Guidelines on the Implementation of Nepal Financial Reporting Standard on Insurance Contracts (NFRS 17) for Insurers, 2026 (BS 2083)

Date of Approval: 2083/03/28

Preamble: Whereas it is expedient to establish a consistent and transparent framework for the implementation of the Nepal Financial Reporting Standard on Insurance Contracts (NFRS 17), with a view to enhancing the reliability, comparability, and overall quality of financial reporting and disclosures by insurers,

Now, therefore, in exercise of the authority conferred by Section 166 of the Insurance Act, 2022 (2079 BS), the Nepal Insurance Authority has issued these Guidelines.

Chapter -1

Preliminary

1. **Short Title and Commencement:** (1) This Guidelines may be cited as "Guidelines on the Implementation of Nepal Financial Reporting Standard on Insurance Contracts (NFRS 17) for Insurers, 2026 (BS 2083)".

   (2) This Guidelines shall come into force from the date of approval by the Board of Nepal Insurance Authority (NIA).

2. **Scope:** This Guidelines shall apply to life insurers, non-life insurers, re-insurers and micro insurers licensed by Nepal Insurance Authority.

3. **Objective:** The objectives of issuing these Guidelines are to:

   (a) establish a consistent and robust regulatory framework to support the effective implementation of Nepal Financial Reporting Standard on Insurance Contracts (NFRS 17) by insurers,

   (b) promote transparency, reliability, uniformity, and comparability in the recognition, measurement, presentation, and disclosure of insurance contracts across the insurance sector,

   (c) clarify governance arrangements, accountability structures, and certification responsibilities relating to the implementation of NFRS 17, including the respective roles of management, the Board of Directors, the Appointed Actuary, external auditors, and other stakeholders,

   (d) provide practical guidance on data requirements, systems, and controls, taking into account the size, nature, and complexity of insurers,

   (e) support a progressive and risk-based supervisory approach to NFRS 17 implementation, while preserving management responsibility and allowing the application of sound professional judgment.

4. **<u>Segregation of Responsibilities:</u>** (1) For the purpose of implementation of NFRS 17, insurers shall follow a clear segregation of responsibilities:

   (a) **Management's Responsibility**: Management is responsible for preparation, operation, and ownership of data, actuarial models, assumptions, accounting policies, systems, and financial statements under NFRS 17.

   (b) **Risk Management Department:** Risk Management Department is responsible for appropriately identifying measures, monitoring and reporting risks especially around assumptions, risk adjustments and control, escalation of material concerns.

   (c) **Appointed Actuary:** Appointed Actuary is responsible for independent professional challenges, reasonable review of actuarial judgments and issuance of annual actuarial certification to the NIA.

   (d) **Board of Directors**: Board of Directors are responsible for providing strategic oversight, approving technical frameworks and risk management frameworks, and ensuring that the necessary resources, IT infrastructure, and monitoring systems are in place for compliant implementation.

   (e) **Financial Audit:** Financial Auditors are responsible for independent assurance by verifying the integrity, completeness and compliance of NFRS 17 data, and financial reporting.

   (f) **Regulatory Oversight**: Nepal Insurance Authority (NIA) is responsible for supervision.

   (2) Nothing in these Guidelines shall be construed to shift management responsibility to the Appointed Actuary or any external experts.

<u>Chapter -2</u>

<u>Position Paper and Role of Appointed Actuary</u>

5. **<u>Preparation of Position Paper:</u>** (1) Insurers shall submit position paper approved by Board of Directors to NIA within 90 days of the date of issuance of these guidelines. NIA may direct the insurers for necessary modifications, amendments, improvements.

   For the purpose of this guideline a "Position Paper" means a formal, comprehensive, and board of directors approved document that sets out the insurer's accounting policies, actuarial methodologies, key assumptions, data frameworks, and significant judgments applied in the implementation of NFRS 17. The Position Paper shall:

   (a) clearly document the basis of recognition, measurement, and presentation of insurance contracts,

   (b) include all material interpretations, elections, and judgments made in areas where the standard permits alternatives or requires estimation,

   (c) describe the actuarial techniques, models, and assumptions used,

   (d) outline the data sources, limitations, and adjustments.

(2) The Position Paper shall be a management-owned document. Management holds full ownership of this Position Paper, bearing responsibility for its accuracy, integrity, and periodic review.

(3) The Position Paper shall be maintained as a dynamic document and updated whenever there are material changes in methodology, assumptions, or judgments.

(4) The insurer shall submit the Position Paper to the NIA, after consultation with the Appointed Actuary confirming that the actuarial methodologies and assumptions are appropriate, internally consistent, and compliant with NFRS 17.

