

**CONSULTATION PAPER ON PROPOSED
IFSCA (ASSETS, LIABILITIES, AND SOLVENCY MARGIN) REGULATIONS, 2022**

Objective:

The objective of this consultation paper is to seek comments / views/ suggestions from public on the proposed International Financial Services Authority (Assets, Liabilities, and Solvency Margin) Regulations, 2022.

Background:

1. The International Financial Services Centres Authority (IFSCA) is the unified regulator for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centres (IFSCs) in India.
2. To facilitate the growth of insurance & reinsurance sector and to provide best in class regulatory framework, which is at par with top international jurisdictions, IFSCA has already issued relevant regulations. In order to further strengthen the regulatory framework and to promote ease of doing business so far as capital and solvency requirements necessary to transact insurance business by IIOs are concerned, IFSCA is proposing to notify comprehensive regulations. These regulations focus on valuation and statement of assets, method of determination of reserves and other liabilities, etc.

Synopsis of Draft Regulations:

3. This consultation paper is divided into 2 parts
 - (i) **Part I – Draft International Financial Services Authority (Assets, Liabilities, and Solvency Margin of Life Insurance business) Regulations, 2022**
 - (ii) **Part II – Draft International Financial Services Authority (Assets, Liabilities, and Solvency Margin of General and Re-insurance business) Regulations, 2022**
4. The proposed Regulations *inter alia*, include the following:
 - (i) **Applicability**
 - (a) For an IIO that is set up in an unincorporated form in the IFSC and if its home country falls within SCR-RC 1 to SCR-RC 6 in Sovereign Credit Rating by any international rating agency recognized by the International Association of Insurance Supervisors (IAIS), it shall be allowed to maintain its capital requirements in accordance with the home country regulations.
 - (b) For an IIO set up in an incorporated form in the IFSC and an IIO set up in an unincorporated form in the IFSC but the Sovereign Credit Rating by any international rating agency recognized by the International Association of Insurance Supervisors

(IAIS) of their home country is SCR-RC 7 or below, capital requirements shall be maintained under these Regulations.

(ii) Reporting Requirements

(a) All IIOs registered with the Authority shall comply with all the reporting requirements under these regulations. All reporting under these Regulations shall be in USD Millions, unless specified otherwise.

(b) Both these Regulations have three Schedules as follows:

i. Schedule I provides for valuation of assets and format for statement of admissible assets.

ii. Schedule II provides for determination of amount of liabilities and statement of admissible liabilities.

iii. Schedule III provides for determination of solvency margin.

(c) All IIOs are further required to submit an Annual Actuarial Report prepared by the Appointed Actuary as per the guidelines to be issued subsequently by the Authority.

5. The draft regulations are placed on the website of the IFSCA at <https://ifsc.gov.in/PublicConsultation>. General public and stakeholders are requested to forward their comments / suggestions through e-mail to Insurance Dept. at insurance-dept@ifsc.gov.in with copy to Mrs. Riddhi Bhandari, Deputy General Manager, at riddhi.bhandari@ifsc.gov.in and Nitin Gupta, Assistant Manager, at g.nitin@ifsc.gov.in by January 19, 2023 in the attached format. It is further requested to provide comments in MS Word or MS Excel format only.

Format for providing comments / suggestions

Proposed IFSCA (Assets, Liabilities, and Solvency Margin: Life Insurance / General and Re-insurance Business) Regulations, 2022

Inputs / Comments suggested by:

| Page No. of Draft Regu. | Reg. No. | Sub-Regu No. /Para No. | Comments / Suggestions / Suggested modifications | Rationale |
|-------------------------|----------|------------------------|--|-----------|
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| | | | | |

PART – I

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY NOTIFICATION

Gandhinagar, the ___/___ , 2022

DRAFT - International Financial Services Centres Authority (Assets, Liabilities, Solvency Margin and Abstract of Life Insurance business) Regulations, 2022

F. No. IFSCA/2022-23/GN/REG026. - In exercise of the powers conferred by sub-section (1) of Section 28 read with subsection (1) of Section 12 and sub-section (1) of Section 13 of the International Financial Services Centres Authority Act, 2019, and clauses (g), (y), (z), (za) and (zab) of sub-section (2) of Section 114A read with Section 13, 64V and 64VA of the Insurance Act, 1938, the International Financial Services Centres Authority hereby makes the following regulations, namely:-

1. **Short title and commencement -**

- (1) These regulations may be called the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of Life Insurance business) Regulations, 2022.
- (2) They shall come into force on the date of their publication in the Official Gazette.

CHAPTER - I INTRODUCTION

2. **Applicability**

These regulations shall be applicable to International Financial Service Centre Insurance Offices (IIOs) undertaking life insurance business.

Provided that nothing in these regulations related to capital requirements shall be applicable to an IIO set up in unincorporated form, and such IIO shall satisfy capital requirements in accordance with the home country regulations if the Sovereign Credit Rating (SCR) of the home country is between RC-1 to RC-6.

Provided further that in such a case, the Appointed Actuary shall specifically certify the Valuation of Assets & Liabilities and the Adequacy of Capital;

Explanation: The credit rating given by an international rating agency recognised by the International Association of Insurance Supervisors (IAIS) shall only be accepted as a credit rating of a sovereign (SCR), unless otherwise specified by the Authority.

3. **Objective**

These regulations aim to define the capital and solvency requirements necessary to transact Life Insurance Business and submission of an abstract of the report of actuary by International Financial Service Centre Insurance Offices (IIOs).

