9th Webinar on IFRS17/Ind AS 117

Date 10th Septemeber 2026

Guidance Note for Actuaries Supporting Audit of Insurance Companies

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Agenda

Actuaries supporting Audit & Implementation of Ind AS

- IAI Initiatives for support of Ind AS
- Progress on Guidance Note
- Purpose and scope of GN
- Qualification and Independence
- Core Procedures –Life and General Insurance
- Next steps

IAI Mission 117: Task Force Overview

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Objectives

- Enhance actuarial capacity and foster collaboration with professional bodies and the regulator to ensure successful implementation of Ind AS 117
- Support members nominated to the JEG in providing considered views on matters within the Terms of Reference or referred by IRDAI

Governance Structure

Chair (Overall Coordination)

Responsible for coordination of all sub-tracks.

Standing Members:

Heads of Life, General & Health Insurance Advisory Groups; Advisory Group on Ind AS 117; Advisory Group on Professionalism and Ethics Committee.

Groups co-opt additional members or invite them to meetings as needed. Sub-track heads have been convening independent group meetings.

Four Operational Tracks

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Track 1 — Guidance Notes / APS

Create Guidance Notes for actuaries performing services in connection with Ind AS 117 — including valuation, policy choices, modelling, assumption setting, and methodology standardisation

Track 2 — Technical Matters

Provide IAI views on technical questions from members. Develop FAQs. Support JEG members in responding to IRDAI terms of reference and questions raised.

Track 3 — GN/APS for Actuarial Audit

Develop a Guidance Note for Actuaries conducting audit of actuarial outputs under Ind AS 117 — covering objectives, documentation, accuracy, controls, reporting, and independence framework.

Track 4 — Training

Conduct training and skill development on Ind AS concepts and financial reporting linkages. Target: Appointed/Consulting Actuaries, actuarial workforce, and leadership. Joint programme with ICAI experts

Background for Guidance Note

Actuarial Liabilities currently being calculated by Appointed Actuary (AA)

AA assumes responsibility for the liabilities and provides a sign off- Auditors rely on this certification

- No Audit but peer review of the Actuarial assumptions and methods
- Regulatory scrutiny

Ind AS 117 fundamentally changes how assets and liabilities of insurance contracts are measured and how financial statements are prepared- most elements involve significant actuarial judgement.

Auditors will need to rely on actuarial expertise, under SA 620 (Using the Work of an Auditor's Expert).

GN sets out the recommended standard of practice for actuaries who perform that supporting role as the Signing Auditor’s expert; the “Auditing Actuary.”

Progress on the Guidance Note

Milestones
Mission 117 Task Force was constituted to enhance actuarial capacity and collaborate with IRDAI/other professions; driving the development of the Guidance Note was an imperative
Guidance Note was drafted by a dedicated 4-member group with experience from core industry, audit and consulting firms
Suggestions and technical inputs were provided by Technical Team
Guidance Note was circulated to members and public for feedback
Review of feedback and multiple discussions including members of the JEG and finalizing of draft
AGPEC and PEC reviews, changes and approval
Approval of Council with certain directions
Draft being finalized for publication

Purpose of the Guidance Note

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Sets out the principles and recommended standards of actuarial practice which Members of IAI are encouraged to apply when performing actuarial work in support of the audit of Ind AS 117 financial statements.

Reliance

The auditor can place reasonable reliance on actuarial work prepared with appropriate competence, due care, professional skepticism and documentation.

Consistency

Promotes consistency and reliability across the actuarial profession in the manner it supports Ind AS 117 audits.

Public interest

Insurers are Public Interest Entities and the actuary's supporting work is expected to increase public confidence on audited financial statements.

