipt and Payments Account) as per the direct method under Ind AS 7: *Statement of Cash Flows,* is recommended even though the option of preparing cash flow statement as per indirect method is available under Ind AS 7. However, IRDAI may consider allowing the option of the indirect method to reinsurance companies.

5.14 Instead of identifying, as a separate financial statement, 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 re-classifies items in its financial statements as specified in Ind AS 1, it would be sufficient that a requirement in this regard is included as a note to the balance sheet.

5.15 The above changes were made in the complete set of financial statements as prescribed under Ind AS 1: *Presentation of Financial Statements* and Ind AS 7: Statement of Cash Flows, keeping in view the legal requirements under Insurance Act, 1938. The requirements contained in the Insurance Act, 1938 are to be aligned with the current international scenario as the insurance companies are also becoming global. Keeping this in view, it is recommended that Section 11 of the Insurance Act, 1938 should be amended to change the requirements related to financial statements in accordance with Ind AS including cash flow statement. This has already been done in the Companies Act, 2013, wherein the financial statements now include a statement of changes in equity as well as a cash flow statement apart from the statement of profit and loss, the balance sheet and the notes to the financial statements.

5.16 There is a possibility that some of the terms may be defined both in the Insurance Act, 1938 as well as the Ind AS which may affect preparation of financial statements. The question would, therefore, arise as to which of the two would prevail insofar as the preparation of financial statements is concerned. It was noted that the matter was examined by the ICAI and the National Advisory Committee on Accounting Standards (NACAS) in the context of the Companies Act, 2013. It was noted that on the recommendation of the NACAS; the Ministry of Corporate Affairs, Government of India, has issued Rule 4A in the Companies (Accounts) Rules, 2015, reproduced below, which provides that definitions under Ind AS would prevail:

> "4A. Forms and items contained in financial statements – The financial statements shall be in the form specified in Schedule III to the Act and comply with Accounting Standards or Indian Accounting Standards as applicable:
>
> Provided that the items contained in the financial statements shall be prepared in accordance with the definitions and other requirements specified in the Accounting Standards or the Indian Accounting Standards, as the case may be."

5.17 The reason for giving primacy to the terms defined in the Ind AS over those defined in the law is that in case the latter were to prevail over those in Ind AS, it would result in not following Ind AS insofar as the preparation of financial statements is concerned and will result in carve-outs therefrom. The terms as defined in the Act, thus, would be used for purposes other than preparation of financial statements, viz, for governance and regulatory purposes and not for preparation of financial statements. Keeping in view the aforesaid reasoning, while recognising that the financial statements are required to be prepared under the Insurance Act, 1938, as stated above, it is also recommended in the draft regulations prepared that for the purpose of these regulations, i.e., for preparation of financial statements, the terms defined in Ind AS shall prevail.

One set of Regulations for both Life and General Insurers

5.18 Presently the IRDAI Regulations prescribe separate formats for entities carrying on life insurance business and those carrying on general insurance business. It was considered whether it two sets of Ind AS-compliant formats for companies carrying on life insurance business and those carrying on general insurance and other businesses are required. After deliberating on various alternatives separate formats for entities carrying on life insurance business and those carrying on general insurance and other business are recommended. General insurance business includes reinsurance and health insurance businesses.

5.19 While designing the formats, besides considering the requirements of Ind AS, as well as those under the Insurance Act, 1938, the changes in the insurance business over the years through the introduction of new products, need for enhanced disclosures, extent of guidance to be given for presentation and disclosures have also been considered. For instance, break-up of the commission by distribution network (individual agents, corporate agents and brokers) has not been included in the formats since it was felt that it may not be of much information value to the users other than the Regulator, who in any case, gets the information through returns from various insurance entities.

Balance Sheet including Statement of Changes in Equity

5.20 Considering the manner of presentation of various items of assets, liabilities and equity in the balance sheet, it is recommended 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) Paragraph 60 of Ind AS 1 requires that entities present current and noncurrent assets, and current and non-current liabilities, as separate classifications in the Balance Sheet except where a presentation based on liquidity provides information that is reliable and more relevant. It is recommended that in the case of the insurance industry, given the nature of business, the liquidity-based presentation would provide more reliable and relevant information.

Statement of Profit and Loss (including Other Comprehensive Income)

5.21 Considering the nature of the insurance business, and the requirements contained in Ind AS 1 that the expenses shall be reflected nature-wise, preparation of the format of statement of profit and loss is recommended in a manner to (i) clearly identify gross premium with reinsurance recoveries and reinsurance payments shown separately, (ii) investment income and net gain/loss on fair value changes and gain/loss on de-recognition of financial assets at amortised cost; (iii) segregate benefits/ incurred claims and change in insurance contract liabilities; (iv) acquisition costs as an item of expense; (v) exceptional items; and (vi) gain or loss on discontinued operations to be presented separately.

5.22 The Statement of Profit andLloss as per Ind AS would have two sections: (i) Profit or Loss section; and (ii) 'Other Comprehensive Income' (OCI) section. Allocating/ apportioning OCI items reflected in the statement of profit and loss to the Revenue Account (Policyholders' Account) and the Profit and Loss Account (Shareholders' Account) should not present any problems as the OCI items related to the relevant asset/ liability or income/ expense identified with the policyholders and shareholders should form the basis. For example, if an insurance company classifies certain equity investments related to policyholders as Equity Investments at Fair Value Through Other Comprehensive Income, under Ind AS 109, *Financial Instruments*, the corresponding changes in fair value should be reflected in the Revenue Account (Policyholders' Account), as well as under OCI in the Statement ofPprofit andLloss prepared as per Ind AS.

5.23 In respect of income tax disclosure under OCI, Ind AS provides the option of disclosing the amount of income tax relating to each component either in the statement itself or in the notes to accounts (paragraph 90). Further, components of OCI may be presented net of tax related effects or before related tax effects with one amount shown for the aggregate amount of income tax relating to those components (paragraph 91). 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.

5.24 In order to facilitate better understanding of the financial statements, a separate line item for 'Exceptional items' has been included in the format of Statement of Profit and

Loss as well as in the formats of Revenue Account (Policyholders' Account) and Profit and Loss Account (Shareholders' Account). Items included under this line item are those that are significant to an assessment of the financial performance and are exceptional on account of their materiality in terms of size, or nature and incidence.

5.25 Ind AS 1 requires classification of expenses in the statement of profit and loss on the basis of their nature as against the option provided in IAS 1: *Presentation of Financial Statements*, to separately classify expenses on the basis of their function. It will be useful to separately classify the items of income from insurance contracts and investment activity apart from other residuary classes in view of the fact that there is no requirement to classify the items of income on the basis of the nature under either Ind AS 1 or under IAS 1. With regard to classification of expenses, while adhering to the requirements of Ind AS 1 to classify the expenses on the basis of their nature, a separate line item for acquisition costs may be included even though it could be argued that it is a classification of expense based on the function. Acquisition of business of insurance is primarily an activity incidental to obtain the business rather than a separate function of a business such as sales, marketing, personnel etc.

5.26 There were some suggestions to disclose interest on investments (e.g., debt instruments) classified/designated at fair value through profit or loss. It was noted that in case an insurer measures certain investments at fair value through profit or loss, the interest received automatically gets reflected in the changes in fair value of investments. Accordingly, there was no need to specifically disclose the interest received on such investments. However, it was pointed out that for many insurers the interest received on such instruments is an important and significant information which would be useful for many users of financial statements. Accordingly, a footnote is added to the Note appearing under the heading 'Net gain (loss) on fair value changes' reflecting the amount of interest received for the period.

Segment Reporting

5.27 The existing IRDAI Regulations while requiring Accounting Standard (AS) 17: *Segment Reporting*, to be followed, also prescribe that the same shall stand modified to the extent of providing segment information for the following with regard to life insurance business:

a) Participating policies and Non-participating policies;

b) Linked, Non-Linked, and Health Insurance;

c) Business within India and Business outside India.

5.28 Similarly, the existing IRDAI Regulations require revenue account to be prepared separately for fire, marine and miscellaneous insurance business besides following AS 17: *Segment Reporting*.

5.29 To follow similar approach in case of Ind AS (Indian Accounting Standards) revenue account shall be prepared for the following lines of business:

Life Insurance:

a) Participating and Non-Participating Policies

b) (i) Linked business separately for Life, Annuity, Pension, Health and Variable Insurance.

(ii) Non-Linked business separately for Life, Annuity, Pension, Health and Variable Insurance

c) Business within India and Outside India

General Insurance:

a) Fire

b) Marine Cargo and Marine (Other than Marine Cargo)

c) Motor

d) Health including Personal Accident

   a. Health Retail

   b. Health Group

   c. Health Government Schemes

e) Miscellaneous – Retail Group/Corporate

f) Any other segment which contributes more than 10 percent of the Miscellaneous class of business;

g) Any other class as may be specified by the Authority

5.30 In order to comply with the requirements of Ind AS 108: *Operating Segments*, in addition to segments specified above, the insurer should also provide operating segment information as per the aforesaid Ind AS. Accordingly, a note to the Statement of Profit and Loss in this regard has been included.

Accounting Principles for Preparation of Financial Statements

5.31 At present, Part I of Schedule 'A' and Schedule 'B' of IRDAI Regulations contains 'Accounting Principles for Preparation of Financial Statements'. This part is recommended to be continued keeping in view the fact that Ind AS 104, *Insurance Contracts*, largely allows independence in adopting accounting policies with regard to liabilities, income and expenses related to insurance contracts. Accordingly, the accounting principles pertaining to premium, acquisition costs, claims costs, actuarial valuation for life and general insurance business etc. have been continued with a few modifications. Besides this the accounting principle with regard to re-insurance premium is to be added. The existing accounting principles which would now be covered by the relevant Indian Accounting Standards may be deleted. Accordingly, the accounting principles related to valuation of investments (excepting investment property), loans and linked business have not been included in the formats. Since the accounting policy with regard to Funds from Future Appropriations relates only to presentation, the presentation in respect thereof has been included in the formats themselves. Similarly, the accounting policy related to premium deficiency has not been included in view of the requirements of Ind AS 104: *Insurance Contracts*. For the same reason, the accounting policy related to catastrophe reserve has also not been included.

Disclosures forming part of Financial Statements

5.32 At present, Part II of Schedule 'A' and Schedule 'B' require certain disclosures to be made by way of notes to the financial statements. The relevant disclosures may be retained as part of the relevant financial statements rather than forming a separate part of the regulations. The requirements, for example, percentage of business sector-wise, have been included as other disclosures under Part V of Schedule A and Schedule B since these are primarily requirements by the regulator with regard to which the IRDAI may take a separate view.

5.33 On the lines of the existing requirements, a summary of financial statements for the last five years in the manner as may be prescribed by the authority needs to be included. In this regard, in the initial years, Ind AS financial statements would be available for less than five years, e.g., for the year 2018-19, with comparatives for the year 2017-18, information would be available for two years. The issue was under which GAAP the summaries of financial statements for the preceding three years should be given, i.e., whether in accordance with Ind AS or in accordance with the existing GAAP. While the final call in this regard may be taken by the IRDAI, it may consider using the existing GAAP for previous three years' summaries in view of the complexities involved in presenting the said summaries as per Ind AS. In this context the following requirements of Ind AS 101 may be noted:

> "22. Some entities present historical summaries of selected data for periods before the first period for which they present full comparative information in accordance with Ind AS. This Ind AS does not require such summaries to comply with the recognition and measurement requirements of Ind AS. Furthermore, some entities present comparative information in accordance with previous GAAP as well as the comparative information required by Ind AS 1. In any financial statements containing historical summaries or comparative information in accordance with previous GAAP, an entity shall:
>
> (a) Label the previous GAAP information prominently as not being prepared in accordance with Ind AS; and
>
> (b) Disclose the nature of the main adjustments that would make it comply with Ind AS. An entity need not quantify those adjustments."

