

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
(PREPARATION OF FINANCIAL STATEMENTS AND AUDITOR'S
REPORT OF INSURANCE COMPANIES) REGULATIONS, 2000**

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**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
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REPORT OF INSURANCE COMPANIES) REGULATIONS, 2000**

F.No. IRDA/Reg./8/2000, dated the 14th August, 2000 - In exercise of the powers conferred by 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 (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2000.

(2) They shall come into force from the date 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) 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 the Companies Act, 1956 (1 of 1956) shall have the meanings respectively assigned to them in those Acts.

3. Preparation of financial statements, management report and auditors report :-

(1) An insurer carrying on life insurance business, after the commencement of these Regulations, shall comply with the requirements of Schedule A.

(2) An insurer carrying on general insurance business, after the commencement of these regulations, shall comply with the requirements of Schedule B :

Provided that this sub-regulation shall apply, mutatis mutandis, to re-insurers, until separate regulations are made.

(3) The report of the auditors on the financial statements of every insurer and re-insurer shall be in conformity with the requirements of Schedule C, or as near as thereto as the circumstances permit.

(4) The Authority may, from time to time, issue separate guidelines in the matter of appointment, continuance or removal of auditors of an insurer or re-insurers, as the case maybe, and such guidelines may include prescriptions regarding qualifications and experience of auditors, their rotation, period of appointment etc.

SCHEDULE A

PRINCIPLES OF COMPENSATION

SCHEDULE 1

Premium

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Premium from direct business written		
Add: Premium on re-insurance accepted		
Less: Premium on re-Insurance ceded		
Net Premium		
Adjustment for changes In Unearned Premium		
Adjustment for changes In premium received In advance		
Total Premium Earned (Net)		

Premium Income from business effected:		
In India		
Outside India		
Total Premium Earned (Net)		

\ Notes: (a) In case of premiums less re-insurance, in respect of any segment of insurance business exceeds 10 per cent. of total premium earned, the same shall be disclosed separately. (b) Re-insurance premiums whether on business ceded or accepted are to be brought into account, before deducting commission, under the head of re-insurance premiums.

SCHEDULE 2

Commission Expenses

Particulars	Current Year	Previous Year
	(Rs. -000)	(Rs. -000)
Claims paid		
Direct		
Add. Re-insurance accepted		
Less: Re-insurance Ceded		
Net Claims paid		
Total Claims Incurred		
Claims paid to claimants		
In India		
Outside India		
Total Claims Incurred		

Notes: (a) Incurred But Not Reported (IBNR), Incurred But Not Enough Reported (IBNER) claims should be included in the amount for claims. (b) Claims Include claims settlement costs. (c) The surveyor fees, legal and other expenses shall also form part of claims cost. (d) Claims cost should not be adjusted for estimated salvage value if there is a sufficient certainty of its realisation.

SCHEDULE 3

Operating Expenses Related to Insurance Business

Particulars	Current Year	Previous Year
	(Rs. '000)	(Rs. -000)
Commission Paid		
Direct Add: Re-insurance Accepted Less: Commission on Re-insurance ceded		
Net Commission		

Note: The profit/commission, if any, are to be combined with the Re-insurance accepted or Re-insurance ceded figures.

SCHEDULE 4

Benefits Paid [NET]

Particulars	Current Year	Previous Year
	(Rs. '000)	(Rs. '000)
1. Employees' remuneration and welfare benefits		
2. Managerial remuneration		
3. Travel, conveyance and vehicle running expenses		
4. Rents, rates and taxes		
5. Repairs		
6. Printing & stationery		
7. Communication		
8. Legal & professional charges		
9. Medical fees		
10. Auditors' fees, expenses etc.		
(a) as auditor		
(b) as adviser or In any other capacity, in respect of		
(i) Taxation matters		
(ii) Insurance matters		
(iii) Management services; and		
(c) in any other capacity.		
11. Advertisement and publicity		
12. Interest & Bank Charges		
13. Others (to be specified)		
14. Depreciation		
TOTAL		

Notes: (a) Items of expenses in excess of one per cent. of net premium or Rs 5,00,000 whichever is higher, shall be shown as a separate line item. (b) Under the sub-head "Others", 'Operating Expenses (Insurance Business shall include items like foreign exchange gains or losses and other items.

