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Name of Insurer: Registration Number: Category:	**Form Code:** Date of Registration: ___________ ___ Category Code: [ ]									
Item No	*Description*	*Mathematical Reserves before Re-insurance*	*Mathematical Reserves after Re-insurance*	*K1*	*Sum at Risk before Re-insurance*	*Sum at Risk after Re-insurance*	*K2*	*First Factor*	*Second Factor*	*Required Solvency Margin*
1	2	3	4	5	6	7	8	9	10	11
	Category: Non-Linked									
	Division-Individual:									
01	Sub-Class-Life Business									
02	Sub-Class-General Annuity									
03	Sub-Class-Pension									
	Division: Group Business:									
	Sub-Class: Life Business:									
04	(a) Premiums									

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	guaranteed for not more than one year									
05	(b) Premiums guaranteed for more than one year									
06	Sub-class: General Annuity									
07	Sub-class: Pension Category: Linked									
	Division-Individual:									
	Sub-Class-Life Business									
08	(a) with guarantees									
09	(b) without guarantees									
	Sub-Class-General Annuity									
10	(a) with guarantees									
11	(b) without guarantees									
12	Sub-Class-Pension									

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13	(a) with guarantees									
	(b) without guarantees									
	Division: Group Business:									
	Sub-class-Life Business									
14	(a) with guarantees									
15	(b) without guarantees									
	Sub-Class General Annuity									
16	(a) with guarantees									
17	(b) without guarantees									
	Sub-Class-pension									
18	(a) with guarantees									
19	(b) without guarantees									
	Category: Health Insurance									
	Division Individual:									

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	Sub-Class Linked									
20	(a) with guarantees									
21	(b) without guarantees									
	Sub-Class Non-Linked									
22	Sub-Class Linked									
23	(a) with guarantees									
24	(b) without guarantees									
	Sub-class: Non-Linked									
25	(a) Premiums guaranteed for not more than one year									
26	(b) Premiums guaranteed for more than one year									
27	**Total**									

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1. K1 = 0.85* or (Mathematical Reserve after Re-insurance/Mathematical Reserves before reinsurance), whichever is higher, [*0.50 in case of reinsurers, carrying on life insurance-business];

2. K2 = 0.5 or (Sum at Risk after re-insurance/Sum at risk before re-insurance), whichever is higher;

3. Col (11) = [Co l (3) Col (5) Col (9)] + [Col (6) Col (8) Col (10)];

4. In the computation of the total sum at risk, ignore the contracts for which the sum at risk is a negative figure or does not exist;

5. Details of first and second factors:

	Item	*First Factor*	*Second Factor*
Non-Linked Business:			
Individual Business:			
01	Life Business	4%	0.3%
02	General Annuity	4%	0%
03	Pension	4%	0%
04	Health	4%	0%
Group Business:			
Life Premiums guaranteed for:			
05	not more than one year	1%	0.2%
06	more than one year	3%	0.3%
07	General Annuity	4%	0%
08	Pension	4%	0%
Linked Business:			
Individual Business:			
Life Business			

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11	With Guarantees	2%	0.2%
12	Without Guarantees	1%	0.3%
General Annuity			
13	With Guarantees	2%	0%
14	Without Guarantees	1%	0%
Pension			
15	With Guarantees	2%	0%
16	Without Guarantees	1%	0%
Group Business:			
Life Business			
15	With Guarantees	2%	0.3%
16	Without Guarantees	1%	0.2%
General Annuity			
17	With Guarantees	2%	0%
18	Without Guarantees	1%	0%
Pension			
19	Without Guarantees	2%	0%
20	Without Guarantees	1%	0%
Health Insurance:			
Individual Business:			
Linked Business			
21	With Guarantees	2%	0%
22	Without Guarantees	1%	0%
23	Non-Linked Business	4%	0%
Group Business:			
Linked			
24	With Guarantees	2%	0%
25	Without Guarantees	1%	0%
Non-Linked			
26	Premiums Guarantees for not more than year	1%	0%

27	Premiums Guarantees for more one than year	3%	0%

Table II Required Solvency Margin Based on Assets of Policyholders Fund

Name of Insurer: Registration Number: Category:	**Form Code:** Date of Registration: ______________ Category Code: [ ]				
Item No	*Category of Asset*	*Notes*	*Amount (see Notes below).Rs.*	*Third Factor %*	*Required Solvency Margin*
(1)	(2)	(3)	(4)	(5)	(6)
	Non-Mandated investments Corporate Bonds				
01	AAA or equivalent				
02	AA or equivalent				
03	A or equivalent				
04	BBB or equivalent				
05	BB or equivalent				
06	B or equivalent				
07	Lower than B				
08	Unrated Mortgages				
09	Residential				
10	Commercial Real estate				
11	Residential				
12	Commercial Preference Shares				
13	Listed Preference Shares				
14	Unlisted Preference Equity				

15	Listed Ordinary Shares				
16	Unlisted Ordinary Shares				
17	Total				

1. Col (5) = Col (3)* Col (4);

2. Col (4) = zero until further intimation from the Authority;

3. The Table should show the Amount (in Colimn (3) (which is balance sheet value in respect of the above mentioned category of asset [where the balance sheet is prepared in accordance with Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2000.]

