

Consultation Paper for Implementation of Indian Accounting Standards (Ind AS) in Insurance Sector in India

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1. Executive Summary

The Insurance Regulatory and Development Authority of India (IRDAI) has issued this Consultation Paper to seek stakeholder feedback on the proposed implementation of Indian Accounting Standards (Ind AS) for insurers, following the notification of Ind AS 117 (Insurance Contracts) and Ind AS 109 (Financial Instruments) by the Ministry of Corporate Affairs. The proposal represents a significant step toward aligning India's insurance financial reporting framework with globally accepted standards converged with International Financial Reporting Standards (IFRS).

This paper outlines the rationale for transition, the existing legal and regulatory framework, international developments in insurance accounting, industry preparedness towards Ind AS, key policy considerations, proposed implementation approach, transitional arrangements, and required amendments to regulations. The objective is to ensure a smooth and structured transition to Ind AS aligning with global accounting standards.

1.1. Legal and Regulatory Framework for Current Financial Reporting

The preparation and presentation of financial statements by insurers in India are governed by a comprehensive legal and regulatory framework comprising the Insurance Act, 1938 (as amended), the Companies Act, 2013, and the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024 along with the Master Circular issued thereunder.

These provisions prescribe the form and manner of financial reporting, actuarial valuation of liabilities, investment valuation norms, solvency requirements, and regulatory filings, thereby supporting regulatory oversight, solvency monitoring, and policyholder protection.

In certain aspects, the existing framework differs from internationally accepted accounting standards, particularly in areas such as liability measurement, profit recognition, impairment of financial assets, and disclosure practices.

1.2. International Development in Insurance Accounting

International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), provide a globally accepted framework for transparent, consistent, and comparable financial reporting. The insurance sector has undergone significant reform with the introduction of IFRS 17 (Insurance Contracts) and IFRS 9 (Financial Instruments).

Globally, IFRS 17 has replaced IFRS 4 to establish a consistent, principle-based framework for insurance contracts, with implementation effective 1st January 2023 across major jurisdictions. Its widespread global adoption reflects the movement towards market-consistent insurance accounting frameworks that strengthen investor confidence and cross-border comparability.

1.3. Transition to Ind AS

The Ind AS, substantially converged with IFRS, are designed to enhance transparency, consistency, and comparability of financial reporting. While most corporate entities in India have adopted Ind AS, insurers continue to prepare financial statements under the existing regulatory framework prescribed under the Insurance Act, 1938 and IRDAI Regulations.

The current framework has provided a stable and prudential basis for reporting and regulatory oversight. However, in light of global convergence, notification of Ind AS 109 (Financial Instruments) and Ind AS 117 (Insurance Contracts), and widespread international adoption of IFRS 17, transition to Ind AS would enhance global comparability, introduce market-consistent measurement of liabilities, improve performance disclosures, and strengthen governance and risk management practices. It would also support investor confidence and facilitate greater participation of Indian insurers in global capital markets.

1.4. Industry Readiness and Preparatory Measures

IRDAI has adopted a structured and phased readiness approach since 2022, including constitution of a Mission Mode Team and an Ind AS Expert Committee, mandatory gap assessments, capacity-building initiatives, and submission of Ind AS compliant proforma financial statements.

Insurers conducted gap assessments covering data, systems, and resources, and have made significant progress in system upgrades, Contractual Service Margin (CSM) engine development and capacity building. Insurers across all phases have submitted proforma statements for FY 2023–24 (with most of the large insurers also for FY 2024–25), demonstrates industry preparedness for transition.

1.5. Key Policy Choices and Proposed Solutions

To ensure consistency with the Insurance Act, 1938 while aligning with Ind AS principles, the following policy positions are proposed:

a. **Policyholder and Shareholder Funds:** Primary financial statements (Balance Sheet, Statement of Profit and Loss, Statement of Changes in Equity, and Statement of Cash Flows) will be prepared at the entity level under Ind AS. Additionally, as per the provisions of Insurance Act, a separate Revenue Account for the policyholder fund will be prepared, and segregation of policyholder and shareholder funds will be maintained through relevant schedules.

b. **Annual Cohort Requirement:** Insurers to comply with the annual cohort requirement under Ind AS 117 for participating insurance contracts.

c. **Distribution of Surplus in Participating Business:** Actuarial surplus determined under Section 49 of the Insurance Act shall continue to govern surplus distribution, with shareholder participation capped at 10 per cent.

1.6. Proposed Implementation Approach

Insurers have substantially completed gap assessments and submitted proforma Ind AS financial statements, indicating a well-positioned preparedness for adoption of Ind AS. Also, an impact assessment is carried out to understand the financial implications of Ind AS.

Accordingly, IRDAI proposes implementation of Ind AS for all insurers, including Life Insurers, General Insurers, Health Insurers and Reinsurers with effect from 1st April 2026. Uniform adoption will align financial reporting with global standards and enhance transparency and comparability across the sector.
Further, during the first year of implementation, insurers shall obtain independent validation of the Ind AS financial statements from the IRDAI empanelled list of auditors in addition to the statutory audit of the financial statements.

1.7. Transitional Arrangements

a. **Parallel Reporting:** For the first year post-implementation, insurers will submit both Ind AS financial statements (statutory reporting) and IGAAP financial statements (special-purpose regulatory submission). This will facilitate assessment of the transition impact of Ind AS.

b. **Risk-Free Rate Alignment:** To ensure consistency, the IRDAI proposes aligning the Risk-Free Rate used under Ind AS with the methodology prescribed for its determination under the proposed Risk-Based Capital framework.

1.8. Revision in Regulatory Framework

Upon adoption of Ind AS, insurance contract liabilities will be measured in accordance with Ind AS 117 and financial instruments in accordance with Ind AS 109, while solvency will continue to be determined under the framework prescribed by the Authority.

Accordingly, the existing regulatory framework, including Schedule II of the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024, requires suitable revision to align with Ind AS. An Exposure Draft proposing the necessary amendments, including the revised formats for Ind AS compliant financial statements, has been prepared and is annexed for stakeholder feedback

1.9. Stakeholder Feedback

IRDAI proposes adoption of Ind AS for all insurers with effect from 1st April 2026 and invites stakeholder feedback on key aspects of the proposed transition. Comments are sought on implementation approach, parallel reporting requirements, policy choices, transitional arrangements, and additional disclosure. Further, comments are sought in the prescribed format on the Exposure draft on Insurance Regulatory and Development

Authority of India (Actuarial, Finance and Investment Functions of Insurers) (Amendment) Regulations, 2026.