SCHEDULE 5

Share Capital

Particulars	Current Year	Previous Year
	(Rs. '000)	(Rs. '000)
1. Authorised Capital		
Equity Shares of Rs.....each		
2. Issued Capital		
Equity Shares of Rs.....each		
3. Subscribed Capital		
Equity Shares of Rs.....each		
4. Called-up Capital		
Equity Shares of Rs..... each		
5. Less: Calls unpaid		
Add; Equity Shares forfeited (Amount originally paid up)		
Less: Preliminary Expenses including commission or brokerage on Underwriting or subscription of shares.		
TOTAL		

Notes: (a) The amount capitalised on account of issue of bonus should be disclosed.
 (b) In case, any part of the capital is held by a holding company, the same should be separately disclosed.

SCHEDULE 5A

Pattern of Shareholding

[As certified by the Management]				
Shareholder	Current Year		Previous Year	
	Number of Shares	%of Holding	Number of Shares	%of Holding
Promoters * Indian * Foreign				
Others				
TOTAL				

SCHEDULE 6

Reserves and Surplus

Particulars	Current Year	Previous Year
	(Rs. - 000)	(Rs. - 000)
1. Capital Reserve		
2. Capital Redemption Reserve		
3. Share Premium		
4. General Reserves Less: Debit Balance in Profit and Loss Account Less: Amount utilized for Buy-back		
5. Catastrophe Reserve		
6. Other Reserves (to be specified)		
7. Balance of Profit In Profit & Loss Account		
TOTAL		

Note: Additions to and deductions from the reserves should be disclosed under each of the specified heads.

SCHEDULE 7

Borrowings

Particulars	Current Year	Previous Year
	(Rs. '000)	(Rs. -000)
1. Debentures/ Bonds		
2. Fixed Deposits		
3. Banks		
4. Financial Institutions		
5. Other entities carrying on Insurance business		
6. Others (to be specified)		
TOTAL		

Notes: (a) The extent to which the borrowings are secured shall be separately disclosed stating the nature of the security under each sub-heads. (b) Amounts due

within 12 months from the date of Balance-Sheet should be shown separately.

SCHEDULE 8

Investments - Shareholders

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
LONG TERM INVESTMENTS		
1. Government securities and Government guaranteed bonds including Treasury Bills		
2. Other Approved Securities		
3. Other Investments		
(a) Shares		
(aa) Equity		
(bb) Preference		
(b) Mutual Funds		
(c) Derivative Instruments		
(d) Debentures/Bonds		
(e) Other Securities (to be specified)		
(f) Subsidiaries		
(g) Investment Properties-Real Estate		
SHORT TERM INVESTMENTS		
1. Government securities and Government guaranteed bonds Including Treasury Bills		
2. Other Approved Securities		
3. Other Investments		
(a) Shares		
(aa) Equity		
(bb) Preference		
(b) Mutual Funds		
(c) Derivative Instruments		
(d) Debentures/Bonds		
(e) Other Securities (to be specified)		
(f) Subsidiaries		
(g) Investment Properties-Real Estate		
TOTAL		
INVESTMENTS		
1. In India		
2. Outside India		
TOTAL		

