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Government of India



National Financial Reporting Authority



NFRA examines proposals on new standard for accounting of insurance contracts viz. Ind AS 117

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The National Financial Reporting Authority (NFRA) held a meeting to examine the proposals received from the Institute of Chartered Accountants of India (ICAI), as required u/s 133 of the Companies Act, 2013), regarding a new Standard (Ind AS) for accounting of insurance contracts viz. Ind AS 117, here yesterday. The meeting was attended by the Executive Body of NFRA and Part time-members of the Authority from MCA, CAG, ICAI and the accountancy profession.

NFRA will share its recommendations to Ministry of Corporate Affairs, after which Ind AS 117 has to be considered and notified by the Central Government under Companies (Indian Accounting Standards) Rules 2015. When notified, it will replace currently notified Ind AS 104, *Insurance Contracts*.

IFRS 17, originally issued by the International Accounting Standards Board (IASB), in May 2017, is a complete overhaul of the accounting for the Insurance Industry. It is considered as a first truly international IFRS Standard for insurance contracts to help investors and other users to better understand insurers' risk exposure, profitability and financial position. Globally, it has become effective from 1st January 2023.

IFRS 17 is specifically designed to capture the unique features of the insurance and investment contracts of the Insurance Entities. It is highly insurance products specific and would entail a paradigm shift in the measurement, presentation and disclosure requirements. Insurance Industry fulfils a significant role in the



global economy. IASB's factsheet of 2017 says with \$13 trillion in assets, insurers account for 12 per cent of the total assets of listed companies that use IFRS Standards. Given the central economic role of the industry, proper and transparent accounting for insurance contracts is of crucial importance.

Dr Ajay Bhushan Prasad Pandey highlighted a number of reforms in India in recent times and India's prominent role in the global affairs. Dr Pandey said that Ind AS 117 is substantially converged with IFRS Standard adopted in over 140 countries. This decision is in line with the India's policy to embrace international best practices to enable level playing field to the Indian Companies. This standard will enable Indian Insurance Industry to present globally comparable financial information which augurs well for enhanced investment in the sector needed for increasing the insurance penetration in the country.

Prior to this meeting, NFRA also held an outreach with members from Life Insurance Industry as part of its examination of the proposed new standard on Insurance Contracts in February 2023 in which IRDAI also participated. The members from the Life Insurance Industry provided valuable insights to the proposed Ind AS 117 and expressed need for early notification of the standard. ICAI had also undertaken extensive public consultation by issuing exposure drafts of the proposed Ind AS 117 in 2018, 2021 and 2022.

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