



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA

IRDA/ F&A/ CIR/IFRS/038/03/2016

March 01, 2016

To

All Insurers,

Sub: Implementation of Indian Accounting Standards (Ind AS) in insurance sector


The Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. A reference is also invited to the Press Release dated January 18, 2016 issued by the MCA outlining the roadmap for implementation of International Financial Reporting Standards (IFRS) converged Indian Accounting Standards (Ind As) for banks, non-banking financial companies, select All India Term Lending and Refinancing Institutions and Insurers.

2. In this connection, it is advised that Insurers shall follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the Authority in this regard, in the following manner:
 - i. Insurers shall comply with the Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018. Ind AS shall be applicable to both standalone financial statements and consolidated financial statements. "Comparatives" shall mean comparative figures for the preceding accounting period.
 - ii. Insurers shall apply Ind AS only as per the above timelines and shall not be permitted to adopt Ind AS earlier.
3. Ind AS implementation is likely to significantly impact the financial reporting systems and processes and, as such, these changes need to be planned, managed, tested and executed in advance of the implementation date. Insurers are advised to set up a Steering Committee headed by an official of the rank of an Executive

Director (or equivalent) comprising members from cross-functional areas of the insurer to immediately initiate the implementation process. The name and details of the designated official and the team, if not forwarded earlier, shall be forwarded by email. The Audit Committee of the Board shall oversee the progress of the Ind AS implementation process and report to the Board at quarterly intervals. The critical issues which need to be factored in the Ind AS implementation plan include the following:

- (i) **Ind AS Technical Requirements:** Diagnostic analysis of differences between the current accounting framework and Ind AS, significant accounting policy decisions impacting financials, drafting accounting policies, preparation of disclosures, documentation, preparation of proforma Ind AS financial statements, timing the changeover to Ind AS, and dry-run of accounting systems and end-to-end reporting process before the actual conversion.
 - (ii) **Systems and processes:** Evaluate system changes - assessment of processes requiring changes, issues having significant impact on information systems (including IT systems), and develop/strengthen data capture system, where required.
 - (iii) **Business Impact:** Profit planning and budgeting, taxation, capital planning, and impact on solvency.
 - (iv) **People - Evaluation of resources:** Adequate and fully dedicated internal staff for implementation, comprehensive training strategy and program.
 - (v) **Project management:** Managing the entire process-holistic approach to planning and execution by ensuring that all linkages are established between accounting, systems, people and business, besides effective communication strategies to stakeholders.
4. Insurers shall assess the impact of the Ind AS implementation on their financial position including the adequacy of capital, taking into account the solvency regulations requirements and place quarterly progress reports to their Boards. Insurers also need to be in preparedness to submit proforma Ind AS financial statements to the Authority from the quarter ended December 31, 2016, onwards. The proforma Ind As financial statements shall be filed within the time lines specified in the Authority's circular No. IRDA /F&I /CIR /F&A /012 /01 /2010 dated 28th January, 2010.

5. The Authority shall also take steps to facilitate the implementation process. To begin with, from July 2016, the Authority shall hold periodic meetings with insurers in this regard. The Authority shall issue necessary instructions / guidance / clarifications on relevant aspects as and when required.
6. Insurers shall disclose in the Annual Report, the strategy for Ind AS implementation, including the progress made in this regard. These disclosures shall be made from the financial year 2015-16 until implementation.
7. The Boards of the insurers shall have the ultimate responsibility in determining the Ind AS direction and strategy and in overseeing the development and execution of the Ind AS implementation plan.
8. The directions contained herein are issued under Section 34 of the Insurance Act, 1938 and insurers shall ensure strict compliance of the same.
9. All Insurers are advised to place this communication before the ensuing meeting of their Board of Directors and confirm the compliance.



(T S Vijayan)
Chairman

