



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Title:--

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GUIDELINES FOR MUTUAL FUND INVESTMENTS

1. As the term “**Mutual Fund**” is neither covered under Insurance Act, 1938 or by IRDA (Investment) Regulations, 2000 any Investment made in Mutual Funds will fall under the residuary category of investments namely “**Other than Approved Investments**” which in turn shall be subject to the limits prescribed in IRDA (Investment) Regulations, 2000 and the norms mentioned below.

NORMS FOR MUTUAL FUND INVESTMENTS

2. The investment shall be restricted to **Investment of temporary surpluses** of the Insurer which may be placed in **schemes of Mutual Funds** comprising of **Liquid Funds, Gilt or Debt Funds** and the same shall be governed by the following norms:
- The Mutual Fund should be registered with **SEBI** and be governed by **SEBI (Mutual Funds) Regulations, 1996**
 - The insurer shall **AT ALL TIMES** ensure that the investments in Mutual Funds are diversified among the various Mutual Funds.
 - The Board of the Insurer shall lay down proper Guidelines for **selection** of Mutual Funds and schemes permissible including exposure Norms to a **Single Mutual Fund** and to **each Scheme** of Mutual Fund so as to **avoid concentration** of Investment.
 - Where, the schemes of mutual funds in which such investment is made by an Insurer is managed by an Investment Manager who is under the direct or indirect management or control of the Insurer or its promoter the same shall **NOT** exceed **20%*** of the amount of Investments falling under “**Other than approved Investments**” subject to provision referred under Clause 5, pertaining to “**Group**” under **IRDA (Investment) Regulations, 2000**.
 - The Insurer shall **NOT** make any investment in shares or debentures of any private limited company in which investment, if any, is made by the Mutual Fund;

OVERALL INVESTMENT / EXPOSURE LIMIT

3. The investment in Mutual Funds **AT ANY POINT OF TIME** shall not exceed **50%*** of Investment falling under “**Other than Approved Investments**” for both Life and General Insurance Companies.

NOTE

For Public Sector Insurers the limit mentioned in 2 (iv) & (3) above () shall be 1/5th of the specified percentage.
The Authority would review the exposure limit annually.*

4. VALUATION OF MUTUAL FUND INVESTMENTS

- 4.1 For each of the Quarter, Mutual Fund units shall be reported at **Weighted Average Cost**. Also, the insurer shall mention the Market Value of such Mutual Funds (*which shall reflect the increase / decrease in the NAV*) in Form 3B of IRDA (Investment) Regulations, 2000,
- 4.2 A separate Fair Value Change Account segregated **for each of the Mutual Fund** Investment shall be maintained.

4.3 The unrealised gains / losses arising due to changes in fair value of the Mutual Funds shall be taken to “**Fair Value Change – Mutual Fund**” account. The Profit / Loss on sale of Mutual Fund units, shall include accumulated changes in the Fair value previously recognised in Mutual Funds under the heading “Fair Value Change – Mutual Fund” in respect of a particular Mutual Fund and being recycled to Revenue / Profit and Loss Account on actual sale of Mutual Fund units.

4.4 The Insurer shall assess, **on each Balance Sheet date**, whether any impairment has occurred to the Investment. An impairment loss shall be recognized as an expense in Revenue / Profit and Loss Account to the extent of the difference between the re-measured fair value of the Investment and its Weighted Average Cost as reduced by any previous impairment loss recognized as expenses in Revenue / Profit and Loss Account. Any reversal of impairment loss earlier recognized in Revenue / Profit and Loss Account shall be recognized in Revenue / Profit and Loss Account.

4.5 In the case of Unit Linked Business, Mutual Fund units shall be valued at NAV.

P A BALASUBRAMANIAN
MEMBER (ACTUARY)