

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (ACTUARIAL REPORT AND ABSTRACT) REGULATIONS, 2000¹

In exercise of the powers conferred by clause (g) of sub-section (2) of section 114A of the Insurance Act, 1938, (4 of 1938), 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 (Actuarial Report and Abstract) Regulations, 2000.

(2) They shall come into force from the date² 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);

(c) "extra premium" means a charge for any risk not provided for in the minimum contract premium;

(d) "group business" means those insurance contracts which are group policies as mentioned under sub-section (2) of section 4 of the Act;

(e) "guarantees" means the terms in regard to benefits or premiums or charges, which may not be altered during the currency of the policy;

(f) "individual business" means individual insurance contracts issued on single/joint lives;

(g) "inter valuation period" means, as respects any valuation, the period to the valuation date of that valuation from the valuation date of the preceding valuation in connection with which an abstract was prepared under the Act or under the enactments repealed by the Act, or, in a case where no such valuation has been made in respect of the class of business in question, from the date on which the insurer began to carry on that class of business;

(h) "maturity date" means a fixed date on which benefit may become payable either absolutely or contingently;

1. *Vide* Notification No. IRDA/Reg/7/2000, dated 14th July, 2000, published in the Gazette of India, Extra., Pt. III, Sec. 4, dated 19th July, 2000.

2. Came into force on 19-7-2000.

- (i) "non-par policies" or "policies without participation in profits" means policies which are not entitled for any share in surplus (profits) during the terms of the policy;
- (j) "office yearly premium" means regular premium (excluding extra premiums which are required to be shown separately) payable by the policy-holder to secure the basic benefits under the policy in a policy year;
- (k) "options" means the rights available to a policy-holder under a policy;
- (l) "par policies" or "policies with participation in profits" means policies which are not non-par policies as defined under clause (i);
- (m) "policies with deferred participation in profits" means policies entitled for participation in profits after a certain period from the date of commencement of the policy;
- (n) "premium term" means the period during which premiums are payable;
- (o) "riders" or "rider benefits" means add-on benefits, which are in addition to basic benefits under a policy;
- (p) "valuation date" means as respects any valuation the date as at which the valuation is made;
- (q) 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. Procedure for preparation of Actuarial Report and Abstract.—(1) The Abstract and Statements must be so arranged that the number and letters of the paragraphs correspond with Regulation 4.

(2) The Abstracts and Statements shall be furnished to the Authority, within nine months from the end of the period to which they refer to, in accordance with sub-section (1) of section 15 of the Act.

(3) Four copies of the Abstracts and Statements shall be furnished to the Authority in accordance with sub-section (1) of section 15 of the Act, and one of the four copies so furnished shall be signed by the persons as mentioned in sub-section (2) section 15 of the Act.

(4) There shall be appended to every such Abstract and Statement—

- (a) a certificate signed by the principal officer that full and accurate particulars of every policy under which there is a liability, either actual or contingent, has been furnished to the appointed actuary for the investigation; and
- (b) a certificate signed by the appointed actuary with his remarks, if any, to the effect that—
 - (i) the data furnished by the principal officer has been included in conducting the valuation of liabilities for the purpose of investigation;

- (ii) reasonable steps have been taken to ensure the accuracy and completeness of the data;
- (iii) he has complied with provisions of the Act;
- (iv) he has complied with guidance notes issued by the Actuarial Society of India with the concurrence of the Authority;
- (v) in his opinion, the mathematical reserves are adequate to meet the insurer's future commitments under the contracts, and the policyholders' reasonable expectations.

4. Requirements applicable to Abstract and Statements.—(1) Abstracts and statements shall be prepared separately in respect of—

- (a) Linked Business;
- (b) Non-Linked Business; and
- (c) Health Insurance Business.

(2) An insure shall prepare the following statements which shall be annexed to the abstract prepared in accordance with these regulations, namely:—

(a) in respect of Linked Business,—

- (i) Form LB-1;
- (ii) Form LB-2;
- (iii) Form LB-3;
- (iv) Form LB-4;
- (v) Form IA;

(b) in respect of Non-Linked Business,—

- (i) Form NLB-1;
- (ii) Form NLB-2;
- (iii) Form DD;
- (iv) Form DDD;
- (v) Form DDDD;
- (vi) Form IA;

(c) in respect of Health Insurance Business,—

- (i) Form LB-1;
- (ii) Form LB-2;
- (iii) Form LB-3;
- (iv) Form NLB-1;
- (v) Form IA;

(d) Summary statements,—

(i) Form K;

(ii) Form IRDA-AA as specified under Regulation 4 of Insurance Regulatory and Development Authority (Assets, Liabilities, and Solvency Margin of Insurers) Regulations, 2000;