2. Legal and Regulatory Framework for Current Financial Reporting

In India, the preparation of financial statements by insurers is governed by the Insurance Act, 1938 (the Act), the Companies Act, 2013 and IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024. Schedule II (Finance Functions) of the said regulations primarily prescribes the requirements relating to the preparation and presentation of financial statements by insurers.

These provisions collectively provide the legal foundation for financial reporting and oversight, with a statutory mandate to protect the interests of policyholders, maintain adequate solvency levels, and ensure the orderly development and stability of the insurance sector.

2.1. Insurance Act, 1938 {as amended by Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025}

The preparation and submission of financial statements by insurers are primarily governed by the following provisions of the Insurance Act, 1938:

a. **Section 11:** Requires insurers to prepare financial statements, including balance sheet, a profit and loss account, a separate account of receipts and payments, a revenue account and other financial statements in accordance with the regulations as may be specified.

b. **Section 12:** Requires financial statements to be audited annually by an Auditor.

c. **Section 13:** Requires every insurer, in each financial year, to arrange for an actuarial investigation into the financial condition of the business and to obtain a report from the Actuary on the results of such investigation.

d. **Section 15:** Requires that the audited accounts and statements be furnished to the Authority in the prescribed form and manner.

e. **Section 27 to 29:** Governs the investment of assets, which have a bearing on financial statement disclosures.

f. **Section 49:** Provides prudential framework governing the declaration of dividends and bonuses.

g. **Section 64VA:** Prescribes the requirement to maintain the prescribed solvency margin.

h. **Section 114A:** Empowers the Authority to frame regulations, including those relating to the preparation and presentation of financial statements and auditor's reports.

These sections along with other provisions of the Act establish the statutory obligation of insurers to prepare audited financial statements.

2.2. IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024

These Regulations consolidate Actuarial, Finance, and Investment requirements into a single framework. Schedule II (Finance Functions) of the said regulations, along with the Master Circular issued thereunder, prescribes the requirements relating to the preparation and presentation of financial statements by insurers. Key Requirements under the said Regulations are:

a. Preparation of Financial Statements in prescribed forms

a.1. Revenue Account (Policyholders' Account)

a.2. Profit and Loss Account (Shareholders' Account)

a.3. Balance Sheet

a.4. Receipts and Payments Account

a.5. Schedules relating to investments, policy liabilities, expenses, related party disclosures, etc.

b. Segregate Policyholders' and Shareholders' Funds: Financial statements to clearly distinguish between policyholder and shareholder funds.

c. Comply with Accounting Standards: Insurers are required to comply with Accounting Standards notified under the Companies Act, 2013, as applicable, subject to modifications prescribed by IRDAI (e.g., Cash Flow Statement under Direct Method, segmental reporting).

d. Actuarial valuation of insurance liabilities: Life insurers shall determine policy liabilities based on actuarial valuation, supported by certification of the Appointed Actuary. For general insurers, claims liabilities in respect of insurance contracts where the claim settlement period exceeds four years shall be recognised on an actuarial basis. In such cases, certification from the Appointed Actuary confirming the fairness and adequacy of the liability assessment shall be obtained.

e. Valuation of investments: Investments of the insurer shall be valued in accordance with the prescribed regulatory framework, based on the category of the asset (e.g. debt securities are measured at historical cost and equities are measured at fair value).

f. Going Concern basis: Financial statements must be prepared on a going concern basis with adequate internal control and internal audit systems.

g. Segmental Reporting: Separate reporting is required as follows:

g.1. Life Insurers: Non-Linked Business - Participating and Non-participating, Linked Business

g.2. General Insurers: Fire, Marine, Miscellaneous segment

h. **Investment and Solvency Disclosures:** Investments must comply with Sections 27 to 29 of the Act, and solvency position must comply with Section 64VA of the Act.

i. **Regulatory Filings:** Annual financial statements, along with auditor's report, Actuarial Report, and Solvency returns, shall be filed with IRDAI within the prescribed timelines.

2.3. Applicability of Companies Act, 2013:

Insurance companies are incorporated under the Companies Act, 2013, and are required to comply with applicable provisions thereof, including:

a. **Section 128:** Maintenance of books of account

b. **Section 129:** Preparation of financial statements giving a true and fair view

c. **Section 134:** Board approval of financial statements and Directors' Responsibility Statement

d. **Section 139:147**: Provisions relating to appointment, duties, and reporting of auditors

However, in the event of any inconsistency between the Companies Act, 2013 and the Insurance Act, 1938 or the regulations issued by IRDAI, the provisions of the Insurance Act and the applicable IRDAI Regulations shall prevail to the extent of such inconsistency.

3. International Developments in Insurance Accounting

3.1. International Financial Reporting Standards (IFRS)

IFRS issued by the International Accounting Standards Board (IASB), provide a globally accepted accounting framework designed to enhance consistency, transparency, and comparability of financial statements across jurisdictions.

IFRS provides high-quality, globally comparable financial information that benefits a wide range of stakeholders as indicated below.

a. **Investors/Analysts** gain from improved transparency and comparability, enabling better assessment of performance, risks, and long-term value.

b. **Insurers** benefit from more detailed and reliable financial information, which supports informed management decision-making, strengthens risk management and capital planning, and enhances their ability to attract global investors.

c. **Auditors** benefit from globally accepted principles and consistent methodologies under IFRS which enhance audit quality.

d. **Rating agencies** rely on standardised information to evaluate creditworthiness more accurately.

e. **Policyholders** and the public gain increased confidence in the financial stability and reliability of insurers through more transparent financial reporting.

f. **Regulators** benefit from consistent reporting that supports effective supervision and early identification of emerging industry risks.

Overall, IFRS contributes to more transparent and reliable financial reporting, thereby enhancing investor confidence.

The two most significant standards applicable to the insurance sector are IFRS 17 (Insurance Contracts) and IFRS 9 (Financial Instruments). IFRS 17 establishes principles for recognition, measurement, and presentation of insurance contracts. IFRS 9 sets out principles for the classification, measurement, and impairment of financial assets and liabilities.

3.2. Global Movement towards IFRS 17 (Insurance Contracts)

a. The IFRS were developed to establish a single set of high-quality, globally accepted accounting standards aimed at improving transparency, comparability, and consistency in financial reporting. Insurance accounting, however, remained one of the few areas without a comprehensive global standard for many years.

Previously, insurers applied IFRS 4 (Insurance Contracts) issued in 2004 as an interim solution. IFRS 4 allowed insurers to continue with their national accounting practices, resulting in inconsistencies in liability measurement, profit recognition, and disclosures across jurisdictions.