Framework for the audit engagement

Applied in every financial reporting period. Grouped into three phases of the engagement:

Engagement & Governance

- Acceptance of engagement
- Independence & conflicts
- Competence & capability
- Engagement scope
- Materiality framework
- Risk assessment
- Understanding methodology

Core Technical Procedures

- Data
- Assumptions
- Methodology
- Models
- Contractual Service Margin
- Risk Adjustment
- Discount rate
- Cash flows & contract boundary
- Reinsurance held
- Disclosure

Quality, Reporting & Ethics

- Professional scepticism
- Documentation
- Independent recomputation
- Subsequent events
- Communications to auditor
- Disagreement escalation
- Compliance attestation
- Fraud risks

Applicability and Scope of actuarial work covered

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Applicable to every Fellow of the Institute of Actuaries of India who performs actuarial work in support of audit

- **Ind AS 117 financial statements**

  Measurement, presentation & disclosure requirements of the standard

- **Contracts spanning Ind AS 109 / 115**

  Where actuarial expertise is needed to evaluate contracts outside Ind AS 117 scope

- **Group consolidation**

  Consolidation of insurer subsidiaries where Ind AS 117 measurement, presentation or disclosure is involved

APPLIES ACROSS

- Life insurance
- General insurance
- Health insurance
- Reinsurance (incl. registered reinsurer branches)

GEOGRAPHIC SCOPE

Indian operations of insurers, plus any overseas operations consolidated into Ind AS 117 financial statements in India — regardless of where the actuary performing the work is located.

How this Guidance Note should be applied

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- **Recommended application —**Applied in its entirety by every Fellow Member performing work within scope (para 1.2); non-compliance with any provision, and the reasons, should be disclosed in the Auditing Actuary's report.

- **Team-based engagements —**Each Fellow Member on the team applies the GN to the work performed personally; the member with overall responsibility is encouraged to align the whole engagement with the GN.

- **Structure of the GN —**Sections 1–3 (General, Definitions, the Auditing Actuary) apply generally; Section 4 (Ind AS 117 Transition) applies only in the period the standard is first applied.

- **Quarterly limited reviews —**May be applied to limited reviews under the ICAI Standards on Review Engagements; clauses 3.5–3.22 may be scaled to scope, other clauses applied in full audit spirit.

Guidance Note serves as a practical guide

Every principle is backed by a usable template or checklist designed to assist with quality work and review

Engagement Letter Template

Details to be captured in the EL

Independence Confirmation

Annual template: conceptual framework & specific declarations

Inspection Programme

Controls over data, assumptions, computation & reporting

Illustrative Report

Auditing Actuary's report to the auditor, ready to adapt

References

IAA, IFRS 17 & ICAI source materials

Working-Paper Checklist

Checklist mapped to all procedures listed in Section 3 & 4

“Auditing Actuary” - Definition (1/3)

“An actuary who, in accordance with SA 620 (Using the Work of an Auditor’s Expert), performs actuarial work in support of the audit of the financial statements of an insurance company prepared in accordance with Ind AS 117.”

-Section 2.2.1, definition of “Auditing Actuary”

- External to the insurer and its group
- Distinct from the statutory Appointed Actuary role

STATUTORY AUDITOR

Forms the audit opinion; relies on the Auditing Actuary's work under SA 620

AUDITING ACTUARY

Performs the actuarial procedures in Section 3 & 4 of this GN; reports findings to the auditor

Person Responsible for Ind AS 117 Measurement (insurer side)

Auditing Actuary-Independence criteria (2/3)

Self-interest	Self-review	Advocacy	Familiarity	Intimidation

Five threat categories evaluated under a conceptual-framework approach (PIE-level)

No former-employee engagement

An actuary who was an employee of the insurer (or group) in the preceding 1 year cannot act as Auditing Actuary

No dual-hatting

Cannot simultaneously act as Appointed Actuary, consultant, advisor or in any other capacity for the insurer

1-year cooling-off

Applies where the actuary/firm held any such other capacity in the preceding year

Rotation after 4 years

Max. 4 consecutive reporting periods, then a 3-period cooling-off before re-eligibility

Max. 3 concurrent insurers

An actuary/firm may not act as Auditing Actuary for more than 3 insurers at once (24-month transition allowed)

Financial-interest prohibition

No direct, or material indirect, financial interest in the insurer by the actuary, close family, or the firm

Auditing Actuary -Competence requirements (3/3)

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FELLOWSHIP REQUIREMENT

The Auditing Actuary must be a Fellow of the Institute of Actuaries of India.