4. All the figures in Column (3) and (5) should be in Indian Rupees lakhs.

Table III Available Solvency Margin and Solvency Ratio

Name of Insurer: Registration Number: Category:	**Form Code:** Date of Registration: ______________ Category Code: [ ]		
Item No	*Description*	*Notes No.*	*Adjusted Value*
(1)	(2)	(3)	(4)
01	Available Assets in Policyholders Fund: Deduct:		
02	Mathematical Reserves		
03	Other Liabilities		
04	Excess in Policyholders funds (010203)		
05	Available Assets in Shareholders Fund: Deduct:		

06	Other Liabilities of Shareholders Fund		
07	Excess in Shareholders Funds (0506)		
08	Total ASM (04) + (07)		
09	Total RSM		
10	Solvency Ratio (ASM/RSM)		

I, ... the Appointed Actuary; certify that the above statements have been prepared in accordance with the section 64 VA of the *Insurance Act 1938* , and the amounts mentioned therein are true and fair to the best of my knowledge.

Place: Name and Signature of Appointed Actuary

Date:

Notes:

1. Item No 01 shall be the amount of the Adjusted Value of Assets as mentioned in Form IRDA-AssetsAA as specified under Schedule I of Insurance Regulatory and Development Authority (Assets, Liabilities, and Solvency Margin of Insurers) Regulations, 2000;

2. Item No. 02 shall be the amount of Mathematical Reserves as mentioned in Form H;

3. Item No. 03 and 06 shall be the amount of other liabilities as mentioned in the Balance Sheet;

4. Items No. 05 shall be the amount of the Total Assets as mentioned in Form IRDA-AssetsAA as specified under Schedule I of Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000.

1 . Vide Notification No IRDA/REG/7/2000, dated 14 July 2000 and published in *Gazette of India*, Extraordinary Part III, sec 4, dated 19-7-2000.

End of Document

Appendix VIII Insurance Regulatory and Development Authority (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002[1]

F. No. IRDA/Reg./10/2002. In exercise of the powers conferred by section 32C, read with *section 32B of the Insurance Act 1938* (4 of 1938), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations to substitute the Insurance Regulatory and Development Authority (Obligations if Insurers to Rural Social Sectors) Regulations, 2000, namely:

1. Short title and commencement

(1) These regulations may be called the Insurance Regulatory and Development Authority (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002.

(2) They shall come into force from the date of their publication in the Official Gazette.

2. Definitions

In these regulations, unless the context otherwise requires

(a) Act means the *Insurance Act, 1938* (4 of 1938);

(b) Authority means the Insurance Regulatory and Development Authority established, under the provisions of *section 3 of the Insurance Regulatory and Development Authority Act, 1999* (41 of 1999);

[2][(c) Rural Sector means the places or areas classified as rural while conducting the latest decennial population

census (Census of India).]

(d) Social sector includes unorganised sector, informal sector, economically vulnerable or backward classes and other categories of persons, both in rural and urban areas;

(e) Unorganised sector includes self-employed workers such as agricultural labourers, bidi workers, brick kiln workers, carpenters, cobblers, construction workers, fishermen, hamals, handicraft artisans, handloom and khadi workers, lady tailors, leather and tannery workers, papad makers, powerloom workers, physically handicapped self-employed persons, primary milk producers, rickshaw pullers, safai karmacharis, salt growers, seri-culture workers, sugarcane cutters, tendu leaf collectors, toddy tappers, vegetable vendors, washerwomen, working women in hills, or such other categories of persons;

(f) economically vulnerable or backward classes means persons who live below the poverty line;

(g) other categories of persons includes persons with disability as defined in the Persons with Disabilities (Equal Opportunities, Protection of Rights, and Full Participation) Act, 1995 and who may not be gainfully employed; and also includes guardians who need insurance to protect spastic persons or persons with disability;

(h) information sector includes small scale, self-employed workers typically at a law level of organisation and technology, with the primary objective of generating employment and income, with heterogeneous activities like retail trade, transport, repair and maintenance, construction, personal and domestic services and manufacturing, with the work mostly labour intensive, having often unwritten and informal employer-employee relationship;

(i) all words and expressions used herein and not defined herein but defined in the *Insurance Act, 1938* (4 of 1938) or in the *Insurance Regulatory and Development Authority Act, 1999* (41 of 1999) shall have the meanings respectively assigned to them in those Acts.

3. Obligations

Every insurer, who begins to carry on insurance business after the commencement of the *Insurance Regulatory and Development Authority Act, 1999* (41 of 1999), shall, for the purposes of sections 32B and 32C of the Act, ensure that he undertakes the following obligations, during the first five financial years, pertaining to the persons in

(a) rural sector,

(i) in respect of a *life insurer*,

(I)*seven* per cent in the first financial year;

(II)*nine* per cent in the second financial year;

(III)*Twelve* per cent in the third financial year;

(IV)*Fourteen* per cent in the fourth financial year;

(V)*Sixteen* per cent in the fifth year;

of total policies written direct in that year;

(ii) in respect of a *general insurer*,

(I) two per cent in the first financial year;

(II) three per cent in the second financial year;

(III) five per cent there after,

of total gross premium income written direct in that year;

(b) social sector, in respect of all insurers,

(I) five thousand lives in the first financial year;

(II) seven thousand five hundred lives in the second financial year;

(III) ten thousand lives in the third financial year;

(IV) fifteen thousand lives in the fourth financial year;

(V) twenty thousand lives in the fifth year:

[3][Provided that in cases where an insurance company commences operations in the second half of the financial year and is in operations for less than six months as at 31st March of the relevant financial year, (i) no rural or social sector obligations shall be applicable for the said period, and (ii) the annual obligations as indicated in the Regulations shall be reckoned from the next financial year which shall be considered as the first year of operations for the purpose of compliance. In cases where an insurance company commences operations in the first half of the financial year, the applicable obligations for the first year shall be 50 per cent of the obligations as specified in these Regulations.]:

Provided further that, in case of a general insurer, the obligations specified shall include insurance for crops:

[4][* * *]

[5][3A. Obligation in the Sixth Financial Year.