Notes: (a) Investments in subsidiary/holding companies, joint ventures and associates shall be separately disclosed, at cost. (i) Holding company and subsidiary shall be construed as. Significant Influence may be exercised in several ways, for example, by representation on the board of directors, participation in the policy making process, material intercompany transactions, interchange of managerial defined in the Companies Act, 1956 . (ii) Joint Venture is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control. (iii) Joint control is the contractually agreed sharing of power to govern the financial and operating policies of an economic activity to obtain benefits from it. (iv) Associate is an enterprise in which the company has significant influence and which is neither a subsidiary nor i joint venture, of the company. (v) Significant influence (for the purpose of this schedule) means participation in the financial and operating policy

decisions of a company, but not necessarily control of those policies personnel or dependence on technical information. Significant Influence may be gained by share ownership, statute or agreement. As regards share ownership. If an investor holds, directly or indirectly through subsidiaries, 20 per cent. or more of the voting power of the investee it is presumed that the Investor does have significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly through subsidiaries, less than 20 per cent. of the voting power of the investee, it is presumed that this investor does not have significant influence, unless such influence is clearly demonstrated. A substantial or majority ownership by investor does not necessarily preclude an investor from having significant influence. (b) Aggregate amount of company's Investments other than listed equity securities and derivative instruments and also the market value thereof shall be disclosed. (c) Investments made out of Catastrophe reserve should be shown separately. (d) Debt securities will be considered as "held to maturity" securities and will be measured at historical cost subject to amortisation. (e) Investment Property means a property [land or building or part of a building or both] held to earn rental income or for capital appreciation or for both, rather than for use in services or for administrative purposes.

SCHEDULE 8A

Investments - Policyholders

Particulars	Current	Previous
	Year	Year
	(Rs. -	(Rs.
	000)	000)
LONG TERM INVESTMENTS		
1. Government securities and Government guaranteed bonds Including Treasury Bills		
2. Other Approved Securities		
3. (a) Shares (aa) Less: Equity (bb) Less: Preference (bl Mutual Funds (c) Derivative Instruments (d.) Debentures/Bonds (e) Other Securities (to be specified) (f) Subsidiaries (g) Investment Properties-Real Estate		
4. Investments in Infrastructure and Social Sector		
5. Other than Approved Investments		
SHORT TERM INVESTMENTS		
1. Government securities and Government guaranteed bonds Including Treasury Bills		
2. Other Approved Securities		
3. (a) Shares (aa) Less: Equity (bb) Less: Preference (b) Mutual Funds (c) Derivative Instruments (d) Debentures/Bonds (e) Other Securities (to be specified) (f) Subsidiaries (g) Investment Properties-Real Estate		
4. Investments in Infrastructure and Social Sector		
5. Other than Approved Investments		
TOTAL		
INVESTMENTS		
1. In India		
2. Outside India		
TOTAL		

Notes (applicable to Schedules 8 and 8-A) (a) Investments in subsidiary/holding companies, joint ventures and associates shall be separately disclosed, at cost. (i) Holding company and subsidiary shall be construed as defined in the Companies Act, 1956 ; (ii) Joint Venture-is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control. (iii) Joint control - is

the contractually agreed sharing of power to govern the financial and operating policies of an economic activity to obtain benefits from it. (iv) Associate - is an enterprise in which the company has significant influence and which is neither a subsidiary nor a joint venture of the company. (v) Significant influence (for the purpose of this schedule) - means participation in the financial and operating policy decisions of a company, but not control of those policies. Significant Influence may be exercised in several ways, for example by representation of the board of directors, participation in the policy making process, material inter-company transactions, interchange of managerial personnel or dependence on technical information. Significant influence may be gained by share ownership, statute or agreement. As regards share ownership, if an investor holds, directly or indirectly through subsidiaries, 20 per cent. or more of the voting power of the investee, it is presumed that the Investor does have significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the Investor holds, directly or Indirectly through subsidiaries, less than 20 per cent. of the voting power of the Investee, it is presumed that the investor does not have significant influence, unless such influence is clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence. (b) Aggregate amount of company's investments other than listed equity securities and derivative instruments and also the market value thereof shall be disclosed. (g) Investments made out of Catastrophe reserve should be shown separately (h) Debt securities will be considered as "held to maturity" securities and will be measured at historical costs subject to amortisation. (i) Investment Property means a property [land or building or part of a building or both] held to earn rental income or for capital appreciation or for both, than for use in services or for administrative purposes.