- Relevant practice specialty for the class(es) of insurance business under audit (life, general, health, reinsurance)
- Sufficient knowledge of Ind AS 117, the Standards on Auditing and the IRDAI 2024 Regulations
- Access to other suitably qualified and experienced persons where the engagement requires it
- Ability to exercise professional judgement and discernment independent of management bias

Self-assessment of fitness to accept

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Before accepting the engagement, the Auditing Actuary may perform and document a self-assessment addressing:

- **Integrity —** Able to devote sufficient time and resources, and whether the engagement raises any ethical or moral concern.
- **Competence and capability —** Has the knowledge, experience, qualifications and practice specialty required (para 3.3), with access to other suitably qualified persons where necessary.
- **Compliance —** Consistent with this GN, the Professional Conduct Standards, other Actuarial Practice Standards, the Standards on Auditing, and the IRDAI 2024 Regulations.
- **Independence and impartiality —** Satisfies the independence and no conflict-of-interest requirements (para 3.2); remuneration arrangements cannot compromise professional judgement.
- **Communication —** Able to communicate results clearly to intended users, including the board, the audit committee, the IRDAI, and any court or tribunal.

Documentation of self assessment

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Once the self-assessment is complete, three further steps apply:

- **Document and respond —** Record the self-assessment in the working papers. If a material factor could impair performance, address it before accepting — by declining, modifying scope, strengthening safeguards, or involving another suitably qualified actuary.
- **Confirm access —** Obtain reasonable assurance of access to the insurer's (and Appointed Actuary's/Company's Personnel's) data, systems, models, personnel and records, and to relevant persons within the audit firm, including the engagement partner and any other auditor's experts.
- **Act on new information —** If information surfacing after acceptance would have changed the assessment, promptly inform the auditor and consider escalation under the disagreement procedure (para 3.23).

Independence and conflicts — the framework

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The Auditing Actuary applies a conceptual-framework approach to independence, on an ongoing basis:

- **State of independence —** Independence of mind (acting with integrity, objectivity and professional scepticism) and independence in appearance (avoiding facts a reasonable third party would see as compromising).
- **Public Interest Entity —** The insurer is a Public Interest Entity, so PIE-level independence and conflict-of-interest requirements apply throughout the engagement.
- **Identify, evaluate, address —** Threats are assessed across self-interest, self-review, advocacy, familiarity and intimidation, then addressed by eliminating the cause, applying safeguards, or declining or ending the engagement.
- **Ongoing and annual —** Reassessed whenever new information arises; documented and confirmed in writing annually and at engagement conclusion (Appendix I).

Acceptance of the engagement

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Before accepting an engagement within scope, the Auditing Actuary may satisfy himself or herself that a clear, written understanding has been established, covering the following:

- Preferred arrangement is a written engagement letter with the auditor (or all joint auditors), the Auditing Actuary and, where applicable, the actuarial firm
- Specifies the roles, responsibilities, rights, obligations, reporting arrangements, access rights and reliance arrangements of each party in relation to the actuarial work performed in support of the audit.
- Executed before the actuarial work commences, with such modifications as the circumstances of the engagement reasonably require.

What the engagement letter should cover

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At minimum, the engagement letter addresses the following:

- **Nature and scope -** The actuarial work to be performed.
- **Roles and responsibilities -** Of the insurance company, the auditor and the Auditing Actuary.
- **Limitations and constraints -** Any restrictions applicable to the actuarial work.
- **Timeline -** Consistent with the auditor's audit timeline.
- **Deliverables -** Including any report or communication issued by the Auditing Actuary.
- **Communication arrangements -** How the Auditing Actuary, the auditor and the insurance company are to communicate.
- **Confidentiality -** Obligations covering sensitive information of the insurer and the auditor.

The insurer's counterpart

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PERSON RESPONSIBLE FOR IND AS 117 MEASUREMENT

The individual within the insurer with overall responsibility for the Ind AS 117 measurements reflected in the financial statements.

