Clarifications On Implementation Of Indian Accounting Standards

IRDAI has clarified the responsibilities of the Appointed Actuary, prescribed the scope and reporting framework for the independent validation of insurers' Ind AS implementation processes and addressed financial statements to be provided for consolidation purpose during the regulatory-forbearance period.

Role of the Appointed Actuary

The Appointed Actuary is responsible for providing the actuarial expertise and inputs required for preparing Ind AS financial statements. This includes the valuation of insurance-contract liabilities under Ind AS 117, investment-contract liabilities under Ind AS 109 and service-contract liabilities under Ind AS 115, as applicable.

The Appointed Actuary must also determine and review the relevant actuarial methodologies and assumptions and provide inputs for disclosures relating to insurance and reinsurance contracts. A technical report on the actuarial valuation of policy liabilities must be submitted to the Board. In the year of first-time adoption, the report must additionally reconcile policy liabilities under the existing IRDAI accounting framework with those recognised under Ind AS and explain the material differences. The Board-approved report must be submitted to IRDAI along with the annual financial statements.

Independent validation of Ind AS implementation

Every insurer must obtain an independent validation of the processes adopted for implementing Ind AS during its first year of implementation. Accordingly, this requirement applies in FY 2026–27 for insurers implementing Ind AS immediately and in FY 2027–28 for insurers granted regulatory forbearance.

The validation must assess whether the insurer's implementation strategy, governance framework, systems, processes and internal controls are adequate and operating effectively. Its scope includes implementation strategy, governance and allocation of responsibilities, accounting policies and methodologies, IT readiness and other controls, among other things. The validation is limited to reviewing the implementation process. It does not constitute an audit of the financial statements, an actuarial opinion on policy liabilities or assurance regarding the accuracy of the financial statements.

The independent validator must be a chartered-accountancy firm that is neither the insurer's statutory auditor nor its Ind AS implementation service provider or knowledge partner. The validator must also use an actuary who is independent of the insurer for matters requiring actuarial expertise. The validator must be involved from the first quarter onwards. Quarterly reports must be submitted to the Board before completion of the relevant audit or limited review, while the annual report must be submitted to IRDAI before publication of the audited Ind AS financial statements.

Financial statements for consolidation

Insurers that have been granted forbearance from preparing Ind AS financial statements until March 31, 2027 may continue to provide financial statements prepared in accordance with Ind AS 104 for consolidation by their parent, investor or venturer during the forbearance period.

For further reading- Clarification of implementation of Ind AS