Every insurer, who begins to carry on insurance business after the commencement of the *Insurance Regulatory and Development Authority Act, 1999* (41 of 1999), shall, for the purposes of Sections 32B and 32C of the Act, insure that he undertakes the following obligations, during the Sixth Financial year of operations:

(a) In respect of life insurers, eighteen per cent of the total policies written direct shall be in the rural sector.

(b) In respect of the non-life insurers, five per cent of the total gross premium income written direct shall be in the rural sector, and

(c) In respect of all insurers, twenty five thousand new lives shall be covered in the social sector and the policies should be in force on 31st March of the year.]

[6][3B. Obligations after the Sixth Financial Year.

(1)(a) Rural Sector

(i) in respect of a life insurer,

(I) eighteen per cent in the seventh financial year;

(II) nineteen per cent in the eighth and ninth financial years;

(III) twenty per cent in the tenth financial year,

of the total policies written direct in that year;

(ii) in respect of a general insurer,

(I) five per cent in the seventh financial year;

(II) six per cent in the eighth financial year;

(III) seven per cent in the ninth and tenth financial years;

of die total gross premium income written direct in that year.

(b) Social sector

(i) in respect of all insurers,

(I) twenty five thousand lives in the seventh financial year;

(II) thirty five thousand lives in the eighth financial year;

(III) forty five thousand lives in the ninth financial year;

(IV) fifty five thousand lives in the tenth financial year.

(2) The obligations of the insurers towards the rural and social sectors for the tenth financial year shall also be applicable in respect of the financial years thereafter.]

4. Obligations of existing insurers

(1) The obligations of existing insurers as on the date of commencement of *IRDA Act* shall be decided by the Authority after consultation with them and the quantum of insurance business to be done shall not be less than what has been recorded by them for the accounting year ended 31 March, 2002.

(2) The Authority shall review such quantum of insurance business periodically and give directions to the insurers, for achieving the specified targets.

[7][4A. Obligations of the existing insurers for the financial years 2007-08 to 2009-10.

(1) The obligations of the existing insurers as on the date of the commencement of the *Insurance Regulatory and Development Authority Act, 1999* towards the rural and social sectors from the financial year 2007-08 to the financial year 2009-10 are as under

(a) Life Insurance Corporation of India,

(i) Rural Sector,

(I) twenty four per cent in the financial year 2007-08;

(II) twenty five per cent in the financial years 2008-09 and 2009-10,

of the total policies written direct in that year;

(ii) Social Sector,

(I) Twenty lakh lives in the financial years 2007- 08, 2008-09 and 2009-10.

(b) General Insurers,

(i) Rural Sector,

(I) six per cent in the financial year 2007-08;

(II) seven per cent in the financial years 2008-09 and 2009-10,

of the total gross premium income written direct in that year;

(ii) Social Sector,

(I) for the financial year 2007-08 the average of the number of lives covered by the respective insurer in the social sector from the financial years 2002-03 to 2004-05 or 5.50 lakh lives, whichever is higher;

(II) for the financial year 2008-09, the obligations of the existing insurers shall increase by 10 per cent over the number of persons prescribed for the financial year 2007-08;

(III) for the financial year 2009-10, the obligations of the existing insurers shall increase by 10 per cent over the number of persons prescribed for the financial year 2008-09.

(2) The obligations of the insurers, towards the rural and the social sectors for the financial year 2009-10 shall also be applicable in the financial years thereafter.]

[8][5. Notes applicable to Regulations 3, 3A, 3B, 4 and 4A.

(1) The term lives referred to in Regulations 3, 3A, 3B and 4A in respect of all insurers refers to human lives insured as at the end of each financial year.

(2) Re-insurance premium shall not be included while calculating the obligations of the insurers in respect of the rural and social sectors.

(3) The Authority may prescribe or revise the obligations as specified in these Regulations, from time to time.

6. Compliance.

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(1) For the purpose of these Regulations, compliance with the obligations towards the rural sector in respect of both general and life companies shall be based on the sale of products conforming to the proviso that all such contracts meet the stipulation as to the minimum amount of cover as laid down in Schedules I and II of the Insurance Regulatory and Development Authority (Micro Insurance) Regulations, 2005.

(2) For the purpose of these Regulations, compliance with the obligations towards the social sector in respect of both general and life companies shall be based on the sale of products conforming to the proviso that all such contracts meet the stipulations as to the cover laid down in Schedules I and II of Insurance Regulatory and Development Authority (Micro Insurance) Regulations, 2005.

7. Submission of returns.

Every insurer shall submit a return, as part of the financial returns to be submitted under the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002, the rural and social sector obligations specified under these regulations and disclose the level of compliance achieved during the said year. Such reporting shall form part of the Notes to the Accounts.]

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1 . Published in the Gazette of India, Extraordinary, Pt. III, sec. 4, dated 17-10-2002.

2 . Subs. by Notification No. IRDA/Reg./3/2004, dated 30-7-2004 (w.e.f. 5-8-2004).

3 . Subs. by Notification No. IRDA/Reg./2/43/2008, dated 25-1-2008 (w.e.f. 29-1-2008).