May be the Appointed Actuary

References to “Appointed Actuary” in this GN are confined to statutory references under the IRDAI 2024 Regulations / Insurance Act, 1938.

The Auditing Actuary's evaluation focuses on the technical adequacy of methodology, data, models & controls- not a separate assessment of this person's competence (a matter for the auditor under SA 620).

Setting the frame: materiality & risk

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MATERIALITY

Set by the auditor (SA 320) and communicated to the Auditing Actuary — overall, performance, and any component-level materiality.

The Auditing Actuary may still flag matters material to the actuarial work even if below the auditor's threshold.

4 INHERENT RISK FACTORS

- **Estimation uncertainty**
- **Complexity**
- **Subjectivity**
- **Change**

Applied to every material Ind AS 117 component — CSM, Risk Adjustment, Fulfilment Cash Flows, discount rate, onerous-contract recognition & more.

RISK CATALOGUE

- Mortality / longevity / morbidity
- Persistency & lapse
- Premium & catastrophe
- Market & inflation
- Reinsurance counterparty
- Expense, liquidity & tax
- Claims reporting delay
- Operational & regulatory change

Documentation and conclusions

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Working papers may record, in sufficient detail:

- **Work performed —** The nature, timing and extent of the actuarial work; the data, assumptions, methodology, models and sources used.
- **Matters and judgement —** Significant matters identified and conclusions reached; the alternatives considered, factors weighed and reasons for those conclusions.
- **Professional scepticism —** Specific challenges made, alternatives considered, and actions taken to address indicators of bias or estimation uncertainty (para 3.18).
- **Departures —** Any departure from a "should" provision, the reason for it, and how it remains consistent with the GN's purpose and intent.
- **Constraints and escalation —** Any constraint, scope limitation or concern identified during the engagement, and how it was addressed or escalated.
- **Communications —** Exchanges between the Auditing Actuary and the auditor, the insurance company, the Appointed Actuary and other relevant parties.
- **Sufficiency standard —** Enough detail for another qualified actuary with no prior connection to the engagement to understand the work, judgements and conclusions reached; merely recording that an action was taken is not sufficient.

Retention and access of working papers

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Once prepared, the working papers are subject to:

- **Timeliness —** Prepared on a timely basis, contemporaneously with the work so far as practicable; assembled into a final engagement file within 60 days of the auditor's report.
- **Ownership and retention —** The working papers belong to the Auditing Actuary or the firm; retained for not less than 7 years from the auditor's report, consistent with SA 230 and the Chartered Accountants Act, 1949, with confidentiality, integrity and retrievability maintained throughout.
- **Auditor access —** Broad access for the auditor, including challenge memos, scepticism documentation, escalation drafts and bias-indicator evaluations, as set out in the engagement letter (para 3.1.3, Appendix A).
- **Insurer access —** More restricted — typically limited to the report and supporting summaries. The insurer has no right to inspect internal challenge memos, scepticism documentation or escalation drafts.
- **Regulator and Institute access —** Provided to any regulator or professional body entitled by law, including the IRDAI, the Institute of Actuaries of India under the Actuaries Act, 2006, and any court or tribunal.
- **Overarching requirement —** Every procedure, evaluation, alternative, recomputation, consistency review, back-test, sensitivity test and subsequent event under Sections 3 and 4 (paras 3.9.4–3.9.7, 3.20, 3.21, 3.6.8) is documented with its basis and conclusions.

Escalation

DISAGREEMENT ESCALATION PATHWAY

1. Engagement-level resolution
2. Escalate within audit firm / IAI structures
3. Formal disagreement on record

Procedures on data & assumptions

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DATA

- Sufficient assurance that data used is accurate, complete and appropriate for the measurement
- Reconciliation of data extracted from source systems (policy admin, claims, reinsurance, investment)
- Evaluation of any data transformations applied before or within the measurement process
- Identification & treatment of data limitations, gaps or proxies used

ASSUMPTIONS

- Basis for setting each material assumption, and the evidence supporting it
- Governance over the assumption-setting process — who proposes, reviews & approves
- Specific or general margins/adjustments applied, and their justification
- Consistency of assumptions across reporting periods and components
- Periodic back-testing of prior-period assumptions against experience

Procedures on methodology & models (1/4)

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METHODOLOGY EVALUATION

Whether the methodology applied by the Person Responsible for Ind AS 117 Measurement is appropriate to the contracts and risks under measurement, and consistently applied period to period.