4. Definitions

- (1) In these regulations, unless the context otherwise requires-
- (a) **'Act'** means the International Financial Services Centres Authority Act, 2019 (50 of 2019);
 - (b) **'annualised premium'** means regular premium (excluding extra premiums which are required to be shown separately) payable by the policyholder to secure the basic benefits under the policy in a policy year;
 - (c) **'Appointed Actuary'** shall have the same meaning as assigned to it under clause (c) of sub-regulation 1 of regulation 3 of the International Financial Services Centres Authority (Appointed Actuary Appointed Actuary for International Financial Services Centres Insurance Office) Regulations, 2022;
 - (d) **'Authority'** means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the Act;
 - (e) **'extra premium'** means a charge for any risk not provided for in the minimum contract premium;
 - (f) **'group business'** means those insurance contracts of the description known as a 'group policy', where the number of persons covered by the policy is not less than fifty or such smaller number as may be specified by the Authority from time to time;.
 - (g) **'guarantees'** means the terms in regard to benefits or premiums or charges, which may not be altered during the currency of the policy;
 - (h) **'individual business'** means individual insurance contracts issued on single/joint lives;
 - (i) **'insurer'** for the purpose of these regulations shall mean an IIO undertaking life insurance business;
 - (j) **'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 Insurance Act, 1938 or under the enactments repealed by the Insurance Act, 1938, 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;
 - (k) **'International Financial Service Centre Insurance Office'** shall have the same meaning as assigned to it under clause (k) of sub-regulation (1) of regulation 3 of the International Financial Services Centres Authority (Registration of Insurance Business) Regulations, 2021;

- (l) **'mathematical reserves'** means the provision made by an insurer to cover liabilities (excluding liabilities which have fallen due and liabilities arising from deposit back arrangement in relation to any policy whereby an amount is deposited by re-insurer with the cedant) arising under or in connection with policies or contracts of life insurance business. Mathematical reserves also include specific provision for adverse deviations of the bases such as mortality and morbidity rates; interest rates and expense rates; and any explicit provision made in the valuation of liabilities in accordance with the regulations.
- (m) **'maturity date'** means a fixed date on which benefit may become payable either absolutely or contingently;
- (n) **'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;
- (o) **'options'** means the rights available to a policyholder under a policy;
- (p) **'par policies' or 'policies with participation in profits'** means policies which are not non-par policies as defined under sub-regulation (k);
- (q) **'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,
- (r) **'premium term'** means the period during which premiums are payable;
- (s) **'riders' or 'rider benefits'** means add-on benefits which are in addition to basic benefits under a policy;
- (t) **'sum at risk'**, in relation to a life or health insurance policy, means a sum which is:
- (i) the amount payable, in any case in which an amount is payable in consequence of death or any other contingencies covered in a manner other than as in clause (ii) below, and
 - (ii) the present value of the benefit, in any case in which the benefit under the policy in question consists of the making, in consequence of death or any other contingency, of the payments of annuity, payment of a sum by instalments or any other kind of periodic payments,
- less** in either case the mathematical reserves in respect of that policy.
- (u) **'valuation date'** means the date as at which the valuation is made;
- (2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act or any rules, regulations

made thereunder, shall have the same meaning respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER - II REPORTING REQUIREMENTS

5. (1) All IIOs shall prepare and submit to the Authority the following statements with such periodicity as may be specified:
 - (a) A statement of admissible assets in FORM **ALSM-L-A**, as specified under **Schedule I**.
 - (b) A statement of the amount of liabilities in FORM **ALSM-L-L**, as specified under **Schedule II**.
 - (c) A statement of solvency margin in **FORM ALSM-L-SM1, FORM ALSM-L-SM2 and FORM ALSM-L-SM3**, as specified under **Schedule III**.
- (2) An Annual Actuarial Report prepared by the Appointed Actuary shall be submitted to the Authority in accordance with guidelines as may be specified,
- (3) The IIOs may furnish such other reports as may be stipulated by the Authority from time to time.

Explanation: This regulation shall be applicable even in cases where the capital requirements are being maintained in accordance with the home country regulations.

CHAPTER – III MISCELLANEOUS PROVISIONS

6. **Inspection, Investigation, Information and disclosure**

The Authority shall have the power to inspect or investigate the affairs of the IIO including calling for any information from the IIO or the parent entity or specify the disclosures to be made, so far as it relates to its activities as an IIO.
7. **Power to specify procedure, etc.**

For the purpose of implementation of these regulations and matters incidental thereto, the Authority may specify norms, procedures, processes and manners to be complied by IIOs.
8. **Power to remove difficulties and relax strict enforcement of the regulations:**
 - (1) In order to remove any difficulty in the application or interpretations of the provisions of these regulations, the Authority may issue clarifications through guidance notes or circulars.

- (2) On an application, received along with the specified non-refundable processing fees, the Authority, may for the reasons to be recorded in writing, relax the strict enforcement of any of the provisions of these regulations

9. Repeals and Savings

- (1) On and from the commencement of these regulations, the Insurance Regulatory and Development Authority of India (Assets, Liabilities, and Solvency Margin of Life Insurance Business) Regulations 2016, Insurance Regulatory and Development Authority of India (Actuarial Report and Abstract for Life Insurance Business) Regulations, 2016 and any guidelines or circulars issued thereunder from time to time, shall cease to apply in International Financial Services Centres
- (2) Notwithstanding anything in sub-regulation (1), anything done or any action taken or purported to have been done or taken under the regulations, guidelines or circulars mentioned in sub-regulation (1) before the commencement of these regulations shall be deemed to have been done or taken under the corresponding provisions of these regulations;
- (3) An IIO operating in the IFSC prior to the commencement of these regulations, shall comply with additional requirements stipulated in these regulations, if any, within a period of six (6) months from the date of commencement of these Regulations or within such extended time as may be specified by the Authority.

