

9TH SEMINAR ON CURRENT ISSUES IN GENERAL INSURANCE (9TH CIGI)
IND AS 117 IMPLEMENTATION - INDUSTRY ANALYSIS

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SPEAKER PROFILES



Subha Neelakantan brings over 26 years of experience across reinsurance, insurance, valuation, product development, actuarial pricing and experience analysis. She is a Fellow of the Institute of Actuaries of India, with more than 16 years of post-qualification experience, and has held senior roles at Watson Wyatt, Tata AIA Life, Gen Re and SCOR. She is the founder of iActuary Consulting & Services which is a boutique actuarial consulting firm established in 2020.
In general insurance, over the past six years, Subha has served as a certifying actuary for a foreign reinsurance branch and has worked with GI companies on their Ind AS 117 proforma reviews, helping them navigate one of the most significant reporting changes the industry has seen. She has been an review examiner with the Institute for over an decade. Subha brings both depth and a practitioner's perspective to today's discussion.



Dhairya Kamdar is a Fellow of IFoA with over seven years of experience in actuarial consulting, specialising in IFRS 17, Ind AS 117, and US GAAP reporting. He leads actuarial review, audit support, and certification engagements across life insurance, general insurance, health insurance, and reinsurance. He has extensive experience in Ind AS 117 implementation, methodology development, financial reporting, transition, and disclosures. He is actively involved in developing scalable actuarial solutions, driving consulting engagements, and mentoring actuarial professionals.

DISCLAIMER

This presentation draws on publicly available information, including insurer annual reports and public disclosures filed under IRDAI regulations, published financial statements, and IFRS 17 / Ind AS 117 standards and related guidance.

The content covers selected aspects of the topic and is not meant to be comprehensive. Figures are presented as published and have not been independently audited or verified. Reasonable care has been taken in preparing this material, but errors, omissions or later revisions are possible.

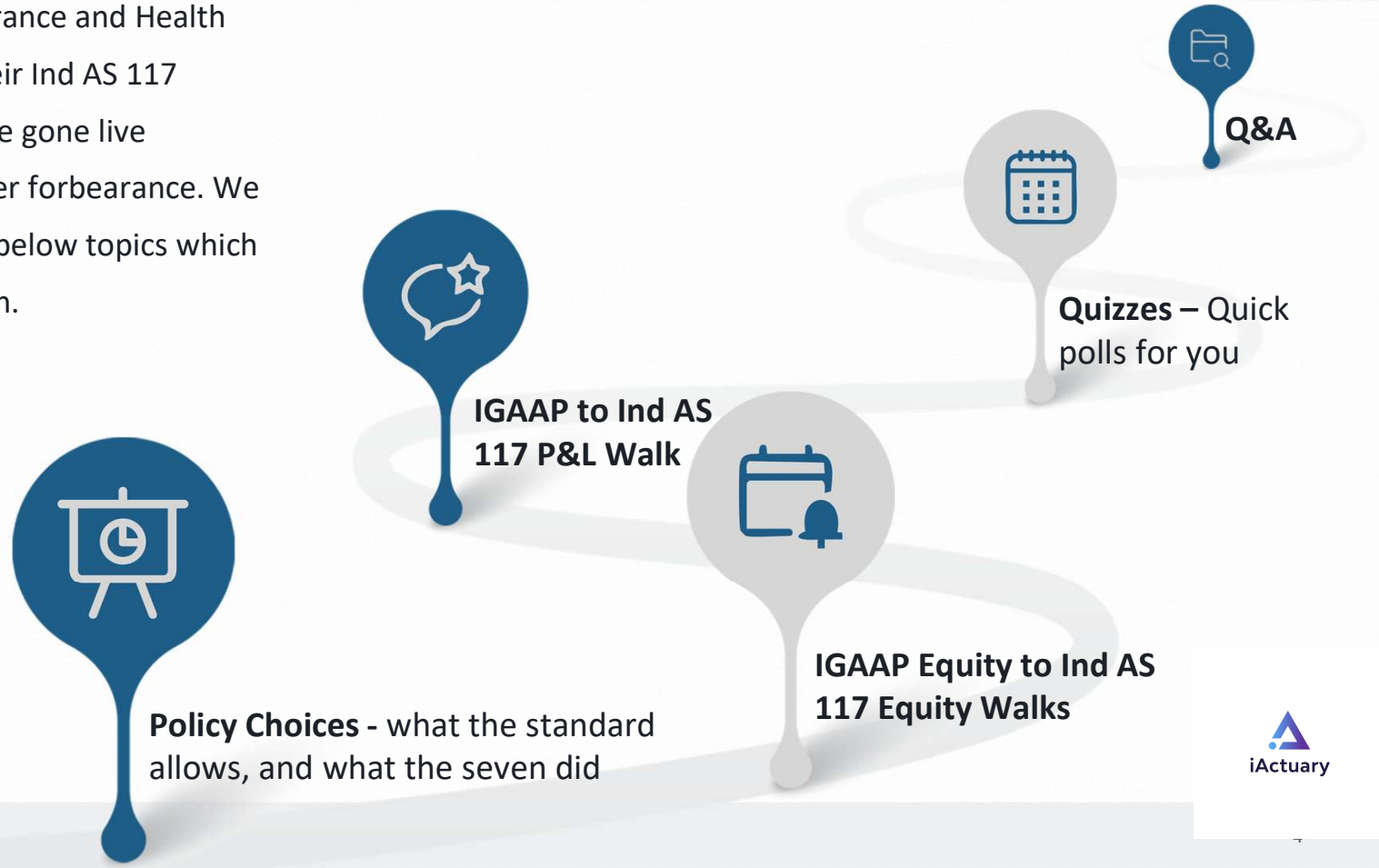
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WHAT WE'LL COVER IN THIS SESSION?