4 . Omitted by Notification No. IRDA/Reg./1/42/2008, dated 3-1-2008 (w.e.f. 1-2-2008).

5 . Added by Notificatin No. IRDA/Reg./4/2005/37, dated 26-12-2005 (w.e.f. 28-12-2005).

6 . Ins. by Notification No. IRDA/Reg./1/42/2008, dated 3-1-2008 (w.e.f. 1-2-2008).

7 . Added by Notification No. IRDA/Reg./4/2005/37, dated 26-12-2005 (w.e.f. 28-12-2005).

8 . Added by Notification No. IRDA/Reg./4/2005/37, dated 26-12-2005 (w.e.f. 28-12-2005).

Appendix IX Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000

In exercise of the powers conferred by clauses (y), (z) and (za) of sub-section (2) of section 114A of the Insurance Act, 1938 (4 of 1938), read with section 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:

1. Short title and commencement

(1) These regulations may be called the Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000.

(2) They shall come into force from the date[1] of their publication in the Official Gazette.

2. Definitions

(1) In these regulations, unless the context otherwise requires,

(a) Act means the *Insurance Act, 1938* (4 of 1938);

(b) Authority means the Insurance Regulatory and Development Authority established under sub-section (1) of *section 3 of the Insurance Regulatory and Development Authority Act, 1999* (41 of 1999);

(2) All words and expressions used herein and not defined but defined in the *Insurance Act 1938* (4 of 1938), or in the *Insurance Regulatory and Development Authority Act, 1999* (41 of 1999), or in any

Rules or Regulations made thereunder, shall have the meanings respectively assigned to them in those Acts or Rules or Regulations.

3. Valuation of assets

Every insurer shall prepare a statement of the value of assets Form IRDA-Assets-AA in accordance with Schedule I.

4. Determination of amount of liabilities

Every insurer shall prepare a statement of the amount of liabilities in accordance with

Schedule II-A, in respect of life insurance business, and in Form HG in accordance with Schedule II-B, in respect of general insurance business, as the case may be.

5. Determination of solvency margin

Every insurer shall prepare a statement of solvency margin in accordance with Schedule III-A, in respect of life insurance business, and in Form KG in accordance with Schedule III-B, in respect of general insurance business, as the case may be.

6. Health insurance business

Where the insurer transacts health insurance business, providing health covers, the amount of liabilities shall be determined in accordance with the principles specified under these Regulations.

7. Business outside India

Where the insurer transacts insurance business in a country outside India, and submits statements or returns or any such particulars to a public authority of that country, he shall enclose the same along with the Forms specified in accordance with these Regulations and the Insurance Regulatory and Development Authority (Actuarial Report and Abstract) Regulations, 2000.

Provided that if the appointed actuary is of the opinion that it is necessary to set additional reserves over and above the reserves shown in the statements or returns or any such particulars submitted to the public authority of a country outside India, he may set such additional reserves.

8. Furnishing of forms

The Forms, namely, Form IRDA-AssetsAA, Form HG, and Form KG, shall be furnished separately for Business within India and Total Business transacted by the insurer.

9. Personal visit of appointed actuary to the authority

The Authority may, if considered necessary and expedient, ask the appointed actuary to make a personal visit to the office of the Authority to elicit from him any further information.

Schedule I (See Regulation 3)

Valuation of Assets

1. Interpretation

In this Schedule, unless the context otherwise requires, non-mandated investments means those investments that are neither approved securities nor approved investments.

2. Values of assets

(1) The following assets should be placed with value zero,

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(a) Agents balances and outstanding premiums in India, to the extent they are not realised within a period of thirty days;

(b) Agents balances and outstanding premiums outside India, to the extent they are not realisable;

(c) Sundry debts, to the extent they are not realisable;

(d) Advances of an unrealisable character;

(e) Furniture, fixtures, dead stock and stationery;

(f) Deferred expenses;

(g) Profit and loss appropriation account balance and any fictitious assets other than pre-paid expenses;

(h) Reinsurers balances outstanding for more than three months;

(i) Preliminary expenses in the formation of the company.

(2) The value of computer equipment including software shall be computed as under:

(i) seventy-five per cent of its cost in the year of purchase;

(ii) fifty per cent of its cost in the second year;

(iii) twenty-five per cent of its cost in the third year; and

(iv) zero per cent thereafter.

(3) All other assets of an insurer have to be valued in accordance with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2000.

3. Statement of Assets

(1) Every insurer shall prepare a statement of assets in Form IRDA- Assets-AA.

Form IRDAASSETSAA (SEE REGULATION 3)

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (ASSETS, LIABILITIES, AND SOLVENCY MARGIN OF INSURERS) REGULATIONS, 2000

Statement of Assets as at 31st March, 20....

Name of Insurer: Registration Number: Classification: Business Within India/Total Business	**Form Code:** Date of Registration: ______________		
Item No.	*Category of Asset*	*Policyholders funds: Amount (in rupees lakhs) as per (a) below*	*Shareholders funds: Amount (in rupees lakhs) as per (a) below*
(1)	(2)	(3)	(4)
01	Approved Securities		
02	Approved Investments		
03	Deposits		
04	Non-Mandated Investments		

05	Other Assets, specify		
06	**Total**		
07	Fair Value Change Account		
08	Adjusted Value of Assets: (6)(7)		

Place: .... Name and Signature of

Appointed Actuary.