INJETI SRINIVAS, Chairperson
[ADVT. xxx/x/Exty./xxx/2021]

SCHEDULE I
(refer regulation 5)

1. VALUATION OF ASSETS

- (1) The following assets shall be placed with value zero,
- (a) Movable and Immovable property excluding financial instrument;
 - (b) Agents' and Intermediaries' balances and outstanding premiums in India, to the extent they are not realised within a period of thirty days;
 - (c) Agents' and Intermediaries' balances and outstanding premiums outside India, to the extent they are not realisable ;
 - (d) Sundry debts, to the extent they are not realisable;
 - (e) Advances and receivables of an unrealisable character;
 - (f) Furniture, fixtures, dead stock, and stationery;
 - (g) Deferred expenses;
 - (h) Debit balance of Profit and loss appropriation account balance and any fictitious assets other than pre-paid expenses;
 - (i) Reinsurer's balances outstanding for more than ninety days;
 - (j) Leasehold improvements
 - (k) Service Tax Unutilized Credit outstanding for more than ninety days;
 - (l) Any other assets, as may be specified by the Authority from time to time.
- (2) All other assets of the IIO have to be valued in accordance with these regulations and any instructions issued by the Authority regarding preparation of financial statements, auditor's report, other forms of capital and investments, and any other Regulations as applicable from time to time.

2. STATEMENT OF ASSETS

Every IIO shall prepare a statement of admissible assets in Form ALSM-L-A

FORM ALSM-L-A
STATEMENT OF ADMISSIBLE ASSETS
As at 31st March 20XX

Name of IIO:

Registration Number:

(All amounts in USD mn)

| | Particulars | Total |
|----------|--------------------------|--------------|
| | Investments | |
| A | Investments Shareholder' | |
| B | Policyholders' Assets* | |

| | | |
|---|---|--|
| C | Assets held to cover linked liabilities | |
| D | Total Investments as per BS (A+B+C) | |
| E | Inadmissible investment assets as per clause (1) of Schedule I | |
| | Fixed assets | |
| F | Fixed assets as per BS | |
| G | Inadmissible Fixed assets as per clause (1) of Schedule I | |
| | Current Assets | |
| H | Cash & Bank Balances as per BS | |
| I | Advances and Other assets as per BS | |
| J | Total Current Assets as per BS = (H) + (I) | |
| K | Inadmissible Current assets as per clause (1) of Schedule I | |
| | Current Liabilities and Provisions | |
| L | Current Liabilities as per BS | |
| M | Provisions as per BS | |
| N | Total Current Liabilities & Provisions = (L) + (M) | |
| O | Policy Loans as per BS | |
| P | Fair Value Change Account subject to minimum of zero | |
| | | |
| Q | Total Assets as per BS (Q) = (D) + (F) + (J) - (N) + (O) | |
| R | Total Inadmissible assets (R) = (E) + (G) + (K) + (P) | |
| | Total Admissible assets for Solvency = (Q) - (R) | |
| Note: | | |
| The statement shall show the value of the above-mentioned categories of assets in accordance with Clause 1 hereinabove. | | |

'BS' indicates 'Balance Sheet'

*Policyholders' asset should include assets backing non unit liabilities of linked business. It will include only assets backing unit liabilities

We certify that the statement has been prepared in accordance with Schedule I of the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of Life Insurance business) Regulations, 2022.

Name:

Place:

Chief Financial Officer

Statutory Auditor

Appointed Actuary

Principal Officer

SCHEDULE II
(refer regulation 5)

1. **Interpretation:** In this Schedule,
 - (1) 'Valuation date', in relation to an actuarial investigation, means the date to which the investigation relates.
 - (2) 'Policy Accounts' means funds earmarked for Variable Linked Business and Variable Non-Linked Business.
2. **Valuation Methodology**
 - (1) **Method of Determination of Mathematical Reserves:**
 - (a) Mathematical Reserves shall be determined for each contract by a prospective method of valuation in accordance with clause 2(1)(b) to clause 2(1)(d) herein.
 - (b) The valuation method shall take into account all prospective contingencies under which any premiums (by the policyholder) or benefits (to the policyholder/beneficiary) may be payable under the policy, as determined by the policy conditions. The level of benefits shall take into account the reasonable expectations of policyholders (with regard to bonuses, including terminal bonuses, if any) and any established practices of an insurer for payment of benefits.
 - (c) The valuation method shall take into account the cost of any options and guarantees that may be available to the policyholder under the terms of the contract.
 - (d) The determination of the amount of liability under each policy shall be based on prudent assumptions of all relevant parameters. The value of each such parameter shall be based on the insurer's expected experience and shall include an appropriate margin for adverse deviations (hereinafter referred to as MAD) that may result in an increase in the amount of mathematical reserves.
 - (e) The amount of mathematical reserve in respect of a policy, determined in accordance with clause 2(1)(d) hereinabove, may be negative (called 'negative reserves') or less than the surrender value available (called 'surrender value deficiency reserve') at the valuation date.

Explanation:

- (i) The surrender value for this purpose shall be higher of special surrender value and guaranteed surrender value.

- (ii) The Appointed Actuary shall, for the purpose of section 35 of the Insurance Act, 1938, use the amount of such mathematical reserves without any modification;
 - (iii) The Appointed Actuary shall set the amount of such mathematical reserve to zero, in case of such negative reserve, or to the surrender value, in case of such surrender value deficiency reserves, as the case may be
- (f) The valuation method shall be 'Gross Premium Valuation' except for the following cases:
- (i) One-year renewable group term assurances including riders attached to group business wherein Reserves shall allow for Unearned Premium, Premium deficiency and Incurred But Not Reported claims.
 - (ii) Riders attached to individual products wherein the reserve shall be higher of Gross Premium Valuation Reserve and Unearned Premium Reserve.
- (g) For individual business, the Appointed Actuary may hold additional reserve in respect of Incurred but Not Reported claims.
- (h) If in the opinion of the Appointed Actuary, a method of valuation other than the Gross Premium Method of valuation is to be adopted, then, other approximation methods (e.g. retrospective method) may be used.