General Instructions for Preparation of Financial Statements

5.34 The General Instructions for Preparation of Financial Statements may be retained as a separate part with appropriate modifications. For instance, the definitions of 'provision', 'reserve', 'capital reserve', 'liability' etc., have not been included as the same have been dealt with in the relevant Indian Accounting Standards. Similarly, other requirements, such as, debit balance of profit and loss account to be shown as adjustment from uncommitted reserve has not been included since the same would get reflected in the relevant financial statements under Ind AS.

Contents of Management Report

5.35 The current IRDAI Regulations presently have Part IV of Schedule 'A' and Schedule 'B' which requires certain aspects to be disclosed in the Management Report. The nature of disclosures required therein do not represent the financial information of the nature to be presented as a part of financial statements. The said requirements are primarily related to the operations of the insurance entity and are more from the governance perspective. Accordingly, this Report may not form part of financial statements. Since information presently required to be disclosed in the Management Report is important information, the same may be presented to form part of 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 on the same.

Disclosures relating to Linked Business

5.36 As per the existing Regulations, fund-wise Revenue Account, Balance Sheet and additional disclosures are to be annexed to the annual financial statements. As the nature of disclosures required therein are primarily relevant to the policyholders such information may be presented by insurers on their respective websites instead of annexing these to financial statements. The formats of the Revenue Account and the Balance Sheet should be the same as per the draft Regulations to the extent applicable and subject to audit.

Auditors' Report

5.37 At present, Schedule 'C' of the IRDAI Regulations contains the requirements with regard to the Auditors' Report. However, the auditor's report is not recommended to be included at this stage pending the acceptance of the Report by the relevant authority in the IRDAI. The ICAI may be requested to provide the format in view of the fact that of late various Standards on Auditing have also been revised.

Solvency Returns

5.38 The changes in solvency returns may have to be considered at the level of the IRDAI itself keeping in view its own requirements in the changed scenario. The Working Group on the Implementation of Ind AS appointed by the Reserve Bank of India did not consider the regulatory aspects as it was felt that the regulatory requirements need to be changed at the level of RBI itself. Accordingly, IRDAI may consider changes in regulatory requirements including the solvency returns.

Draft Regulations

5.39 The draft regulations placed at Annexure II recommended are as follows:

(i) Draft notification containing short title of commencement, definitions and preparation of financial statements as per Schedule ‘A’ and Schedule ‘B’.

(ii) Schedule A (for Life Insurance business); and Schedule B (for General Insurance business including health and reinsurance business) comprising of

Part I: Accounting Principles for Preparation of Financial Statements.

Part II: General Instructions for Preparation of Financial Statements.

Part III: Balance Sheet including Statement of Changes in Equity.

Part IV: Statement of Profit and Loss, Revenue (Policyholders) and Profit and Loss (Shareholders) Accounts.

Part V: Other Disclosures

Annexure I: Ind AS Notified by MCA

Ind AS Notified by MCA vide GSR. 111 (E) dated 16th February 2015		
Sl. No.	**Notifications**	**Description**
1	Indian Accounting Standard (Ind AS) 101	First-time Adoption of Indian Accounting Standards
2	Indian Accounting Standard (Ind AS) 102	Share-based Payment
3	Indian Accounting Standard (Ind AS) 103	Business Combinations
4	Indian Accounting Standard (Ind AS) 104	Insurance Contracts
5	Indian Accounting Standard (Ind AS) 105	Non-current Assets Held for Sale and Discontinued Operations
6	Indian Accounting Standard (Ind AS) 106	Exploration for and Evaluation of Mineral Resources
7	Indian Accounting Standard (Ind AS) 107	Financial Instruments: Disclosures
8	Indian Accounting Standard (Ind AS) 108	Operating Segments
9	Indian Accounting Standard (Ind AS) 109	Financial Instruments
10	Indian Accounting Standard (Ind AS) 110	Consolidated Financial Statements
11	Indian Accounting Standard (Ind AS) 111	Joint Arrangements
12	Indian Accounting Standard (Ind AS) 112	Disclosure of Interests in Other Entities
13	Indian Accounting Standard (Ind AS) 113	Fair Value Measurement
14	Indian Accounting Standard (Ind AS) 114	Regulatory Deferral Accounts

15	Indian Accounting Standard (Ind AS) 1	Presentation of Financial Statements
16	Indian Accounting Standard (Ind AS) 2	Inventories
17	Indian Accounting Standard (Ind AS) 7	Statement of Cash Flows
18	Indian Accounting Standard (Ind AS) 8	Accounting Policies, Changes in Accounting Estimates and Errors
19	Indian Accounting Standard (Ind AS) 10	Events after the Reporting Period
20	Indian Accounting Standard (Ind AS) 11	Construction Contracts
21	Indian Accounting Standard (Ind AS) 12	Income Taxes
22	Indian Accounting Standard (Ind AS) 16	Property, Plant and Equipment
23	Indian Accounting Standard (Ind AS) 17	Leases
24	Indian Accounting Standard (Ind AS) 18	Revenue
25	Indian Accounting Standard (Ind AS) 19	Employee Benefits
26	Indian Accounting Standard (Ind AS) 20	Accounting for Government Grants and Disclosure of Government Assistance
27	Indian Accounting Standard (Ind AS) 21	The Effects of Changes in Foreign Exchange Rates
28	Indian Accounting Standard (Ind AS) 23	Borrowing Costs
29	Indian Accounting Standard (Ind AS) 24	Related Party Disclosures
30	Indian Accounting Standard (Ind AS) 27	Separate Financial Statements

31	Indian Accounting Standard (Ind AS) 28	Investments in Associates and Joint Ventures
32	Indian Accounting Standard (Ind AS) 29	Financial Reporting in Hyperinflationary Economies
33	Indian Accounting Standard (Ind AS) 32	Financial Instruments: Presentation
34	Indian Accounting Standard (Ind AS) 33	Earnings per Share
35	Indian Accounting Standard (Ind AS) 34	Interim Financial Reporting
36	Indian Accounting Standard (Ind AS) 36	Impairment of Assets
37	Indian Accounting Standard (Ind AS) 37	Provisions, Contingent Liabilities and Contingent Assets
38	Indian Accounting Standard (Ind AS) 38	Intangible Assets
39	Indian Accounting Standard (Ind AS) 40	Investment Property
40	Indian Accounting Standard (Ind AS) 41	Agriculture

Annexure II: Draft Regulations

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITYOF 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, 2018.
(3) 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 under the said Regulations shall be valid.

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(Ind-AS)" 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 Schedule A (for Life Insurance business); and Schedule B (for other than Life Insurance business, including branches of foreign reinsurers)

SCHEDULE A

PART I

General instructions for preparation of Financial Statements

1. This Schedule prescribes the minimum disclosure requirements in the Financial Statements.

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 Indian Accounting Standards prescribed under the Companies (Indian Accounting Standards) Rules, 2015 (hereinafter referred to as '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 disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Ind AS. Additional disclosures specified in the Ind AS shall be made in the notes to accounts or by way of additional statements, unless required to be disclosed on the face of the Financial Statements.

5. (i) In addition to the disclosures specified in this Schedule, notes to accounts shall provide where required (a) narrative descriptions or disaggregation's 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 if the information is not material except when required by law.

7. The figures in the financial statements may be rounded off to the nearest lakhs.

PART II

Accounting principles for preparation of financial statements

1. 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*.

c) Revenue Account (Policyholders' Account) and Profit and Loss Account (Shareholders' Account), as required by the Insurance Act, 1938.

Provided that an insurer shall prepare Revenue Account and Balance Sheet for the undermentioned businesses separately and to that extent the application of Ind AS 108, *Operating Segments,* stand modified:

1) Participating and Non-Participating Policies

2) (i) Linked business separately for Life, Annuity, Pension, Health and Variable Insurance

(ii) Non-Linked business separately for Life, Annuity, Pension, Health and Variable Insurance

3) Business within India and Outside India

d) Receipts and Payments Account [Cash Flow Statement as per direct method in accordance with Ind AS 7, *Statement of Cash Flows]*.

e) Notes including:

- Summary of significant accounting policies.
- Other explanatory notes annexed to, or forming part of, any document referred to in Sub-clause (a) to Sub-clause (d) above.

f) Comparative information in respect of the preceding period.

2. **Premium**:

Premium in respect of insurance contracts shall be recognized as income when due. For linked business the due date for payment may be taken as the date when the associated units are created.

3. **Acquisition Costs**:

Acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. The most essential test is the obligatory relationship between costs and commencement of risk.

Acquisition costs, if any, shall be expensed in the period in which they are incurred.

4. **Claims Cost**:

The cost of claims shall comprise the policy benefit amount and claims settlement costs, wherever applicable.

5. **Actuarial Valuation**:

The estimation of liability in respect of insurance contracts for life policies shall be determined by the appointed actuary of the insurer.

The liability shall be so calculated that together with future premiums and investment income, the insurer can meet all future claims (including bonus entitlements to policyholders) and expenses.

6. Real Estate-Investment Property- The investment property shall be measured at historical cost, subject to revaluation at fair value, at least once in every three years. The change in the carrying amount of the investment property shall be recognised in Fair Value Changes on Investment Property on account of policyholders as a liability and those on account of shareholders in the Statement of Changes in Equity forming part of Balance Sheet.

The ‘Profit on disposal of investment property’ or ‘Loss on disposal of investment property’, as the case may be, shall include accumulated changes in the carrying amount previously recognised in Fair Value Changes on Investment Property in respect of a particular property and recycled to the Statement of Profit and Loss and the relevant Revenue Account or Profit and Loss Account on disposal of that property.

The bases for determination of fair value shall be disclosed in the notes to accounts. The Authority may issue directions specifying the amount to be released from the Fair Value Changes in Investment Property of Policyholders for declaring bonus to the policyholders. For removal of doubt, it is clarified that except for the amount that is released to policyholders as per the Authority’s direction, no other amount shall be distributed to shareholders out of Fair Value Changes in Investment Property of Shareholders.

The insurer shall assess at each balance sheet date whether any impairment of the investment property has occurred. Any impairment loss shall be treated as a decrease in the Fair Value Changes Account of that asset and if the impairment loss exceeds the corresponding Fair Value Changes Account, such excess shall be recognised in the Statement of Profit and Loss and the relevant Revenue/Profit and Loss Account on disposal of that property.

Part III

Balance Sheet including Statement of Changes in Equity

Name of insurance company **Registration No.... Date of Registration with IRDAI**			
Balance Sheet as at March 31, ...(Year)			
Particulars	**Note No.**	**Current Year**	**Previous Year**
ASSETS			
Cash and Cash Equivalents	1		
Assets classified as held for sale			
Derivatives	2		
Investments - Policyholders	3		
Investments - Shareholders	4		
Investment property	5		
Loans	6		
Reinsurance Assets	7		
Other financial assets	8		
Property, plant and equipment	9		
Current tax recoverable			
Deferred tax assets			
Other assets (Other than intangible assets)	10		
Goodwill	11		
Other intangible assets	12		
Total Assets			
Liabilities & Equity			
Liabilities			
Derivatives	2		
Investment Contracts Liabilities	13		
Insurance Contracts Liabilities	14		
Borrowings	15		
Other financial liabilities	16		
Current tax liabilities			
Deferred tax liabilities			
Other Liabilities	17		
Provisions	18		
Fair Value Changes on Investment Property of policyholders			
Total Liabilities (A)			
Equity			
Equity share capital			
Other equity			
Total Equity (B)			
Total Liabilities & Equity (C)= (A) + (B)			

Note: Assets classified as held for sale do not include financial assets which are governed by Ind AS 109, *Financial Instruments.*

STATEMENT OF CHANGES IN EQUITY

Name of the Insurer
Registration No. ...Date of Registration with IRDAI

A. Equity Share Capital

Balance at the beginning of the reporting period	Changes in Equity Share Capital during the year	Balance at the end of the reporting period

B. Other Equity

Particulars	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus				Deficit in Revenue Account (Policyholders Account-Par)	Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective Portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of foreign operation	Other items of Other Comprehensive Income (specify nature)	Fair Value Changes in Shareholders Investment Property	Total
			Capital Reserve	Securities Premium Reserve	Other Reserves (specify nature)	Retained Earnings									
Balance at the beginning of the reporting period															
Changes in accounting policy or prior period errors															
Restated balance at the beginning of the reporting period															
Total Comprehensive Income for the year															
Dividends															
Transfer to retained earnings															
Any other changes (to be specified)															
Balance at the end of the reporting period															