7 companies – General Insurance and Health Insurance have disclosed their Ind AS 117 financials. 6 out of the 7 have gone live whereas one of them is under forbearance. We have analysed them for the below topics which will be covered in the session.



SEVEN COMPANIES HAVE DISCLOSED INDAS 117 FIGURES

Institute of Actuaries of India

General Insurers

digit INSURANCE

KIWI INSURANCE

SBI general INSURANCE

SURAKSHA AUR BHAROSA DONO

Health Insurers

ADITYA BIRLA CAPITAL HEALTH INSURANCE

Galaxy HEALTH INSURANCE

niva Bupa Health Insurance

STAR Personal & Caring Health Insurance

The Health Insurance *Specialist*

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POLICY CHOICES ADOPTED UNDER IND AS 117

Below are the Policy Choices that all seven companies have agreed on:

1. **Scope** – No direct participating contracts, no investment contracts with Discretionary Participating Feature
2. **Level of Aggregation** – Split by Portfolio x Three profitability groups x Annual Cohort. RI at treaty level.
3. **Boundary & Recognition** – The boundary ends where the insurer can reprice.
4. **Separation of Contracts** - No separated contracts. Riders and Guarantees treated as non-distinct.
5. **Deferral of Acquisition Cost**

POLICY CHOICES ADOPTED UNDER IND AS 117

Below are the Policy Choices that companies have disclosed that differ materially :

1. Transition Approach
2. Measurement Model
3. Loss Component
4. Risk Adjustment Confidence Interval
5. Risk Adjustment Disaggregation
6. Discount Rate
7. Discounting Approach
8. Insurance Finance Income and Expenses

TRANSITION APPROACH : THE OPTIONS

FRA — **Fully Retrospective Approach**

- Default Approach to be adopted by companies as per Para C3.
- Used when company has full history of cashflows, tests, discount curves, acq. Costs.

MRA — **Modified Retrospective Approach**

- Used when FRA is impracticable and reasonable and supportable data exists as per Para C5.
- Permitted simplifications, using data available without undue cost

FVA — **Fair Value Approach**

- Only if FRA is impracticable. Free choice against MRA.
- Fair value of the book at transition

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Which Transition Approach will be the most used Transition Approach?