Provided that, the amount of calculated reserve is expected to be at least equal to the amount that shall be produced by application of Gross Premium Method.

- (i) The method of calculation of the amount of liabilities and the assumptions for the valuation parameters shall not be subject to arbitrary discontinuities from one year to the next.

(2) **Policy Cash Flows:**

The **gross premium method of valuation** shall discount the following future policy cash flows at an appropriate rate of interest,

- (a) **premiums payable**, if any, benefits payable, if any, on death; benefits payable, if any, on survival; benefits payable, if any, on voluntary termination of contract, and the following, if any, :-
 - (i) basic benefits,
 - (ii) rider benefits,
 - (iii) bonuses that have already been vested as at the valuation date,
 - (iv) bonuses as a result of the valuation at the valuation date, and

- (v) future bonuses (one year after valuation date) including terminal bonuses (consistent with the valuation rate of interest);
- (b) **commission and remuneration payable**, if any, in respect of a policy (this shall be based on current practice of the insurer). No allowance shall be made for non-payment of commission in respect of orphaned policies.
- (c) **policy maintenance expenses**, if any, in respect of a policy, as provided under clause 2(4)(c) herein;
- (d) **allocation of profit to shareholders**, if any, where there is a specified relationship between profits attributable to shareholders and the bonus rates declared for policyholders

Provided that allowance must be made for tax, if any.

(3) **Policy Options and Guarantees:**

Where a policy provides built-in options that may be exercised by the policyholder, such as conversion or addition of coverage at future date(s) without any evidence of good health, or guarantees, such as annuity rate guarantees at maturity of contract, investment guarantees etc., the costs of such options or guarantees shall be estimated and treated as special cash flows in calculating the mathematical reserves.

(4) **Valuation Parameters:**

- (a) The valuation parameters shall constitute the bases on which the future policy cash flows shall be computed and discounted. Each parameter shall have to be appropriate to the block of business to be valued. An Appointed Actuary shall take into consideration the following,
 - (i) The value(s) of the parameter shall be based on the insurer's experience study, where available. If reliable experience study is not available, the value(s) can be based on the industry study, if available and appropriate. If neither is available, the values may be based on the bases used for pricing the product. In establishing the expected level of any parameter, any likely deterioration in the experience shall be taken into account;
 - (ii) The expected level, as determined in clause 2(4)(a)(i) herein, shall be adjusted by an appropriate Margin for Adverse Deviations (MAD), the level of MAD being dependent on the degree of confidence in the expected level, and such MAD in each parameter shall be based on the Actuarial Practice Standards / Guidance Notes issued by the Institute of Actuaries of India or as may be specified by the Authority.

- (iii) The values used for the various valuation parameters should be consistent among themselves.
- (b) Mortality rates and Morbidity rates to be used shall be by reference to a published table, unless the insurer has constructed a separate table based on its own experience:
- (c) Policy maintenance expenses shall have regard to the actual expense experience of the insurer. All expenses shall be increased in future years for inflation; the rate of inflation assumed should be consistent with the valuation rate of interest.

Provided that appropriate additional provisions shall be made if the actual experience has not been considered for the valuation.

Provided further that the above provision shall not be applicable to the IIOs set up in the IFSC in an incorporated form and undertaking life insurance business for the first five years from the date of commencement of the business.

- (d) **Valuation rate of interest**, to be used by Appointed Actuary –
 - (i) for the calculation of the present value of policy cash flows referred to in clause 2 (2) hereinabove, shall not be higher than the rates of interest, determined from prudent assessment of the yields from existing assets attributable to blocks of life insurance business, and the yields which the insurer is expected to obtain from the sums to be invested in the future, and such assessment shall take into account-
 - a. the composition of assets supporting the liabilities, expected cash flows from the investments on hand, the cash flows from the block of policies to be valued, the likely future investment conditions and the reinvestment and disinvestment strategy to be employed in dealing with the future net cash flows;
 - b. the risks associated with investment in regard to receipt of income on such investment or repayment of principal;
 - c. the expenses associated with the investment functions of the insurer;
 - (ii) shall not be higher than, for the calculation of present value of policy cash flows in respect of a particular category of contracts, the yields on assets maintained for the purpose of such category of contacts;
 - (iii) in respect of non-participating business, shall recognize the risk of decline in the future interest rates;

- (iv) in respect of participating business, shall be based on the assumption (with regard to future investment conditions), that the scale of future bonuses used in the valuation is consistent with the valuation rate of interest.
 - (e) **Lapse rate**, if considered for valuation, should be a prudent assumption based on past experience of the product or similar products; and shall have regard to the expected future experience based on the nature of the products, target market, distribution channel etc.
 - (f) Other parameters may be taken into account, depending on the type of policy. In establishing the values of such parameters, the considerations set out in this Schedule shall be taken into account.
 - (g) Reinsurance arrangement with an element of borrowing in the form of deposit or credit of any kind from insurer's reinsurers without the prior approval of the Authority shall not be treated as credit for reinsurance for the purpose of determination of required solvency margin.
 - (h) In case the mathematical reserve is calculated allowing for outgo in respect of reinsurance premium and credit taken for claim recoveries from reinsurer, the valuation basis and methods shall be as per this schedule.
 - (i) As regards the business ceded by insurers, this Schedule shall be applicable to the net sums at risk retained by the insurer.
- (5) **Additional Requirements for Unit Linked Business:**
- (a) Reserves in respect of Unit linked business shall consist of two components, namely, unit reserves and general (non-unit) fund reserves.
 - (b) Unit reserves shall be calculated in respect of the units allocated to the policies in force at the valuation date using unit values if applicable, at the valuation date.
 - (c) General (non-unit) fund reserves shall be determined using discounted cash flow method, which shall take into account of the following, namely:-
 - (i) premiums, if any, payable in future;
 - (ii) death benefits, if any, provided by the general (non-unit) fund reserve (over and above the value of units);
 - (iii) management charges paid to the general(non-unit) fund;
 - (iv) guarantees, if any, relating to surrender values or minimum death and maturity benefits;
 - (v) Fund growth rates and management charges. (The values of these parameters, along with others, shall be determined in accordance with clause 2(4) hereinabove);
 - (vi) Non-negative residual additions, if any,

Explanation: the computation methodology adopted for the purpose of computation of non-negative residual additions shall be as prescribed by the Authority from time to time.