Note: Re-measurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss 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 2 - Derivative Assets

Particulars	**Current year**					**Previous year**				
	Fair Value Hedge	**Cash Flow Hedge**	**Net investments in foreign operations**	**Undesignated**	**Total**	**Fair Value Hedge**	**Cash Flow Hedge**	**Net investments in foreign operations**	**Undesignated**	**Total**
Currency Forwards Interest Rate Swaps Others (to be specified)										
Total Derivative Assets										

Derivative Liabilities

Particulars	**Current year**					**Previous year**				
	Fair Value Hedge	**Cash Flow Hedge**	**Net investments in foreign operations**	**Undesignated**	**Total**	**Fair Value Hedge**	**Cash Flow Hedge**	**Net investments in foreign operations**	**Undesignated**	**Total**
Currency Forwards Interest Rate Swaps Others (to be specified)										
Total Derivative Liabilities										

Note 3 - Investments - Policyholders #														
	Current year							Previous Year						
Investments	Amortised cost	At Fair Value				Others*	Total	Amortised cost	At Fair Value				Others*	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss	Sub-Total				Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss	Sub-Total		
I. In India														
Government securities														
Debt securities														
Equity instruments														
Mutual funds														
Subsidiaries, associates and joint ventures														
Others (specify)														
Total – Gross (A)														
Less: Impairment loss(B)														
Total – Net C= (A)-(B)														
II. Outside India														
Government securities														
Debt securities														
Equity instruments														
Mutual funds														
Subsidiaries, associates and joint ventures														
Others (specify)														
Total – Gross (D)														
Less: Impairment loss(E)														
Total – Net F=(D)-(E)														
Total Investments														
Gross (G) = (A) + (D)														
Less: Impairment loss (H)=(B) + (E)														
Total – Net I= (G)-(H)														

 # Investments backing insurance contracts and investment contracts to be given separately.
*** Other basis of measurement such as cost may be explained as a footnote**

Note 4- Investments - Shareholders														
	Current year							Previous Year						
		At Fair Value Others				Others*	Total	Amortised cost	At Fair Value Others				Others*	Total
Investments	**Amortised cost**	**Through Other Comprehensive Income**	**Through profit or loss**	**Designated at fair value through profit or loss**	**Sub-Total**				**Through Other Comprehensive Income**	**Through profit or loss**	**Designated at fair value through profit or loss**	**Sub-Total**		
I. In India														
Government securities														
Debt securities														
Equity instruments														
Mutual funds														
Subsidiaries, associates and joint ventures														
Others (specify)														
Total – Gross (A)														
Less: Impairment loss (B)														
Total – Net C= (A)-(B)														
II. Outside India														
Government securities														
Debt securities														
Equity instruments														
Mutual funds														
Subsidiaries, associates and joint ventures														
Others (specify)														
Total – Gross (D)														
Less: Impairment loss (E)														
Total – Net F=(D)-(E)														
Total Investments														
Gross (G) = (A) + (D)														
Less: Impairment loss H=(B) +(E)														
Total – Net I=(G)-(H)														
* Other basis of measurement such as cost may be explained as a footnote														

Note 5 - Investment property						
Particulars	**Policyholders**		**Shareholders**		**Total**	
	Current Year	**Previous year**	**Current Year**	**Previous year**	**Current Year**	**Previous year**
LAND						
At the beginning of the year						
Additions						
Disposals						
Reclassification from/to held for sale						
Fair Value changes						
Other adjustments (please specify)						
At the end of the year						
Accumulated -impairment as at the beginning of the year						
Disposals						
Impairment/(reversal of impairment)						
Reclassification from/to held for sale						
Other adjustments (please specify)						
Accumulated impairment as at the end of year						
Net carrying amount of Land as at the end of the year (A)						
BUILDINGS						
At the beginning of the year						
Additions						
Disposals						
Reclassification from/to held for sale						
Fair Value changes						
Other adjustments (please specify)						
At the end of the year						
Accumulated impairment as at the beginning of the year						
Disposals						
Impairment/(reversal of impairment)						
Reclassification from/to held for sale						
Other adjustments (please specify)						
Accumulated impairment as at the end of year						
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- Loans

Particulars	Current year							Previous Year						
	Amortised cost	At Fair Value Others				Others*	Total	Amortised cost	At Fair Value Others				Others*	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss	Sub-Total				Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss	Sub-Total		
A. SECURITY WISE CLASSIFICATION														
Secured (A)														
(a) On mortgage of property														
i) In India														
ii) Outside India														
(b) On Shares, Bonds, Govt. Securities, etc.														
(c) Loans against policies														
(d) Others (to be specified)														
Unsecured (B)														
Gross (C)=(A)+(B)														
Less Impairment loss (D)														
Net (E)= (C)-(D)														
B. BORROWER-WISE CLASSIFICATION														
(a) Central and State Governments														
(b) Banks and Financial Institutions														
(c) Subsidiaries														
(d) Other Companies														
(e) Loans against policies														
(f) Others (to be specified)														
Gross (F)														
Less Impairment loss (G)														
Net (H)=(F)-(G)														
C. PERFORMANCE-WISE CLASSIFICATION														
(a) Loans classified as standard														
i) In India														
ii) Outside India														
(b) Non-standard loans less provisions														
i) In India														
ii) Outside India														
Gross (I)														
Less Impairment loss (J)														
Net (K)=(I)-(J)														
TOTAL														

*** Other basis of measurement such as cost may be explained as a footnote**

Note 7- Reinsurance Assets		
Particulars	**Current Year**	**Previous Year**
At the beginning of the year		
Add/(Less)		
Premium		
Unwinding of the discount /Interest credited		
Change in valuation for expected future benefits		
Insurance liabilities released		
Others (to be specified)		
At the end of the year		

Note 8-Other Financial Assets		
Particulars	**Current Year**	**Previous Year**
Dividends Receivable		
Interest Accrued		
Rent Receivables		
Application money for investments		
Due from policyholders		
Due from reinsurers		
Due from insurers		
Due from Insurance agents, Insurance Intermediaries		
Others (to be specified)		
Total		

Note9 -Property, plant and equipment															
Particulars	**Land**		**Buildings**		**Equipment**		**Furniture and Fittings**		**Vehicles**		**Others (to be specified)**		**Total**		
	Owned	**Leased**	**Freehold**	**Leasehold**	**Owned**	**Leased**	**Owned**	**Leased**	**Owned**	**Leased**	**Owned**	**Leased**	**Owned**	**Leased**	**Total**
Previous Year															
At cost or fair value at the beginning of the year															
Additions															
Revaluation adjustment, if any															
Disposals															
Reclassification from/to held for sale															
Other adjustments (please specify)															
At cost or fair value at the end of the year															
Accumulated depreciation and impairment as at the beginning of the year															
Depreciation for the year															
Disposals															
Impairment/(reversal) of impairment															
Reclassification from/to held for sale															
Other adjustments (please specify)															
Accumulated depreciation and impairment as at the end of year															
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)															
Current year															
At cost or fair value at the beginning of the year															
Additions															
Revaluation adjustment, if any															
Disposals															
Reclassification from/to held for sale															

Other adjustments (please specify)															
At cost or fair value at the end of the year															
Accumulated depreciation and impairment as at the beginning of the year															
Depreciation for the year															
Disposals															
Impairment/(reversal) of impairment															
Reclassification from/to held for sale															
Other adjustments (please specify)															
Accumulated depreciation and impairment as at the end of year															
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 10- Other assets (Other than intangible assets)		
Particulars	**Current Year**	**Previous Year**
Deposits with ceding companies Prepayments Stamps on Hand Others (to be specified)		
Total Other Assets(Other than intangible assets)		

Note 11- Goodwill		
Particulars	**Current year**	**Previous year**
At cost, beginning of the year Additions Disposals Other adjustments (to be specified)		
Total cost		
Accumulated impairment: At beginning of the year Additions Disposals Other adjustments (to be specified)		
Total impairment		
Net carrying amount		

Note 12- Other Intangible assets			
Particulars	**Software**	**Others (to be Specified)**	**Total**
Previous Year			
At cost or fair value at the beginning of the year Additions Disposals Other adjustments (to be specified) *At cost or fair value at the end of the year* *Accumulated amortization and impairment at beginning of the year* Amortization 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)			
Current Year			
At cost or fair value at the beginning of the year			
Additions			
Disposals			
Other adjustments (to be specified)			
At cost or fair value at the end of the year			
Accumulated amortization and impairment at beginning of the year			
Amortization			
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 13- Investment Contracts Liabilities

Particulars	**Current Year**				**Previous Year**			
	With DPF	**Linked Business**	**Others**	**Total**	**With DPF**	**Linked Business**	**Others**	**Total**
At the beginning of the year								
Additions								
Premium								
Interest and Bonus credited to policyholders								
Others (to be specified)								
Deductions								
Withdrawals / Claims								
Fee Income and Other Expenses								
Others (to be specified)								
At the end of the year								

Note 14 - Insurance contracts liabilities								
Particulars	**Current Year**				**Previous Year**			
	With DPF	**Linked Business**	**Others**	**Total**	**With DPF**	**Linked Business**	**Others**	**Total**
Gross Liability at the beginning of the year								
Add/(Less)								
Premium								
Unwinding of the discount /Interest credited								
Changes in valuation for expected future benefits								
Insurance liabilities released								
Undistributed Participating Policyholders surplus (UPPS)								
Others (to be specified)								
Gross Liability at the end of the year								
Recoverable from Reinsurance								
Net Liability								
Closing UPPS included in gross liability at end of the year								

Note 15- Borrowings		
Particulars	**Current Year**	**Previous Year**
Debentures/Bonds		
Borrowings from Banks		
Borrowings from Financial Institutions		
Others (to be specified)		
Total		

Note 16- Other financial liabilities		
Particulars	**Current Year**	**Previous Year**
Insurance Agents and Insurance Intermediaries' Balances		
Balances due to Other Insurers		
Reinsurance Payables		
Sundry Creditors		
Claims Outstanding		
Unclaimed amounts		
Others (to be specified)		
Total		

Note17: Other Liabilities		
Particulars	**Current Year**	**Previous Year**
Deposits held on reinsurance ceded Premiums received in advance Unallocated Premium Rates and Taxes Payable Others (to be specified)		
Total Other Liabilities		

Note 18- Provisions		
Particulars	**Current Year**	**Previous Year**
For defined benefit plans Others (to be specified)		
Total Provisions		

19. Additional disclosures forming part of Balance Sheet.

a) **Contingent Liabilities and Commitments** (to the extent not provided for)

1. Contingent Liabilities shall be classified as:

   i. Claims, other than those under policies not acknowledged as debt;

   ii. Reinsurance obligations;

   iii. Statutory demands/liabilities in dispute, not provided for;

   iv. Other money for which the company is contingently liable.

2. 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).

b) Encumbrances to assets of the company in and outside India.
c) Contracted amount in relation to investments for:

   i). Purchases where deliveries are pending;
   ii). Sales where payments are overdue.

20. Extent of risk retained and reinsured in respect of insurance contracts.

21. Claims settled and remaining outstanding for a period of more than six months on the balance sheet date.

22. 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.

23. 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 the company shall attach to the Balance Sheet, a "Balance Sheet" as at the beginning of the earliest comparative period shall be presented.

24. 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'.

25. 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.

26. 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'.