6. <u>Role of Appointed Actuary:</u>

(1) Issuing Actuarial Certification

(a) The Appointed Actuary shall issue an actuarial certificate to NIA at the time of submission of annual financial reports, confirming the adequacy of total insurance contract liabilities as per approved policies, methodologies and assumptions that are reasonable and internally consistent, taking into account relevant experience, market information, and professional judgment.

(b) The Appointed Actuary shall have the right to request from management any additional information, data, analyses, or documentation reasonably necessary for the actuarial certification. Management shall provide such information in a timely manner.

(2) Data Adequacy: The Appointed Actuary shall comment on whether identified data limitations could materially affect actuarial estimates and whether reasonable adjustments or approximations have been applied. This shall include commentary on the adequacy and credibility of data used for experience studies and assumption setting, the extent to which the insurer's own experience is sufficiently credible to support company-specific assumptions, and where data is not credible, whether appropriate industry benchmarks or other external references have been applied as substitutes or supplements.

(3) Disclosing the material fact: Disclose all material facts identified that could significantly impact the insurer’s financial position, financial performance, or risk profile.

(4) Escalation and Professional Judgment: Material concerns shall be communicated directly to the Audit Committee/Board as well as NIA, in cases where management overrides actuarial judgement.

<u>Chapter 3</u>

<u>Specific Requirements</u>

7. <u>Management Representation Letter:</u> Prior to issuance of the actuarial certification, management shall provide a written representation to the Appointed Actuary confirming but not limited to:

(a) Completeness and accuracy of data provided,

(b) Ownership of assumptions and judgments,

(c) Responsibility for financial reporting outcomes.

8. **<u>Interaction with External Auditor:</u>** (1) The work of the Appointed Actuary shall not replace or limit audit procedures performed by the external auditor.

(2) Any reliance by the external auditor on actuarial work shall be subject to applicable auditing standards.

9. **<u>Responsibility of Board:</u>** The Board of Insurers shall have following responsibilities: -

   (a) Oversee the comprehensive implementation of NFRS 17,

   (b) Monitor and manage data quality and system readiness, including upgrades or modifications to IT systems necessary for NFRS 17 compliance,

   (c) Approve the Position Paper,

   (d) Approve NFRS 17 action plan indicating detailed procedures it will undergo towards smooth implementation of NFRS 17,

   (e) Monitor progress on Implementation of NFRS-17 on periodic basis,

   (f) Ensure sufficient resources are allocated for effective implementation of NFRS 17,

   (g) Review and approve management's policy for determining profit release patterns, ensuring consistency with NFRS 17,

   (h) Understand major sources of volatility arising from actuarial assumptions and discount rates,

   (i) Approve and document risk appetite related to Contractual Service Margin, Risk Adjustment, and transition impacts,

   (j) Carry out all other activities necessary to ensure the effective implementation of NFRS 17.

10. **<u>Project Management Team:</u>** (1) Every insurer shall establish a dedicated Project Management Team for NFRS 17 implementation comprising the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Technical Officer (IT Head), Risk Focal Person and individual with Actuarial Expertise.

(2) The team shall be responsible for the comprehensive planning, coordination, and execution of all activities necessary to ensure the successful adoption of NFRS 17 across the insurer. Its key responsibilities shall include, but not be limited to, the following:

   (a) Monitor and manage data quality and system readiness, including upgrades or modifications to IT systems necessary for NFRS 17 compliance,

   (b) Provide periodic reports to the Board of Directors on the status of NFRS 17 implementation, challenges, and progress toward full compliance,

   (c) Ensure coordination between departments (actuarial, finance, IT, risk, etc.) for consistent application of NFRS 17 principles across functions,

   (d) Maintain proper documentation of all processes, decisions, and methodologies applied under

NFRS 17,

(e) Carry out a comprehensive NFRS 17 gap analysis to assess the insurer's capabilities for effective implementation of the standard, The analysis must highlight gaps and weaknesses in systems, data, processes, and technical expertise, and the overall level of preparedness for full compliance with NFRS 17,

(f) Prepare and submit an NFRS 17 action plan indicating detailed procedures it will undergo towards smooth implementation of NFRS 17 in consideration of the level of aggregation, methodology, determination of discount rate, transition, reinsurance contracts, Information and communication systems & data and change management for bridging the gaps,

(g) Prepare profit reconciliation explaining key differences (e.g. CSM, risk adjustment, discounting) and submit it to the Authority,

(h) Submit the monthly improvement results and issues encountered during the NFRS 17 implementation to the financial analysis Section of NIA,

(i) The Project Management Team shall not approve actuarial or accounting judgments,

(j) Unresolved technical issues shall be escalated to senior management, the Board of directors, or the Appointed Actuary as appropriate,

(k) Carry out all other activities necessary to ensure the effective implementation of NFRS 17.