(vii) Any future negative cash flow shall be appropriately provided for by setting up reserves; and negative reserves, if any, shall be set to zero.

Explanation: General (non-unit) fund reserve under unit linked policies shall be considered as reserve for non-linked non-participating business for the purpose of investment norms, distribution of surplus etc.

(6) Additional Requirements for Variable Linked Business:

(a) Reserve in respect of variable linked business shall consist of two components, namely, policy account reserves and general fund reserves.

(b) Policy account reserves shall be the balance in Policy Account on the date of valuation.

(c) General fund reserves shall be determined using discounted cash flow method, which shall take into account of the following, namely:-

(i) Premiums, if any, payable in future;

(ii) Death benefits, if any, provided by the general fund (over and above the value of policy account);

(iii) Management charges paid to the general fund;

(iv) Guarantees, if any, relating to surrender values or minimum death and maturity benefits;

(v) Policy account growth rates and management charges. (The values of these parameters, along with others, shall be determined in accordance with clause 2(4) of this Schedule);

(vi) Non-negative residual additions, if any;

(vii) Any future negative cash flow shall be appropriately provided for by setting up reserves; and negative reserve if any, shall be set to zero.

Explanation: General Fund Reserve under Variable Linked Business shall be considered as reserve for non-linked non-participating business for the purpose of investment norms, distribution of surplus etc.

(7) Additional Requirements for Variable Non-Linked Business (Par and Non-Par):

(a) Reserve in respect of variable non-linked business shall consist of two components, namely, policy account reserves and general fund reserves.

(b) Policy account reserves shall be the balance in Policy Account on the date of valuation.

- (c) General fund reserves shall be determined using discounted cash flow method, which shall take into account of the following, namely:-
- (i) Premiums, if any, payable in future;
 - (ii) Death benefits, if any, provided by the general fund (over and above the value of Policy account);
 - (iii) Management charges paid to the general fund;
 - (iv) Guarantees, if any, relating to surrender values or minimum death and maturity benefits;
 - (v) Policy account growth rates and management charges. (The values of these parameters, along with others, shall be determined in accordance with clause 2(4) of this Schedule);
 - (vi) Non-negative residual additions, if any,
 - (vii) Any future negative cash flow shall be appropriately provided for by setting up reserves; and negative reserves if any, shall be set to zero.
 - (viii) Future bonuses (one year after valuation date) including terminal bonuses (consistent with the valuation rate of interest)
 - (ix) Allowance must be made for tax, if any
 - (x) Allocation of profit to shareholders, if any, where there is a specified relationship between profits attributable to shareholders and the bonus rates declared for policyholders.

Explanation: General Fund Reserves under Variable Non-linked Non-Participating Business shall be considered as reserve for non-linked non-participating business for the purpose of investment norms, distribution of surplus etc.

Further, General Fund Reserves under Variable Non-linked Participating Business shall be considered as reserve for non-linked participating business for the purpose of investment norms, distribution of surplus etc.

- (8) **Additional Requirements for Provisions :** The Appointed Actuary shall make aggregate provisions in respect of the following, where it is not possible to calculate mathematical reserves for each policy, in the determination of mathematical reserves:-
- (a) Policies in respect of which extra premiums have been charged on account of underwriting of substandard lives that are subject to extra risks such as occupation hazard, over-weight, underweight, smoking history, health, climatic or geographical conditions;
 - (b) Lapsed policies not included in the valuation but under which a liability exists

or may arise;

- (c) Options available under individual and group insurance policies;
- (d) Guarantees available to individual and group insurance policies;
- (e) 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;
- (f) Other, if any.

FORM ALSM-L-L

SUMMARY OF VALUATION

As at 31st March 20XX

Name of IIO:

(All amounts in USD mn)

| Item No. | Category of Business | Mathematical Reserve before Reinsurance | Mathematical Reserve after Reinsurance | Sum at Risk before Reinsurance | Sum at Risk after Reinsurance |
|-----------------|-----------------------------|--|---|---------------------------------------|--------------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| | Total | | | | |

Note:

1. Category of Business shall be in accordance with guidelines which shall be released by the Authority from time to time.
2. Mathematical reserves shall be furnished inclusive of cost of bonuses allocated and in accordance with the Clause 1 and 2 of this Schedule.

**SCHEDULE III
(refer regulation 5)**

DETERMINATION OF SOLVENCY MARGIN

1. **Interpretation:** In this Schedule,
 - (1) 'Available Solvency Margin' means the excess of value of assets (as furnished in Form ALSM -L-A) over the value of life insurance liabilities (as furnished in Form ALSM -L-L) and other liabilities of policyholders' fund and shareholders' funds;
 - (2) 'Solvency Ratio' means the ratio of the amount of Available Solvency Margin to the amount of Required Solvency Margin as specified in Form **ALSM-L-SM3**.
 - (3) 'Control level of Solvency' shall mean the level of solvency margin specified by the Authority without prejudice to taking any other remedial measures as deemed fit. The control level of solvency is hereby specified as a minimum solvency ratio of 150 %.
2. IIOs set up in the branch form in the IFSC, with home country Sovereign Credit Rating within RC- 1 to RC- 6 are allowed to maintain its solvency margin in accordance with its applicable home country regulations.
3. IIOs set up in the branch form in the IFSC, with home country Sovereign Credit Rating of RC- 7 or below are **required to maintain** a solvency margin in excess of 150% at all times.