27. Actuarial assumptions for valuation of liabilities for life policies in force.

28. All liabilities related to investment contracts including those contracts having insignificant insurance risk shall be disclosed in Note 13: Investment Contracts Liabilities

Part IV

STATEMENT OF PROFIT AND LOSS, REVENUE (POLICYHOLDERS') and PROFIT & LOSS (SHAREHOLDERS') ACCOUNTS

Statement of Profit and Loss of .... (Name of insurance company)			
for the period ended			
Particulars	**Note No.**	**Current Year**	**Previous Year**
Gross Premium	29		
Investment Income	30		
Commission Received on Reinsurance Ceded	31		
Net gain on fair value changes	32		
Net gain on derecognition of financial assets at amortised cost			
Recoveries from Reinsurers-Benefits			
Other Income	33		
Total Income			
Premium on Reinsurance Ceded			
Gross Benefits	34		
Net change in insurance contract liabilities	35		
Acquisition cost	36		
Employee benefits	37		
Impairment loss (including reversals)	38		
Net losses on fair value changes	32		
Net loss on derecognition of financial assets at amortised cost			
Finance cost	39		
Other expenses	40		
Total Expenses			
Profit / (Loss) before tax and Exceptional Items			
Exceptional Items			
Profit/ (Loss) before tax			
Income tax Expense	41		
Profit /(Loss) from continuing operations (A)			
Profit /(Loss) from discontinued operations			
Tax expense of discontinued operations			
Profit/(loss) from discontinued operations (after tax) (B)			
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			

Subtotal 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			
Subtotal			
Total Other Comprehensive Income (C)			
Total Comprehensive Income (D)=(A+B+C)			
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) the period (for discontinued and continuing operations)			
(1) Basic (2) Diluted			

STATEMENT OF PROFIT AND LOSS, REVENUE (POLICYHOLDERS') and PROFIT & LOSS (SHAREHOLDERS') ACCOUNTS
For the period.....

Name of insurance company
Registration No. ....Date of Registration

Particulars	Note No.	Current Year			Previous Year		
		Revenue (Policyholders) Account	Profit & Loss (Shareholders) Account	Total as per Statement of Profit & Loss	Revenue (Policyholders) Account	Profit & Loss (Shareholders) Account	Total as per Statement of Profit & Loss
Gross Premium	29						
Investment Income	30						
Commission Received on Reinsurance Ceded	31						
Net gain on fair value changes	32						
Net gain on derecognition of financial assets at amortised cost							
Recoveries from Reinsurers- Benefits							
Other Income	33						
Total Income							
Premium on Reinsurance Ceded							
Gross Benefits	34						
Net change in insurance contract liabilities	35						
Acquisition cost	36						
Employee benefits	37						
Impairment loss (including reversals)	38						
Net losses on fair value changes	32						
Net loss on derecognition of financial assets at amortised cost							
Finance cost	39						
Other expenses	40						
Total Expenses							
Surplus (Deficit)/Profit (Loss) before Tax and Exceptional items							
Exceptional Items							
Surplus (Deficit)/Profit (Loss) before Tax							
Income Tax Expense	41						
Surplus (Deficit)/Profit (Loss) from continuing operations (A)							
Surplus (Deficit)/Profit (Loss) from discontinued operations							
Tax expense from discontinued operations							
Surplus (Deficit)/Profit (Loss) from discontinued operations after Tax (B)							
Surplus (Deficit)/Profit (Loss) for the period (C) = (A) + (B)							
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							
Subtotal							
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							
Subtotal							
Total Other Comprehensive Income (D)							
Total Comprehensive Income E= (C) + (D)							
Deficit Funding (transfer) from Shareholders (P&L) Account to Policyholders (Revenue Account) (F)*							
Transfer to Shareholders (P&L) Account from Policyholders (Revenue Account)*							
Balance Deficit on Par carried to Statement of Changes in Equity							

* *Transfers between Shareholders' P&L Account and Policyholders' Revenue Account will be reflected with 'transfer to' as a positive balance with contra negative entry where funds are being 'transferred from'*

Notes to statement of profit and loss

Note 29 - Gross Premium		
Particulars	**Current Year**	**Previous Year**
Life Insurance Premium		
- First year premium		
- Single premium		
- Renewal premium		
Gross Premium from Direct Business- Sub-Total		
Reinsurance Accepted		
Total Gross Premium (A)		

Total Gross Premium		
Less: Reinsurance Ceded(B)		
Net Premium (C)= (A)-(B)		

Gross Premium	**Current Year**	**Previous Year**
- In India		
- Outside India		
Total Gross Premium		

Note 30 - Investment Income		
Particulars	**Current Year**	**Previous Year**
Rental Income from Investment properties Interest on financial assets classified as: Fair value through OCI Amortised Cost Dividend		
Total Investment Income		

Note 31–Commission received on reinsurance ceded		
Particulars	**Current Year**	**Previous Year**
Reinsurance commission on business ceded (direct) Reinsurance commission on business ceded (reinsurance accepted) Others		
Total		

Note 32- Net gain/(loss) on fair value changes*		
Particulars	**Current Year**	**Previous Year**
a) Investments classified atFair Value Through Profit or Loss b) Investments designated at Fair Value Through Profit or Loss c) Derivatives at Fair Value Through Profit or Loss d) Other Financial Instruments classified as Fair Value Through Profit or Loss e) Other Financial Instruments designated at Fair Value Through Profit or Loss f) Reclassification adjustments g) Realised gain on debt instruments classified as Fair Value Through OCI h) Others (to be specified)		
Total Net gain/(loss) on fair value changes (A)		
Fair Value Changes Realised Unrealised		
Total Net gain /(loss) on fair value changes (B) to tally with (A)		

Total Fair Value changes includes ..xxx (PY: Rs.xxx) interest income in respect of investments classified/designated as Fair Value Through Profit or Loss.

Note 33 - Other Income		
Particulars	**Current Year**	**Previous Year**
Net foreign exchange gain		
Fee Income on Derivative and Guarantee Contracts		
Fee Income from Asset Management		
Interest on Loans (other than those related to investment income, covered in Note 30)		
Others (to be specified)		
Total Other Income		

Note 34- Gross Benefits		
Particulars	**Current Year**	**Previous Year**
Life insurance contracts benefits - Death - Maturity - Annuities/Pensions - Surrenders - Interim Bonus paid - Other benefits, specify Reinsurance Accepted		
Total Gross Benefits (A)		

Total Gross Benefits		
Less: Reinsurance Recoveries(B)		
Net Benefits (C)= (A) - (B)		

Gross Benefits - In India - Outside India		
Total Gross Benefits		

Note 35- Net change in insurance contract liabilities								
Particulars	**Current Year**				**Previous Year**			
	With DPF	**Linked Business**	**Others**	**Total**	**With DPF**	**Linked Business**	**Others**	**Total**
a) Policy Liabilities								
Non-unit / mathematical reserves (gross)								
Allocation of Bonus to Participating Policyholders								
Unit linked fund								
Discontinued policy fund								
Undistributed Participating Policyholders surplus (UPPS)								
b) Amount ceded in reinsurance								
c) Amount accepted in reinsurance								
Net change in insurance contract liabilities								
Service tax on linked charges								
Net change in insurance contract liabilities (including service tax on linked charges)								

Note 36- Acquisition cost		
Particulars	**Current Year**	**Previous Year**
Commission on Life Insurance		
- First year premium		
- Single premium		
- Renewal premium		
Commission on Reinsurance Accepted		
Medical expenses		
Others (to be specified)		
Acquisition Cost for Insurance Contracts		

Note 37 Employee benefits		
Particulars	**Current Year**	**Previous Year**
Salaries and wages including bonus		
Post employment benefits		
Employee Share Based Payments		
Others		
Total		

Note 38- Impairment loss (including reversals)		
Particulars	**Current Year**	**Previous Year**
Impairment on		
Financial assets		
Investment property		
Property, plant & equipment		
Goodwill		
Other Intangible assets		
Total Impairment Loss		

Note 39- Finance cost		
Particulars	**Current Year**	**Previous Year**
Interest on financial liabilities measured at amortised cost		
Dividend on redeemable preference shares treated as liability		
Dividend distribution tax on redeemable preference shares treated as liability		
Others (to be specified)		
Total Finance Cost		

Note 40- Other Expenses		
Particulars	**Current Year**	**Previous Year**
Travel & conveyance		
Rent		
Rates & taxes (excluding taxes on income)		
Energy cost		
Repairs & maintenance		
Printing and stationery		
Communication expenses		
Legal and professional charges		
Auditor's fees for		
audit of the financial statements		
taxation matters		
company law matters		
other services		
reimbursement of expenses		
Advertisement and publicity		
Bank charges		
Depreciation & amortisation expenses		
Net foreign exchange loss		
Acquisition Cost for Financial Instruments classified/designated as FVTPL		
Miscellaneous expenses		
Total Other Expenses		

Note 41 - Income Tax Expense		
Particulars	**Current Year**	**Previous Year**
Current Tax Deferred Tax		
Total Income Tax Expense		

Additional disclosures in the notes

42. Basis of allocation and apportionment of expenses (other than Commission) to various classes of insurance business.

43 Computation of managerial remuneration.

44 Apart from the requirement of reflecting the Revenue Account as required under clause 1 (c) of Part I of Schedule A, the insurance entity shall also present segment information in accordance with the Ind AS as applicable

45 Premium to be shown net of service tax collected from the policyholders.

46 Items of expense and income in excess of one percent of the total premium (less reinsurance) or ₹5 lakh whichever is higher shall be shown separately

Part V

OTHER DISCLOSURES

47. Asset liability position for linked business is to be prepared for all lines of linked business (individual and cumulative) in the following format:

Asset Liability Position: Linked business

Particulars	**Current Year**		**Previous Year**	
	Unit	**Non-Unit**	**Unit**	**Non-Unit**
Investments				
Other Assets				
Total assets (A)				
Policy Liabilities				
Other Liabilities				
Total Liabilities (B)				

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

49. Disclosures relating to Discontinued Policies shall be disclosed as may be prescribed by the Authority;

50. Controlled fund details shall be disclosed as may be prescribed by the Authority;

51. Details of various penal actions taken by various Government Authorities shall be disclosed as may be prescribed by the Authority;

52. Unclaimed amounts of policyholders shall be disclosed as may be prescribed by the Authority;

53. A summary of financial statements for the last five years, in the manner as may be prescribed by the Authority;

54. Accounting Ratios as may be prescribed by the Authority.

SCHEDULE B

PART I

General instructions for preparation of Financial Statements

1. This Schedule prescribes the minimum disclosure requirements in the Financial Statements.

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 Indian Accounting Standards prescribed under the Companies (Indian Accounting Standards) Rules, 2015 (hereinafter referred to as '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 disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Ind AS. Additional disclosures specified in the Ind AS shall be made in the notes to accounts or by way of additional statements, unless required to be disclosed on the face of the Financial Statements.

5. (i) In addition to the disclosures specified in this Schedule, notes to accounts shall provide where required (a) narrative descriptions or disaggregation's 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.

7. The figures in the financial statements may be rounded off to the nearest lakhs.

PART II

Accounting principles for preparation of financial statements

1. 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 AS 1, *Presentation of Financial Statements*.

b) Statement of Profit and Loss for the period, in accordance with Ind AS1, *Presentation of Financial Statements*.

c) Revenue Account (Policyholders' Account) and Profit and Loss Account (Shareholders' Account), as required by the Insurance Act, 1938.

Provided that an insurer shall prepare Revenue Account separately for fire, marine and miscellaneous insurance business and separate schedules shall be prepared for the following lines of business. The insurer shall also prepare segmental reporting in line with the requirements of Ind AS 108, *Operating Segments.*

- 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

d) Receipts and Payments Account [Cash Flow Statement as per indirect method for reinsurers and direct method in case of others in accordance with Ind AS 7, *Statement of Cash Flows]*.

e) Notes including:

- Summary of significant accounting policies.
- Other explanatory notes annexed to, or forming part of, any document referred to in Sub-clause (a) to Sub-clause (d) above.

f) Comparative information in respect of the preceding period.

2. Premium:

General insurance business

Premium in respect of insurance contracts shall be recognized as income over the contract period or the period of risk, whichever is appropriate.

A liability for unearned premium shall be created as the amount representing that part of the premium written which is attributable to, and to be allocated to the succeeding accounting periods as may be prescribed by the Authority.

Reinsurance business

Premium in respect of reinsurance contracts shall be recognized as income over the contract period or the period of risk, whichever is appropriate.

A liability for unearned premium shall be created as the amount representing that part of the premium written which is attributable to, and to be allocated to the succeeding accounting periods, as may be prescribed by the Authority.