SCHEDULE 9

Loans

Particulars	Current Year	Previous Year
	(Rs. '000)	(Rs. '000)
1. SECURITY-WISE CLASSIFICATION		
Secured		
(a) On mortgage of property (aa) In India (bb) Outside India (b) On Shares, Bonds, Govt. Securities (c) Others (to be specified)		
Unsecured		
TOTAL		
2. BORROWER-WISE CLASSIFICATION		
(a) Central and State Governments		
(b) Banks and Financial Institutions		
(c) Subsidiaries		
(d) Industrial Undertakings		
(e) Others (to be specified)		
TOTAL		
3. PERFORMANCE-WISE CLASSIFICATION		
(a) Loans classified as standard (aa) In India (bb) Outside India (b) Non-performing loans less provisions (aa) In India (bb) Outside India		
TOTAL		
4. MATURITY-WISE CLASSIFICATION		
(a) Short Term		
(b) Long Term		
TOTAL		

Notes: (a) Short-term loans shall include those, which are repayable within 12 months

of the balance sheet date. Long term loans shall be the loans other than short-term loans. (b) Provisions against non-performing loans shall be shown separately. (c) The nature of the security in case of all long term secured loans shall be specified in each case. Secured loans for the purposes of this schedule, means loans secured wholly or partly against an asset of the company. (d) Loans considered doubtful and the amount of provision created against such loans shall be disclosed.

SCHEDULE 10

Fixed Assets

\ \ \ \ \ \ \ \ \ (Rs. '000)										
	Cost/Gross Block				Net Block					
	Depreciation				Upto	For	On	To	As at	Previous
	Opening	Additions	Deductions	Closing						
					year	year			end	end
Goodwill										
Intangibles (specify)										
Land Freehold										
Leasehold Property										
Buildings										
Furniture & Fittings										
Information Technology										
Equipment										
Vehicles										
Office Equipment										
Others (Specify nature)										
TOTAL										
PREVIOUS YEAR										

Note: Assets included in land, building and property above exclude Investment Properties as defined in note (e) to Sch. 8.

SCHEDULE 11

Cash and Bank Balances

Particulars	Current Year	Previous Year
	(Rs. '000)	(Rs. '000)
1. Cash (including cheques, drafts and stamps)		
2. Bank Balances		
(a) Deposit Accounts		
(aa) Less: Short-term (due within 12 months of the date of Balance Sheet)		
(bb) Less: Others		
(b) Current Accounts		

(c) Others (to be specified)		
3. Money at Call and Short Notice		
(a) With Banks		
(b) With other institutions		
4. Others (to be specified)		
TOTAL		
Balance with non-scheduled banks included in 2 and 3 above		
CASH & BANK BALANCES		
1. In India		
2. Outside India		
TOTAL		

Note: Bank balance may include remittances in transit. If so, the nature, and amount should be separately stated.

SCHEDULE 12

Advances and Other Assets

Particulars	Current Year	Previous Year
	(Rs. '000)	(Rs. '000)
ADVANCES		
1. Reserve deposits with ceding companies		
2. Advances to ceding companies		
3. Application money for Investments		
4. Pre-payments		
5. Advances to Officers/Directors		
6. Advance tax paid and taxes deducted at source		
7. Others (to be specified)		
TOTAL (A)		
OTHER ASSETS		
1. Income accrued on Investments		
2. Outstanding Premiums		
3. Agents' Balances		
4. Foreign Agencies' Balances		
5. Due from other Insurance Entities		
6. Due from subsidiaries/holding		
7. Re-Insurance claims/balances receivable		
8. Deposit with Reserve Bank of India [Pursuant to Sec. 7 of Insurance Act, 1938]		
9. Others (to be specified)		
TOTAL (B)		
TOTAL (A + B)		

Notes: (a) The items under the above heads shall not be shown net of provisions for doubtful amounts. The amount of provision against each head should be shown

separately. (b) The term 'officer' should conform to the definition of the word 'officer' given under the Companies Act, 1956 .

