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**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY  
(ACTUARIAL REPORT AND ABSTRACT) REGULATIONS, 2000**

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**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY  
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F.No. IRDA/Reg./7/2000, dated the 14th July, 2000.-In exercise of the powers conferred by Cl. (g) of sub-section (2) of Sec. 114-A 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 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 sub-section (1) of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of

1999);

(e) "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 of Sec. 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date of the preceding valuation in connection with which an abstract was prepared under the Act under the enactments repealed by the Act, or, in a case where no such valuation has been made in respect of the class of business in question, from the date on which the insurer began to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;

(i) "non-par policies" or "policies without participation in profits" means policies which are not entitled for any share in surplus (profits) during the term 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 polices which are not non-par policies as defined under Cl. (i);

(m) "policies with deferred participation in profits" means policies entitled for participation in profits after a certain period from the 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 tile 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 Sec. 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 Sec. 15 of the Act, and one of the four copies so furnished shall be signed by the persons as mentioned in sub-section (2) Sec. 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 policy-holders' reasonable expectations.

#### **4. Requirements Applicable to Abstracts 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 insurer 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 Insurance Regulatory and Development Authority (Assets, Liabilities, and Solvency Margin of Insurers) Regulations, 2000;
  - (iii) Form H;
  - (iv) Form I;
  - (v) Statement of Composition and Distribution of surplus in respect of policy-holders' fund as specified under regulation 8;
- (3) Each Abstract shall show-
- (a) The Valuation Date.-The date on which valuation (investigation) is done;
  - (b) New Products.-A brief description of new products introduced during the inter-valuation period giving salient features;
  - (c) Foreign Operations.-A brief description of the foreign operations of the insurer, during the inter-valuation period;
  - (d) Valuation Method.-A brief description of-
    - (i) the methods adopted in the determination of mathematical reserves in respect of insurance products;
    - (ii) the method by which age at entry, premium term, maturity date, valuation age, period from the valuation date to the maturity date, have been treated for the purpose of valuation;
    - (iii) the method of allowing for-
      - (I) incidence of premium income; and
      - (II) premiums payable otherwise than annually;

(e) Valuation bases.-

(i) Valuation parameters used in the valuation shall be furnished in the manner as specified in the table hereunder:-

Description	Mortality basis used	Mortality basis used	Inflation rate	Interest rate	Expenses	Future bonuses if any	Others please specify	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(a) Insurance Product:								
(i) Regular Premium								
(ii) Single premium and Fully paid up								
(iii) Reduced Paid up								
(b) Insurance Product:								
(i) Regular Premium								
(ii) Single premium and Fully paid up								
(iii) Reduced Paid up								

(ii) Expenses related to premiums, sum assured, annuity, etc., as per policy shall be specified separately under Column (5) of the table;

(iii) Items such as a 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 charge 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, climate 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 and 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 share-holders 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 by-laws or how otherwise;

(ii) The number of years premium to be paid, 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 policy-holders funds :-**

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 1;

(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:-

(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 Assurance, 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.