(in case of a life insurer)/

Date: .... Name and Signature of Auditor

(In case of general insurer)

Notes: The statement shall show the value of the above-mentioned categories of assets in accordance with Regulation 2 in Schedule-I.

Schedule IIA (See Regulation 4)

Valuation of Liabilitieslife Insurance

1. Interpretation

In this Schedule,

(a) valuation date, in relation to an actuarial investigation, means the date to which the investigation relates;

(b) universal life contracts means those contracts that are presented in an unboundled form. The contracts where policyholders have an option to invest in units of insurers segregated fund (s) shall be treated as linked business; and others shall be treated as non-linked business;

(c) segregated funds means funds earmarked in respect of linked business.

2. Method of determination of mathematical reserves

(1) Mathematical Reserves shall be determined separately for each contract by a prospective method of valuation in accordance with sub-paras (2) to (4).

(2) The valuation method shall take into account all prospective contingencies under which any premiums (by the policyholder) or benefits (to the policyholder/beneficiary) may be payable under the policy, as determined by the policy conditions. The level of benefits shall take into account the reasonable expectations of policyholders (with regard to bonuses, including terminals bonuses, if any) and any established practices of an insurer for payment of benefits.

(3) The valuation method shall take into account the cost of any options that may be available to the policyholder under the terms of the contract.

(4) The determination of the amount of liability under each policy shall be based on prudent assumptions of all relevant parameters. The value of each such parameter shall be based on the insurers expected experience and shall include an appropriate margin for adverse deviations (hereinafter referred to as MAD) that may result in an increase in the amount of mathematical reserves.

(5)(i) The amount of mathematical reserve in respect of a policy, determined in accordance with sub-para (4), may be negative (called negative reserves) or less than the guaranteed surrender value available (called guaranteed surrender value deficiency reserves) at the valuation date.

(ii) The appointed actuary shall, for the purpose of section 35 of the Act, use the amount of such mathematical reserves without any modification;

(iii) The appointed actuary shall, for the purpose of sections 13, 49, 64V and 64VA of the Act, set the amount of such mathematical reserve to zero, in case of of such negative reserve, or to the guaranteed surrender value, in case of such guaranteed surrender value deficiency reserves, as the case may be.

(6) The valuation method shall be called Gross Premium Method.

(7) If in the opinion of the appointed actuary, a method of valuation other than the Gross Premium Method of valuation is to be adopted, then, other approximations (eg retrospective method) may be used:

Provided that the amount of calculated reserve is expected to be at least equal to the amount that shall be produced by the application of Gross Premium Method.

(8) The method of calculation of the amount of liabilities and the assumptions for the valuation parameters shall not be subject to arbitrary discontinuties from one year to the next.

(9) The determination of the amount of mathematical reserves shall take into account the nature and term of the assets representing those liabilities and the value placed upon them and shall include prudent provision against the effects of possible future changes in the values of assets on the ability of the insurer to meet its obligations arising under policies as they arise.

3. Policy cash flows

The gross premium method of valuation shall discount the following future policy cash flows at an appropriate rate of interest,:

(a) premiums payable, if any, benefits payable, if any, on death; benefits payable, if any, on survival; benefits payable, if any, on voluntary termination of contract, and the following, if any:-

(i) basic benefits,

(ii) rider benefits,

(iii) bonuses that have already been vested as at the valuation date,

(iv) bonuses as a result of the valuation at the valuation date, and

(v) future bonuses (one year after valuation date) including terminal bonuses (consistent with the valuation rate of interest);

(b) commission and remuneration payable, if any, in respect of a policy (This shall be based on the current practice of the insurer). No allowance shall be made for non-payment of commissions in respect of the orphaned policies;

(c) policy maintenance expenses, if any, in respect of a policy, as provided under sub-para (4) of para 5;

(d) allocation of profit to shareholders, if any, where there is a specified relationship between profits attributable to shareholders and the bonus rates declared for policy-holders:

Provided that allowance must be made for tax, if any.

4. Policy options

Where a policy provides built-in options, that may be exercised by the policyholder, such as conversion or addition of coverage at future date (s) without any evidence of good health, annuity rate guarantees at maturity of contract, etc., the costs of such options shall be estimated and treated as special cash flows in calculating the mathematical reserves.

5. Valuation parameters

(1) The valuation parameters shall constitute the bases on which the future policy cash flows shall be computed and discounted. Each parameter shall have to be appropriate to the block of business to be valued. An appointed actuary shall take into consideration the following,

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(a) The value (s) of the parameter shall be based on the insurers experience study, where available. If reliable experience study is not available, the value (s) can be based on the industry study, if available and appropriate. If neither is available, the values may be based on the bases used for pricing the product. In establishing the expected level of any parameter, any likely deterioration in the experience shall be taken into account;

(b) The expected level, as determined in clause (a) of this sub-para, shall be adjusted by an appropriate Margin for Adverse Deviations (MAD), the level of MAD being dependent on the degree of confidence in the expected level, and such MAD in each parameter shall be based on the Guidance Notes issued by the Actuarial Society of India, with the concurrence of the Authority;

(c) The values used for the various valuation parameters should be consistent among themselves.

(2) Mortality rates to be used shall be reference to published table, unless the insurer has constructed a separate table based on his own experience.

Provided that such published table shall be made available to the insurance industry by the Actuarial Society of India, with the concurrence of the authority.

Provided further that such rates determined by reference to a published table shall not be less than hundred per cent of that published table.

Provided further that such rates determined by reference to a published table may be less than hundred per cent of that published table if the appointed actuary can justify a lower per cent.