FORM ALSM-L-SM1

**REQUIRED SOLVENCY MARGIN BASED ON MATHEMATICAL RESERVE AND
SUM AT RISK**

As at 31st March 20XX

Name of IIO:

(All amounts in USD mn)

| Item No. | Category of Business | Mathematical Reserve before Reinsurance | Mathematical Reserve after Reinsurance | Sum at Risk before Reinsurance | Sum at Risk after Reinsurance | Factor A | Factor B | RSM1 |
|----------|----------------------|---|--|--------------------------------|-------------------------------|----------|----------|------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| | Total | | | | | | | |

Note:

1. Category of Business shall be in accordance with guidelines which shall be released by the Authority from time to time.
2. Factor A and B for classes of business are as follows:

| Category | Division | Factor A | Factor B* (other than annuity) |
|-----------------|--------------------|-----------------|---|
| Non Linked | Individual | 3.00% | 0.30% |
| Non Linked | Group | 1.00% | 0.10% |
| Linked | With Guarantees | 1.50% | 0.20% |
| Linked | Without Guarantees | 0.50% | 0.20% |

*Factor B shall be at 0% for all annuity business

3. The Authority shall revise the Factors A and B through the issuance of circulars as and when required.
4. $RSM\ 1 = ((\text{Higher of Mathematical Reserves after Reinsurance or Mathematical Reserves before Reinsurance}) * 0.85) * \text{Factor A} + ((\text{Higher of Sum at Risk after Reinsurance or Sum at Risk before Reinsurance}) * 0.5) * \text{Factor B}$
5. Total of RSM 1 for all category of business shall be considered for the computation of Solvency Margin

Certification

We certify that the statement has been prepared in accordance with Schedule III of the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of Life Insurance business) Regulations, 2022. .

Name:

Place:

Chief Financial Officer

Appointed Actuary

Statutory Auditor

Principal Officer

FORM ALSM-L-SM2

REQUIRED SOLVENCY MARGINBASED ON INVESTMENT RISK

As at 31st March 20XX

Name of IIO:

(All amounts in USD mn)

| Investment Categories | Admissible Assets as per Form ALSM-L-A | Factor C | RSM 2 |
|--|---|-----------------|--------------|
| | (1) | (2) | (3) |
| Bonds and other fixed income instruments including Debt Mutual Funds | | | |
| ICS-RC 1 | | 0.00% | |
| ICS-RC 2 & 3 | | 1.00% | |
| ICS-RC 4 and below | | 5.00% | |
| Debts, Corporate and Bank Deposits and similar rights | | | |
| ICS-RC 1 | | 0.00% | |
| ICS-RC 2 & 3 | | 1.00% | |
| ICS-RC 4 and below | | 5.00% | |
| Listed Equities and equity type instruments including Equity Mutual Funds | | 5.00% | |
| Preference Shares | | 5.00% | |
| Alternative Investment Funds (AIF) Category 1 & 2 only | | 0.00% | |
| Others | | 5.00% | |
| Total | | | |
| Note: | | | |
| 1. The Authority shall revise the Factor C through the issuance of circulars as an when deemed fit. 2. RSM 2 = Admissible Assets as per Form ALSM-L-A * Factor C 3. Total of RSM 2 for all assets shall be considered for the computation of Solvency Margin | | | |

4. Insurance Capital Standards – Rating Categories (ICS-RC) by international rating agencies recognized by the International Association of Insurance Supervisors (IAIS), unless otherwise specified by the Authority

Certification

We certify that the statement has been prepared in accordance with Schedule III of the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of Life Insurance business) Regulations, 2022.

Name:

Place:

Chief Financial Officer

Appointed Actuary

Statutory Auditor

Principal Officer

FORM ALSM-L-SM3

SOLVENCY RATIO

As at 31st March 20XX

Name of IIO:

(All amounts in USD mn)

| Item | Description | Notes No. | Value |
|------|---|-----------|-------|
| 01 | Available Assets in Policyholders' Fund: | 1 | |
| | Deduct: | | |
| 02 | Mathematical Reserves | 2 | |
| 03 | Other Liabilities | 3 | |
| 04 | Excess in Policyholders' funds (01-02-03) | | |
| 05 | Available Assets in Shareholders Fund: | 4 | |
| | Deduct: | | |
| 06 | Other Liabilities of shareholders' fund | 3 | |
| 07 | Excess in Shareholders' funds (05-06) | | |
| 08 | Total ASM (04)+(07) | | |
| 09 | RSM 1 | 5 | |

| | | | |
|----|--------------------------|---|--|
| 10 | RSM 2 | 6 | |
| 11 | Total RSM (RSM1+RSM2) | | |
| 12 | Solvency Ratio (ASM/RSM) | | |

Note:

1. Item No. 01 shall be the amount of the Total Admissible assets for Solvency as mentioned in Form ALSM-L-A;
2. Item No. 02 shall be the amount of Mathematical Reserves as mentioned in Form ALSM-L-L;
3. Item Nos. 03 and 06 shall be the amount of other liabilities as mentioned in the Balance Sheet;
4. Items No. 05 shall be the amount of the Total Admissible assets for Solvency as mentioned in Form Form ALSM-L-A under Shareholders A/C;
5. Items No. 09 shall be the amount of the total of RSM 1, at an entity level, as mentioned in Form Form ALSM-L-SM1;
6. Items No. 10 shall be the amount of the total of RSM 2, at an entity level, as mentioned in Form Form ALSM-L-SM2;

Certification

We certify that the statement has been prepared in accordance with Schedule III of the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of Life Insurance business) Regulations, 2022.