Provision for Premium Deficiency: General Insurance business and Reinsurance business

Provision for Premium deficiency shall be recognized if the sum of expected claims costs related expenses and maintenance costs exceeds related provision for unearned premium.

Liability towards Unearned Premium: General Insurance business and Reinsurance business

A Liability towards Unearned Premium shall be created as the amount representing that part of the premium written which is attributable to, and is to be allocated to the succeeding accounting periods. Such a liability shall be computed as under:

a) Marine Hull: 100 percent of Net Written Premium during the preceding twelve months;
b) Other Segments: Insurers have an option to create Liability towards Unearned Premium (LUP) either at 50 percent of Net Written Premium of preceding twelve months or on the basis of 1/365th method on the unexpired period of the respective policies.

The insurers can follow either percentage or 1/365th method for computation of LUP of the other segments. However, Insurers shall follow the method of provisioning of LUP in a consistent manner. Any change in the method of provisioning shall be done only with the prior written approval of the Authority.

3. Acquisition Costs:

Acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. The most essential test is the obligatory relationship between costs and commencement of risk.

Acquisition costs, if any, shall be expensed in the period in which they are incurred.

4. Claims Cost:

The components of the cost of claims comprise the claims under policies and claims settlement costs. Claims under policies comprise the claims made for losses incurred, and those estimated or anticipated under the policies, following the loss occurrence event.

A liability for outstanding claims shall be brought to account in respect of both direct business and inward reinsurance business. The liability shall include:

(a) Future amounts payable in relation to reported claims; and
(b) Claims Incurred But Not Reported (IBNR) including Claims Incurred But Not Enough Reported (IBNER) as per actuarial valuation;

which will result in future cash/asset outgo for settling liabilities against those claims. Change in estimated liability represents the difference between the estimated liability for outstanding claims in respect of claims under policies whether due or intimated at the beginning and at the end of the financial period. The accounting estimate shall also include claims cost adjusted for estimated salvage value if there is sufficient degree of certainty of its realization.

5. Actuarial Valuation:

Estimate of claims made in respect of any contracts shall be recognized on an actuarial basis, subject to regulations that may be prescribed by the Authority.

6. These Regulations shall apply mutatis mutandis to health insurers and reinsurers, unless stated otherwise.

Part III

Balance Sheet including Statement of Changes in Equity

Name of insurance company **Registration No.... Date of Registration with IRDAI**			
Balance Sheet as at March 31, ...(Year)			
Particulars	**Note No.**	**Current Year**	**Previous Year**
ASSETS			
Cash and Cash Equivalents	1		
Assets classified as held for sale			
Derivatives	2		
Investments - Policyholders	3		
Investments - Shareholders	4		
Investment property	5		
Loans	6		
Reinsurance Assets	7		
Other financial assets	8		
Property, plant and equipment	9		
Current tax recoverable			
Deferred tax assets			
Other assets(Other than intangible assets)	10		
Goodwill	11		
Other intangible assets	12		
Total Assets			
Liabilities & Equity			
Liabilities			
Derivatives	2		
Investment Contracts Liabilities	13		
Reinsurers share in investment contracts liabilities	14		
Insurance Contracts Liabilities	15		
Insurance Contracts Liabilities for reinsurance accepted	16		
Borrowings	17		
Other financial liabilities	18		
Current tax liabilities			
Deferred tax liabilities			
Other Liabilities	19		
Provisions	20		
Total Liabilities (A)			
Equity			
Equity share capital			
Other equity			
Total Equity (B)			
Total Liabilities & Equity (C)= (A) + (B)			

Note: Assets classified as held for sale do not include financial assets which are governed by Ind AS 109, *Financial Instruments*

STATEMENT OF CHANGES IN EQUITY

Name of the Insurer
Registration No. ...Date of Registration with IRDAI

A. Equity Share Capital

Balance at the beginning of the reporting period	Changes in Equity Share Capital during the year	Balance at the end of the reporting period

B. Other Equity

Particulars	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus				Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective Portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of foreign operation	Other items of Other Comprehensive Income (specify nature)	Total
			Capital Reserve	Securities Premium Reserve	Other Reserves (specify nature)	Retained Earnings							
Balance at the beginning of the reporting period													
Changes in accounting policy or prior period errors													
Restated balance at the beginning of the reporting period													
Total Comprehensive Income for the year													
Dividends													
Transfer to retained earnings													
Any other changes (to be specified)													
Balance at the end of the reporting period													

Note: Remeasurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss 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 2 - Derivative Assets

Particulars	Current year					Previous year				
	Fair Value Hedge	Cash Flow Hedge	Net investments in foreign operations	Undesignated	Total	Fair Value Hedge	Cash Flow Hedge	Net investments in foreign operations	Undesignated	Total
Currency Forwards Interest Rate Swaps Others (to be specified)										
Total Derivative Assets										

Derivative Liabilities

Particulars	Current year					Previous year				
	Fair Value Hedge	Cash Flow Hedge	Net investments in foreign operations	Undesignated	Total	Fair Value Hedge	Cash Flow Hedge	Net investments in foreign operations	Undesignated	Total
Currency Forwards Interest Rate Swaps Others (to be specified)										
Total Derivative Liabilities										

Note 3 - Investments - Policyholders #

Investments	Current year							Previous Year						
	Amortised cost	At Fair Value				Others*	Total	Amortised cost	At Fair Value				Others*	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss	Sub-Total				Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss	Sub-Total		
I. In India														
Government securities														
Debt securities														
Equity instruments														
Mutual funds														
Subsidiaries, associates and joint ventures														
Others (specify)														
Total – Gross (A)														
Less: Impairment loss(B)														
Total – Net C= (A)-(B)														
II. Outside India														
Government securities														
Debt securities														
Equity instruments														
Mutual funds														
Subsidiaries, associates and joint ventures														
Others (specify)														
Total – Gross (D)														
Less: Impairment loss(E)														
Total – Net F=(D)-(E)														
Total Investments														
Gross (G) = (A) + (D)														
Less: Impairment loss (H)=(B) + (E)														
Total – Net I= (G)-(H)														

 # Investments backing insurance contracts and investment contracts to be given separately.
*** Other basis of measurement such as cost may be explained as a footnote**

Note 4 - Investments - Shareholders														
	Current year							**Previous Year**						
	Amortised	**At Fair Value Others**				**Others***	**Total**	**Amortised**	**At Fair Value Others**				**Others***	**Total**
Investments	**cost**	**Through Other Comprehensive Income**	**Through profit or loss**	**Designated at fair value through profit or loss**	**Sub-Total**			**cost**	**Through Other Comprehensive Income**	**Through profit or loss**	**Designated at fair value through profit or loss**	**Sub-Total**		
I. In India														
Government securities														
Debt securities														
Equity instruments														
Mutual funds														
Subsidiaries, associates and joint ventures														
Others (specify)														
Total – Gross (A)														
Less: Impairment loss (B)														
Total – Net C= (A)-(B)														
II. Outside India														
Government securities														
Debt securities														
Equity instruments														
Mutual funds														
Subsidiaries, associates and joint ventures														
Others (specify)														
Total – Gross (D)														
Less: Impairment loss (E)														
Total – Net F=(D)-(E)														
Total Investments														
Gross (G) = (A) + (D)														
Less: Impairment loss H=(B) +(E)														
Total – Net I=(G)-(H)														
* Other basis of measurement such as cost may be explained as a footnote														

Note 5 - Investment property						
Particulars	**Policyholders**		**Shareholders**		**Total**	
	Current Year	**Previous year**	**Current Year**	**Previous year**	**Current Year**	**Previous year**
LAND						
At the beginning of the year						
Additions						
Disposals						
Reclassification from/to held for sale						
Other adjustments (please specify)						
At the end of the year						
Accumulated impairment as at the beginning of the year						
Disposals						
Impairment/(reversal of impairment)						
Reclassification from/to held for sale						
Other adjustments (please specify)						
Accumulated impairment as at the end of year						
Net carrying amount as at the end of the year(A)						
BUILDINGS						
At the beginning of the year						
Additions						
Disposals						
Reclassification from/to held for sale						
Other adjustments (please specify)						
At the end of the year						
Accumulated depreciation and impairment as at the beginning of the year						
Depreciation for the year						
Disposals						
Impairment/(reversal of impairment)						
Reclassification from/to held for sale						
Other adjustments (please specify)						
Accumulated depreciation and impairment as at the end of year						
Net carrying amount as at the end of the year (B)						
Investment property under Construction (C)						
TOTAL (D)= (A) + (B)+(C)						

Note 6- Loans														
Particulars	**Current year**							**Previous Year**						
	Amortised cost	**At Fair Value Others**				**Others***	**Total**	**Amortised cost**	**At Fair Value Others**				**Others***	**Total**
		Through Other Comprehensive Income	**Through profit or loss**	**Designated at fair value through profit or loss**	**Sub-Total**				**Through Other Comprehensive Income**	**Through profit or loss**	**Designated at fair value through profit or loss**	**Sub-Total**		
A. Security Wise Classification														
Secured (A)														
(a) On mortgage of property														
i) In India														
ii) Outside India														
(b) On Shares, Bonds, Govt. Securities, etc.														
(c) Loans against policies														
(d) Others (to be specified)														
Unsecured (B)														
Gross (C)=(A)+(B)														
Less Impairment loss (D)														
Net (E)= (C)-(D)														
B. BORROWER-WISE CLASSIFICATION														
(a) Central and State Governments														
(b) Banks and Financial Institutions														
(c) Subsidiaries														
(d) Other Companies														
(e) Loans against policies														
(f) Others (to be specified)														
Gross (F)														
Less Impairment loss (G)														
Net (H)=(F)-(G)														
C. PERFORMANCE-WISE CLASSIFICATION														
(a) Loans classified as standard														
i) In India														
ii) Outside India														
(b) Non-standard loans less provisions														
i) In India														
ii) Outside India														
Gross (I)														
Less Impairment loss (J)														
Net (K)=(I)-(J)														
TOTAL														
*** Other basis of measurement such as cost may be explained as a footnote**														

Note 7 - Reinsurance Assets		
Particulars	**Current Year**	**Previous Year**
Recoverable at the beginning of the year		
Recoveries for the year		
Outstanding claims reserve		
IBNR		
Unearned premium		
Premium deficiency reserve		
Others (to be specified)		
Recoverable at the end of the year		

Note 8-Other Financial Assets		
Particulars	**Current Year**	**Previous Year**
Dividends Receivable		
Interest Accrued		
Rent Receivables		
Application money for investments		
Due from policyholders		
Due from reinsurers		
Due from insurers		
Due from Insurance agents, Insurance Intermediaries		
Others (to be specified)		
Total		

Note 9 -Property, plant and equipment

Particulars	**Land**		**Buildings***		**Equipment**		**Furniture and Fittings**		**Vehicles**		**Others (to be specified)**		**Total**		
	Freehold	**Leasehold**	**Freehold**	**Leasehold**	**Owned**	**Leased**	**Owned**	**Leased**	**Owned**	**Leased**	**Owned**	**Leased**	**Owned**	**Leased**	**Total**
Previous Year															
At cost or fair value at the beginning of the year															
Additions															
Revaluation adjustment, if any															
Disposals															
Reclassification from/to held for sale															
Other adjustments (please specify)															
At cost or fair value at the end of the year															
Accumulated depreciation and impairment as at the beginning of the year															
Depreciation for the year															
Disposals															
Impairment/(reversal) of impairment															
Reclassification from/to held for sale															
Other adjustments (please specify)															
Accumulated depreciation and impairment as at the end of year															
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)															
Current year															
At cost or fair value at the beginning of the year															
Additions															
Revaluation adjustment, if any															
Disposals															
Reclassification from/to held for sale															
Other adjustments (please specify)															
At cost or fair value at the end of the year															
Accumulated depreciation and impairment as at the beginning of the year															
Depreciation for the year															
Disposals															
Impairment/(reversal) of impairment															
Reclassification from/to held for sale															
Other adjustments (please specify)															
Accumulated depreciation and impairment as at the end of year															
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 10 - Other assets (Other than intangible assets)		
Particulars	**Current Year**	**Previous Year**
Deposits with ceding companies Prepayments Stamps on Hand Others (to be specified)		
Total Other Assets		