To address these limitations, the IASB initiated a multi-phase project on insurance contracts:

a.1. Phase I (2004): Issuance of IFRS 4 (Insurance Contracts) as an interim standard, permitting diverse national practices.

a.2. Phase II (2007-2016): Extensive global consultations, discussion papers, exposure drafts (2010 and 2013), field testing, and stakeholder feedback to develop a robust, principle-based framework.

a.3. Final Standard (2017): Issuance of IFRS 17 (Insurance Contracts), replacing IFRS 4, and introducing a current measurement model based on expected future cash flows and the Contractual Service Margin (CSM).

a.4. Amendments (2020): Targeted updates to address implementation **challenges**, reduce operational complexity, and clarify requirements while retaining core principles.

a.5. **Effective Date (2023)**: Mandatory application for annual reporting periods beginning on or after 1st January 2023.

b. IFRS 17 (Insurance Contracts) represents a significant reform in insurance accounting, shifting from historical or prudent measurement approaches to a transparent, principle-based, market-consistent framework. Its key objectives are to:

b.1. Establish a consistent framework for measuring insurance contract liabilities

b.2. Improve comparability across insurers and jurisdictions

b.3. Enhance transparency regarding profitability and risk

b.4. Align revenue recognition with the provision of insurance services

b.5. Provide users of financial statements with clearer insights into an insurer's financial position, performance, and risk exposure

c. Many jurisdictions have adopted IFRS 17 (or an equivalent standard) effective 1st January, 2023, including:

c.1. European Union

c.2. Australia and New Zealand

c.3. Canada

c.4. South Africa

c.5. Singapore and Malaysia

c.6. Hong Kong

c.7. Saudi Arabia and United Arab Emirates

The global adoption of IFRS 17 reflects a broad recognition that insurance accounting required modernization to better reflect economic reality, strengthen investor confidence, and enhance cross-border comparability.

4. Transition to Indian Accounting Standards (Ind AS)

The transition to Indian Accounting Standards (Ind AS) represents a significant step toward aligning financial reporting in the Indian insurance sector with globally accepted accounting practices. The Ind AS, which are substantially converged with IFRS, aim to enhance transparency, consistency and comparability of financial statements across jurisdictions. While Ind AS has already been implemented for most corporate entities in India, insurers continue to prepare their financial statements under the existing regulatory accounting framework.

In view of evolving market dynamics, increasing global integration and the notification of Ind AS 117 (Insurance Contracts) and Ind AS 109 (Financial Instruments), a structured transition to Ind AS for insurers has become both relevant and necessary.

4.1. Current Insurance Accounting Framework

The current accounting framework under the Insurance Act, 1938 and the relevant IRDAI Regulations has provided a stable and prudential basis for financial reporting by insurers. The prescribed formats and disclosures have supported regulatory oversight, solvency monitoring, and policyholder protection over the years.

However, in the context of global convergence and developments in accounting standards, certain areas may benefit from alignment with internationally accepted financial reporting practices:

a. Global Comparability

The existing framework is specifically tailored to the Indian regulatory environment. This differs significantly from IFRS based financial reporting used in many other countries. This restricts comparability of financial statements of Indian insurers with international peers and may impact foreign investment decisions.

b. Profit and Liability Measurement

The current framework incorporates prudential principles in the measurement of liabilities and does not require market-consistent measurement of insurance liabilities. As a result, profit emergence patterns may not clearly reflect economic performance.

c. Performance Disclosures

The existing revenue and balance sheet formats is useful for regulatory oversight, however provide limited insights into comprehensive insurance performance (such as insurance service result, risk adjustments, and finance components) compared to
Ind AS compliant disclosures.

d. Regulatory Reporting vs Financial Reporting

Under the current framework, the financial statements of insurers largely form the basis for regulatory solvency reporting, resulting in a common set of reported numbers serving both general purpose financial reporting and prudential supervision.

However, the objectives of these two frameworks are fundamentally different. Financial reporting aims to present a true and fair view for a broad range of stakeholders. Whereas Solvency reporting is intended to assess capital adequacy and policyholder protection. The use of a single reporting base for both purposes may not always fully address their distinct informational needs.

e. Investor Perception and Capital Access:

Foreign investors may perceive non-IFRS financial statements as less comparable or less transparent, potentially affecting valuation and capital inflows.

4.2. Economic and Business Objectives

Transition to Ind AS is expected to bring several structural and reporting enhancements to the insurance sector:

a. Improved Transparency

Ind AS 117 introduces a clear separation between:

a.1. Insurance service result,

a.2. Insurance finance income/expense,

a.3. Investment components.

This provides better insight into operational performance.

b. Market Consistent Measurement

Liabilities would be measured using updated assumptions and discounted cash flows, providing a more realistic view of obligations.

c. Better Profit Recognition Pattern

Profits are recognised over the coverage period as services are provided, improving alignment between revenue recognition and risk coverage.

d. Enhanced Comparability

Adopting Ind AS aligns Indian insurers with global IFRS reporting, enhancing global comparability and investor confidence.

e. Strengthened Governance and Risk Management

The requirement for granular data, cash flow projections, and risk adjustments enhances actuarial discipline and financial governance.

f. Integration with Broader Financial Sector

As Non-Banking Financial Companies (NBFCs) and large corporates already follow Ind AS, adoption of Ind AS in insurance sector would promote greater consistency within India's financial system.

g. Participation of Indian insurers in global capital markets

Adoption of Ind AS is expected to enhance transparency and global comparability, increasing the attractiveness of Indian insurers to foreign investors and facilitating participation in international capital markets. This is particularly significant in light of the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025, which allows foreign investment in Indian insurance companies up to 100 per cent of the paid-up equity capital.

h. Strategic Considerations: A transition to Ind AS would further:

h.1. Strengthen alignment with global best practices

h.2. Support long-term development and competitiveness of the insurance sector

h.3. Enhance transparency for Policyholders, Investors, and Regulators.

5. Adoption of Ind AS and its implementation

5.1. The Indian Accounting Standards (Ind AS) are Indian financial reporting standards aligned with IFRS. The Ministry of Corporate Affairs (MCA) has notified Ind AS 109 (Indian convergence of IFRS 9(Financial Instruments)) in February, 2015 and Ind AS 117 (Indian convergence of IFRS 17(Insurance Contracts)) in August, 2024.

5.2. The adoption of Ind AS for NBFCs was implemented by the MCA in a phased manner, commencing from 1st April 2018. In the first phase, Ind AS became mandatory for all NBFCs having a net worth of Rs 500 crore or more. The second phase, effective from 1st April 2019, extended the mandatory applicability to listed NBFCs and unlisted NBFCs with a net worth of Rs 250 crore or more but less than Rs 500 Crores. Unlisted NBFCs with a net worth of less than Rs 250 crore are not mandatorily required to adopt Ind AS.