Name:

Place:

Chief Financial Officer

Statutory Auditor

Appointed Actuary

Principal Officer

PART – II

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY NOTIFICATION

Gandhinagar, the ___/___, 2022

DRAFT - International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General Insurance and Re-insurance business) Regulations, 2022

F. No. IFSCA/2022-23/GN/REG026. -In exercise of the powers conferred by Section 28 read with Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, and clauses (y), (z), (za) and (zab) of sub-section (2) of Section 114A read with Section 64V and 64VA of the Insurance Act, 1938, the International Financial Services Centres Authority hereby makes the following regulations namely:-

1. **Short title and commencement -**

- (1) These regulations may be called the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General Insurance and Re-insurance business) Regulations, 2022.
- (2) They shall come into force on the date of their publication in the Official Gazette.

CHAPTER - I INTRODUCTION

2. **Applicability**

These regulations shall be applicable to International Financial Service Centre Insurance Offices (IIOs) undertaking general insurance, health insurance, composite of general and health insurance or re-insurance business.

Provided that nothing in these regulations related to capital requirements shall be applicable to an IIO set up in unincorporated form, and such IIO shall satisfy capital requirements in accordance with the home country regulations if the Sovereign Credit Rating (SCR) of the home country is between RC 1 to RC 6.

Provided further that in such case, the Appointed Actuary shall specifically certify the Valuation of Assets & Liabilities and the Adequacy of Capital;

Explanation: The credit rating given by an international rating agency recognised by International Association of Insurance Supervisors (IAIS) shall only be accepted as credit rating of a sovereign (SCR), unless otherwise specified by the Authority.

3. **Objective -**

These regulations aim to define the capital and solvency requirements necessary to transact General Insurance, health insurance, composite of general and health insurance or Re-insurance Business by the IIO.

4. **Definitions**

(1) In these regulations, unless the context otherwise requires-

- (a) **'Act'** means the International Financial Services Centres Authority Act, 2019 (50 of 2019);
- (b) **'allocated loss adjustment expenses'** mean the expenses which are directly attributable to a specific claim;
- (c) **'Appointed Actuary'** shall have the same meaning as assigned to it under clause (c) of sub-regulation 1 of regulation 3 of the International Financial Services Centres Authority (Appointed Actuary Appointed Actuary for International Financial Services Centres Insurance Office) Regulations, 2022;
- (d) **'Authority'** means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the Act;
- (e) **'claim reserves'** mean the reserves in respect of the claims which have already occurred and determined as the aggregate of outstanding claim reserves and incurred but not reported claim reserves.
- (f) **'incurred but not enough reported reserves'** means the reserves reflecting the expected changes in the estimates of reported claims as on the accounting date;
- (g) **'incurred but not reported claim reserves'** means the estimate made for reopened claims, provision for incurred but not reported claims, provision for claims in transit as on the accounting date and includes allocated loss adjustment expenses and incurred but not enough reported reserves;
- (h) **'insurer'** for the purpose of these regulations shall mean an IIO undertaking general insurance business, health insurance business or composite of general and health insurance business;
- (i) **'International Financial Service Centre Insurance Office'** shall have the same meaning as assigned to it under clause (k) of sub-regulation (1) of regulation 3 of the International Financial Services Centres Authority (Registration of Insurance Business) Regulations, 2021;

- (j) **‘outstanding claim reserves’** means the provision made in respect of all outstanding reported claims as on the accounting date and includes allocated loss adjustment expenses;
 - (k) **‘premium deficiency reserve’** means the reserve held in excess of the unearned premium reserve, which allows for any expectation that the unearned premium reserve will be insufficient to cover the cost of claims and related expenses incurred during the period of unexpired risk;
 - (l) **‘re-insurer’** for the purpose of these regulations shall mean an IIO undertaking re-insurance business;
 - (m) **‘unearned premium reserve’** means an amount representing that part of the premium written which is attributable and to be allocated to the succeeding accounting periods;
 - (n) **‘unexpired risk reserves’** means the reserves in respect of the liabilities for unexpired risks and determined as the aggregate of unearned premium reserve and premium deficiency reserve.
- (2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act or any rules, regulations made thereunder, shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER - II REPORTING REQUIREMENTS

5. (1) All IIOs shall prepare and submit to the Authority the following statements with such periodicity as may be specified:
- (i) A statement of admissible assets in **FORM ALSM-GI-A**, as specified under **Schedule I**.
 - (ii) A statement of the amount of liabilities in **FORM ALSM-GI-L**, as specified under **Schedule II**.
 - (iii) A statement of solvency margin in **FORM ALSM-GI-SM**, as specified under **Schedule III**.
- (2) An Annual Actuarial Report prepared by the Appointed Actuary shall be submitted to the Authority in accordance with guidelines as may be specified.
- (3) The IIOs may furnish such other reports as may be stipulated by the Authority from time to time.

Explanation: This regulation shall be applicable even in cases where the capital requirements are being maintained in accordance with the home country regulations.

CHAPTER – III MISCELLANEOUS PROVISIONS

6. Inspection, Investigation, Information and disclosure

The Authority shall have the power to inspect or investigate the affairs of the IIO including calling for any information from the IIO or the parent entity or specify the disclosures to be made, so far as it relates to its activities as an IIO.

7. Power to specify procedure, etc.

For the purpose of implementation of these regulations and matters incidental thereto, the Authority may specify norms, procedures, processes and manners to be for complied by IIOs.

8. Power to remove difficulties and relax strict enforcement of the regulations:

- (1) In order to remove any difficulty in the application or interpretations of the provisions of these regulations, the Authority may issue clarifications through guidance notes or circulars.
- (2) On an application, received along with the specified non-refundable processing fees, the Authority, may for the reasons to be recorded in writing, relax the strict enforcement of any of the provisions of these regulations.

