

5th Capacity Building Seminar on IFRS 17

Hotel Fairfield by Marriott International Airport Mumbai
26 September 2025

Expense allocations under Ind AS

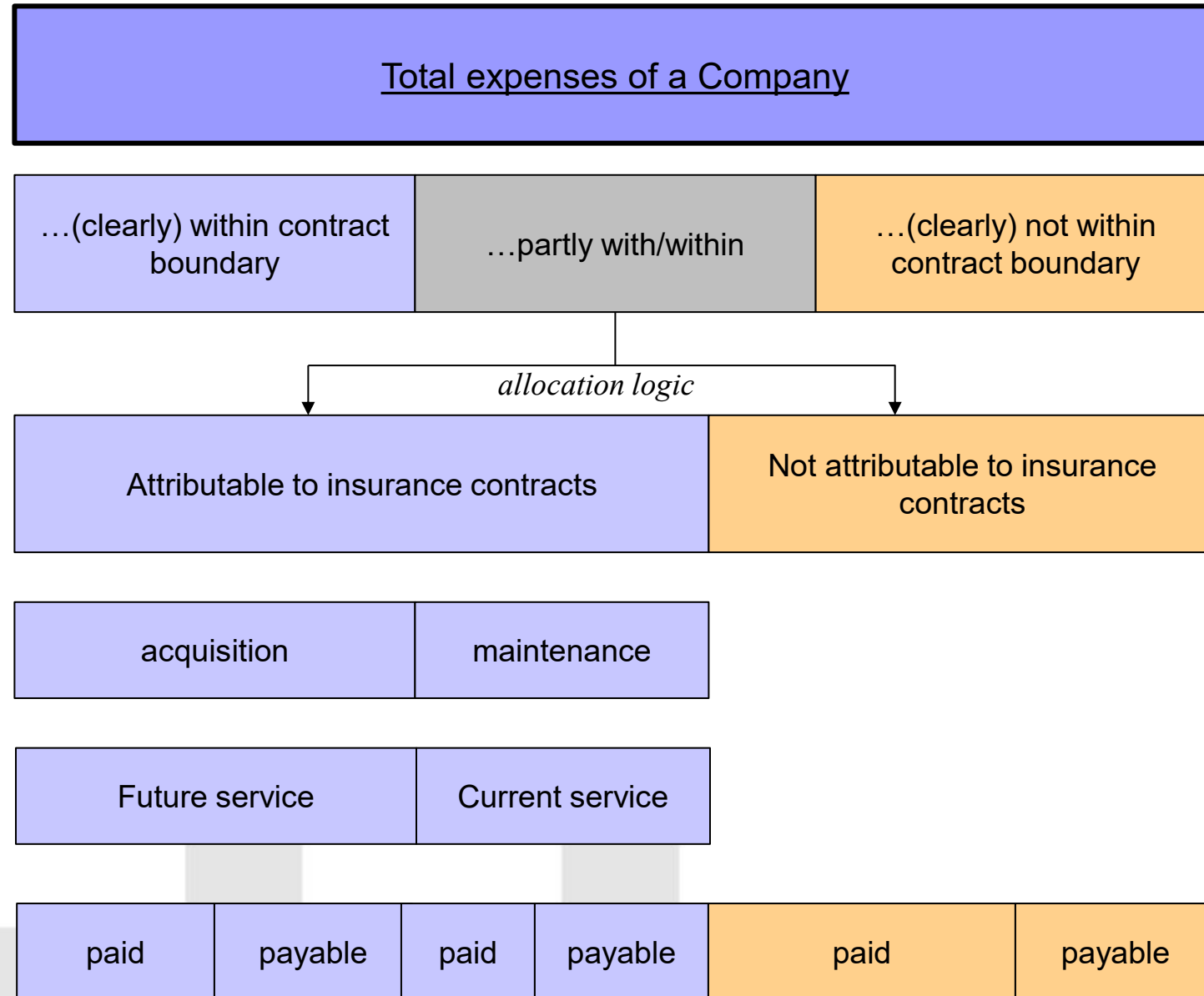
Panel discussion

Speakers: Bhavik Mehta, Kamlesh Agarwal, Piyush Jain

Moderators: Abhishek Chadha, Ruchika Sangwan



Ind AS 117 – let's set the context



Ind AS 117: Costs that are included



	Rationale
	Cash flows within boundary of an insurance contract:
B.65 (e):	▪an allocation of <i>insurance acquisition cash flows</i> <u>attributable</u> to the portfolio to which the contract belongs. Insurance acquisition cash flows: “Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs....”
B.65 (f)	▪claim handling costs (i.e., the costs the entity will incur in investigating, processing and resolving claims under existing insurance contracts, including legal and loss-adjusters’ fees and internal costs of investigating claims and processing claim payments)
B.65 (h)	▪policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements). ▪Such costs also include recurring commissions that are expected to be paid to intermediaries if a particular policyholder continues to pay the premiums within the boundary of the insurance contract)
B.65 (k)	▪performing investment activity, to the extent the entity performs that activity to enhance benefits from insurance coverage for policyholders.
B.65 (l)	▪an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities) directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics
B.65 (m)	▪any other costs specifically chargeable to the policyholder under the terms of the contract