- (ii) Expenses related to premiums, sum assured, annuity, etc., and per policy shall be specified separately under column (5) of the table;
- (iii) Items such as terminal bonus, in case of with profit contracts, management charges, etc., in respect of linked business, shall be specified under column (8) of the table;
- (f) **Other Adjustments (Provisions).**—The methods by which provision, if any, has been made for the following matters, including a statement of bases wherever necessary:—
 - (i) 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, overweight, under-weight, smoking history, health, climatic or geographical conditions;
 - (ii) Lapsed policies not included in the valuation but under which a liability exists or may arise;
 - (iii) Options available under individual and group insurance policies;
 - (iv) Guarantees available to individual and group insurance policies;
 - (v) 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;
- (g) **Further Information.**—The following information shall be appended:—
 - (i) Returns on Assets as specified under Regulation 5;
 - (ii) Distribution of surplus as specified under Regulation 6;
 - (iii) Principles adopted in distribution of surplus as specified under Regulation 7;
 - (iv) Negative Reserves of Guaranteed Surrender Value Deficiency Reserves as specified under Regulation 9;
 - (v) Miscellaneous, if any.

5. Returns on assets.—(1) The average gross rates of interest yielded by the assets may be determined expressing the investment income as percentage of the mean fund. [$i = 2 \times I / (A + B - I)$; where i is the gross yield; I = Investment Income; A = the assets at the beginning of the financial year, and B = the assets at the end of the financial year; Investment Income (shown in the Revenue Account) should include the amount of the unrealised gain taken into revenue account, A and B have to be adjusted value of assets shown in the Balance Sheet].

(2) The average gross rates of interest, referred to under sub-regulation (1), shall be furnished for each fund maintained by an insurer.

6. Distribution of surplus.—The basis adopted in the distribution of surplus as between the shareholders and the policy-holders, and whether such distribution was determined by the instruments constituting the company, or by its regulations or by-laws or how otherwise shall be mentioned.

7. Principles adopted in distribution of profits.—The general principles adopted in distribution of profits among policy-holders including statements on following points, shall be furnished:—

- (i) Whether the principles were determined by instruments constituting the insurer, or by its regulations or bye-laws or how otherwise;
- (ii) The number of years premium to be paid, period to elapse and other conditions to be fulfilled before a bonus is allotted;
- (iii) Whether the bonus is allocated in respect of each year's premium paid, or in respect of each calendar year or year of assurance or how otherwise; and
- (iv) Whether the bonus vests immediately on allocation, or, if not, conditions of vesting.

8. Statement of composition of surplus and distribution of surplus in respect of policyholders' funds.—(1) A statement showing total amount of surplus arising during the inter-valuation period, and the allocation of such surplus, shall be furnished separately for participating business and for non-participating business, with the particulars as mentioned below:

Composition of Surplus:

- (a) Surplus shown under Form I;
- (b) Interim Bonuses paid during the inter-valuation period;
- (c) Terminal Bonuses paid during the inter-valuation period;
- (d) Loyalty Additions or other forms of bonuses, if any, paid during the inter-valuation period;
- (e) Sum transferred from share-holders' funds during the inter-valuation period;
- (f) Amount of surplus, from policy-holders' funds, brought forward from preceding valuation;
- (g) Total Surplus (total of the items (a) to (f)).

Distribution of Surplus:

Policy-holders' Fund:

- (a) To Interim Bonuses paid;
- (b) To Terminal Bonuses;
- (c) To Loyalty Additions or any other forms of bonuses, if any;
- (d) Among policy-holders with immediate participation giving the number of policies which participated and the sums assured thereunder (excluding bonuses);
- (e) Among policy-holders with deferred participation, giving the number of policies which participated and the sums assured thereunder (excluding bonuses);



- (f) Among policy-holders in the discounted bonus class giving the number of policies which participated and the sums assured thereunder (excluding bonuses);
- (g) To every reserve fund or other fund or account (any such sums passed through the accounts during the inter valuation period to be separately stated);
- (h) As carried forward un-appropriated.

Share-holders' Fund:

- (i) To the share-holders' funds (any such sums passed through the accounts during the inter valuation period to be separately stated);

Totals:

- (j) Total Surplus allocated [total of the items (a) to (i)].
- (2) Specimen of Bonuses allotted to policies for one thousand rupees together with the amounts apportioned under the various manners in which the bonus is receivable, for each type of participating product, shall be furnished.

9. Negative Reserves and Guaranteed Surrender Value Deficiency Reserves.—A brief description of treatment adopted for negative reserves and guaranteed surrender value deficiency reserves shall be furnished.

10. Notes applicable to all forms.—(1) Each form mentioned under sub-regulation (2) of Regulation 4 shall have the following description:—

Classification;

Category;

Division;

Sub-Class; and

Group.

(2) There shall be two Classifications, namely, Business within India, and Total Business (consisting of Business within India and Business outside India), with Classification Codes 1 and 2 respectively.

(3) There shall be three Categories namely, Linked Business, Non-linked Business and Health Insurance Business, with Category Codes 1, 2 and 3 respectively, under each Classification.

(4) There shall be two Divisions, namely, Individual Business and Group Business, with Division Codes 1 and 2 respectively under Category Codes 1, 2 and 3.

