



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

IRDA/F&A/CIR/CPM/010/01/2017

January 12, 2017

CIRCULAR

To

All Insurers

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

Ref: Circular no. IRDA / F&A/ CIR/ CPM/ 056/ 03/ 2016 dated April 04, 2016

This has reference to the Authority circular no. IRDA / F&A/ CIR/ CPM/ 056/ 03/ 2016 dated April 04, 2016 on the above cited subject.

The circular apart from other things, provides for Segregation of Policyholders' and Shareholders' Funds by the Insurers carrying on General Insurance, Health Insurance and Reinsurance business. The Authority has received a representation from General Insurance Council on the segregation of the policyholders and shareholders fund.

The Authority having examined the representation of GI council and taking into consideration the difficulties expressed by the insurance companies in ensuring compliance at this stage, replaces the para 1 of the above referred circular as under:

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

Section 11 (2) of the Insurance Act 1938 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 policyholders' and shareholders' fund at the end of each quarter at the minimum at the "fund level" on notional basis;*
- ii. Policyholders funds shall be the sum of*

- a. *Estimated liability for Outstanding Claims including Incurred but not Reported (IBNR) & Incurred but not Enough Reported (IBNER);*
- b. *Unexpired Risk Reserve (URR)*
- c. *Premium Deficiency, 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 others members of Third Party Pool (IMTPIP), if applicable (v) Sundry creditors (due to Policyholders), etc.

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 terrorism pool (if applicable) (iv) Balance with Motor Third Party Pool if any (if applicable), etc.

- iii. *The stipulation shall be applicable w.e.f. financial statement as at 31st March, 2017. All Insurers shall ensure that the investments allocated to policyholders shall not be less than the value of the policyholders' fund.*
- iv. *Investments 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.*

The investments under shareholders' fund shall continue to be shown in Schedule 8 as Investments-Shareholders

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

All other provisions of circular no. IRDA / F&A/ CIR/ CPM/ 056/ 03/ 2016 dated April 04, 2016 shall continue to be applicable."

The provisions shall be applicable till 31.03.2018. The Authority will review the basis of the segregation of the funds for the financial year 2018-19 onwards.


(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.