5.3. The IASB notified the amended IFRS 17 with date of implementation starting from 1st January, 2023. On 12th August, 2024, the MCA has notified Ind AS 117: Insurance Contracts (the Indian equivalent of IFRS 17) effective from 1st April, 2024. Further, Rule 5 of Companies (Indian Accounting Standards) Rule, 2016 allows insurers to apply Ind AS as notified by IRDAI.

5.4. Later, the MCA, vide notification dated 28th September 2024, issued the Companies (Indian Accounting Standards) Third Amendment Rules, 2024, granting transitional relief to insurers whereby an insurer may continue to prepare its financial statements in accordance with Ind AS 104 for the purpose of consolidation by its parent, investor, or venturer, until IRDAI notifies the implementation of Ind AS 117.

5.5. With these developments, IRDAI has intensified its efforts to build capacity across the insurance sector, assess and understand industry-wide challenges, support preparedness for Ind AS adoption, and develop the necessary regulatory framework to ensure a smooth and effective transition.

5.6. To ensure smooth implementation of Ind AS within the insurance sector, IRDAI has undertaken a structured approach. With the notification of Ind AS 117 (Insurance Contracts) by the MCA and considering the readiness activities undertaken by insurers, the IRDAI proposes the implementation of Ind AS for all insurers in India from **1st April 2026**.

6. Key Ind AS Features

6.1. Ind AS 117 (Insurance Contracts)

a. Comprehensive Framework

Ind AS 117 provides a comprehensive framework for recognition, measurement, presentation and disclosure of insurance contracts. It brings insurance accounting in India closer to IFRS 17 by introducing measurement models such as the Building Block Model (General Measurement Model), the Premium Allocation Approach (PAA) for short-duration contracts, and the Variable Fee Approach (VFA) for participating contracts.

b. Fulfilment Cash Flows

Under Ind AS 117, insurers must estimate the fulfilment cash flows which are probability-weighted estimates of future cash inflows (e.g., premiums) and outflows (e.g., claims and expenses). These estimates are updated at each reporting date and explicitly reflect the time value of money using appropriate discount rates and include a risk adjustment for non-financial risks. This measurement ensures liabilities reflect current best estimates rather than historical assumptions. The fulfilment cash flows form the foundation for measuring insurance contract liabilities under all models prescribed by the standard.

c. Contractual Service Margin (CSM)

The Contractual Service Margin represents the unearned profit that the insurer expects to earn as it provides future insurance coverage. On initial recognition, it ensures no profit is recognised immediately and it is released systematically over the coverage period as service is delivered. CSM is adjusted for changes in expected future cash flows that relate to future coverage service, but cannot be negative; if the contract is loss-making, a loss component is recognised instead.

d. Discounting and Risk Adjustment

Ind AS 117 requires the explicit discounting of future cash flows to present value using current market discount rates aligned with the characteristics of the cash flows, reflecting their timing, currency and liquidity. A risk adjustment for non-financial risk is also included to represent the compensation the insurer requires for bearing uncertainty in fulfilling the contract. Both discounting and risk adjustments are revised at each reporting date to reflect updated assumptions.

e. Separate Accounting for Insurance and Reinsurance Contracts

Under Ind AS 117, insurance contracts issued and reinsurance contracts held are recognised and presented separately. Insurance contracts create liabilities, while reinsurance contracts held create assets representing recovery rights from reinsurers. Although both are measured using future cash flows, discounting, risk adjustment and CSM (where applicable), reinsurance balances cannot be netted against insurance liabilities. This separate accounting ensures clear presentation of gross obligations and the effect of risk mitigation through reinsurance.

f. Separate Presentation of Insurance and Finance results in Profit or Loss

The standard requires insurers to present insurance service results separately from insurance finance income or expense in the profit or loss. Insurance service results include insurance revenue and insurance service expenses, while finance results reflect changes in discount rates and other financial assumptions. This separation enhances transparency by helping users distinguish underlying underwriting performance from financial market effects.

g. Disclosures and Transparency

Ind AS 117 mandates extensive disclosures about the assumptions, methods and judgements used in measuring insurance contract liabilities, including discount rates, risk adjustments and changes in CSM. Entities must disclose reconciliations of insurance liability movements, and information about the nature and extent of risks arising from insurance contracts. These disclosures help users assess how insurance contracts affect the entity's financial position, performance and cash flows.

6.2. Ind AS 109 (Financial Instruments)

a. Classification and Measurement

Ind AS 109 sets out how entities account for financial assets and liabilities, requiring initial recognition at fair value and subsequent measurement based on the business model and cash-flow characteristics. Financial assets are classified into Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL).

b. Expected Credit Loss (ECL) Impairment Model

A key feature of Ind AS 109 is the forward-looking Expected Credit Loss (ECL) model for impairment, which replaces the incurred loss model and requires recognition of credit losses based on probability-weighted future shortfalls. ECL applies to financial assets measured at Amortised Cost and FVOCI, lease receivables, trade receivables and certain loan commitments and guarantees.

6.3. Ind AS 1 (Presentation of Financial Statements)

Ind AS 1 sets out the overall requirements for presenting general purpose financial statements to ensure comparability both over time and with other entities. It prescribes minimum content of financial statements, including statement of financial position, statement of profit and loss, statement of changes in equity and cash flow statements, along with comprehensive notes.

The standard requires entities to present financial information on a going concern basis using the accrual basis of accounting, with material items presented separately or aggregated appropriately. It also includes requirements for disclosure of significant accounting policies, judgements and estimates, and mandates presentation of comparative information for prior periods to enhance comparability and transparency.

6.4. Ind AS 113 (Fair Value Measurement)

Ind AS 113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in a normal market transaction on the reporting date. The standard provides clear guidance on how to measure fair value and requires companies to use appropriate valuation methods based on market conditions. It also requires companies to explain how the fair value was determined and how it affects profit, loss or other comprehensive income.

6.5. Ind AS 115 (Revenue from Contracts with Customers)

Ind AS 115 explains how companies should recognise revenue from customer contracts. Revenue is recorded when a company transfers control of goods or services to the customer. The scope of Ind AS 115 explicitly excludes insurance contracts within the scope of Ind AS 117, meaning revenue arising from insurance contracts must be accounted for under Ind AS 117 instead of Ind AS 115.

6.6. Ind AS 116 (Leases)

Ind AS 116 introduces a single lessee accounting model, requiring lessees to recognise a right-of-use (ROU) asset and a lease liability for almost all leases, reflecting the right to use an asset and the obligation to make lease payments. Lease liabilities are measured at the present value of future lease payments and the ROU asset includes the lease liability, initial direct costs, prepayments and estimated restoration costs. The standard requires recording depreciation on ROU assets and interest on lease liabilities, improving transparency of lease obligations.