(5) There shall be three Sub-Classes, namely, Life Business, General Annuity, and Pension, with Sub-Class Codes 1, 2 and 3 respectively, under Category Codes 1 and 2, and two Sub-Classes, namely, Linked Business, Non-Linked Business, with Sub-Class Codes 1, and 2 respectively, under Category Code 3.

(6) There shall be four Groups under each Sub-Class, with Group Codes as specified under sub-regulation (7).

(7) The details of Group Codes under each Category shall be as follows:—

- | | Group Code |
|---|------------|
| (a) Category Code 1—Linked Business.— consisting of Insurance Products,— | |
| (1) in respect of Division Code 1 — Individual Business, and under each Sub-Class Code— | |
| (i) with guarantees—with participation in profits: | A; |
| (ii) with no guarantees—with participation in profits: | B; |
| (iii) with guarantees—without participation in profits: | C; |
| (iv) with no guarantees—without participation in profits: | D; |
| (2) in respect of Division Code 2 — Group Business, and under each Sub-Class Code— | |
| (i) with guarantees—with participation in profits: | A; |
| (ii) with no guarantees—with participation in profits: | B; |
| (iii) with guarantees—without participation in profits: | C; |
| (iv) with no guarantees—without participation in profits: | D; |
| (b) Category Code 2—Non-Linked Business.— consisting of Insurance Products,— | |
| (1) in respect of Division Code 1 — Individual Business,— | |
| (I) Sub-Class Code 1 — Sub-Class-Life Business,— | |
| (i) with participation in profits: | A; |
| (ii) with deferred participation in profits: | B; |
| (iii) under discounted Bonus system: | C; |
| (iv) without participation in profits: | D; |
| (II) Sub-Class Codes 2, 3 — Sub-Class—General Annuity/ Pension, as the case may | |
| (i) Immediate Annuities—with participation in profits: | A; |
| (ii) Immediate Annuities—without participation in profits: | B; |
| (iii) Deferred Annuities—with participation in profits: | C; |
| (iv) Deferred Annuities—without participation in profits: | D; |
| (2) in respect of Division Code 2 — Group Business— | |
| (I) Sub-Class Code 1 — Sub-Class—Life Business, where— | |
| (i) Premiums are guaranteed for not more than one year:— | |
| (a) with participation in profits: | A; |
| (b) without participation in profits: | B; |

- (ii) Premiums are guaranteed for more than one year:—
- (a) with participation in profits: C;
- (b) without participation in profits: D;
- (II) Sub-Class Codes 2, 3 — Sub-Class—General Annuity/
Pension, as the case may be,—
- (i) Immediate Annuities—with participation in profits: A;
- (ii) Immediate Annuities—without participation in
profits: B;
- (iii) Deferred Annuities—with participation in profits: C;
- (iv) Deferred Annuities—without participation in profits: D;
- (c) **Category Code 3—Health Insurance Business.**—consisting
of Insurance Products,—
- (1) in respect of Division Code 1—Individual Business,—
- (I) Sub-Class Code 1— Linked Business,—
- (i) with guarantees—with participation in profits: A;
- (ii) with no guarantees—with participation in profits: B;
- (iii) with guarantees—without participation in profits: C;
- (iv) with no guarantees—without participation in profits: D;
- (II) Sub-Class Code 2 — Non-Linked Business,—
- (i) with participation in profits: A;
- (ii) with deferred participation in profits: B;
- (iii) under discounted Bonus system: C;
- (iv) without participation in profits: D;
- (2) in respect of Division Code 2 — Group Business,—
- (I) Sub-Class Code 3 — Linked Business,—
- (i) with guarantees—with participation in profits: A;
- (ii) with no guarantees—with participation in profits: B;
- (iii) with guarantees—without participation in profits: C;
- (iv) with no guarantees—without participation in profits: D;
- (II) Sub-Class Code 4 — Non-Linked Business,—
- (i) Premiums are guaranteed for not more than one year—
- (a) with participation in profits: A;
- (b) without participation in profits: B;
- (i) Premiums are guaranteed for more than one year—
- (a) with participation in profits: C;
- (b) without participation in profits: D;

(8) "Nil" Statements shall be furnished for those Forms where the insurer has no transactions.

(9) Information relating to insurance products shall be given in Forms in the following order of insurance products, wherever required:—

Whole Life Assurances

Endowment Assurances

Anticipated Endowment Plans (Money Back Plans)

Pure Endowments

Double Endowments

Term Insurance Contracts, and

Others (specifying each).

(10) All figures shall be furnished in thousands and all amounts shall be furnished in Indian rupees.

(11) In respect of Group Business 'the number of policies' in Forms, wherever applicable, shall be read as 'number of Schemes'.

(12) Rider Benefits shall be furnished in Forms, wherever required, in the order of (a) Accident Covers—double, triple, (b) Disability Covers, (c) Dread Disease Covers, and (d) Others (specifying each).

(13) Other Adjustments, shall be furnished in Forms, wherever necessary, for instance, Provision for Deaths due to AIDS.

For FORMS

Please visit IRDA website (www.irda.gov.in)
