



IRDA/F&A/CIR/CPM/056/03/2016

April 04, 2016

CIRCULAR**To****All insurers**

Sub: IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002

The provisions of sections 10 and 11 have been modified vide the Insurance Laws (Amendment) Act, 2015. These amendments have necessitated changes to the IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations 2002.

Given that the Ministry of Corporate Affairs has issued a press release which provides that Insurance Sector has to move to Ind As from the financial year 2018-19 with one year comparatives, the Authority has kept the draft IRDAI (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2015 in abeyance and directs all Insurers to continue to comply with IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 and the circulars and/or guidelines issued thereunder, with the following modifications:

1. Segregation of Policyholders' and Shareholders' Funds by the Insurers carrying on General Insurance, Health Insurance and Reinsurance business.

Section 11 (2) of the Insurance Laws (Amendment) Act, 2015 mandates that every insurer shall keep separate funds of shareholders and policyholders. In view of the said provision, general insurers including reinsurers, standalone health insurers and specialised insurers are advised as under:

- i. Bifurcate the shareholders' fund and policyholders' fund: This stipulation shall be applicable with respect to the business written w.e.f 1st July, 2016. The

Insurers shall file a certificate from one of the Statutory Auditors to this effect within one month along with the Custodian's Statement.

- ii. With respect to the funds of the insurers as on 30.06.2016: The segregation of such funds into policyholders' and shareholders' fund at security level shall be completed on or before 30th September, 2016. Insurers shall file a certificate from one of the Statutory Auditors to this effect. The certificate shall be filed on or before 15th November, 2016 i.e. within a period of 45 days.

Where an insurer proposes to file an application for Public Listing under ICDR Regulations issued by the Authority, such insurer shall ensure bifurcation of the policyholders' fund and shareholders' fund in compliance with clauses (i) and (ii) above, before filing of such application with the Authority.

- iii. Investment made out of the policyholders' funds shall be shown in a separate schedule i.e., 8A as Investments- Policyholders. The format of the same is placed as Annexure 1.

For the purpose of the above, the policyholders' fund and shareholders' fund are defined as under:

Policyholders' Funds:

The policyholders' fund for this purpose shall include the following

- a. Outstanding Claims including Incurred But Not Reported (IBNR) & Incurred But Not Enough Reported (IBNER);
- b. Unearned Premium Reserve;
- c. Premium Deficiency Reserve, if any.
- d. Catastrophe Reserve, if any; and
- e. Other Liabilities net off Other Assets

Other Liabilities in point (e) above, comprise of (i) Premium received in advance (ii) Unallocated premium (iii) Balance due to OTHER Insurance Companies (iv) Due to other Members of a Pool such as Third Party Pool; Terrorism Pool ; etc. (vi) Sundry creditors (due to Policyholders).

Other Assets in point (e) above, comprise of (i) Outstanding premium (ii) due from other entities carrying on Insurance business including Re-insurers (iii) Balance with Pool such as Thirty Party Pool; Terrorism pool; etc.



Shareholders' Funds: Shareholders' funds comprise of Share Capital plus all Reserves and Surplus (except Revaluation Reserve and fair value change account) net of accumulated losses and Miscellaneous expenditure to the extent not written off as at the Balance Sheet date.

As a result of the above, the Fair Value Change account as appears in the Balance Sheet shall accordingly stand bifurcated under the shareholders fund and policyholders' fund.

2. **Recoupment of the Deficit:** Every Insurer shall ensure that the policyholders' fund as defined in 1 (iii) above, are fully supported by the policyholders' investments shown in Schedule-8A. Therefore, any deficit / shortfall in policyholders' investments arising out of the loss in the Revenue Account or otherwise shall be recouped by transfer of securities from the shareholders' investments to the policyholders' investments on a half yearly basis. The valuation of such securities shall be in accordance with the valuation norms as specified in the IRDA (Preparation of Financial Statements and Auditors' Report) Regulations, 2002.

3. **Unearned Premium Reserve (UPR) :**

A Reserve for Unearned Premium shall be created as the amount representing that part of the premium written which is attributable to, and is to be allocated to the succeeding accounting periods. Such Reserves shall be computed as under:

- a) **Marine Hull :** 100 percent of Net Written Premium during the preceding twelve months;
- b) **Other Segments:** Insurers have an option to create UPR either at 50 percent of Net Written Premium of preceding twelve months or on the basis of 1/365th method on the unexpired period of the respective policies.

The insurers can follow either percentage or 1/365th method for computation of UPR of the other segments. However, Insurers shall follow the method of provisioning of UPR in a consistent manner. Any change in the method of provisioning can be done only with the prior written approval of the Authority.

Other provisions of UPR specified in the corrigendum No IRDA-F&A-CIR-FA-126-07-2013 Dt.3rd July, 2013 to the Master Circular on Preparation of Financial statements of the (General Insurance Companies) shall continue to be applicable.

