भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Ref: IRDAI/IFRS/CIR/MISC/94/7/2026 14th July, 2026

CIRCULAR

To,

All Insurers

Subject: Clarifications on implementation of Indian Accounting Standards

1. Background

1.1 Reference is invited to Circular No. IRDAI/F&I/CIR/MISC/45/4/2026 dated 1 April 2026 on "Clarifications on implementation of Indian Accounting Standards (Ind AS)". Based on representations received from insurers and to ensure consistent implementation of the regulatory framework, the Authority hereby issues the following additional clarifications on role of the Appointed Actuary, Independent Validation and Ind AS-compliant Financial Statements for consolidation purposes.

2. Role of the Appointed Actuary in Preparation of Financial Statements under Ind AS

2.1 As per provisions of Clause 6 and 7 of Part II of Schedule I of the Insurance Regulatory and Development Authority of India (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024, the Appointed Actuary shall, for the purpose of preparing Financial Statements in accordance with the applicable Ind AS, provide actuarial expertise, advice and other actuarial inputs relevant to the preparation of the Financial Statements.

2.2 The responsibilities of the Appointed Actuary shall include:

a. actuarial valuation and measurement of policy liabilities in accordance with the applicable Ind AS, where policy liabilities include insurance contract liabilities under Ind AS 117, liabilities arising from investment contracts under Ind AS 109 and service contracts under Ind AS 115;

b. determination and review of the actuarial methodologies and assumptions used in the measurement of policy liabilities;

c. actuarial inputs in connection with the Financial Statements disclosures relating to insurance contracts and reinsurance contracts held; and

d. such other actuarial matters as may be necessary for compliance with the applicable Ind AS, the regulations, circulars and directions issued by the Authority and the applicable professional standards/ guidance notes issued by the Institute of Actuaries of India (IAI).

2.3 Submission of Technical Report on Ind AS Financial Statements by the Appointed Actuary to the Board of Directors of Insurer (Board):

a. The Appointed Actuary shall submit a technical report to the Board in respect of the actuarial valuation of policy liabilities for the preparation of Financial Statements prepared in accordance with the applicable Ind AS.

b. The technical report shall cover the material actuarial methodologies, assumptions, judgements, reliance placed on information provided by the management or other functions of the insurer, compliance with the applicable professional standards/ guidance notes issued by the Institute of Actuaries of India and such other matters considered material by the Appointed Actuary in preparation of Ind AS Financial Statements.

c. On first-time adoption of Ind AS, the technical report shall additionally include reconciliation of policy liabilities determined under the previous accounting framework as per Schedule II of IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024 and the policy liabilities under Ind AS Financial Statements together with an explanation of the material differences.

d. The technical report shall be placed before the Board for its consideration. A copy of the report, as approved by the Board, shall be submitted to the Authority along with the annual Financial Statements.

3. Independent Validation

3.1 In pursuance of Clause 7 of Schedule IIA of the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024, every insurer shall obtain an Independent Validation of the process adopted for implementation of the applicable Ind AS during the first year of implementation of the Ind AS. Accordingly, the requirement shall apply in FY 2026–27 for insurers implementing Ind AS from FY 2026–27 and in FY 2027–28 for insurers who have been granted forbearance.

3.2 Paragraph 8 of the Circular on "Clarifications on implementation of Indian Accounting Standards (Ind AS)" dated 1st April 2026 provides that the scope and manner of Independent Validation of the processes adopted for implementation of Ind AS shall be specified by the Competent Authority in consultation with the Joint Expert Group constituted under the Regulations. Accordingly, the scope, manner, responsibilities and reporting requirements for the Independent Validation of the process adopted by insurers for implementation of Ind AS is specified below.

3.3 Objective of Independent Validation: The objective of the Independent Validation is to assess whether the systems, governance framework, processes and controls established by the insurer for implementation of Ind AS are adequate, appropriate and operating effectively, including the following:

a. an appropriate implementation strategy, governance structure and oversight mechanism have been established by the Board and the Management of the Insurer;

b. governance arrangements, internal controls and implementation processes are commensurate with the nature, scale and complexity of the insurer's operations;

c. accounting policies, methodologies and implementation approaches adopted are consistent with the applicable requirements of Ind AS, including Ind AS 117, Ind AS 109 and other applicable standards;

d. significant assumptions, judgements, methodologies and decisions relating to recognition, measurement, presentation and disclosure have been appropriately documented and retained; and

e. calculations, actuarial and financial models, data inputs and governance processes have been consistently designed and applied.