11. **<u>Information and Communication systems:</u>** (1) The requirements set out in this sub-section shall apply where an insurer implements NFRS 17 using dedicated actuarial or financial reporting software solutions. Where an insurer implements NFRS 17 using other tools or other non-integrated systems, the insurer shall ensure that equivalent controls, documentation, validation procedures, and audit trails are established to achieve the objectives of these requirements, commensurate with the nature, size, and complexity of its operations.

(2) The Information and Communication system shall at minimum be able to address the following aspects:

(a) Be thoroughly tested before deployment and demonstrate successful implementation and reliable performance,

(b) Maintain a comprehensive audit trail to record all relevant system activities,

(c) Provide adequate data storage and archiving capabilities,

(d) Grouping contracts according to the required level of aggregation, in addition to separating the non-insurance components from the insurance contract,

(e) Apply the requirements of the accounting measurement approach appropriate to the nature of the company's business (GMM, PAA, VFA),

(f) Estimate the future cash flows of insurance contracts and the respective share of reinsurance separately. The system shall allow appropriate governance, documentation, and controlled updating of actuarial assumptions,

(g) Calculate the present value of future cash flows according to the discount rates for insurance contracts and the respective share of reinsurance,

(h) Determine the value of the non-financial risk adjustments (Risk Adjustments) and calculate Contractual Service Margin (CSM) according to actuarial assumptions,

(i) Provide figures required for NFRS-17 for preparation of financial statement and related disclosures,

(j) Address changes in the actuarial assumptions used in the subsequent measurement of groups of insurance contracts,

(k) A list of the names and numbers of the listed accounts (Chart of Accounts) in accordance with the requirements of NFRS 17.

The system shall be subject to regular, independent audits to assess and ensure its continued integrity, confidentiality, availability, and security.

(3) Insurers are required to ensure the existence of the minimum rules and controls in their Information and Communication Technology systems as listed below:

(a) Ensuring data accuracy and integrity.

(b) Implementing effective and sound Information Technology governance practices.

(c) Establish effective and sound IT controls, such as restricting who can access data (Data Access Controls) and managing changes to software applications carefully (Program Change Controls).

(d) Protecting data and information securely, following best practices.

(e) Maintaining backup copies of data and having a Business Continuity Plan to keep operations running during disruptions.

12. Technical Committee: (1) A High Level NFRS 17 Implementation Task Force formed as per the decision of NIA shall act as the Technical Committee (Annexure I) to oversee and monitor the implementation of NFRS 17 across the insurance industry.

(2) The Roles and Responsibilities of this Technical Committee shall be as below: -

(a) Review NFRS 17 requirements and recommend to Accounting Standard Board of Nepal for necessary interpretations and clarifications for industry-wide consistency,

(b) Review the formats of NFRS based financial statement & disclosures and recommend industry-specific adaptations,

(c) Identify training needs for stakeholders and conduct training programs, workshops, and knowledge-sharing sessions, develop an NFRS based training module and provide other technical supports,

(d) Monitor the implementation status and challenges faced by insurers to recommend appropriate corrective actions and provide necessary regulatory support,

(e) Facilitate coordination between insurers, auditors, actuaries, ASB, ICAN, and NIA for uniform understanding and act as a forum to resolve technical or practical implementation issues,

(f) Review the insurer's NFRS 17 progress report and recommend necessary supervisory interventions when needed,

(g) Submit periodic reports to NIA's Chairman on progress, issues, and recommendations and maintain a lot of technical queries and responses issued,

(h) Amend or update the guidelines, as and when required,

(i) Monitor and assess changes in data, actuarial models, IT systems, and reporting processes required for NFRS 17 compliance,

(j) Address any other relevant matters or emerging issues related to the implementation of NFRS 17, as deemed necessary by the Committee.

(3) Guidance issued by the Technical Committee shall be interpretative and aimed at achieving consistency. However, Insurers may depart from such guidance where justified and appropriately documented and shall be communicated to NIA.

13. Focal Section: Insurers shall communicate to the Financial Analysis Section, as the focal section of NIA, regarding any queries with respect to NFRS 17 Implementation.

14. Use of External Consultants: Insurers may engage external consultants for model development, assumption analysis, and implementation support. Such engagement shall not dilute management responsibility or compromise the roles of the Appointed Actuary.