(3) Morbidity rates to be used shall be by reference to a published table, unless the insurer has constructed a separate table based on his own experience.

Provided that such published table shall be made available to the insurance industry by the Actuarial Society of India, with he concurrence of the Authority.

Provided further that such rates determined by reference to a published table shall not be less than hundred per cent of that published table.

Provided further that such rates determined by reference to a published table may be less than hundred per cent of that published table if the appointment actuary can justify a lower per cent.

(4) Policy maintenance expenses shall depend on the manner, in which they are analysed by the insurer, viz, fixed expenses and variable expenses. The variable expenses shall be related to sum assured or premium or benefits. The fixed expenses may be related to sum assured or premiums or benefits or per policy expenses. All expenses shall be increased in future years for inflation, the rate of inflation assumed should be consistent with the valuation rate of interest.

(5) Valuation rates of interest, to be used by appointed actuary

(a) shall be not higher than the rates of interest, for the calculation of the present value of policy cash flows referred to in para 4, determined from prudent assessment of the yields from existing assets attributable to blocks of life insurance business, and the yields which the insurer is expected to obtain from the sums invested in the future, and such assessment shall take into account

(i) the composition of assets supporting the liabilities, expected cash flows from the investments on hand, the cash flows from the block of policies to be valued, the likely future investment conditions and the reinvestment and disinvestment strategy to be employed in dealing with the future net cash flows;

(ii) the risks associated with investment in regard to receipt of income on such investment or repayment of principal;

(iii) the expenses associated with the investment functions of the insurer;

(b) shall not be higher than, for the calculation of present value of policy cash flows in respect of a particular category of contracts, the yields on assets maintained for the purpose of such category of contracts;

(c) in respect on non-participating business, shall recognise the risk of decline in the future interest rates;

(d) in respect of participating business, shall be based on the assumption (with regard to future investment conditions), that the scale of future bonuses used in the valuation is consistent with the valuation rate of interest; and

(e) in respect of single premium business, shall take into account the effect of changes in the risk-free interest rates.

(6) Other parameters, may be taken into account, depending on the type of policy. In establishing the values of such parameters, the considerations set out in this Schedule shall be taken into account.

6. Applicability to Re-insurance

(1) The Schedule shall also apply to the valuation of business in the books of reinsurers.

(2) As regards the business ceded by insurers, this Schedule shall be applicable to the net sums at risks retained by the insurer.

(3) Re-insurance arrangement with an element of borrowing in the form of deposit or credit of any kind from insurers reinsurers without the prior approval of the Authority shall not be treated as credit for re-insurance for the purpose of determination of required solvency margin.

7. Additional requirements for linked business

(1) Reserves in respect of linked business shall consist of two components, namely, unit reserves and general funds reserves.

(2) Unit reserves shall be calculated in respect of the units allocated to the policies in force at the valuation date using unit values at the valuation date.

(3) General fund reserves (non-unit reserves) shall be determined using a prospective valuation method set out in this Schedule, which shall take into account of the following, namely:

(a) premiums, if any, payable in future;

(b) death benefits, if any, provided by the general fund (over and above the value of units);

(c) management charges paid to the general fund;

(d) guarantees, if any, relating to surrender values or minimum death and maturity benefits;

(e) fund growth rates and management charges. (The values of these parameters, along with others, shall be determined in the accordance with para 5);

(f) negative reserves, if any, shall be dealt with in accordance with sub-para (5) of para 2.

8. Additional requirements for provisions

The appointed actuary shall make aggregate provisions in respect of the following, where it is not possible to calculate mathematical reserves for each policy, in the determination of mathematical reserves:

(a) Policies in respect of which extra premiums have been charged on account of underwriting of under-average lives that are subject to extra risks such as occupation hazard, over-weight, under-weight, smoking history, health, climatic or geographical conditions;

(b) Lapses policies not included in the valuation but under which a liability exists or may arise;

(c) Options available under individual and group insurance policies;

(d) Guarantees available to individual and group insurance policies;

(e) The rates of exchange at which benefits in respect of policies issued in foreign currencies have been converted into Indian Rupees and what provision has been made for possible increase of mathematical reserves arising from future variations in rates of exchange;

(f) Other, if any.

9. Statement of liabilities

An insurer shall furnish a statement of liabilities in accordance with the Insurance Regulatory and Development Authority (Actuarial Report and Abstract) Regulations, 2000.

Schedule IIB (See Regulation 4)

Valuation of Liabilities: General Insurance

1. Interpretation

In this Sch,

(a) Reserve for claims incurred but not reported (IBNR) means the reserve for claims incurred but not reported on the balance sheet date, and includes reserve for claims which may be inadequately reserved;

(b) Reserve for outstanding claims means the reserve for outstanding claims as mentioned in para 2 (1) b (iii) of this Schedule;

2. Determination of liabilities

An insurer shall

(i) place a proper value in respect of the following items, namely:

(I) provision for bad and doubtful debts,

(II) reserve for dividends declared or recommended, and outstanding dividends in full,

(III) amount due to insurance companies carrying on insurance business in full,

(IV) amount due to sundry creditors, in full,

(V) provision for taxation, in full, and

(VI) foreign exchange reserve.