4. Accounting of the Branch office of Reinsurer

Accounting of the branch office of foreign reinsurer which is permitted to operate in India as per the IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 and IRDAI (Lloyd's India) Regulations, 2016 shall be done as per the regulation 28(6) and 50 (5) respectively of the said Regulations, which prescribe that the branch office of foreign reinsurer shall submit financial returns including statement of accounts in the manner as may be specified in the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002. Accordingly, the directions in this regard are issued as under:

- A. In case of a foreign reinsurer carrying on the business of reinsurance, through a branch office established in India, a Head Office account shall be maintained;
- B. The Head Office Account shall be maintained in two parts as under:
 - i. The irreversible fixed amount of assigned capital provided to the branch by the foreign reinsurer to carry on the business of reinsurance in India as mandated by the Authority from time to time;
 - ii. The Current account representing the transactions between the branch office and its head office including transfer of branch profit or loss with the prior approval of the Authority from time to time;

Provided that, at any time, the net balance of (i) and ii) shall not be less than the Assigned Capital specified by the Authority.
 - iii. Accordingly, the schedule 5 i.e. Share Capital shall not be applicable to foreign reinsurer carrying on the business of reinsurance, through a branch office established in India.
 - iv. The irreversible fixed amount representing the Assigned Capital shall be shown as a separate line item in the Balance Sheet after "Reserve &

Surplus". The details of the same shall be furnished in schedule 6A- "Head Office Account". The format of the same is enclosed as **Annexure 2**.

- v. The Current Account of Head Office shall be shown as a separate line item to be presented in the Schedule 12- Advance and Other Assets or Schedule-13 Current Liabilities as the case may be.

It is to be noted that all other provisions of Schedule B of IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 to the extent applicable to Indian reinsurers shall be applicable mutatis mutandis to the branch of foreign reinsurers.

This circular is issued under Section 14 of the IRDA Act, 1999 and it comes into force w.e.f. 01.04.2016.


(V R Iyer)
Member-F&I

Annexure 1**SCHEDULE- 8A****INVESTMENTS-POLICYHOLDERS**

Particulars	Current Year	Previous Year
	(` 000)	(` 000)
LONG TERM INVESTMENTS		
1. Government securities and Government guaranteed bonds including Treasury Bills		
2. Other Approved Securities		
3. Other Investments		
(a) Shares		
i) Equity		
ii) Preference		
(b) Mutual Funds		
(c) Debentures/ Bonds		
(d) Investment Property-Real Estate		
(e) Other Securities (to be specified)		
4. Investments in Infrastructure and Housing		
Sub- Total		
SHORT TERM INVESTMENTS		
1. Government securities and Government guaranteed bonds including Treasury Bills		
2. Other Approved Securities		
3. Other Investments		
(a) Shares		
i) Equity		
ii) Preference		
(b) Mutual Funds		
(c) Debentures/ Bonds		
(d) Other Securities (to be specified)		
4. Investments in Infrastructure and Housing		
Sub-Total		
Total		

It may be noted that the notes given under Schedule 8 shall also be applicable to Schedule 8A.

Annexure 2**SCHEDULE -6A****HEAD OFFICE ACCOUNT**

[In case of foreign reinsurer operating through a branch office established in India in terms of section 2(9)(d) of the Insurance Act, 1938]

Particulars	Current Year	Previous Year
	(` 000)	(` 000)
Opening Balance of Assigned capital		
Add: Addition during the year		
Closing Balance of Assigned Capital*		

*Represents irreversible fixed amount funded by Head Office per terms of licence issued by the Authority and no amount/balance shall be transferred out of the Country without approval of the Authority.



भारत का राजपत्र The Gazette of India

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असाधारण
EXTRAORDINARY

भाग III—खण्ड 4
PART III—Section 4

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भारतीय बीमा विनियामक और विकास प्राधिकरण

अधिसूचना

हैदराबाद, 5 मई, 2021

भारतीय बीमा विनियामक और विकास प्राधिकरण (बीमा कंपनियों के वित्तीय विवरण और लेखा-परीक्षकों की रिपोर्ट तैयार करना) (पहला संशोधन) विनियम, 2021

फा.सं. भा.बी.वि.वि.प्रा./विनियम/5/177/2021.—बीमा अधिनियम, 1938 (1938 का 4) की धारा 114ए के साथ पठित धारा 11 तथा बीमा विनियामक और विकास प्राधिकरण अधिनियम, 1999 (1999 का 41) की धाराओं 14 और 26 द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए, प्राधिकरण बीमा सलाहकार समिति के साथ परामर्श करने के बाद, इसके द्वारा निम्नलिखित विनियम बनाता है, अर्थात् –

1. संक्षिप्त नाम और प्रारंभ

(1) ये विनियम भारतीय बीमा विनियामक और विकास प्राधिकरण (बीमा कंपनियों के वित्तीय विवरण और लेखा-परीक्षकों की रिपोर्टें तैयार करना) (पहला संशोधन) विनियम, 2021 कहलाएँगे।

(2) ये विनियम इन विनियमों की अधिसूचना के बाद वित्तीय वर्ष के पहले दिन से प्रवृत्त होंगे।