15. Safe Harbour for Professional Judgment: Differences in actuarial judgment, when supported by reasonable evidence and professional standards, shall not in themselves constitute non-compliance with these Guidelines.

16. Supervisory Approach: The supervisory approach of the Nepal Insurance Authority in relation to NFRS 17 shall be progressive, risk-based, with emphasis on transparency, governance, and consistency rather than prescriptive uniformity.

Chapter IV

Other Provisions

17. **Financial Statements, Bonus Determination and AGM:** (1) Insurer shall prepare dual quarterly financial statements from the fourth quarter of fiscal year 2082/83 whereby one shall be in line with NFRS 17 and the other shall be in accordance with Quarterly Financial statement Circular issued by NIA.

(2) Starting from 1st Shrawan 2082, Insurers shall prepare and submit dual audited Financial Statements whereby one shall be NFRS 17 based General Purpose Financial Statement and the other shall be Special Purpose Financial statement as per Financial Statement Directive, 2080 issued by NIA for regulatory approval.

(3) The Risk Based Capital and Solvency Directive, 2082 shall be used for determination of discretionary benefits for participating policyholders.

(4) Distributable Profit shall be the lower of the distributable profit reported based on Financial Statement Directive, 2080 issued by NIA and NFRS 17 during this period.

(5) General purpose financial statements prepared under NFRS 17 shall be presented in the Annual General Meeting (AGM) for approval purposes. However, Insurers shall publish both General and Special Purpose Financial Statement in annual reports.

(6) The reserves required to be allocated under the prevailing Insurance Act, and regulatory directives shall be based on the Financial Statement Directive, 2080 issued by NIA. If the balance of retained earnings as per NFRS 17 is higher than that based on Financial Statement Directive, 2080 issued by NIA, such difference shall be transferred to the regulatory reserve and shall be maintained separately. However, in the subsequent year, if the balance of retained earnings as per NFRS 17 is lower than that based on Financial Statement Directive, 2080 issued by NIA, such difference amount can be reversed from Regulatory Reserve to the extent available. This reserve shall not be available for dividend distribution or other appropriations until decided or approved by NIA.

18. **Stages of Implementation:** The overall stage-wise implementation plan along with the timeline is shown in Annexure II.

19. **Interpretation and Governing Authority:** These Guidelines do not amend, interpret, or override the provisions of NFRS 17. Any accounting interpretation shall be governed solely by NFRS 17 and the guidance issued by Accounting Standard Board of Nepal (ASB) or the Institute of Chartered Accountants of Nepal (ICAN).

20. **Right to amend:** These Guidelines may be reviewed and amended by the Board of the Nepal Insurance Authority from time to time, as deemed necessary, in response to evolving market conditions, regulatory developments, and/or by any reasonable ground as will deem fit.

Annexure I
(Related to section 12)
Composition of Technical Committee

Coordinator	Executive Director, NIA
Member	Director, Relevant department of NIA.
Member	Member, Institute of Chartered Accountants of Nepal (ICAN).
Member	Member, Accounting Standard Board of Nepal.
Member Secretary	Deputy Director, Financial Analysis Section of NIA.
Invitees	Representatives from insurers and experts.

Annexure II
(Related to section 18)
Step-wise Implementation Plan

Action Item	Task Description	Timeline
Formation of Project Management Team	Insurer shall have the dedicated NFRS 17 implementation team.	Within 7 days of issuance of Guidelines.
NFRS-17 Action Plan	Prepare and submit a concise implementation plan detailing the insurer's approach to adopting NFRS 17, including key milestones, timelines, resource planning, and strategies to address gaps identified through the NFRS 17 gap analysis.	Within 30 days of issuance of Guidelines.
Submission of Position Paper	Insurers shall submit position papers that outline key judgments, methodologies, and application approaches adopted under NFRS 17.	Within 90 days of issuance of Guidelines.
Interim Financial Statement.	Submit Quarterly FS as per NFRS 17 to NIA.	Starting From 4th Quarter of FY 2082/83. However 1st, 2nd and 3rd Quarterly report also to be submitted.
Annual Financial Reporting	Submit audited annual financial statements based on Financial Statement Directive, 2080 issued by NIA and based on NFRS 17 to NIA.	As per Insurance Act, 2079.
Profit Reconciliation	Insurers to prepare detailed reconciliation between profits reported under Financial Statement Directive, 2080 issued by NIA and NFRS 17. Explain key differences (e.g., CSM, risk adjustment, discounting).	Along with Financial Statement.