

# IRDAI cuts audit firms' engagement with insurers to 4 years

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New Delhi

The new corporate governance guidelines of the Insurance Regulatory and Development Authority of India (IRDAI) have reduced the engagement period of statutory auditors with insurance companies. Audit firms now have a four-year term for joint statutory audits, followed by a mandatory three-year cooling-off period, according to IRDAI's Master Circular on 'Corporate Governance for Insurers 2024'.

During this cooling-off period, outgoing auditors and their affiliates are barred from undertaking investment risk management or concurrent audits of the insurer. Additionally, incoming auditors must not include any affiliates of the retiring auditor. Previously, audit firms could serve up to ten years, but the new rules ensure a fresh review of financial statements every four years to enhance audit quality and to reduce complacency. Existing audit firm appointments for five years can be continued till the end of the tenure.

Commenting on the latest

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IRDAI move, Jaspreet Bedi, Partner, Nangia & Co LLP, said: "The auditor refresh policy is to promote independence, impartiality, and integrity in the audit process." It enhances transparency and accountability by intro-

ducing new auditors every four years, preventing complacency, and maintaining rigorous financial reporting standards, he said.

## **'VERY SHORT'**

However, G Ramaswamy, former CA Institute President, said IRDAI's move to introduce a four-year term is "very short" and needs to be enhanced to five or seven years. "Already the Companies Act provides for five years with reappointment for another five years. IRDAI should align it with five years, as in the Companies Act, and then insist on a three-year cooling-off

period," Ramaswamy told *businessline*.

Already IRDAI guidelines stipulate a mandatory joint audit for all insurance companies, as for banks, public sector undertakings and insurance companies.

The latest Master Circular also stipulates that an audit firm can carry out statutory audits of not more than three insurers (life/general/health/reinsurer) at a time. Further, an audit firm should not have the audit assignments of more than two insurers in one line of business (that is, life, general, health or reinsurance) at a time.

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# Corporate governance for insurers: Irdai lists new guidelines

The regulator said the present board chairperson can continue up to March 31, 2026 or till they complete their current tenure

Written by [Hitesh Vyas](#)

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Commenting on the guidelines, Nangia & Co LLP's Partner -Audit & Assurance, Jaspreet Bedi, said that the new corporate governance guidelines address the allocation and regulation of power and accountabilities within an insurer and avoids undue concentration of authority and power.

“The auditor refresh policy is to promote independence, impartiality, and integrity in the audit process. It enhances transparency and accountability by introducing new auditors at regular intervals of four years, preventing complacency, and maintaining rigorous financial reporting standards,” Bedi said.

The master circular is applicable to all insurers except foreign company engaged in re-insurance business through a branch established in India. Irdai has given insurers time up to June 30, 2024 to ensure compliance with the provisions.