Note 11- Goodwill		
Particulars	**Current year**	**Previous year**
At cost, beginning of the year Additions Disposals Other adjustments (to be specified)		
Total cost		
Accumulated impairment: At beginning of the year Additions Disposals Other adjustments (to be specified)		
Total impairment		
Net carrying amount		

Note 12- Other Intangible assets			
Particulars	**Software**	**Others (to be Specified)**	**Total**
Previous Year			
At cost or fair value at the beginning of the year Additions Disposals Other adjustments (to be specified) *At cost or fair value at the end of the year* *Accumulated amortization and impairment at beginning of the year* Amortization 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)			
Current Year			
At cost or fair value at the beginning of the year Additions Disposals Other adjustments (to be specified) *At cost or fair value at the end of the year* *Accumulated amortization and impairment at beginning of the year* Amortization 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 13 - Investment contracts liabilities		
Particulars	**Current Year**	**Previous Year**
Gross Liability at the beginning of the year *Add/(Less)* Change in liability arising from investment contracts *Gross Liability at the end of the year*		

Note 14 – Reinsurers share in investment contracts liabilities		
Particulars	**Current Year**	**Previous Year**
Recoverable at the beginning of the year Reinsurers share in change in investment contract liabilities *Recoverable at the end of the year*		

Note 15 - Insurance contracts liabilities		
Particulars	**Current Year**	**Previous Year**
Gross Liability at the beginning of the year		
Add/(Less)		
Change in outstanding claims reserve		
Change in IBNR		
Changes in unearned premium		
Changes in provision for premium deficiency		
Others (to be specified)		
Gross Liability at the end of the year		
Movement in each item shall be shown separately		

Note 16 - Insurance contracts liabilities for reinsurance accepted		
Particulars	**Current Year**	**Previous Year**
Gross Liability at the beginning of the year		
Add/(Less)		
Change in outstanding claims reserve		
Change in IBNR		
Changes in unearned premium		
Changes in provision for premium deficiency		
Others (to be specified)		
Gross Liability at the end of the year		

Note 17- Borrowings		
Particulars	**Current Year**	**Previous Year**
Debentures/Bonds		
Borrowings from Banks		
Borrowings from Financial Institutions		
Others (to be specified)		
Total		

Note 18 - Other financial liabilities		
Particulars	**Current Year**	**Previous Year**
Balances due to Agents and other Intermediaries		
Balances due to Other Insurers		
Reinsurance Payables		
Sundry Creditors		
Unclaimed amounts		
Others (to be specified)		
Total		

Note 19: Other Liabilities		
Particulars	**Current Year**	**Previous Year**
Deposits held on reinsurance ceded Premiums received in advance Unallocated Premium Rates and Taxes Payable Others (to be specified)		
Total Other Liabilities		

Note 20- Provisions		
Particulars	**Current Year**	**Previous Year**
For defined benefit plans Others (to be specified) **Total Provisions**		

Additional disclosures forming part of Balance Sheet

21.

a) **Contingent Liabilities and Commitments** (to the extent not provided for)

1. Contingent Liabilities shall be classified as:

   i). Claims, other than those under policies, not acknowledged as debt

   ii). Reinsurance obligations;

   iii). Statutory demands/liabilities in dispute, not provided for;

   iv). Other money for which the company is contingently liable.

2. 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).

b) Encumbrances to assets of the company in and outside India.

c) Contracted amount in relation to investments for:

   i). Purchases where deliveries are pending;

   ii). Sales where payments are overdue.

22. Extent of risk retained and reinsured in respect of insurance contracts.

23. Claims settled and remaining outstanding for a period of more than six months on the balance sheet date.

24. 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.

25. 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 the company shall attach to the Balance Sheet a "Balance Sheet" as at the beginning of the earliest comparative period shall be presented.

26. 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'.

27. 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 requirements in this regard applicable to borrowings shall be applicable *mutatis mutandi* to such redeemable preference shares.

28. 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'.

29. All liabilities related to investment contracts including those contracts having insignificant insurance risk shall be disclosed in Note 13: Investment Contracts Liabilities

30. The minimum 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 under Statement of Changes in Equity. Any contribution in excess of the minimum assigned capital shall be classified in accordance with relevant Ind AS.

31. Actuarial assumptions in valuation of claims in case of general insurance business

Part IV

STATEMENT OF PROFIT AND LOSS, REVENUE (POLICYHOLDERS') and PROFIT & LOSS (SHAREHOLDERS') ACCOUNTS

Statement of Profit and Loss of .... (Name of insurance company)			
for the period ended			
Particulars	**Note No.**	**Current Year**	**Previous Year**
Gross Earned Premium	32		
Investment Income	33		
Commission Received on Reinsurance Ceded	34		
Net gain on fair value changes	35		
Net gain on derecognition of financial assets at amortised cost			
Recoveries from Reinsurers- Claims			
Other Income	36		
Total Income			
Premium on Reinsurance Ceded			
Gross Incurred Claims	37		
Net change in insurance contract liabilities			
Acquisition cost	38		
Employee benefits	39		
Impairment loss (including reversals)	40		
Net losses on fair value changes	35		
Net loss on derecognition of financial assets at amortised cost			
Finance cost	41		
Other expenses	42		
Total Expenses			
Profit / (Loss) before tax and Exceptional Items			
Exceptional Items			
Profit/ (Loss) before tax			
Income tax Expense	43		
Profit /(Loss) from continuing operations (A)			
Profit /(Loss) from discontinued operations			
Tax expense of discontinued operations			
Profit/(loss) from discontinued operations (after tax) (B)			
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 **Subtotal** 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			
Subtotal			
Total Other Comprehensive Income (C)			
Total Comprehensive Income (A+B+C)			
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) the period (for discontinued and continuing operations)			
(1) Basic (2) Diluted			

STATEMENT OF PROFIT AND LOSS, REVENUE (POLICYHOLDERS') and PROFIT & LOSS (SHAREHOLDERS') ACCOUNTS
For the period.....

Name of insurance company
Registration No. ....Date of Registration

Particulars	Note No.	Current Year			Previous Year		
		Revenue (Policyholders) Account	Profit & Loss (Shareholders) Account	Total as per Statement of Profit & Loss	Revenue (Policyholders) Account	Profit & Loss (Shareholders) Account	Total as per Statement of Profit & Loss
Gross Earned Premium	32						
Investment Income	33						
Commission Received on Reinsurance Ceded	34						
Net gain on fair value changes	35						
Net gain on derecognition of financial assets at amortised cost							
Recoveries from Reinsurers- Claims/							
Other Income	36						
Total Income							
Premium on Reinsurance Ceded	32						
Gross Incurred Claims	37						
Net change in insurance contract liabilities							
Acquisition cost	38						
Employee benefits	39						
Impairment loss (including reversals)	40						
Net losses on fair value changes	35						
Net loss on derecognition of financial assets at amortised cost							
Finance cost	41						
Other expenses	42						
Total Expenses							
Surplus (Deficit)/Profit (Loss) before Tax and Exceptional items							
Exceptional Items							
Surplus (Deficit)/Profit (Loss) before Tax							
Income Tax Expense	43						
Surplus (Deficit)/Profit (Loss) from continuing operations (A)							
Surplus (Deficit)/Profit (Loss) from discontinued operations							
Tax expense from discontinued operations							
Surplus (Deficit)/Profit (Loss) from discontinued operations after Tax (B)							
Surplus (Deficit)/Profit (Loss) for the period (C) = (A) + (B)							
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							
Subtotal							
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							
Subtotal							
Total Other Comprehensive Income (D)							
Total Comprehensive Income E= (C) + (D)							
Deficit Funding from Shareholders to Policyholders (F)							
Transfer to Shareholders Account (G) = (E) + (F)							

Notes to statement of profit and loss

Note 32 - Gross Earned Premium		
Particulars	**Current Year**	**Previous Year**
Premium from direct business written		
Premium on reinsurance accepted		
Adjustment for change in reserve for unexpired risks (+/-)		
Total Gross Earned Premium(A)		

Premium on reinsurance ceded

Reinsurance Premium ceded on direct business		
Reinsurer's share of reinsurance accepted		
Reinsurer's share of adjustment for change in reserve for unexpired risks		
Premium on reinsurance ceded (B)		
Net earned premium (C) = (A)- (B)		

Gross Written Premium	**Current Year**	**Previous Year**
- In India		
- Outside India		
Total Gross Written Premium		

Note 33 - Investment Income		
Particulars	**Current Year**	**Previous Year**
Rental Income from Investment properties Interest on financial assets classified as: Fair value through OCI Amortised Cost Dividend		
Total Investment Income		

Note 34 –Commission received on reinsurance ceded		
Particulars	**Current Year**	**Previous Year**
Reinsurance commission on business ceded (direct) Reinsurance commission on business ceded (reinsurance accepted) Others		
Total		

Note 35- Net gain/(loss) on fair value changes *		
Particulars	**Current Year**	**Previous Year**
a) Investments classified atFair Value Through Profit or Loss b) Investments designated at Fair Value Through Profit or Loss c) Derivatives at Fair Value Through Profit or Loss d) Other Financial Instruments classified as Fair Value Through Profit or Loss e) Other Financial Instruments designated at Fair Value Through Profit or Loss f) Reclassification adjustments g) Realised gain on debt instruments classified as Fair Value Through OCI h) Others (to be specified)		
Total Net gain/(loss) on fair value changes (A)		
Fair Value Changes Realised Unrealised		
Total Net gain /(loss) on fair value changes (B) to tally with (A)		

**Total Fair Value changes includes ..xxx (PY: Rs.xxx) interest received in respect of investments classified/designated as Fair Value Through Profit or Loss.*

Note 36 - Other Income		
Particulars	**Current Year**	**Previous Year**
Net foreign exchange gain Fee Income on Derivative and Guarantee Contracts Interest on Loans (other than those related to investment income, covered in Note 31) Others (to be specified)		
Total Other Income		

Note37 - Gross Incurred Claims		
Particulars	**Current Year**	**Previous Year**
Gross Claims paid Gross change in claims outstanding during the year		
Gross Incurred Claims (A)		
Recovery from reinsurers – claims		
Reinsurer’s share in gross claims paid		
Reinsurers share in change in claims outstanding during the year		
Recovery from reinsurers – claims (B)		
Net Incurred Claims (C) = (A)-(B)		

Note 38 - Acquisition cost		
Particulars	**Current Year**	**Previous Year**
Commission paid: Direct		
Commission on Reinsurance Accepted		
Medical & inspection expenses		
Others (to be specified)		
Acquisition Cost for Insurance Contracts		

Note 39 - Employee benefits		
Particulars	**Current Year**	**Previous Year**
Salaries and wages including bonus		
Post employment benefits		
Employee Share Based Payments		
Others		
Total		

Note 40 - Impairment loss (including reversals)		
Particulars	**Current Year**	**Previous Year**
Impairment on		
Financial assets		
Investment Property		
Property, plant & equipment		
Goodwill		
Other Intangible assets		
Total Impairment Loss		

Note 41 - Finance cost		
Particulars	**Current Year**	**Previous Year**
Interest on financial liabilities measured at amortised cost		
Dividend on redeemable preference shares treated as liability		
Dividend distribution tax on redeemable preference shares treated as liability		
Others (to be specified)		
Total Finance Cost		

Note 42 - Other Expenses		
Particulars	**Current Year**	**Previous Year**
Travel & conveyance		
Rent		
Rates & taxes (excluding taxes on income)		
Energy cost		
Repairs & maintenance		
Printing and stationery		
Communication expenses		
Legal and professional charges		
Auditor's fees for		
audit of the financial statements		
taxation matters		
company law matters		
other services		
reimbursement of expenses		
Advertisement and publicity		
Bank charges		
Depreciation & amortisation expenses		
Net foreign exchange loss		
Acquisition Cost for Financial Instruments classified/designated as FVTPL		
Miscellaneous expenses		
Total Other Expenses		

Note 43 - Income Tax Expense		
Particulars	**Current Year**	**Previous Year**
Current Tax		
Deferred Tax		
Total Income Tax Expense		

Additional disclosures in the notes

44. Basis of allocation and apportionment of expenses (other than Commission) to various classes of insurance business.

45 Computation of managerial remuneration.

46 Extent of premium income recognised for general insurance business, based on varying risk pattern, category wise, with basis and justification therefor, including whether reliance has been placed on external evidence.