Ind AS 117: Costs that are not included



	Rationale
	Cash flows <u>NOT</u> within boundary of an insurance contract:
B.66 (c):	▪ cash flows that may arise from future insurance contracts, i.e. cash flows outside the boundary of existing contracts
B.66 (d):	▪ cash flows relating to costs that cannot be directly attributed to the portfolio of insurance contracts that contain the contract, such as some product development and training costs . Such costs are recognised in profit or loss when incurred
B.66 (f):	▪ income tax payments and receipts the insurer does not pay or receive in a fiduciary capacity or that are not specifically chargeable to the policyholder under the terms of the contract.
B.66 (g):	▪ cash flows between different components of the reporting entity, such as policyholder funds and shareholder funds, if those cash flows do not change the amount that will be paid to the policyholders.
B.66 (h):	▪ cash flows that arise from abnormal amounts of wasted labour or other resources that are used to fulfil the contract. Such costs are recognised in profit or loss when incurred.

Let's understand presentation of expenses through an example



Time	1	2	3	Total
Premium	100	100	100	300
Expense	25	5	5	35
Attributable	20	4	4	28
<i>Acquisition*</i>	16	-	-	16
<i>Maintenance*</i>	4	4	4	12
Non-attributable	5	1	1	7

Commission	20	5	5	30
<i>Acquisition</i>	20	-	-	20
<i>Maintenance</i>	-	5	5	10

Claim	-	-	200	200
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Future cash flow (all cash flows)	(55)	(90)	110	(35)
Future cash flow (within contract boundary)	(60)	(91)	109	(42)

Time	1	2	3	Total
CSM at initial recognition	42			
CSM release	14	14	14	42
CSM at end	28	14	0	

Time	1	2	3	Total
Insurance revenue	30	35	235	300
CSM recognised for services provided	14	14	14	42
Change in risk adjustment	0	0	0	0
Release of expected incurred claims and other insurance service expenses	4	9	209	222
Recovery of insurance acq. cash flows	12	12	12	36

Insurance service expense	16	21	221	258
Incurred claims and other insurance service expenses	4	9	209	222
Recovery of insurance acq. cash flows	12	12	12	36
Insurance service result	14	14	14	42
Other expenses	5	1	1	7

Profit	9	13	13	35
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*In this example, it is assumed that all acquisition expenses relate to future service and maintenance relate to current service

Let's understand presentation of expenses through an example.... A walk from Schedule 3 / 3A to Ind AS



Particulars				
		Year 1	Year 2	Year 3
e)	Commission	20	5	5
f)	Other expenses			
	(i) Travel & Conveyance			
	(ii) Rent			
	(iii) Rates & taxes			
	(iv) Repairs & Maintenance			
	(v) Energy Cost			
	(vi) Printing & Stationery			
	(vii) Communication expenses			
	(viii) Legal & Professional fees			
	(ix) Auditor Fees	25	5	5
	(x) Advertisement & Publicity			
	(xi) Bank Charges			
	(xii) Depreciation & Amortisation			
	(xiii) Impairment losses (other than on financial assets)			
	(xiv) Acquisition cost for financial instruments classified/ designated as FVTPL			
	(xv) Others (to be specified)			
	(xvi) Miscellaneous expenses			
	Adjusted for			
	(A) Amounts attributed to insurance acquisition cash flows	(36)	0	0
	(B) Amortisation of insurance acquisition cash flows	12	12	12
	Total	21	22	22
	Represented by:			
	-Allocated to insurance service expenses	4	9	9
	-Allocated to acquisition expenses	12	12	12
	-Costs not directly attributed to insurance contracts	5	1	1

Poll question



Would you consider all expenses of the policyholder's fund to be directly attributable to insurance contracts

- Yes
- No

Poll question

What proportion of costs of the actuarial function do you consider to be directly attributable to the insurance contracts

- 0 – 25%
- 25% - 50%
- 50% - 75%
- 75% - 90%
- 90% - 100%

Poll question

Overall, what proportion of total expenses of the Company (PH and SH) do you consider to be directly attributable to the insurance contracts

- 0 – 25%
- 25% - 50%
- 50% - 75%
- 75% - 90%
- 90% - 100%