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## XBRL: New Opportunities and Challenges in Insurance Sector

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# Overview of Insurance Sector in India

- The development of the Insurance sector in India is not very old. In the year 2000, the India Insurance market were opened up to the world.
- Foreign companies were allowed ownership of 26% through the FDI route.
- Insurance Regulatory and Development Authority (IRDA), which is the Insurance regulator of the country was set up in the year 1999
- The business of insurance industry can be divided into two broad categories:
  - 1.Life Insurance
  - 2.Non life or General Insurance

# Advantages of XBRL offered specific to Insurance sector

- ▶ XBRL will lead to economical and real time analysis of business information which will help in evaluating/assessing the financial stability of **business partners and reinsurers**.
- ▶ XBRL reporting will result in cost effective, timely and more accurate preparation of **actuarial reports** since XBRL is a common platform where aggregate detailed information from diverse organizations are available.
- ▶ Insurance companies will get greater transparency in evaluating the financial and business operations of their **insured entities**.

# more advantages.....

- XBRL will help in more timely and more up-to-date analysis of business investments on both portfolio basis and individual investment basis.
- Standard reporting format at a common platform will lead to better regulation resulting in value addition for both the **Insurance companies and the policyholders.**

# XBRL implementation in India

In India, Ministry of Corporate Affairs (MCA), which is the regulator for companies in India has been the first one to implement filings in XBRL. The MCA has mandated the filings of Financial Statements for a certain class of companies. The mandate requires certain categories of Companies to file their Financial Statements in XBRL format. This category excluded Insurance companies out of its scope owing to the different formats for presentation of Financial Statements for them.

# Role of XBRL India

XBRL India, in the implementation of XBRL has decided to develop industry specific taxonomies, both for life and non-life sectors. The taxonomy shall cover only the annual Financial Statements including the notes to accounts but shall not cover periodic returns submitted by insurance companies to the IRDA. The same are being covered in the other electronic form of reporting.

# Business Analytics Application (BAP) project

IRDA, which is the primary regulator of insurance companies in India is working on a Business Analytics Application (**BAP**) project for having all the filings from the companies in electronic format. The BAP project is expected to cover all the returns/filings with IRDA.

# Regulatory Framework

Along with IRDA, Insurance companies need to comply with the rules framed under the Life Insurance Act, 1956, General Insurance Business (Nationalization) Act, 1972, notifications/ Orders/ Circulars issued by the Life Insurance, the General Insurance Council of India including the CLIENT guidelines on the issue of IPOs for Insurance Companies and the SEBI guidelines in case of listed insurance companies. The taxonomy under development process proposes to cover all the above.



# Opportunities in the Insurance sector

- With the initiation of XBRL filings for Insurance companies, opportunities for the XBRL tool/service providers would increase. Though the number of insurance companies is not much (45 in all), their scope is largely spread owing to the elaborate reporting requirements these companies follow.
- MCA requires certification of XBRL Financial Statements by professionals.
- Over the years, assurance services would also be required on XBRL.

# Challenges in the Insurance sector

Since to start with, only the Financial Statements shall be made available in XBRL, it would be difficult to map/collate them with the periodic returns/information submitted by the Insurance companies in other electronic forms.

This would pose a challenge in the initial years, which may be overcome when the other information is also obtained in XBRL format.

# To Summarize

- ▶ Better regulation of Insurance Companies through XBRL, which in turn would add value to the policy holders and the total insurance industry as such.
- ▶ Increased flexibility and decreased costs in handling information.