7. Ind AS vs Indian GAAP (IGAAP)

7.1. The following table highlights the key distinctions between the Indian GAAP (IGAAP) insurance accounting framework and the Ind AS framework driven by Ind AS 117 and Ind AS 109.

Table No. 1. Key Differences between IGAAP and Ind AS

Aspect	IGAAP Framework	Ind AS Framework
Revenue recognition	Based on premiums received	Based on premiums received
Insurance Liabilities	Actuarial valuation as per IRDAI Regulations	Market-consistent valuation as per Ind AS 117
Investment	Valuation prescribed as per IRDAI Regulations	Principles governed by Ind AS 109
Investment Impairment	Recognised on an incurred loss basis	Recognised on an expected credit loss
General insurance Liabilities (Discounting)	Not allowed	Allowed to reflect the time value of money

Aspect	IGAAP Framework	Ind AS Framework
Onerous Contract	Not explicitly identified	Losses recognised immediately when contracts are onerous
Acquisition Costs	Expensed immediately	Amortised over the coverage period
Reinsurance	Netted against insurance liabilities	Insurance and Reinsurance are presented separately
Profit Recognition	May be volatile due to timing of revenue and expenses	More Stable and reflective of services rendered

7.2. The transition from IGAAP to the Ind AS framework (particularly Ind AS 117 and Ind AS 109) introduces significant changes in insurance accounting.

7.3. Under IGAAP, revenue recognition is primarily premium-based, insurance liabilities are measured using actuarial valuations, and investment impairment follows an incurred loss model. In contrast, Ind AS adopts service-based revenue recognition, market-consistent valuation of insurance liabilities, and expected credit loss methodology for investments.

7.4. Other key changes under Ind AS include the immediate recognition of onerous contracts, amortisation of acquisition costs, allowance for discounting in General insurance liabilities, separate presentation of insurance and reinsurance insurance contracts, and more stable profit recognition.

8. Industry Readiness and Preparatory Measures

In 2022, IRDAI established a dedicated Mission Mode Team for Ind AS implementation to engage continuously with insurers and other stakeholders, study implementation practices across various jurisdictions, and guide the industry toward a smooth adoption of Ind AS. The key steps initiated by the team include:

8.1. Ind AS Steering Committees of Insurers

All insurers have constituted dedicated Ind AS Steering Committees, headed by CFO- or ED-level officials, to oversee the effective implementation of Ind AS.

The Committee is responsible for monitoring progress, resolving implementation challenges, and reporting key developments to the Board at quarterly intervals.

8.2. Ind AS Expert Committee

An Expert Committee has been constituted having representation from the Institute of Chartered Accountants of India (ICAI), Institute of Actuaries of India (IAI), Insurance Industry and IRDAI.

The Committee has been deliberating on key aspects of the transition, including the overall implementation strategy, industry-wide challenges, development of proforma financial statement formats, and identification of areas where additional guidance may be required from ICAI and IAI.

8.3. Training and Capacity Building

The professional bodies (IAI and ICAI) have jointly conducted several training programs on Ind AS aimed at developing the necessary technical expertise across the insurance industry and the Regulator. These training programs have significantly contributed in capacity building and ensuring readiness for Ind AS implementation.

8.4. Stakeholder Interactions

IRDAI has engaged with insurers, professional bodies (IAI and ICAI), and foreign regulators to gain insights into various implementation approaches, understand global best practices and facilitate a smooth transition to Ind AS.

8.5. Gap Assessments

Gap assessment is a critical stage in the implementation of Ind AS, enabling insurers to identify the readiness level of their systems, processes, and resources. A standardized gap assessment template is developed in consultation with the Ind AS Expert Committee to capture gaps across key areas such as data availability, system capabilities, resource adequacy, and other aspects relevant to Ind AS implementation.

All insurers were categorized into three phases for the purpose of gap assessment submissions, with the final phase (Phase 3) required to submit its report by 15th May, 2025.

Table No. 2. Phases for submission of gap assessment report and proforma financials submission phases

Phases	Criteria (FY 2021-22)	No. of Insurers
Phase 1	Listed, In process of listing AUM greater than Rs 35,000 Crores	15 Insurers
Phase 2	AUM greater than Rs 10,000 Crores and less than equal to Rs 35,000 Crores	20 Insurers All FRB's
Phase 3	AUM less than and equal to Rs 10,000 Crores	26 Insurers

**AUM – Asset under Management, FRB- Foreign Reinsurance Branch*

All insurers have completed and submitted their respective gap assessment reports.

a. Major Gaps identified by the Insurers

Based on gap assessments conducted by insurers, key implementation challenges were identified across data, systems, processes, and resources. These challenges arise primarily due to the fundamentally different measurement, recognition, and disclosure requirements under Ind AS compared to the existing accounting framework.
Insurers have since undertaken significant efforts to address these gaps, and substantial progress has been made towards implementation readiness.

The key gaps identified by the Insurers are summarized below.

a.1. Data

Insurers identified the need for granular data at the level of groups of insurance contracts, including historical data for transition, CSM computation, Classification, Measurement, and impairment assessment of financial assets and disclosures.

Existing data warehouses and source systems require enhancement to capture, integrate, and process the required data.

a.2. Systems

Insurer identified the need for system upgrades and development of new calculation engines to support Ind AS 117 requirements:

a.2.1. Computation, tracking, and roll-forward of Contractual Service Margin (CSM), which is a new requirement under Ind AS 117;

a.2.2. Measurement and separation of fulfilment cash flows, including Liability for Remaining Coverage (LRC) and Liability for Incurred Claims (LIC);

a.2.3. Grouping and tracking of insurance contracts at the required level of aggregation, including annual cohorts and onerosity testing;

a.2.4. Classification and measurement of financial assets, calculation of expected credit losses;

a.2.5. Integration across actuarial, finance, and reporting systems;

a.2.6. Generation of extensive disclosures required under Ind AS.

a.3. Resources

Insurers identified the need for additional skilled resources, including Actuarial, Finance, and IT personnel, as well as training of existing staff, to support implementation requirements of Ind AS.

b. Addressing the major Gaps identified by Insurers

In response to the identified challenges, insurers have initiated structured transformation programmes to address these gaps. As per their submissions,

considerable progress has been made toward implementation readiness through investments in technology, process redesign and capacity building.

The measures undertaken to address the key gaps are summarised below:

b.1. Insurers have strengthened their data architecture to enable granular, group-level reporting and transition computations, including Contractual Service Margin (CSM) calculations and financial asset classification requirements. They have also engaged knowledge partners and system integrators to reinforce governance frameworks and implementation oversight.

b.2. On the systems front, insurers have initiated development of CSM calculation engines, fulfilment cash flow measurement tools, and financial asset classification and Expected Credit Loss (ECL) models.