47 Apart from the requirement of reflecting the Revenue Account as required under clause 1 (c) of Part I of Schedule B, the insurance entity shall also present segment information in accordance with the Ind AS as applicable

48 Premium to be shown net of service tax collected from the policyholders.

49 Items of expense and income in excess of one percent of the total premium (less reinsurance) or ₹ 5 lakh whichever is higher shall be shown separately

Part V
OTHER DISCLOSURES

50. Percentage of business sector-wise (Rural Sector, Social Sector and Motor TP)

51. Details of various penal actions taken by various Government Authorities shall be disclosed as may be prescribed by the Authority;

52. Unclaimed amounts of policyholders shall be disclosed as may be prescribed by the Authority;

53. A summary of financial statements for the last five years, in the manner as may be prescribed by the Authority;

54. Accounting Ratios as may be prescribed by the Authority.

IRDA/F&A/ORD/ACTS/201/11/2015

17 November 2015

ORDER

The Insurance Regulatory and Development Authority of India (the Authority) has taken a stand that insurance sector in India would be converged with IFRS after the revised standard on Insurance Contracts viz., IFRS 4 is pronounced by IASB. The same was also conveyed to Ministry of Corporate Affairs (MCA). The MCA has considered the same and vide notification dated 16th February 2015 has exempted the insurance sector from the applicability of Ind AS (equivalent of IFRS in India). While the revised standard IFRS 4 is still under finalisation, in order to prepare the Indian insurance sector towards convergence with Ind AS, the Authority, hereby constitutes an Implementation Group to lay down a roadmap for the same.

The Implementation Group shall 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.

The terms of reference of the Implementation Group are as under:

i. Review the applicability of Ind AS notified by MCA in the insurance sector
ii. Study the impact of Ind AS on the insurance sector
iii. Identify issues involved in implementation of Ind AS
iv. Provide the roadmap in addressing the IT system requirements on an ongoing basis
v. Identify IRDAI Regulations/stipulations which need to be reviewed in the light of Ind AS implementation
vi. Identify legislative amendments, if any, which may be required to converge towards Ind AS
vii. Prepare formats for the financial statements of insurers under Ind AS
viii. Draft application guides/education material to facilitate smooth convergence
ix. Recommend measures for capacity building among various stakeholders for implementation
x. Suggest measures to deal with any other tasks related to implementation of Ind AS

परिश्रम भवन, तीसरा तल, बशीरबाग, हैदराबाद-500 004. भारत
✆ : 91-040-2338 1100, फैक्स: 91-040-6682 3334
Parisharam Bhavan, 3rd Floor, Basheer Bagh, Hyderabad-500 004. India.

The members of the Group are as under:

Chairperson

Smt. V.R Iyer, Member (F&I), IRDAI

1. President of ICAI
2. Shri P.R. Ramesh, Deloitte Haskins & Sells, Chartered Accountants
3. Shri Ashutosh Pednekar, M.P. Chitale & Co. Chartered Accountants

Life Insurers-Representatives

4. Shri Thamodaran, ED-F&A, Life Insurance Corporation of India
5. Shri Satyen Jambunathan, ICICI Prudential Life Insurance Co. Ltd.

Non-Life Insurers-Representatives

6. Shri Girija Kumar, GM, United India Insurance Co. Ltd.
7. Shri Venugopalan CFO, Future Generali Insurance Co. Ltd.

IRDAI Officials

8. Dr. Mamta Suri, Sr.JD (F&A)
9. Shri S.N. Jayasimhan, JD(Investments)

Shri R.K. Sharma, JD (F&A) will be the Member Secretary.

Sr.JD/JD from Actuarial/Life/Non-Life/Health departments will be invited on need basis.

The Implementation Group shall at a minimum form sub-groups to focus on issues specific to life and 'other than life' insurance business. The sub groups shall focus on impact and changes required on the following aspects:

1. Financial Statements, Disclosures and Audit Report
2. Investments
3. Solvency Margin

Shri Shardhul Admane, DD (F&A) and Smt. B. Padmaja, DD-F&A shall be member convenors for 'Other than Life' and Life sub-groups respectively.

The Implementation Group and sub-groups 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 Members in attending various meetings will be reimbursed as per the norms of the Authority.

The Implementation Group shall submit its report in three months

Chairman

List of Select Abbreviations

DAC	: Deferred Acquisition Costs
ECL	: Expected Credit Losses
EU	: European Union
FIMMDA	: Fixed Income Money Market and Derivatives Association of India
FVTOCI /FVOCI	: Fair Value Through Other Comprehensive Income
FVTPL	: Fair Value through Profit and Loss Account
GAAP	: Generally Accepted Accounting Principles
GoI	: Government of India
IAS	: International Accounting Standards
IAI	: Institute of Actuaries of India
IASB	: International Accounting Standards Board
ICAI	: Institute of Chartered Accountants of India
IFRS	: International Financial Reporting Standards
Ind AS	: IFRS converged Indian Accounting Standards notified by Ministry of Corporate Affairs, Government of India
IRDAI	: Insurance Regulatory and Development Authority of India
LAT	: Liability Adequacy Test
MCA	: Ministry of Corporate Affairs
NBFC	: Non-Banking Financial Companies
OCI	: Other Comprehensive Income
RBI	: Reserve Bank of India
SOCE	: Statement of Changes in Equity
UPPS	: Undistributed Participating Policyholders Surplus

Details of members and meetings of Sub-Groups

Sub-Group on Ind AS 104

1. The Sub-Group on Ind AS 104 was formed with the following were the members:
    1. Shri Ashutosh Pednekar, M P Chitale & Co. - Sub-Group Head
    2. Shri Rajesh Dalmia, Institute of Actuaries of India
    3. Shri P K Arora, Life Insurance Corporation of India
    4. Shri Prodeep Mahapatra, Kotak Old Mutual Life Insurance Company Limited
    5. Shri Mahesh Kumar, Max Bupa Health Insurance Limited
    6. Shri V Manickam, Life Insurance Council
    7. Smt. Asha Murali, ICICI Prudential Life Insurance Company Limited
    8. Shri Mehul Anantrai Shah, Kotak Mahindra General Insurance Company Limited
    9. Shri S B Zaware, Institute of Chartered Accountants of India
    10. Smt J Meena Kumari, CGM, IRDAI
    11. Shri S N Jayasimhan, GM, IRDAI
    12. Shri S P Chakrabarty, GM, IRDAI
    13. Shri Shardul Admane, DGM, IRDAI
    14. Shri Neelesh Gupta, AGM, IRDAI

2. After the initial two meetings it was felt that some more members need to be included in the Sub-Group. Accordingly, the following were invited to join the Sub-Group
    1. Shri Tarun Rustagi, PNB Metlife Insurance Company Limited
    2. Shri Mathew Verillaud, Bharti Axa General Insurance Company Limited
    3. Shri G Sai Kumar, Star Union Dai-ichi Life Insurance Company Limited
    4. Shri Murtuza Vajihi, M P Chitale & Co.

3. The Sub-Group meetings were also attended by Dr. Mamta Suri, CGM, IRDAI; Shri R. K Sharma, GM, IRDAI; Smt. B. Padmaja, DGM, IRDAI; and Shri Y. Srinivas, OSD, IRDAI. Following persons attended one of the Sub-Group meetings: Shri R. Chandrasekaran, General Insurance Council; Shri P.H. Kutumbe, LIC of India; Shri V. Chandrasekaran, LIC of India; Shri R. Thamodharan, LIC of India; Shri Ajit Banerjee, Bharti Axa General Insurance Co. Ltd.; Shri Jitendra Attra, Munich Re; Shri Ammu Venkataramana, DGM, IRDAI.

4. The Sub-Group held five meetings on January 8, 2016, January 19, 2016, February 16, 2016, April 11, 2016 and May 31, 2016. The Report of the Sub-Group was discussed at the meeting of the IG held on August 1, 2016 at Mumbai and on October 19, 2016 at Hyderabad.

Sub-Group on Ind AS 109

1. The Sub-Group on Ind AS 109 was formed with the following members[1]:

1 Shri V. Venkataramanan, B.S.R & Co. LLP - Sub-Group Head
2 Shri V. Chandrasekaran, LIC of India
3 Shri R. Thamodharan, LIC of India
4 Shri Anand Subramanian, Partner, Deloitte
5 Shri Krishnamurthy, L&T General Insurance Co. Ltd.
6 Shri Miranjit Mukherjee, Tata AIG General Insurance Co. Ltd.
7 Shri Manickam V, Life Insurance Council
8 Shri Chandrasekaran R, General Insurance Council
9 Dr. Mamta Suri, CGM, IRDAI
10 Shri S.N. Jayasimhan, GM, IRDAI
11 Shri R.K. Sharma, GM, IRDAI
12 Shri Srinivas Rao OSD, IRDAI

2. The Sub-Group meetings were also attended by Shri P. Kutumbe, ED (Investments), LIC of India; Shri S.K. Rangaswamy, Cholamandalam MS General Insurance Co. Ltd.; Shri Manish C. Iyer, the then DD, ICAI; Ms. Nikita Buthra, ICAI; Shri S. Skandan, General Insurance Council; Shri P. Sridhara Rao, LIC of India; Smt. J. Meena Kumari, CGM, IRDAI; Shri A. Ramana Rao, GM, IRDAI; Shri Prassad Rao K. DGM, IRDAI; Shri Shardul Admane, DGM, IRDAI; Smt. B Padmaja, DGM, IRDAI; Shri M. Shyam Sundar, Manager, IRDAI; and Shri Arashdeep Singh, Assistant, IRDAI.

3. The Sub-Group meetings were held on January 11, 2016, February 16, 2016 and July 5, 2016.

[1] Shri Rajesh Dalmia, Nominee of IAI, Shri Ramaswamy, Star Health and Allied Insurance Co. Ltd. and Shri Gopalarathnam, Cholamandalam MS General Insurance Co. Ltd were also members but they were not able to attend the meetings of the Sub-Group.

Sub-Group on All Ind AS

1. The "Implementation Group on Ind AS formed under order reference IRDA/F&A/ORD/ACTS/201/11/2015 date November 17, 2015 in the first meeting formed Sub-Groups for allocation of work and specific focus.

2. The following three Sub-Groups were formed interalia:

a) Life-all Ind AS standards on Life Business
b) Other than Life-All Ind AS standards on other than life business
c) All Other Ind AS

3. After the first meeting of the each of the Sub-Groups held on 30th December 2015, 1st January 2016 and 7th January 2016 respectively, in the second meeting of the Implementation Group, it was decided to re-organise the groups. Accordingly, this Sub-Group titled "All Ind AS - Life and 'other than' life business" was formed to work on all Ind AS (other than Ind AS 104 and Ind AS 109) by merging the three Sub-Groups indicated above.

4. The members of the Sub-Group were[1]

1 Shri Satyan Jambunathan, ICICI Prudential Life Insurance Co. Ltd.
2 Shri. P.S. Prabhakar, Chartered Accountant
3 Shri Rajesh Dalmia, Institute of Actuaries of India
4 Shri P.K. Arora, Life Insurance Corporation of India
5 Shri Srinivasan Parthasarathy, HDFC Standard Life Insurance Co. Ltd.
6 Shri K.S. Gopalakrishnan, Aegon Life Insurance Co. Ltd.
7 Shri Rajeev Kumar, Bharti Axa Life Insurance Co. Ltd.
8 Shri Amit Jain, Birla Sunlife Insurance Co. Ltd.
9 Shri Girija Kumar, United India Insurance Co. Ltd
10 Shri A K Mittal, Oriental Insurance Co. Ltd
11 Shri Manalur Shandilya, Actuary
12 Shri Miranjit Mukherjee, TATA AIG General Insurance Co.Ltd
13 Shri Manish Iyer, Collaborative Technical Cell
14 Shri Manickam, Life Insurance Council
15 Shri S. Venugopalan, Future Generali India Insurance Co. Ltd.
16 Shri Krishnamurthy, L&T General Insurance Co. Ltd.
17 Shri Nilesh Shivji Vikamsey nominated by ICAI
18 Shri Mahesh Kumar, Max Bupa Health Insurance Co. Ltd.
19 Shri Chandra Prasad, Ex- CMD, National Insurance Co. Ltd.