3.4 The Independent Validation is limited to an assessment of the processes adopted by the insurer for implementation of Ind AS and does not constitute an audit of the Financial Statements or an actuarial opinion on policy liabilities or an assurance on the accuracy of the Financial Statements.

3.5 Independent Validator: Every insurer shall appoint an Independent Validator for carrying out the Independent Validation. The Independent Validator shall:

a. be a professional Chartered Accountancy firm that is neither appointed as the Statutory Auditor of the insurer nor is Ind AS implementation service provider/knowledge partner engaged by the insurer, if any, and satisfies the applicable independence requirements under the relevant laws, regulations and professional standards;

b. evaluate the adequacy and effectiveness of the processes, governance, controls and documentation established by the insurer for implementation of the applicable Ind AS;
c. be guided by the principles contained in applicable Standards on Auditing issued by the Institute of Chartered Accountants of India, including SA 620, "Using the Work of an Auditor's Expert". The Independent Validator shall utilise actuarial expertise, advice and other actuarial inputs from an actuary independent of the insurer in respect of actuarial matters relevant to the Independent Validation;
d. consider the materiality of the matters under review, including any alternate processes, controls or governance mechanisms adopted by the insurer in meeting the requirements relating to implementation of the applicable Ind AS;
e. provide an Independent Validation opinion, supported by appropriate observations, on the adequacy and effectiveness of the insurer's implementation process; and
f. establish an appropriate process for communicating significant observations during the one-year period, obtaining management comments on the observations and considering such comments before issuance of the final Independent Validation Report.

3.6 Scope of Independent Validation: The Independent Validation shall include, at a minimum, assessment of the following areas.

a. Strategy: The Independent Validator shall assess whether the insurer has established an appropriate strategy for implementation of Ind AS, including:

    i. Board-approved implementation strategy and roadmap, including timelines and milestones;

    ii. governance structure and accountability;

    iii. adequacy of implementation resources, including actuarial, finance, risk and information technology functions;

    iv. data management and implementation strategy;

    v. transition approach adopted under the applicable provisions of Ind AS 101 and Ind AS 117;

    vi. information technology and systems readiness for implementation of Ind AS; and

vii. Board oversight and periodic monitoring of implementation progress.

b. Governance: The Independent Validator shall assess whether appropriate governance arrangements have been established, including:

   i. the approval framework for accounting policies and methodologies under applicable Ind AS;

   ii. the involvement of the Appointed Actuary in the review of actuarial methodologies, assumptions and models used for Ind AS implementation;

   iii. the segregation of roles and responsibilities for the development, review and approval of assumptions, methodologies and models;

   iv. the documented change-control process for changes to assumptions, methodologies and models;

   v. the training and competency framework for relevant actuarial, finance and information technology personnel; and

   vi. the policy for retention of Ind AS judgements, models, workpapers and related amendments.

c. Risks and Controls: The Independent Validator shall assess whether adequate controls have been established and are operating effectively, including:

   i. the risk assessment covering model risk, data risk, process risk and financial reporting risk specific to Ind AS implementation;

   ii. the design and operating effectiveness of Internal Controls over Financial Reporting (ICFR) under Ind AS framework;

   iii. the reconciliation controls of general ledger balances between existing accounting framework as per Schedule II of IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulation, 2024 and Ind AS Financial Statements;

   iv. the information technology general controls, including access management, change management and system interfaces, for systems supporting Ind AS reporting;

   v. the governance over key judgements and significant assumptions; and

   vi. the controls over the timely and complete preparation of disclosures in accordance with the applicable presentation requirements of Ind AS.

3.7 Management Responsibility: The Board of Directors and the Management of the insurer shall be responsible for:

a. establishing and implementing an appropriate governance framework, systems, processes and internal controls for implementation of Ind AS, including transition;

b. selecting appropriate accounting policies, transition approaches, actuarial and financial assumptions and methodologies;

c. maintaining adequate documentation of assumptions, judgements, methodologies and decisions;

d. providing the Independent Validator with complete and accurate information, records and access necessary for carrying out the Independent Validation.

3.8 Periodicity:

The Independent Validation is an exercise to be undertaken during the first year of implementation of the applicable Ind AS. The validation shall be carried out on an ongoing basis throughout the financial year, with the Independent Validator being involved from the first quarter onwards, to facilitate a timely review of the insurer's Ind AS implementation process. The Independent Validation Report shall be submitted on quarterly basis to the Board of the insurer but before the completion of the audit/limited review of the Financial Statements under Ind AS. On an annual basis, the insurer shall submit the same to the Authority before the audited Ind AS Financial Statements are published.