Simultaneously, integration across actuarial, policy administration, investment, and finance systems has been enhanced to ensure seamless data flow, control, and reporting consistency.

b.3. In terms of resources and capacity building, the IRDAI advised professional bodies such as the Institute of Chartered Accountants of India (ICAI) and the Institute of Actuaries of India (IAI) to conduct focused training programmes on Ind AS implementation. Several such programmes have since been conducted, with strong participation from insurers, thereby strengthening internal competencies and implementation preparedness.

8.6. Proforma Financial Statements

a. IRDAI mandated the submission of Ind AS compliant proforma financial statements in phased manner. Prior to the full implementation of Ind AS, insurers are required to prepare and submit Proforma Financial Statements in compliance with Ind AS. This will aid in understanding the financial impact compared to their current reporting standards.

b. The formats for Proforma Financial Statements are developed in consultation with Ind AS Expert committee and refined based on industry feedback to ensure consistency and comparability across insurers.

c. The proforma financial statements for FY 2023–24 have been submitted by insurers under Phase 1, Phase 2, and Phase 3 (with a few exceptions under Phase 3). Further, most insurers under Phase 1 and some insurers under Phase 2 have also submitted their proforma financial statements for FY 2024–25. An impact assessment is also carried out to understand the financial implications of Ind AS.

d. These submissions demonstrate that insurers across all phases have developed the capability to generate Ind AS-compliant proforma financial statements, reflecting industry-wide preparedness and readiness towards Ind AS implementation.

9. Key Policy Choices and Proposed Solutions

Based on feedback received from insurers, certain interpretational issues have been identified, particularly in areas requiring alignment between the requirements of Ind AS, the provisions of the Insurance Act, 1938, and global industry practices.

These issues have been examined in light of the relevant Ind AS requirements, Insurance Act provisions, and global practices. Accordingly, proposed solutions have been developed to facilitate consistent and uniform practices across insurers while ensuring alignment with Insurance Act and Ind AS requirements.

9.1. Policyholder and Shareholder Fund

The Insurance Act mandates separate reporting of policyholder and shareholder funds in the financial statements while IFRS requires financial statements to be presented at the entity level. Insurers have highlighted that the statutory financial reporting requirements under the Insurance Act, 1938 are not aligned with global IFRS reporting practice. Accordingly, insurers have requested that policyholder and shareholder funds be combined and Ind AS financial statements be presented on an entity-level basis.

a. Act Requirement

Section 11(1) of the Insurance Act, 1938 (as amended in 2025) requires every insurer to prepare, at the end of each financial year, the following financial statements in accordance with prescribed regulations:

a.1. Balance Sheet

a.2. Profit and Loss Account

a.3. Receipts and Payments Account

a.4. Revenue Account

a.5. Other financial statements as may be specified

Further, Section 11(2) of the Act requires insurers to maintain separate accounts for policyholders' funds and shareholders' funds.

b. Ind AS Requirement

Ind AS, aligned with IFRS, does not prescribe any requirement for segregation of policyholder and shareholder funds in the financial statements.

c. Global Practice under IFRS

Analysis of IFRS financial statements of global insurers indicates that financial statements are presented at the entity level without segregation of policyholder and shareholder funds. However, in certain jurisdictions, fund-wise information is disclosed through notes and schedules to provide additional transparency and regulatory alignment.

d. Proposed Solution

To balance Ind AS and statutory requirements under the Insurance Act, the following approach is proposed:

d.1. To ensure alignment with global practices

Insurers will prepare Primary Financial Statements at the entity level:

d.1.1. Balance Sheet

d.1.2. Statement of Profit and Loss

d.1.3. Statement of Changes in Equity

d.1.4. Statement of Cash Flows

d.2. To ensure compliance with Insurance Act, 1938:

Insurers will prepare a separate Revenue Account representing the policyholder fund. Further, separate reporting of policyholder and shareholder funds will be provided through relevant schedules forming part of the financial statements.

The requirement to maintain separate Policyholder and Shareholder accounts, as mandated under the Insurance Act, 1938, ensures transparency and protection of policyholder interests. This segregation enables clear identification of insurance profits and distinguishes policyholder results from shareholder returns. It also ensures clear earmarking of assets supporting policyholder obligations and facilitates separate asset-liability management for policyholder funds.

This approach aligns with Ind AS and global IFRS practices while maintaining compliance with statutory requirements, preserving transparency and policyholder protection, and ensuring operational feasibility and consistency.

9.2. Exemption from annual cohort requirement for Participating Insurance Business

Ind AS 117 establishes principles for the recognition, measurement, and presentation of insurance contracts. Ind AS 117 requires grouping of insurance contracts into portfolios and further into groups based on profitability and year of issuance, thereby mandating annual cohorting.

Insurers have highlighted that applying annual cohorting to participating insurance business poses significant operational and system challenges, as participating contracts are managed as a single unified fund, bonuses are declared from the overall participating fund surplus, and assets and liabilities are not tracked or managed at the cohort level.

Accordingly, insurers have requested an exemption from the annual cohort requirement for participating business under Ind AS 117; however, the standard does not provide for any such exemption.

a. Ind AS Requirement

a.1. Ind AS 117 requires insurers to group insurance contracts firstly into portfolios comprising contracts that are subject to similar risks, and are managed together.

a.2. Ind AS 117 (Para 16) further requires entities to divide a portfolio of insurance contracts into groups based on profitability: contracts that are onerous, contracts that have no significant possibility of becoming onerous, and the remaining contracts.

a.3. Further, Ind AS 117 (Para 22) mandates annual cohorting by requiring entities to group contracts based on the year of issuance, such that contracts issued more than one year apart shall not be included in the same group.

a.4. The IASB introduced the annual cohort requirement with the objective to ensure:

a.4.1. Proper identification of profitability by different year of issuance

a.4.2. Prevention of cross-subsidization between different generations of policyholders

a.4.3. Transparent and consistent recognition of profit over time

a.5. The IASB observed that such grouping was important to ensure that trends in the profitability of a portfolio of contracts were reflected in the financial statements on a timely basis. Accordingly, participating contracts are subject to the same grouping and annual cohort requirements as other insurance contracts.

a.6. **Transition Relief (Para C 10):** Ind AS 117 provides limited transition relief from the annual cohort requirement under Para C10, which allows entities not to divide groups into annual cohorts at transition if it is impracticable to do so using reasonable and supportable information. This relief applies only at the transition date, while ensuring entities to apply the annual cohort requirement on a prospective basis.

a.7. **Allocation of cash flows identified at a higher level of aggregation (Para B70):** Ind AS 117 recognises that for contracts that share returns or risks across policyholders (e.g., participating Contracts) and where entities may be able to identify changes in underlying items (e.g. reference portfolio of assets) and related cash flows only at a higher level of aggregation than the groups. In such cases, Ind AS 117 allows entities to identify the changes in underlying items and related cash flows at the higher level of aggregation, and allocate those changes to individual groups of insurance contracts using a systematic and rational basis.