[1] Shri Subodh Agarwal representative from Institute of Chartered Accountants of India was member of Sub-Group on Life: All Ind AS on life insurance business. Shri Mehul A. Shah, Kotak Mahindra General Insurance Co. Ltd. and Shri Ramaswamy, Star Health and Allied insurance Co. Ltd. were members of the Sub-Group on 'All Other Ind AS'. Shri Sanjay Vasudeva, Central Council Member and member of Accounting Standards Board was also a member of the merged Sub-Group on All Ind AS. They were however, not able to attend the meetings of the Sub-Groups

20 Shri R. G. Rajan,, Chartered Accountant
21 Shri Gopal Balachandran, ICICI Lombard General Insurance Co. Ltd.
22 Shri R. Chandrasekhar-General Insurance Council
23 Dr. Mamta Suri, CGM, IRDAI
24 Smt. J. Meena Kumari, CGM, IRDAI
25 Shri S. N. Jayasimhan, GM, IRDAI
26 Shri R.K. Sharma, GM, IRDAI
27 Smt. J. Anita, DGM, IRDAI
28 Shri Sudipta Bhattacharya, DGM, IRDAI
29 Smt. B. Padmaja DGM, IRDAI
30 Smt. Uma Maheswari, AGM, IRDAI

5. Shri Satyan Jambunathan and Shri P.S. Prabhakar were the Co-Sub-Group heads of the merged group. Shri S. Venugopalan was the Sub-Group head of 'All Other Ind AS'.

6. Shri Fagun Pancholi, HDFC Standard Life Insurance Co. Ltd.; Smt. Asha Murali, ICICI Prudential Life Insurance Co. Ltd.; Shri S.K. Rangaswamy, Cholamandalam MS General Insurance Co. Ltd.; Shri Manish Falor, Aegon Life Insurance Co. Ltd.; Shri Nilesh Kambli, ICICI Lombard General Insurance Co. Ltd.; Shri Ammu Venkataramana, DGM, IRDAI; Shri Shardul Admane, DGM, IRDAI; Shri Y. Srinivas Rao, OSD, IRDAI; Shri G. Rambabu, AGM, IRDAI; Smt. Jamuna Choudhary, AGM, IRDAI; and Shri Bhaskar Roy, Assistant, IRDAI also attended meetings of the Sub-Groups/ merged Sub-Group.

7. The meeting of the merged Sub-Group was held on August 24, 2016. There were detailed deliberations on the recommendations of the Sub-Group to finalize the report, specifically on Ind AS 7: Cash Flow Statements and Ind AS 40: Investment Property.

8. To decide on the provisions to be made applicable to general insurance companies as regards Ind AS 40, a small group was formed as under:

i). Shri P.S. Prabhakar
ii). Shri Girija Kumar
iii). Shri Manalur Sandilya
iv). Shri Gopal Balachandran

9. This Sub-Group has dealt with All other Ind AS for both life and 'Other than life' sector and the recommendations are based on both Life and 'Other than life' industry view.

Sub-Group on Complete Formats of Financial Statements, Disclosures and Solvency Returns

1. Following preliminary discussions of various Sub-Groups formed under the Implementation Group on Ind AS constituted vide order reference IRDA/F&A/ORD/ACTS/201/11/2015 dated November 17, 2015 some of the work streams were merged. The following two Sub-Groups were merged:

a) Disclosures-Sub-Group headed by Shri R. Thamodharan, ED,LIC of India
b) Complete Format of financial statements and solvency returns- Sub-Group headed by Dr. Avinash Chander, Technical Advisor, ICAI

2. The merged Sub-Group was called 'Complete Format of Financial Statements, Disclosures and Solvency Returns' (herein after referred to as the Sub-Group) and is jointly headed by Dr. Avinash Chander and Shri K.K. Singhal, ED, LIC of India.

3. Members of the merged Sub-Group[1] were:

1. Shri Avinash Chander, Technical Advisor, ICAI
2. Shri K.K. Singhal, ED, LIC of India
3. Shri Ramandeep Sahni, CFO, Bajaj Allianz Life Insurance Co. Ltd.,
4. Shri Sameer H. Shah, CFO, HDFC Ergo General Insurance Co. Ltd.,
5. Shri V. Krishnamurthy, L & T General Insurance Co. Ltd.
6. Shri S. Ramaswamy, Star Health & Allied Insurance Co. Ltd.
7. Shri Abhiranjan Gupta, HDFC Ergo General Insurance Co. Ltd.
8. Shri C. S. Subrahmanyam, Partner, M. Bhaskar Rao & Co.
9. Shri Sunder Krishnan, Reliance Life Insurance Co. Ltd.
10. Shri Chandra Prasad, Ex CMD National Insurance Co. Ltd.
11. Shri V. Manickam, Secretary, Life Insurance Council
12. Shri R. Chandrasekaran, Secretary, General Insurance Council
13. Dr. Mamta Suri, CGM, IRDAI
14. Shri S. N. Jayasimhan, GM, IRDAI
15. Shri R. K Sharma, GM, IRDAI
16. Shri Shardul Admane, DGM, IRDAI
17. Smt. B. Padmaja, DGM, IRDAI
18. Shri Keshav Rao, Manager, IRDAI-Convenor

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[1] Shri M.P. Vijay Kumar, Vice-Chairman, Accounting Standards Board, ICAI was also member of the Sub-Group. He was however, not able to attend the meetings of the Sub-Groups.

4. Shri Manish C. Iyer, the then DD, ICAI; Shri J. Venkateswarlu, former Council Member, ICAI, Smt. Geetanshu Bansal, Assistant Secretary, ICAI; Shri S. Skandan, Manager, General Insurance Council; Shri Y. Srinivasa Rao, OSD, IRDAI; Shri Bhaskar Roy, Assistant, IRDAI also attended various meetings of the Sub-Group.

5. Following the first meeting of the Sub-Group held on 4th January 2016 a drafting group was formed comprising the following members to work on the draft formats of presentation of financial statements for discussion:

1. Dr. Avinash Chander, Technical Advisor, ICAI
2. Dr. Mamta Suri, CGM, IRDAI
3. Shri Manish C. Iyer, Technical Director, Collaborative Technical Cell
4. Shri Ramandeep Sahni, CFO, Bajaj Allianz Life Insurance Co. Ltd.
5. Shri Sagar Lakhani, Director, KPMG India.
6. Shri Murtuza Vajihi, Partner, M.P. Chitale & Co.
7. Shri V. Krishnamurthy, CFO, L&T General Insurance Co. Ltd,
8. Shri Miranjit Mukherjee, CFO Tata AIG General Insurance Co Ltd

6. Shri Pranav Gune, Associate Director, Audit – FS, BSR Affiliates, Shri Shardul Admane, DGM, IRDAI and Smt. B. Padmaja, DGM IRDAI were also present in various meetings.

7. The Drafting Group met ten times between March 2016 to November 2016 in Mumbai , Hyderabad and New Delhi (22nd March, 6th May, 24th May, 1st June, 7th & 8th June, 21st June, 28th June, 4th July, 8th October and 8th November) and further interacted on mails and telephones to finalize the draft formats and report. The Report of the drafting group and formats were discussed by the Sub-Group at its meeting held on July 18, 2016. Views and comments of a representative of general insurance council were discussed and the revised updated report of the Sub-Group was presented to the main group in the meeting on August 1, 2016 and 19th October 2016

8. As per the discussions therein, changes to the formats were carried out. The draft of formats was shared with the following life and general insurance companies for a test run:

1. Bajaj Allianz Life Insurance Co. Ltd.
2. Star Union Dai Ichi Life Insurance Co. Ltd.
3. HDFC Standard Life Insurance Co. Ltd.
4. ICICI Prudential Life Insurance Co. Ltd.
5. Reliance Nippon Life Insurance Co. Ltd.
6. Life Insurance Corporation of India
7. ICICI Lombard General Insurance Co. Ltd.
8. Bajaj Allianz General Insurance Co. Ltd.

9. New India Assurance Company Ltd.
10 General Insurance Corporation of India

Issues and concerns arising out of test run carried out by some of them who had carried out the test run, were discussed at the meeting of the Sub-Group held on 14th September 2016, 8th October 2016 and 8th November 2016 before finalizing the report of this Sub-Group. The Sub-Group places on record efforts of these companies in carrying out the test run and facilitating finalization of the report of Sub-Group.

9. Shri Harvinder Jaspal, ICICI Prudential Life Insurance Co. Ltd.; Shri FagunPancholi, HDFC Standard Life Insurance Co. Ltd.; Shri Sai Kumar G., Star Union Dai-Ichi Life Insurance Co. Ltd.; Smt. Shefali Sehwani, ICICI Lombard General Insurance Co. Ltd.; Shri Titus Fancis, New India Assurance Co. Ltd.; Shri Ram Naresh, New India Assurance Co. Ltd.; Shri Rajesh Chugh, Aegon Life Insurance Co. Ltd.; Smt. Shika Hingad, Reliance Nippon Life Insurance Co. Ltd.; Shri Sandeep Patni, Reliance Nippon Life Insurance Co. Ltd.; and Shri Y. Venkata Rao, Star Union Dai Ichi Life Insurance Co. Ltd.; too participated in the deliberations on 14th September 2016.

Sub-Group: Transition Provisions: Ind AS 101:

1. The Sub-Group on Ind AS 101 was formed with the specific purpose to look into whether any transitional provisions /exemptions are required for insurance sector in addition to those provided in Ind AS 101 that would have an impact when Indian insurance entities switch over to Indian accounting standards (Ind AS).

2. The following were the members of the Sub-Group on Ind AS 101:

1. Dr. Avinash Chander, Institute of Chartered Accountants of India-Sub-Group Head
2. Shri Manish Iyer, Collaborative Technical Cell
3. Shri V. Chandra Sekhar, LIC of India
4. Smt. S. N. Rajeswari, New India Assurance Co. Ltd
5. Shri Rajeev Chug, Aegon Life Insurance Co. Ltd.
6. Shri Y. V. Rao, Star Union Dai Ichi Life Insurance Co. Ltd.
7. Shri V. Manickam, Life Insurance Council
8. Shri R. Chandrasekharan, General Insurance Council
9. Shri S. N. Jayasimhan, GM, IRDAI
10. Shri R. K. Sharma, GM, IRDAI
11. Shri Y. Srinivasa Rao, OSD, IRDAI
12. Smt. Jamuna Choudhary AGM, IRDAI - Member Convener*

* Smt. Jamuna Choudhary, AGM, IRDAI has been nominated as Member Convener in place of Shri Ammu Venkataramana DGM, IRDAI due to official exigencies.

3. The meetings of the Sub-Group were held on 4th January, 2016 and 14th September 2016 at IRDAI, Hyderabad.

4. Shri Harvinder Jaspal, ICICI Prudential Life Insurance Co. Ltd.; Smt. Shefali Sehwani, ICICI Lombard General Insurance Co. Ltd.; Smt. Geetanshu Bansal, ICAI; Shri K. K. Singhal, LIC of India; Shri Sandeep Patni, Reliance Nippon Life Insurance Co. Ltd.; Smt. Shikha Hingad, Reliance Nippon Life Insurance Co. Ltd.; Shri Ramandeep Sahni, Bajaj Allianz Life Insurance Co. Ltd.; Shri Fagun Pancholi, HDFC Standard Life Insurance Co. Ltd.; Dr. Mamta Suri, CGM, IRDAI; Shri Shardul Admane, DGM, IRDAI; Smt. B. Padmaja, DGM, IRDAI also attended the meeting of the Sub-Group.

***