(ii) determine the amount of following reserves, in the manner specified herein below for each reserve

(a) reserve for unexpired risks, shall be, in respect of,

(I) Fire business, 50 per cent,

(II) Miscellaneous business, 50 per cent,

(III) Marine business other than marine hull business, 50 per cent; and

(IV) Marine hull business, 100 per cent,

of the premium; net of re-insurances, received or receivable during the preceding twelve months;

(b) reserve for outstanding claims shall be determined in the following manner

(I) where the amounts of outstanding claims of the insurers are known, the amount is to be provided in full;

(II) where the amounts of outstanding claims can be reasonably estimated according to the insurer, he may follow the case by case method after taking into account the explicit allowance for changes in the settlement pattern or average claim amounts, expenses and inflation;

(c) reserve for claims incurred but not reported (IBNR) shall be determined using actuarial principles. In such determination, the appointed actuary shall follow the Guidance Notes issued by the Actuarial Society of India, with the concurrence of the Authority, and any directions issued by the Authority, in this behalf.

3. Statement of liability

Every general insurer shall prepare a statement of liabilities in Form HG, certified by an auditor approved by the Authority in accordance with section 64V of the Act, and also certified by its appointed actuary in respect of IBNR reserves. The statement shall be furnished to the Authority along with the returns mentioned in section 15 of the Act.

FormHG (See Regulation 4)

Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin) Regulation, 2000.

Table I: Statement of Liabilities as at 31 March, 20......

Name of Insurer: Registration Number: Classification: Business Within	**Form Code:** Date of Registration: ____________	

APPENDIX IX

India/Total Business					
Item No.	*Description*	*Reserves for unexpired risks*	*Reserves for outstanding claims*	*IBNR Reserves*	*Total Reserves*
(1)	(2)	(3)	(4)	(5)	(6)
01	**Fire**				
02	**Marine**				
	Sub class:				
	Marine Cargo				
	Marine Hull				
03	**Miscellaneous**				
	Sub class: Motor				
	Engineering				
	Aviation Liabilities				
	Rural Insurance Others				
04	**Health Insurance**				
05	Total Liabilities				

I certify that the above statement represents the liabilities of the insurer which have been determined in the manner prescribed in the Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 and the amounts of such liabilities are fair and reasonable. I also further certify that the above statement includes the IBNR reserves which have been determined by the appointed actuary and his certificate is furnished herein below.

Qualifications, if any (in regard to the determination of liabilities):

Place: ....

Date: .... Name and Signature of the Auditor

APPENDIX IX

Certification from the Appointed Actuary

I certify that the IBNR reserves in the statement above represent, in my opinion, true and fair amount.

Qualifications, if any (in regard to the determination of IBNR reserves:)

Place: ....

Date: .... Name and Signature of the Appointed Actuary.

Schedule-IIIA (See Regulation 5)

Determination of Solvency Marginslife Insurers

1. Interpretation

In this Schedule

(a) Available Solvency Margin means the excess of value of assets (furnished in IRDA-FormAA) over the value of life insurance liabilities (furnished in Form H as specified in Regulation 4 of Insurance Regulatory and Development Authority (Actuarial Report and Abstract) Regulations, 2000) and other liabilities of policyholders funds and shareholders funds;

(b) Solvency Ratio means the ratio of the amount of Available Solvency Margin to the amount of Required Solvency Margin.

2. Determination of solvency margin

APPENDIX IX

Every insurer shall determine the required solvency margin, the available solvency margin, and the solvency ratio in Form K as specified under Insurance Regulatory and Development Authority (Actuarial Report and Abstract), Regulations, 2000.

Schedule-IIIB (See Regulation 5)

Determination of Solvency Marginsgeneral Insurers

1. Interpretation

In this Schedule

(a) Available Solvency Margin means the excess of value of assets (furnished in Form IRDA-AssetsAA) over the value liabilities (furnished in Form HG), with further adjustment as shown in Table III of Form KG.

(b) Solvency Ratio means the ratio of the amount of Available Solvency Margin to the amount of Required Solvency Margin.

2. Determination of solvency margin

Every insurer shall determine the required solvency margin, the available solvency margin, and the solvency ratio in Form KG.

FormKG (See Regulation 5)

Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin) Regulation, 2000.

Table I Statement of Solvency Margin: (General Insurers) as at 31 March, 20.....

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APPENDIX IX

Name of Insurer: Registration Number: Classification: Business Within India/Total Business	**Form Code:** Date of Registration: __________ Classification Code: [ ]							
Item No.	*Description (Class of business)*	*Gross Premiums*	*Net Premiums*	*Gross Incurred claims*	*Net Incurred claims*	*RSM-I*	*RSM-2*	*RSM*
1	2	3	4	5	6	7	8	9
01	**Fire**							
02	**Marine:**							
	Marine							
	Cargo							
03	Marine Hull:							
04	**Miscellaneous:**							
	Motor							
05	Engineering							
06	Aviation							
07	Liability							
08	Rural Insurance							
09	Others							
10	**Health Insurance:**							
11	**Total**							

APPENDIX IX

1. RSM-1 in the above table means Required Solvency Margin based on net premiums, and shall be determined as twenty per cent of the amount which is the higher of the Gross Premiums multiplied by a Factor A as specified below and the Net Premiums.

2. RSM-2 in the above the table means Required Solvency Margin based on net incurred claims, and shall be determined as thirty per cent of the amount which is the higher of the Gross Net Incurred Claims multiplied by a Factor B as specified below and the Net Incurred Claims:

Item No.

