

Ind AS 117 Standard interpretations for Motor and Crop Government Scheme Webinar July 24, 2025

Ind AS 117 Standard interpretations for Motor

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Agenda

- Introduction of Motor Insurance
- Portfolio Consideration
- View on Portfolio Consideration
- Ind AS 117 Standard and practice consideration



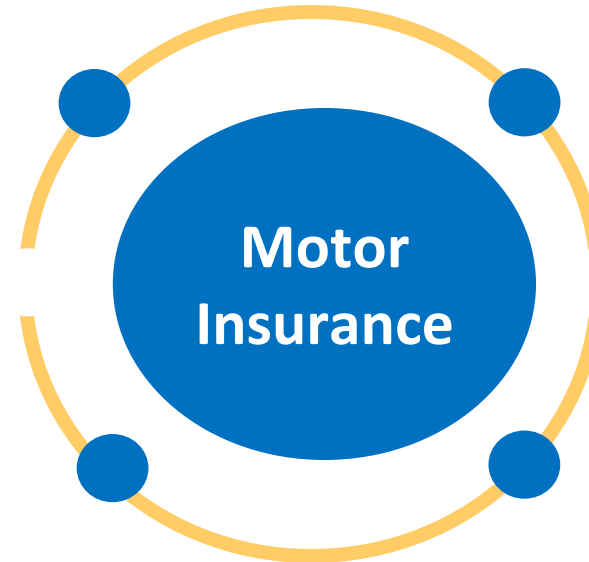
Introduction: Motor Insurance

Risk Covers

- Motor OD: Accidental Damage, Theft, Fire
- Motor TP: Third Party Death, Injury, TPPD

Add-On

- Zero Depreciation
- Engine Protection
- Road side assistance
- No Claim Bonus
- Tyre Protection



Contract Type

- Comprehensive and Standalone OD & TP
- Two Wheeler (TW), Private Car (4W), Commercial Vehicle (CV)

Rating Factors

- Vehicle Age
- Model & Make
- Geography
- Fuel Type
- NCB Type etc.

Portfolio consideration

1

Should Motor Own Damage (OD) and Thirty Party (TP) be considered as separate or single portfolios?

2

Motor Two-Wheeler, Private Car and Commercial Vehicle should be considered as separate or single?



View on Portfolio Consideration(OD & TP)



Single Portfolio Approach

- Motor OD and TP have similar underlying risk i.e. Vehicle involved in an accident.
- Primary difference is who is indemnified
- Both covers are managed together as pricing and channel remuneration are based on the combined profitability
- Under Comprehensive covers, Motor OD pricing is dependent on overall portfolio profitability. Also Standalone and Comprehensive OD pricing cannot be different

Separate Portfolio Approach

- Different risk as both have different reporting pattern, settlement pattern, inflations, pricing methodology.
- Managed separately as both Motor OD and TP are priced, reserved, settled separately.
- Both the covers Motor OD and TP can be priced and sold separately.

Current practice:

Motor OD & TP are disclosed separately in the financial statements as per IRDAI AFI Regulations 2024.

View on Motor Portfolio (2W, 4W, CV)



Single Portfolio Approach

- Underlying risk – accident – similar across all vehicle class
- Companies may have same sales, claims and servicing team for 2W, 4W and CV.
- Segregating these may imply segregation of all classes by rating factor.
- Company's internal structure will be the deciding factor.

Separate Portfolio Approach

- Separate Pricing model for each of the segment
- Different rating factor for all three vehicle class
- Companies may choose to segment TW, 4W, CV for risk management tool and internal analysis.

Current practice:

Motor 2W, 4W & CV form separate reserving classes as per IRDAI AFI Regulations 2024, but are clubbed into OD / TP in the financial statements as per the same Regulations

Ind AS 117 Standard



Ind AS 117 para 14 states that a portfolio of insurance contracts “comprises contracts subject to similar risks and managed together”. It further states that contracts within a product line would be expected to have similar risks and contracts in different product lines would not be expected to have similar risks. There is no additional specific guidance within the standards or in associated materials of what is meant by “similar risks” or “managed together” and it is left to the judgement of insurance companies to ascertain the applicability of similar risk or managed together.

Ind AS 117 paras 15-16 further provide for formation of groups of insurance contracts within a portfolio. Other portions of Ind AS 117 provide for the measurement of insurance contracts (including calculation of loss components) at a group level.

Ind AS 117 para 9 provides for combining insurance contracts with the same or related counterparties which achieve or are designed to achieve an overall commercial effect.

Conceptual Framework para 4.62 uses similar language about combining contracts. It also states that “conversely, if a single contract creates two or more sets of rights or obligations that could have been created through two or more separate contracts, an entity may need to account for each set as if it arose from separate contracts, in order to faithfully represent the rights and obligations.”

Ind AS 117 paras 10-13 provide for separating components from an insurance contract. These provide for separating only embedded derivatives, distinct investment components, and promises to transfer distinct goods and services other than insurance contract services. The components which are separated out are to be accounted for using Ind AS 109 or 115 as applicable. [This is cited for completeness; however, as motor TP & OD will both be accounted under Ind AS 117, these paras are not relevant.