उद्देश्य: उस पद्धति की व्यवस्था करना जिसमें साधारण बीमा व्यवसाय करनेवाले बीमाकर्ताओं द्वारा प्रीमियम और अनर्जित प्रीमियम रिज़र्व की पहचान की जानी चाहिए।

2. बीमा विनियामक और विकास प्राधिकरण (बीमा कंपनियों के वित्तीय विवरण और लेखापरीक्षक की रिपोर्ट तैयार करना) विनियम 2002 के अनुसूची ख के भाग I के पैरा 2 के लिए निम्नलिखित को प्रतिस्थापित किया जाएगा, अर्थात्-

“2. प्रीमियम

- (i) प्रीमियम की पहचान संविदा अवधि अथवा जोखिम की अवधि, जो भी उपयुक्त हो, में आय के रूप में की जाएगी।
- (ii) “अग्रिम रूप से प्राप्त प्रीमियम” वह प्रीमियम है जहाँ जोखिम का प्रारंभ लेखांकन अवधि से बाहर है तथा इसे चालू देयताओं के अंतर्गत दिखाया जाना चाहिए।
- (iii) “अनाबंटित प्रीमियम” में प्रीमियम जमा और वह प्रीमियम शामिल है जो प्राप्त किया गया है, परंतु जिसके लिए जोखिम प्रारंभ नहीं हुआ है। इसे चालू देयताओं के अंतर्गत दिखाया जाना चाहिए।

2क. अनर्जित प्रीमियम रिज़र्व

अनर्जित प्रीमियम के लिए आरक्षित निधि (रिज़र्व) अंकित प्रीमियम के उस भाग को निरूपित करनेवाली राशि के रूप में निर्मित की जाएगी जो परवर्ती लेखांकन अवधियों पर निर्भर है तथा उन्हें आबंटित है। ऐसी रिज़र्वों की गणना निम्नानुसार की जाएगी:

- i) मरीन हल - पिछले बारह महीनों के दौरान निवल अंकित प्रीमियम का 100 प्रतिशत;
- ii) अन्य खंड - पिछले बारह महीनों के दौरान निवल अंकित प्रीमियम का 50 प्रतिशत; अथवा संबंधित पालिसियों की असमाप्त अवधि पर 1/365^{वीं} पद्धति के आधार पर।

तथापि, बीमाकर्ता अनर्जित प्रीमियम रिज़र्व के प्रावधानीकरण की पद्धति का अनुसरण एक सुसंगत तरीके से करेंगे। प्रावधानीकरण की पद्धति में कोई भी परिवर्तन केवल प्राधिकरण के पूर्व लिखित अनुमोदन से ही किया जा सकता है।”

डॉ. सुभाष सी. खुंटा, अध्यक्ष

[विज्ञापन III/4/असा./57/2021]

टिप्पणी: मूल विनियम अधिसूचना सं. फा. सं. भा. बी. वि. वि. प्रा./विनियम/ 03/2002 दिनांक 30 मार्च, 2002 के द्वारा भारत के राजपत्र, असाधारण, भाग III, खंड 4 में प्रकाशित किये गये थे।

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

NOTIFICATION

Hyderabad, the 5th May, 2021

Insurance Regulatory and Development Authority of India (Preparation of Financial Statements and Auditor's Report of Insurance Companies) (First Amendment) Regulations, 2021

F. No. IRDAI / Reg / 5 / 177 / 2021 – In exercise of the powers conferred by Section 11 read with Section 114A of the Insurance Act, 1938 (4 of 1938) and sections 14 and 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 of India (Preparation of Financial Statements and Auditor's Report of Insurance Companies) (First Amendment) Regulations, 2021.
- (2) These Regulations shall be effective from the first day of the financial year after notification of these regulations.

Objective: To provide the manner in which the premium and unearned premium reserve should be recognized by insurers carrying on general insurance business.

2. For Para 2 of Part I of Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002, the following shall be substituted, namely:

“2. Premium

- (i) Premium shall be recognized as income over the contract period or the period of risk, whichever is appropriate.
- (ii) “Premium received in Advance” is the premium where the period of inception of the risk is outside the accounting period and is to be shown under current liabilities.
- (iii) “Unallocated premium” includes premium deposit and premium which has been received but for which risk has not commenced. It is to be shown under current liabilities.

2A. Unearned Premium Reserve

A reserve for unearned premium shall be created as the amount representing that part of the premium written which is attributable to, and allocated to the succeeding accounting periods. Such Reserves shall be computed as under:

- i) Marine Hull - 100 percent of Net Written Premium during the preceding twelve months;
- ii) Other Segments - 50 percent of Net Written Premium during the preceding twelve months; or on the basis of 1/365th method on the unexpired period of the respective policies.

However, Insurers shall follow the method of provisioning of Unearned Premium Reserve in a consistent manner. Any change in the method of provisioning can be done only with the prior written approval of the Authority.”

Dr. SUBHASH C. KHUNTIA, Chairman

[ADVT.-III/4/Exty./57/2021]

Note: The principal regulations were published in the Gazette of India, Extraordinary, Part III, Section 4, vide notification No. F. No. IRDA/ Reg./ 03/2002 dated 30th March, 2002.