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TRANSITION APPROACH : INDUSTRY PRACTICE

Fully Retrospective Approach only

- 4 out of the 7 cos. opted for FRA only

FRA & MRA

- 2 out of the 7 cos. opted for blend of FRA & MRA

Fair Value Approach

- None adopted the FVA

Non – Disclosure

- One company has not disclosed the approach taken

MEASUREMENT MODEL: THE OPTIONS

GMM — **General Measurement Model**

- Default Model to be adopted by companies.
- To measure and roll forward FCF, RA and CSM

PAA — **Premium Allocation Approach**

- Eligible if coverage ≤ 1 year, or the LRC wouldn't differ materially from GMM
- LRC is premium less acquisition costs, earned over time. LIC at FCF + RA.
- PAA Eligibility test to be performed for multi – year contracts

VFA — **Variable Fee Approach**

- Eligible for Direct Participating Contracts only. Not very relevant for GI or Health

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How many of the seven measure their entire book, including reinsurance held, under PAA?

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MEASUREMENT MODEL : INDUSTRY PRACTICE

7 of the 7 companies adopted only PAA

- Multi year contracts passed through the PAA eligibility tests
- No CSM anywhere in the 7 cos
- Eligibility isn't permanent. Re-testing as multi-year business grows.

ONEROUSNESS : THE CONCEPT

STANDARD SAYS:

- Assume the contracts as not onerous at inception **unless facts and circumstances indicate otherwise**
- If onerous: loss to P&L **immediately**, loss component in the LRC, and a loss-recovery component on reinsurance held
- Keep testing it at each reporting date subsequently to check for **onerousness**

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How many of the insurers do you think have disclosed losses in their P&L?

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ONEROUSNESS : INDUSTRY PRACTICE

5 of the 7 companies show losses on the books

- Loss components ranges from differently as percentages of P&L.
- One health insurer shows no loss component.
- One GI company shows no loss component.

RISK ADJUSTMENT: THE OPTIONS

Methodology

- Confidence Level on Claim Distribution (Bootstrap or Mack)
- Cost of Capital
- Margin Based (MAD, PfAD)
- Factor Based similar to SII, QIS, IRBC

Disaggregation

- Companies have a choice to split change in Risk Adjustment in Insurance Service Results and Insurance Finance Income and Expenses or show everything under the former.

Disclosure of Confidence Interval

- As per Para 119 specifically asks the disclosure of CI used to determine non-financial risk

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What range of RA confidence levels did the seven disclose?

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RISK ADJUSTMENT : INDUSTRY PRACTICE

Disaggregation

- 6 out of 7 companies have chosen not to disaggregate change in RA between Insurance Service Results and Insurance Finance Income and Expenses whereas one has not disclosed.

Disclosure of Confidence Interval

- Below 70% - One (60%, one GI's lines other than motor TP)
- 70%–79% - Two (71.6%, 75%)
- 80%–89% - Three (80% twice, including the above GI's motor TP; 85%)
- Undisclosed - Two

DISCOUNT RATE : THE OPTIONS

Methodology

- Bottom Up – Risk Free Rate plus Illiquidity Premium (ILP)
- Top Down – Asset Yield less Credit Risk

Curve and ILP

- CCIL prescribed by the regulator
- Option for No ILP or method of ILP

Discounting of LIC

- As per Para 59(b) companies can choose to discount Liability for incurred claims.

FVOCI or FVTPL

- Companies have the option to send discount rate changes to OCI, keeping only unwind at locked-in rates in P&L.

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How many added an illiquidity premium to the risk-free curve?

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How many of the seven discount their claims liability (LIC)?

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DISCOUNT RATE: INDUSTRY PRACTICE

Curve and ILP

- 5 out of 7 companies have chosen CCIL as their curve used for discounting. One has used FIMMDA and one chose not to disclose.
- All 3 GI have used ILP
- 3 Health insurers have not used ILP
- One chose not to disclose

Discounting of LIC

- 2 GI companies chose to discount LIC whereas 1 chose to discount only the long tail portfolios
- Health Insurance was a mixed bag where 2 chose to discount and 2 do not.