Description (Class of business)

A

B

1

2

3

4

01

Fire

0.5

0.5

02

Marine:

Marine Cargo

0.7

0.7

03

Marine Hull:

0.5

0.5

04

Miscellaneous:

Motor

0.85

0.85

05

Engineering

0.5

0.5

06

Aviation

0.9

0.9

07

APPENDIX IX

Liability

0.85

0.85

08

Rural Insurance

0.5

0.5

09

Others

0.7

0.7

10

Health

0.85

0.85

(3) RSM means Required Solvency Margin and shall be the higher of the amounts of RSM-I and RSM-2.

Table I Available Solvency Margin and Solvency Ratio

Item No.

Description

Notes No.

Amount

1

2

3

4

01

APPENDIX IX

Available Assets in Policyholders Funds: Deduct:

02

Liabilities

03

Other Liabilities

04

Excess in Policyholders funds (0.1-02-03)

05

Available Assets in Shareholders Funds: Deduct:

06

Other Liabilities

07

Excess in Shareholders Funds: (0.5-06)

08

Total ASM (04) + (07)

09

Total RSM

10

Solvency Ratio (Total ASM/Total RSM)

Certification

I, ..., the Auditor, certify that the above statements have been prepared in accordance with the section 64 VA of the *Insurance Act, 1938* , and the amounts mentioned therein are true to the best of my knowledge.

Place: .... Name and Signature of the Auditor

Date: ....

Countersignature: Principal Officer:

Notes:

1. Item No. 01 shall be the amount of the Adjusted Value of Assets in respect of policyholders funds as mentioned

in Form IRDA-Assets-AA.

2. Item No. 02 shall be the amount of Total Liabilities as mentioned in Form HG.

3. Item No. 03 shall be the amount of other liabilities arising in respect of policyholders funds and as mentioned in the Balance Sheet.

4. Item No. 05 shall be the amount of the Total Assets in respect of shareholders funds as mentioned in Form IRDA-Assets-AA.

5. Item No. 06 shall be the amount of other liabilities arising in respect of shareholders funds and as mentioned in the Balance Sheet.

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1 . Vide Notification No. IRDA/Reg/7/2000, dated 14 July 2000 and published in *Gazette of India*, Extraordinary, Pt III, sec 4, dated 19 July 2000.

AppendixX Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 20021. Published in the Gazette of India, Extraordinary, Pt. III, sec. 4, dated 2-4-2002.

F. No. IRDA/Reg./03/2002, dated 30-3-2002. In exercise of the powers confetred by section 114A of the Insurance Act, 1938 (4 of 1938) and in supersession of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2000 the Authority in consultation zuith the Insurance Advisory Committee, hereby makes the following regulations, namely:

1. Short title and commencement.

These Regulations may be called the Insurance Regulatory and Developinent Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002.

(2) They shall come into force from the date of their publication in the Official Gazette.

(3) On and from the commencement of these Regulations, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2000, shall stand superseded, except as respects things done or omitted to be done thereunder.

2. Definitions.

(1) In these Regulations, unless the context otherwise requires,

(a) Act means the *Insurance Act, 1938* (4 of 1938);

(b) Authority means the Insurance Regulatory and Development Authority established under sub-section (1) of *section 3 of the Insurance Regulatory and Development Authority Act, 1999* (41 of 1999);

(c) all words and expressions used herein and not defined but defined in the *Insurance Act, 1938* (4 of 1938), or *Insurance Regulatory and Development Authority Act, 1999* (41 of 1999), or *Companies Act, 1956* (1 of 1956), shall have the meanings respectively assigned to them in those Acts.

3. Preparation of financial statements, management report and auditors report.

(1) An insurer carrying on life insurance business, after the commencement of these Regulations, shall comply with the requirements of Schedule A.

(2) An insurer carrying on general insurance business, after the commencement of these Regulations, shall comply with the requirements of Schedule B:

Provided that this sub-regulation shall apply, *mutatis mutandis,* to reinsurers, until separate regulations are made.

(3) The report of the auditors on the financial statements of every insurer and re-insurer shall be in conformity with the requirements of Schedule C, or as near thereto as the circumstances permit.

(4) The Authority may, from time to *time,* issue separate guidelines in the matter of appointment, continuance or removal of auditors of an insurer or reinsurer, as the case may be, and such directions/guidelines may include prescriptions regarding qualifications and experience of auditors, their rotation, period of appointment, etc., as may be deemed necessary by the authority.

SCHEDULE A (SEE REGULATION 3)

PART I Accounting Principles for Preparation of Financial Statements

1. Applicability of Accounting Standards.

Every Balance-sheet, Revenue Account [Policy-holders Account], Receipts and Payments Account [Cash Flow Statement] and Profit and Loss Account [Shareholders Account] of an insurer shall be in conformity with the Accounting Standards (AS) issued by the ICAL, to the extent applicable to insurers carrying on life insurance business, except that

(i) Accounting Standard 3 (AS 3) Cash Flow Statementscash Flow Statement shall be prepared only under the Direct Method.

(ii) Accounting Standard 17 (AS 17) Segment Reporting shall apply to all insurers irrespective of the requirements regarding listing and turnover mentioned therein.

2. Premium.

Premium shall be recognised as income when due. For linked business the due date for payment may be taken as the date when the associated units are created.

3. Acquisition costs.

Acquisition costs, if any, shall be expensed in the period in which they are incurred.

Acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. The most essential test is the obligatory relationship between costs and the execution of insurance contracts *(i.e.,* commencement of risk).

4. Claims Cost.

The ultimate cost of claims shall comprise the policy benefit amount and specific claims settlement costs, wherever applicable.