SCHEDULE 13

Current Liabilities

	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	Reserve for Unearned Premium		
2.	Agents' Balances		
3.	Balances due to other insurance companies		
4.	Advances from Treaty Companies		
5.	Deposits held on re-insurance ceded		
6.	Premiums received in advance		
7.	Sundry creditors		
8.	Due to subsidiaries/holding company		
9.	Claims Outstanding		
10.	Due to Officers/Directors		
11.	Others (to be specified)		
	TOTAL		

SCHEDULE 14

Provisions

	Particulars	Current Year (Rs. '000)	Previous Year (Rs. -000)
1.	Reserve for Unexpired risk.		
2.	For taxation (less advance tax paid and taxes deducted at source)	-	
3.	For proposed dividends		
4.	For dividend distribution tax		
5.	Others (to be specified)		
	TOTAL		

SCHEDULE 15

Miscellaneous Expenditure

(To the extent not written off or adjusted)			
	Particulars	Current Year (Rs. '000)	Previous Year (Rs. -000)
1.	Discount Allowed In issue of shares/debentures		
2.	Others (To be specified)		
	TOTAL		

Notes: (a) No item shall be included under the head "Miscellaneous Expenditure," and carried forward unless: 1. some benefit from the expenditure can reasonably be

expected to be received in future, and 2. the amount of such benefit is reasonably determinable. (b) The amount to be carried forward in respect of any item included under the head "Miscellaneous Expenditure" shall not exceed the expected future revenue/other benefits related to the expenditure.

SCHEDULE B

B

PART

ACCOUNTING PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS

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SCHEDULE C

AUDITORS REPORT

The report of the auditors on the financial statements of every insurer shall deal with the matters specified herein: 1. (a) That they have obtained all the information and explanations which, to the best of their knowledge and belief were necessary for the purposes of their audit and whether they have found them satisfactory; (b) Whether proper books of account have been maintained by the insurer so far as appears from an examination of those books; (c) Whether proper returns, audited or unaudited, from branches and other offices have been received and whether they were adequate for the purpose of audit; (d) Whether the Balance Sheet, Revenue Account and Profit and Loss Account dealt with by the report and the Receipts and Payments Account are in agreement with the books of account and returns; (e) Whether the actuarial valuation of liabilities is duly certified by the appointed actuary including to the effect that the assumptions for such valuation are in accordance with the guidelines and norms, if any, issued by the Authority, and/or the Actuarial Society of India in concurrence with the Authority. 2. The auditors shall express their opinion on: (a) (i) Whether the balance sheet gives a true and fair view of the insurer's affairs as at the end of the financial year/period; (ii) Whether the revenue account gives a true and fair view of the surplus or deficit for the financial year/period; (iii) Whether the Profit and Loss Account gives a true and fair view of the profit or loss for the financial year/period; (iv) Whether the receipts and payments account gives a true and fair view of the receipts and payments for the financial year/period; (b) The financial statements stated at (a) above are prepared in accordance with the requirements of the Insurance Act, 1938 (4 of 1938), the Insurance Regulatory and Development Act, 1999 (41 of 1999) and the Companies Act, 1956 (1 of 1956), to the extent applicable and in the manner so required. (c) Investments have been valued in accordance with the provisions of the Act and these regulations. (d) The accounting policies selected by the insurer are appropriate and are in compliance with the applicable accounting standards and with the accounting principles, as prescribed in these regulations or any order or direction issued by the Authority in this behalf. 3. The auditors shall further certify that: (a) they have reviewed the management report and there is no apparent mistake or material inconsistencies with the financial statements; (b) the insurer has complied with the terms and conditions of the registration stipulated by the Authority. 4. A certificate signed by the auditors [which shall be in addition to any other certificate or report which is required by law to be given with respect to the balance sheet] certifying that:- (a) they have verified the cash balances and the securities relating to the insurer's loans, reversions and life interests (in the case of life insurers) and investments; (b) to what extent, if any, they have verified the investments and transactions relating to any trusts undertaken by the insurer as trustee; and (c) no part of the assets of the policy holders' funds has been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 (4 of 1938) relating to the application and investments of the policy holders' funds.