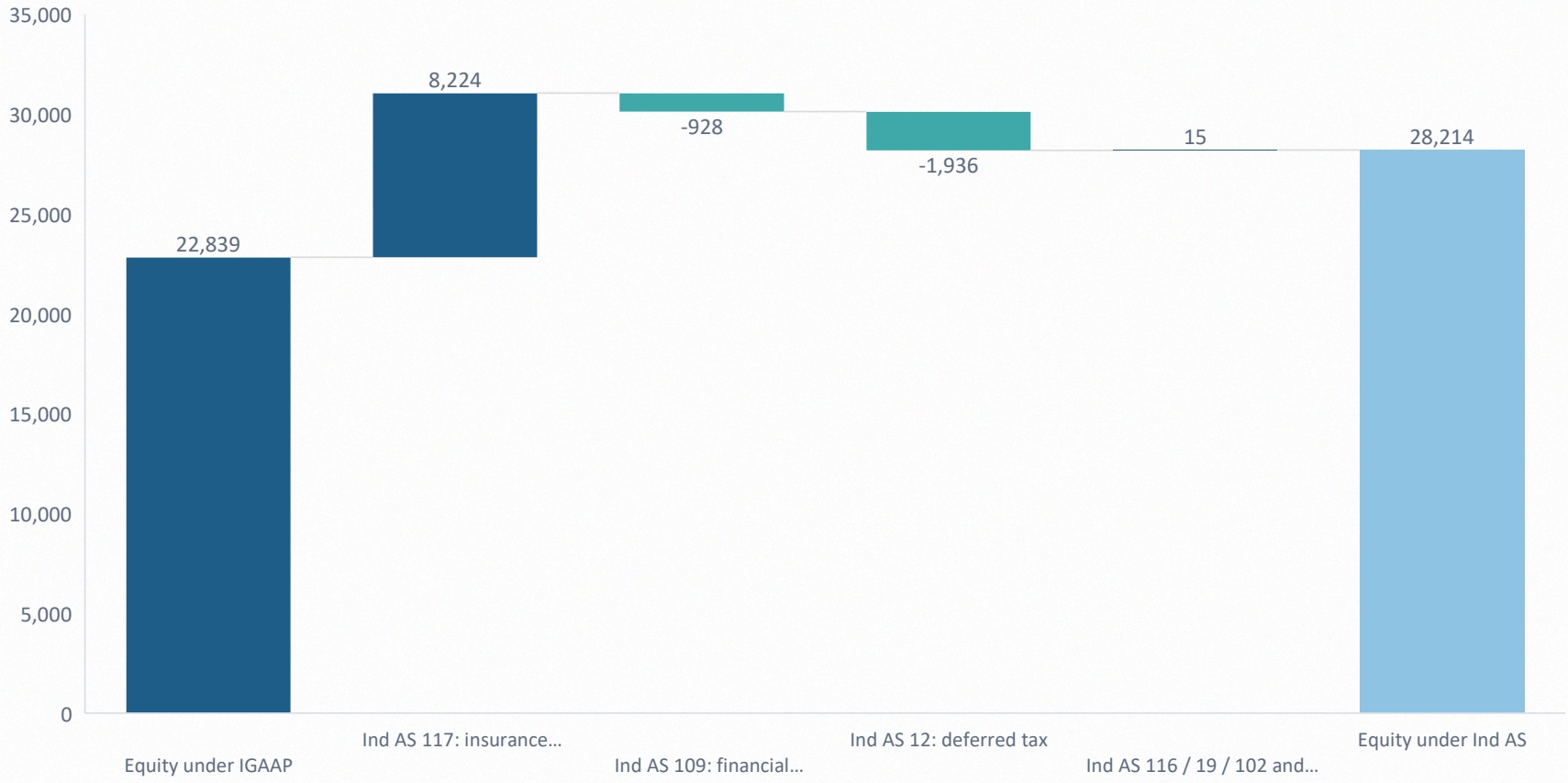
FVOCI or FVTPL

- 4 companies have adopted for FVOCI (all 3 GI and 1 health) whereas 3 out of 4 Health insurance companies have not adopted for FVOCI.