However, this provision does not exempt entities from the annual cohort requirement. The IASB considered whether participating contracts should be exempt from annual cohorting but concluded that such an exemption was not necessary.

Accordingly, while Ind AS 117 allows allocation of changes identified at a higher level of aggregation, annual cohorting remains necessary for financial reporting purposes.

b. Global Practice under IFRS

b.1. The European Commission, vide Regulation (EU) 2021/2036 dated 19th November 2021, introduced an optional exemption from applying annual cohort requirement for certain insurance contracts where benefits and risks are shared across generations of policyholders (intergenerationally-mutualised contracts).

b.2. This exemption is optional in nature and the Commission will review the exemption from the annual cohort requirement by 31st December 2027 taking into account the IASB post-implementation review of IFRS 17.

b.3. Further, analysis of publicly available reports published in various jurisdictions indicates that the annual cohort requirement has largely been retained, leveraging the limited transitional relief from the annual cohort requirement, and utilising the provisions of identifying changes in underlying items and related cash flows at a higher level of aggregation, with systematic allocation to individual groups. These provisions help address operational complexities associated with participating business while ensuring compliance with the annual cohort requirement.

c. Proposed Solution

c.1. The annual cohort requirement under Ind AS 117 is a core principle designed to enhance transparency and ensures timely recognition of profits and losses across issuance years.

c.2. Ind AS 117 also recognises the operational characteristics of participating insurance business, where underlying items and related cash flows may be identifiable only at a higher level of aggregation. In such cases, the Standard provides operational flexibility by permitting entities to identify changes at a higher level of aggregation and allocate those changes to individual groups of contracts on a systematic and rational basis.

c.3. Further, Ind AS 117 provides limited transition relief from the annual cohort requirement where retrospective application is impracticable while ensuring its application prospectively.

c.4. It is proposed that insurers apply the annual cohort requirement retrospectively atleast for a period of 10 years for the financial statements prepared for FY 2026-27, 15 years for the financial statements prepared for FY 2027-28, and 20 years for FY 2028-29, as applicable.

c.5. It is proposed that insurers shall comply with annual cohorting requirements for participating insurance contracts, in accordance with Ind AS 117.

9.3. Distribution of Surplus in Participating Insurance Business

Participating life insurance contracts entitles policyholders to share in the surplus emerging from the participating fund, with shareholders receiving a limited portion of such surplus in accordance with Section 49 of the Insurance Act, 1938.

With the implementation of Ind AS 117, Insurers have sought clarity on the treatment of "Surplus" under Ind AS 117 in relation to bonuses payable to participating policyholders and distribution of Surplus to Shareholders, in accordance with Section 49 of the Insurance Act, 1938. This clarification is sought due to differences in the basis and timing of surplus recognition under Ind AS 117 compared to requirement under the Insurance Act, 1938.

a. Act Requirement

a.1. Section 49 of the Insurance Act, 1938 (as amended in 2025), governs the distribution of surplus arising from insurance business. The Act restricts the use of life insurance funds or the fund of the other class for declaration of dividend to shareholders or any bonus to policy-holders unless a surplus is shown in the valuation as a result of an actuarial valuation of assets and liabilities of the insurer.

a.2. Further, in the case of participating life insurance business, the Act specifies that the surplus allocated to shareholders shall not exceed ten per cent of such actuarial surplus.

b. Ind AS requirement

b.1. Under Ind AS 117, the Contractual Service Margin (CSM) represents the unearned profit that the insurer expects to earn from insurance contracts. This profit is recognised in the Statement of Profit and Loss over the coverage period as insurance services are delivered.

b.2. Accordingly, Profit recognized under Ind AS 117 reflects accounting performance of insurance contracts and is based on accounting measurement principles prescribed under Ind AS 117. This does not represent actuarial surplus as defined under Section 49 of the Insurance Act, 1938. Further, profit recognised under Ind AS 117 emerges gradually over the coverage period in line with the delivery of insurance services.

b.3. As a result, the timing and basis of profit recognised under Ind AS 117 may differ from the actuarial surplus determined under the Insurance Act, 1938. Consequently, the distribution of surplus in participating business may not align with the requirements of the Insurance Act, 1938.

Table No. 3. Comparison of Surplus/ Profit under Insurance Act and Ind AS 117

Aspect	Insurance Act	Ind AS 117
Basis of surplus/profit	Actuarial valuation of assets and liabilities	Accounting measurement of insurance contract liabilities
Purpose	Determination of distributable surplus	Financial reporting of insurance contract performance
Timing of Surplus	Based on actuarial valuation date	Based on services provided
Distribution of Surplus	Shareholder share limited to 10% of surplus	No such restriction in accounting framework

c. Global Practice under IFRS

c.1. An analysis of financial statements of insurers operating in jurisdictions with regulatory restrictions on distribution of surplus from participating business indicates that insurers maintain a clear distinction between distributable and non-distributable components of retained earnings/Surplus, in respect of life insurance business.

c.2. The insurers present a separate line item within equity such as “Retained earnings - Life Fund”. This line item represents profits arising from the life insurance fund, including participating and non-participating business, which are subject to regulatory and contractual restrictions. These amounts are not available for distribution to shareholders unless transferred from the life fund to the shareholder fund in accordance with applicable regulatory requirements, and recommendations of the Appointed Actuary and approval of the Board.

d. Proposed Solution

d.1. It is proposed that Actuarial surplus determined based on actuarial valuation of the participating fund in accordance with Section 49 of the Insurance Act, 1938 shall continue to be the basis for distribution of surplus to participating policyholders and shareholders. Shareholder participation in such surplus shall remain subject to the statutory limit of ten per cent of actuarial surplus arising from participating business.

d.2. Profit recognised under Ind AS 117 represents accounting profit for financial reporting purposes and does not constitute distributable surplus to Shareholder.

d.3. To ensure transparency and facilitate understanding of differences arising from the two frameworks, insurers shall provide appropriate disclosures, including reconciliation between actuarial surplus determined in accordance with Insurance Act and profit recognised under Ind AS 117. Such disclosures will support transparency for regulators, policyholders, and shareholders.

10. Proposed Implementation Approach

10.1. All insurers have undertaken a detailed exercise to identify and assess key gaps in preparing Ind AS-compliant financial statements. Insurers across Phase 1, Phase 2, and Phase 3 (with a few exceptions in Phase 3) have submitted their proforma financial statements for FY 2023-24, also most insurers under Phase 1 and some insurers under Phase 2 have submitted proforma statements for FY 2024-25. This collective progress indicates that the industry has largely completed the preparatory work and is well-positioned to adopt Ind AS compliant financial reporting, demonstrating readiness for a smooth implementation.