MODEL LIFECYCLE — THREE STAGES

Development → Validation → Ongoing monitoring

COVERS THE FULL CHAIN OF ACTUARIAL JUDGEMENT

Data → Assumptions

Are inputs accurate, complete & appropriately governed?

Methodology → Models

Is the approach appropriate, and is model risk managed end-to-end?

Measurement components

CSM, Risk Adjustment, discount rate, cash flows — evaluated individually (next slides)

Procedures on methodology & models (2/4)

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CONTRACTUAL SERVICE MARGIN (CSM)

Unearned profit — released to income as insurance coverage is provided

- Initial recognition under paragraphs 38–39 of Ind AS 117
- Determination of Fulfilment Cash Flows feeding into the CSM
- Accretion of interest & subsequent adjustments to the CSM
- Coverage-unit definition driving the release pattern into profit

RISK ADJUSTMENT FOR NON-FINANCIAL RISK

Compensation the insurer requires for bearing non-financial-risk uncertainty

- Methodology applied to determine the Risk Adjustment
- Confidence level / equivalent used and its disclosure
- Diversification benefit reflected — and whether consistent with pricing & capital management
- Consistency of approach across reporting periods

Procedures on methodology & models (3/4)

Discount rate

- Methodology, including liquidity / illiquidity adjustments
- Consistency with observable market data where relevant
- Appropriateness for the currency & duration of the liabilities

Cash flows in the measurement

- Completeness of cash flows within the Fulfilment Cash Flows
- Consistency with the entity's own expense & experience base
- Treatment of future discretionary participation, where relevant

Contract boundary

- Correct identification of the boundary for each group of contracts
- Treatment of renewal rights & re-pricing ability
- Consistency of boundary determination period to period

Procedures on methodology & models (4/4)

REINSURANCE CONTRACTS HELD

- Boundary of the reinsurance contract, having regard to the dual-lens test under para 25(c)
- Net cost or gain on purchasing reinsurance, and its recognition timing
- Treatment of reinsurance counterparty (credit) risk in the measurement
- Consistency between direct-business and reinsurance-held measurement bases

DISCLOSURE PROCEDURES

Covers disclosures required by paragraphs 93–132 of Ind AS 117, including:

- Explanation of recognised amounts (reconciliations by component)
- Significant judgements in applying Ind AS 117
- Nature & extent of risks arising from insurance contracts
- Confidence level used for the Risk Adjustment

A full 4-part checklist is provided in Appendix D

Auditing the Ind AS 117 transition

Applies only to the period Ind AS 117 is first applied — plus limited residual matters in later periods. Of direct relevance as Indian insurers move through transition.

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TRANSITION APPROACH HIERARCHY (PARA C6, IND AS 117)

Full Retrospective Approach (FRA)
Default — applied unless impracticable

or

Modified Retrospective Approach (MRA)
Only if FRA impracticable

or

Fair Value Approach (FVA)
Only if FRA impracticable

Approach-selection driven by CSM effect rather than objective practicability = a specifically flagged fraud-risk indicator (para 3.25.2(vii))

- Opening balance sheet at the transition date
- Insurance Finance Income/Expense disaggregation
- Transition disclosure procedures
- Independent Validation under Schedule IIA (IRDAI 2026 Regs.)
- First-year IT systems controls evaluation
- Reconciliation: Ind AS 117 opening balance vs. prior GAAP
- Comparative information presentation
- Subsequent-year residual transition matters

Potential areas for consideration (1/6)

For Audit of General Insurance companies

The actual scope of audit will depend on

- Agreement with auditor on areas of audit and materiality thresholds
- Nature of the Auditee company, size, nature of business, complexity
- Any special circumstances of the Auditee company (e.g. M&A)

The next few slides will touch up some audit areas that may be pertinent to GI firms

Potential areas for consideration (1/6)

For Audit of General Insurance companies

Group of insurance contracts & reinsurance contracts

- Contracts that are derivatives, NDIC etc.