CHANGES UNDER IND AS 117 WALK

Standard	What changes	Usual Equity direction
Ind AS 117: Insurance contracts	Acquisition costs deferred, LIC discounted, Explicit RA	Up. Deferral and discounting outweigh RA and loss components.
Ind AS 109: Financial instruments	Bonds at fair value (FVOCI or FVTPL), not amortised cost, expected-credit-loss provisioning	Either way. Moves with rates on the reporting date.
Ind AS 12: Deferred tax	Tax on all of the above	Down. Takes back about a quarter.
Ind AS 116 / 19 / 102	Leases, gratuity, ESOPs	Small

EQUITY WALK UNDER IND AS 117



Amt in Rs Crores

GENERAL INSURANCE INDUSTRY EQUITY WALK

Equity Impact % IGAAP	Go Digit GI	Kiwi GI	SBI General
Eq. under IGAAP	100.0%	100.0%	100.0%
Ind AS 102 - Employee Benefits	1.2%	-0.5%	0.0%
Ind AS 117- Insurance Contracts	86.4%	0.0%	16.9%
Ind AS 109 - Financial Instruments	-1.2%	0.0%	-12.3%
Ind AS 116 – Leases	-0.3%	0.0%	-0.2%
Ind AS 19 – Gratuity	0.0%	0.1%	0.0%
Ind AS 12 - Income Tax	-23.2%	0.0%	-1.1%
Other	0.0%	0.4%	0.0%
Equity as reported under Ind AS	**162.8%**	**100.0%**	**103.3%**

HEALTH INSURANCE INDUSTRY EQUITY WALK

Equity Impact % IGAAP	Galaxy Health	Niva Bupa	Star Health	Aditya Birla Health
Eq. under IGAAP	100.0%	100.0%	100.0%	100.0%
Ind AS 102 - Employee Benefits	0.0%	0.0%	0.1%	0.0%
Ind AS 117- Insurance Contracts	10.3%	17.4%	36.0%	-0.4%
Ind AS 109 - Financial Instruments	0.5%	-2.4%	-0.8%	-5.6%
Ind AS 116 - Leases	-0.1%	0.1%	-0.3%	-0.2%
Ind AS 19 - Gratuity	-0.3%	0.0%	0.0%	0.0%
Ind AS 12 - Income Tax	0.0%	-3.5%	-8.9%	0.0%
Other	0.0%	0.0%	0.0%	0.0%
Equity as reported under Ind AS	**110.4%**	**111.5%**	**126.2%**	**93.8%**

INDUSTRY ANALYSIS UNDER IND AS 117 FOR THE P&L

Profit Impact %	Go Digit GI	Kiwi GI	SBI General
Net Profit after Tax under IGAAP	100.00%	100.00%	100.00%
Ind AS 117 - Insurance Contracts	130.39%	0.00%	14.44%
Ind AS 109 - Financial Instruments	-127.25%	0.00%	178.77%
Ind AS 116 - Leases	-1.10%	0.00%	-1.51%
Ind AS 19 - Gratuity	-0.36%	0.00%	-0.16%
Ind AS 102 - Share-based payments / Employee benefits	0.00%	6.49%	-0.25%
Ind AS 12 - Income Taxes	-13.71%	0.00%	-48.21%
OCI	0.00%	0.00%	17.17%
Profit as per Ind AS	87.97%	106.49%	260.26%

INDUSTRY ANALYSIS UNDER IND AS 117 FOR THE P&L

Profit Impact %	Galaxy Health	Niva Bupa	Star Health	Aditya Birla Health
Net Profit after Tax under IGAAP	100.00%	100.00%	100.00%	100.00%
Ind AS 117 - Insurance Contracts	-20.78%	-196.73%	107.68%	-21.54%
Ind AS 109 - Financial Instruments	-0.04%	-13.10%	-24.69%	2.51%
Ind AS 116 - Leases	0.24%	1.55%	-0.18%	-0.41%
Ind AS 19 - Gratuity	0.00%	-2.70%	0.00%	-2.37%
Ind AS 102 - Share-based payments / Employee benefits	0.00%	3.89%	3.31%	0.00%
Ind AS 12 - Income Taxes	0.00%	28.96%	-22.55%	0.00%
OCI	0.00%	-65.40%	-5.09%	-80.58%
Profit as per Ind AS	79.43%	-143.53%	158.48%	-2.43%

Thank You

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