3.9 The Independent Validation Report shall set out the scope of work performed, the procedures undertaken and the conclusions of the Independent Validator.

4. Ind AS-compliant Financial Statements for consolidation

4.1 Rule 5 of the Companies (Indian Accounting Standards) Rules, 2015 provides as follows:

"Provided that an insurer or insurance company may provide its Financial Statements as per Ind AS 104 for the purposes of consolidated Financial Statements by its parent or investor or venturer till the Insurance Regulatory and Development Authority notifies the Ind AS 117 and for this purpose, Ind AS 104 shall, as specified in the Schedule to these rules, continue to apply."

4.2 In respect of insurers who have been granted forbearance from preparation of Ind AS Financial Statements till 31st March, 2027, Financial Statements prepared in accordance with Ind AS 104 shall continue to apply for the purpose of consolidation by their parent, investor or venturer during the period of such forbearance.

5. Frequently Asked Questions

Frequently Asked Questions (FAQs) relating to implementation of Ind AS are provided in **Annexure I**.

This circular is issued with the approval of the Competent Authority.

Member (Finance & Investments)

Annexure I: Frequently Asked Questions

The following Frequently Asked Questions (FAQs) are intended to facilitate uniform implementation of this Circular. These FAQs are clarificatory in nature and shall be read in conjunction with this Circular (Ind AS Circular – 2) and the Circular dated 1 April 2026 on "Clarifications on implementation of Indian Accounting Standards (Ind AS)" (Ind AS Circular – 1). In the event of any inconsistency, the provisions of the applicable Acts, regulations and circulars issued by the Authority shall prevail.

Q1. Whether both the Financial Statements and the Financial Information are to be disclosed on the insurer's website?

Answer: Paragraph 2.4 of the Ind AS Circular – 1 prescribes the disclosure requirements applicable to insurers who have implemented Ind AS from FY 2026-27. The reporting requirements for insurers who have been granted regulatory forbearance from implementation of Ind AS are separately specified under Paragraph 4 of the said Circular.

Accordingly, insurers who have been granted forbearance:

(i) shall disclose on its website the Financial Statements prepared in accordance with Schedule II to the IRDAI (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2024; and

(ii) the Financial Information prepared in accordance with Schedule IIA to the said Regulations shall be submitted to the IRDAI and is not required to be disclosed on the insurer's website.

Q2. What are the timelines for disclosures of Financial Statements and Financial Information on Insurers website?

Answer: In case of Listed Insurers the timelines shall continue to be governed by the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as provided under Paragraph 4.6 of Ind AS Circular – 1.

In case of Insurers who have been granted forbearance, the Financial Information prepared in accordance with Schedule IIA is to be submitted only to IRDAI within the timelines specified under Paragraph 4.6 of the Ind AS Circular – 1, i.e., within three months from the end of each of the first three quarters. The annual financial information shall be submitted within 3 months from the end of the financial year.

Q3. Whether the requirements prescribed under Paragraph 4 of the Ind AS Circular – 1 applies both during and after the forbearance period?

Answer: No, the requirements prescribed under Paragraph 4 of the Ind AS Circular – 1 are applicable only during the period for which regulatory forbearance has been granted. Upon cessation of the forbearance, the insurer shall comply with the applicable reporting, filing and disclosure requirements prescribed for insurers implementing Ind AS under the applicable IRDAI regulations and circulars.

Q4. For insurance contract liabilities and reinsurance contract assets and liabilities denominated in currencies other than INR, where a currency-specific zero-coupon yield curve is not published by CCIL or otherwise specified by IRDAI, to clarify the appropriate methodology for determining the risk-free discount rate under Ind AS 117?

Answer: For insurance contract liabilities and reinsurance contract assets and liabilities denominated in a currency other than INR, the discount rate shall be determined using a risk-free yield curve that is appropriate for the respective currency and is consistent with the requirements of Ind AS. The insurer shall maintain appropriate documentation supporting the source, methodology and term structure of the risk-free yield curve adopted for each such currency and shall make the same available to IRDAI.

Q5. What are the changes required to be made in the disclosures by Listed Insurers under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for publishing financial results?

Answer: Circular reference IRDAI/F&I/CIR/MISC/92/7/2026 dated 8th July 2026 on Formats for publishing Financial Results as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been issued.