Level of aggregation

- Treatment of certain packages like motor insurance
- Group of insurance contracts: contract boundaries
- Group of insurance contracts: treatment of onerous contracts

Potential areas for consideration (2/6)

Choice of measurement models

- GMM vs PAA

Measurement components

- The Fulfilment Cash Flows, the Risk Adjustment, the Liability for Remaining Coverage, the Liability for Incurred Claims, Insurance Revenue, and Insurance Finance Income or Expense
- Contractual Service Margin (if GMM used)
- Premium development

Potential areas for consideration (2/6)

Data procedures and validations

- Reconciliation
- Internal consistency, completeness, reasonableness
- Testing data lineage, data bias, data deficiency
- Reliance on external data

Potential areas for consideration (2/6)

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Assumptions

- Cross purpose assumption consistency

Methodology

– Eligibility of measurement models (PAA)
  - LRC will not differ materially from notional GMM measurement
  - There exists significant variability in cash flows

Potential areas for consideration (2/6)

Risk adjustment

- Basis on which it has been determined

Discount rate and illiquidity premium

Cash flows

- Unbiased and probability-weighted estimation of expected future cash flows

Potential areas for consideration (2/6)

Professional skepticism

- Basis on which it has been determined

Independent recomputation

- Might be necessary for high materiality lines like motor TP
- Point estimate or range

Reinsurance contracts

- Need to be accounted for separately and not as “net cost”
- Level of analysis and expected loss cost

Why this matters for Industry

- **Consistency at scale**

  A common recommended standard for every actuary supporting an Ind AS 117 audit, across all insurers

- **Independence rigour**

  Rotation, cooling-off & concurrent-engagement limits comparable to statutory-auditor safeguards

- **A dedicated fraud lens**

  A named catalogue of Ind AS 117-specific fraud risks — CSM, onerous contracts, transition bias

- **Supervisory-ready evidence**

  Standard working papers, illustrative reports & checklists support review and reliance

- **Comply-or-explain transparency**

  Any non-compliance with the GN must be disclosed, with reasons, in the actuary's report

- **Open for feedback**

  Recommendatory status

Next in line

Guidance Note for Actuarial Services under Ind AS 117

Appendix

Anchored in the existing statutory framework

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This GN does not create new law — it operationalises actuarial practice within the following framework, issued by IAI under Section 19(2)(i) of the Actuaries Act, 2006.

Insurance Act, 1938

incl. amendments till date

IRDAI Act, 1999

& the Insurance Rules, 1939

Companies Act, 2013

Sec. 132 (NFRA), 139–141 & 143

Actuaries Act, 2006

Sec. 19(2)(i) — issuing authority

Chartered Accountants Act, 1949

IRDAI 2026 Regulations

Actuarial, Finance & Investment Functions

Standards on Auditing

SA 200–720, issued by ICAI

Ind AS 117 Insurance Contracts

Companies (Ind AS) Rules

IAI Professional Conduct Standards

and other Actuarial Practice Standards

What is out of scope — and how the GN applies

OUT OF SCOPE

Statutory Appointed Actuary work (governed by other IAI Practice Standards)

Indian GAAP regulatory reporting / returns (unless directly supporting the Ind AS 117 audit)

Indian EV / market-consistent EV or other supplementary reporting

Pricing, capital modelling, solvency & business-planning work

Audit or certification of proforma Ind AS 117 financial statements

Financial Condition Reporting of insurers

APPLICABILITY

Recommendatory, not mandatory

The GN endeavors to use “may” / “should” throughout — Any unintended use of “must” or “shall” should be interpreted in this context and not be seen as mandating a requirement.

- Applied by every Fellow of IAI performing in-scope actuarial work
- If adopted, should be applied in its entirety
- Non-compliance with any provision must be disclosed, with reasons, in the Auditing Actuary's report
- May also be applied to actuarial work supporting the quarterly limited review of financial statements