10.2. In view of this readiness, the IRDAI proposes that Ind AS be implemented by all insurers with effect from 1st April 2026. This proposed timeline applies to all insurers including Life Insurers, General Insurers, Health Insurers and Reinsurers.

10.3. Further, during the first year of implementation of Ind AS, insurers shall obtain independent validation of the Ind AS financial statements from an auditor from the IRDAI empanelled list of auditors. This independent validation shall be undertaken in addition to the statutory audit of the financial statements, with the objective of providing assurance on Ind AS implementation.

10.4. The implementation of Ind AS will align India's insurance financial reporting with global standards. Further, uniform applicability of Ind AS for all insurers will enhance transparency and comparability of insurance financial statements and facilitate improved risk assessment and decision-making for stakeholders.

11. Transitional arrangements

11.1. Parallel Submission during transition phase

During the first year of implementation or for such period as may be specified by the Authority, insurers will be required to submit existing IGAAP based financial information along with Ind AS financial statements as part of regulatory submission.

This parallel submissions requirement means that insurers will prepare two sets of statements for the same reporting period.

a. one under the new Ind AS framework (Statutory Financial Reporting)
b. another under the existing IGAAP framework (Special-purpose regulatory submission)

The Parallel submissions during the transition phase are important, as it will ensure smooth transition to Ind AS and enable impact assessment of Ind AS on key financial parameters, facilitate monitoring of trends and comparability of financial information for industry-wide analysis.

11.2. Risk Free Rate Alignment:

Under Ind AS 117, the measurement of insurance contract liabilities requires discounting future cash flows to reflect the time value of money. To enhance operational efficiency, promote standardisation, and ensure consistency across insurers, it is proposed that the risk-free rate (RFR) used for discounting under Ind AS

shall be aligned with the methodology prescribed for its determination under proposed Risk-Based Capital (RBC) framework.

12. Revision in Regulatory framework

12.1. Upon adoption of Ind AS, the valuation of insurance contract liabilities shall be governed by Ind AS 117 (Insurance Contracts), while the classification, measurement and impairment of investments shall be governed by Ind AS 109 (Financial Instruments). Further, the following requirements shall continue to be governed by the current framework including the provisions of Schedule I of IRDAI (Actuarial, Finance and Investment functions of Insurers) Regulations,2024:

a. **Actuarial Report:** The actuarial investigation and submission of the actuarial report shall continue to be carried out in accordance with Section 13 of the Insurance Act, 1938.

b. **Determination and distribution of Surplus:** The determination and distribution of Surplus shall continue to be carried out in accordance with Section 49 of the Insurance Act, 1938.

c. **Solvency Requirement**s: The solvency position of the insurer shall continue to be determined and maintained in compliance with the provisions of Sections 64V and 64VA of the Insurance Act, 1938.

12.2. Consequent to the proposed adoption of Ind AS, it is necessary to suitably revise the existing regulatory framework, including relevant regulations and subsidiary instructions, to ensure alignment with the new accounting standards.

12.3. Currently, the financial statements of Indian insurers are prepared in accordance with the requirements specified under Schedule II – Finance Functions of the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024. The Schedule prescribes the form and manner of preparation and presentation of financial statements, including the Balance Sheet, Revenue/Profit and Loss Account and related disclosures.

12.4. In order to align the regulatory framework with Ind AS, an Exposure draft on Insurance Regulatory and Development Authority of India (Actuarial, Finance and Investment Functions of Insurers) (Amendment) Regulations, 2026 is prepared. The proposed form and manner of preparation and presentation of Ind AS compliant financial statements have been incorporated in the draft Regulations and is annexed herewith for stakeholder feedback.

13. Stakeholder Feedback

The IRDAI proposes to move towards full adoption of Ind AS for all insurers, effective from **1st April 2026**, keeping in view of the preparatory work undertaken by insurers and the Regulator. To ensure a smooth transition towards Ind AS and finalise the roadmap, the Authority seeks constructive feedback from all the Stakeholders on the following aspects:

13.1. Applicability of Ind AS

It is proposed to mandate full adoption of Ind AS for all insurers, effective from 1st April 2026, including Life Insurers, General Insurers, Health Insurers and Reinsurers, with a view to ensure comparability of Ind AS financial statements across the insurance sector.
Stakeholders are requested to provide their views on the following approach, including their views on industry-wide comparability and any practical challenges that may be foreseen in its implementation.

Option A: Ind AS to be made applicable to all insurers from the effective date.

Option B: Ind AS to be implemented in a phased manner based on criteria such as listing status or assets under management of insurers.

13.2. Parallel Submission during Transition

Parallel submission of Ind AS compliant financial statements with existing IGAAP based financial information enables impact assessment of Ind AS on key financial parameters and assist in identifying any further developments required in the regulatory framework.

Stakeholders are requested to provide their views on the following approaches, including their implications for industry-wide comparability.

Option A: Parallel submission for the first year of Ind AS implementation, where Ind AS is made applicable to all insurers.

Option B: Parallel submission for atleast two years during the transition phase, where Ind AS is implemented in a phased manner.

13.3. Additional Disclosures under Ind AS

Stakeholders are requested to suggest the measures or additional information, if any that may be incorporated in Ind AS financial statements disclosures to enhance audit quality, consistency, and comparability across the insurance industry.

13.4. Key Policy Choices

The proposed solutions to certain key policy choices are set out in paragraph 9, with the objective of ensuring uniform application of Ind AS across insurers and enhancing consistency, comparability, and transparency in financial reporting within the insurance sector.

Stakeholders are invited to provide their views on the proposed solutions to key policy choices and transitional arrangements:

a. Policyholder and Shareholder Fund

b. Exemption from annual cohort requirement for Participating Insurance Business

c. Distribution of Surplus in Participating Insurance Business

d. Transitional arrangement (Discount Rate as per para 11(ii))

13.5. Other Comments

Stakeholders may also provide any additional comments or suggestions on the proposed approach for Ind AS implementation and transition framework.

The Exposure draft on Insurance Regulatory and Development Authority of India (Actuarial, Finance and Investment Functions of Insurers) (Amendment) Regulations, 2026 is enclosed as Annexure 1.

Stakeholders are invited to submit their comments on the consultation questions (Paragraph 13) and on the Exposure Draft in the format specified in Annexure 3. Feedback shall be submitted to ifrs-team@irdai.gov.in with a copy to c.latha@irdai.gov.in on or before **24/03/2026.**

This Consultation Paper is issued for public and industry comments.