9. Repeal and Savings

- (1) On and from the commencement of these regulations, the Insurance Regulatory and Development Authority of India (Assets, Liabilities, and Solvency Margin of General Insurance Business) Regulations, 2016, and any guidelines or circulars issued thereunder from time to time, shall cease to apply in International Financial Services Centres;
- (2) Notwithstanding anything in sub-regulation (1), anything done or any action taken or purported to have been done or taken under the regulations, guidelines or circulars mentioned in sub-regulation (1) before the commencement of these regulations shall be deemed to have been done or taken under the corresponding provisions of these regulations;
- (3) An IIO operating in the IFSC prior to the commencement of these regulations, shall comply with additional requirements stipulated in these regulations, if any, within a period of six (6) months from the commencement of these regulations or within such

extended time as may be specified by the Authority.

INJETI SRINIVAS, Chairperson
[ADVT. xxx/x/Exty./xxx/2021]

SCHEDULE I
(refer regulation 5)

1. VALUATION OF ASSETS

- (1) The following assets should be placed with value zero:
 - (a) Movable and Immovable property excluding financial instrument;
 - (b) Agents' and Intermediaries' balances and outstanding premiums, to the extent they are not realized within a period of thirty days;
 - (c) Sundry debts, to the extent they are not realizable;
 - (d) Advances and receivables of an unrealizable character;
 - (e) Furniture, fixtures, dead stock and stationery;
 - (f) Deferred expenses;
 - (g) Debit balance of Profit and loss appropriation account balance and any fictitious assets other than pre-paid expenses;
 - (h) Co-insurer's balances outstanding for more than ninety days;
 - (i) Re-insurer's balances outstanding for more than 180 days;
 - (j) Leasehold improvements;
 - (k) Service Tax Unutilized Credit outstanding for more than ninety days;
 - (l) Any other assets, as may be specified by the Authority from time to time.
- (2) All other assets of a general insurer have to be valued in accordance with these regulations and any instructions issued by the Authority regarding preparation of financial statements, auditor's report, other forms of capital and investments, and any other Regulations as applicable from time to time.

2. STATEMENT OF ADMISSIBLE ASSETS

Every general insurer shall prepare a statement of admissible assets in form ALSM-GI-A in the format as below:

FORM ALSM-GI-A
STATEMENT OF ADMISSIBLE ASSETS: << Name
of General Insurer>>As at 31st March 20XX

Name of IIO:

(All amounts in USD mn)

| | Particulars | Policyholder's A/C | Shareholder's A/C | Total |
|--|--|-----------------------|----------------------|-------|
| | Investments | | | |
| | Investments Shareholders' | | | |
| | Investments Policyholders' | | | |
| A | Total Investments as per BS | | | |
| B | Inadmissible investment assets as per Clause (1) of Schedule I | | | |
| | Fixed assets | | | |
| C | Fixed assets as per BS | | | |
| D | Inadmissible Fixed assets as per Clause (1) of Schedule – I | | | |
| | Current Assets | | | |
| E | Cash & Bank Balances as per BS | | | |
| F | Advances and Other assets as per BS | | | |
| G | Total Current Assets as per BS (E) + (F) | | | |
| H | Inadmissible Current assets as per Clause (1) of Schedule | | | |
| I | Loans as per BS | | | |
| J | Fair Value Change Account subject to minimum of zero | | | |
| | | | | |
| K | Total Assets as per BS (K) = (A) + (C) + (G) + (I) (Excluding current liabilities and provisions) | | | |
| J | Total Inadmissible assets (L) = (B) + (D) + (H) + (J) | | | |
| | Total Admissible assets for Solvency = (K) - (L) (Excluding current liabilities and provisions) | | | |
| Note: | | | | |
| The statement shall show the value of the above-mentioned categories of assets in accordance with Clause 1 of this Schedule. | | | | |

We certify that the statement has been prepared in accordance with **Schedule I**.

Name and Signature of Appointed Actuary

Name and Signature of Statutory Auditor
Name and Signature of Chief Executive Officer
Place
Date

SCHEDULE II
(refer regulation 5)

DETERMINATION OF AMOUNT OF LIABILITIES

1. Determination of Technical Reserves

(1) The technical reserves shall be determined on the Valuation Date separately for each material line of business.

Explanation: A material line of business is the one, which in the opinion of the actuary performing the valuation, contributes meaningfully to the gross written premium or outstanding claims of the entity being valued.

(2) The technical reserves for each line of business shall be determined as the aggregate of Premium Reserves as mentioned in clause 2 herein and Claims Reserves as mentioned in clause 3 herein.

2. Premium Reserves

(1) Unearned Premium Reserve (UPR):

UPR will be estimated as per the extant provisions and shall be certified by the Chief Financial Officer and the Statutory Auditor of the IIO.

(2) Premium Deficiency Reserve (PDR):

The PDR shall be calculated using sound actuarial principles and maintained at the level of insurer. The insurer shall continuously monitor the PDR on segmental basis.

(3) Unexpired Risk Reserve (URR):

Unexpired Risk Reserve shall mean the sum total of UPR and PDR.

3. Claims Reserve

(1) The Claims Reserve shall be determined as the aggregate amount of Outstanding Claims Reserve (OCR) and Incurred but Not Reported Claims Reserve (IBNR) for each material line of business.

(2) Outstanding Claims Reserve (OCR)

The outstanding claims reserve shall be determined in the following manner:

(a) Where the amount of outstanding claims of the insurers is known, the amount is to be provided in full;

- (b) Where the number of outstanding claims can be reasonably estimated, the Appointed Actuary shall follow the 'case by case method';
- (c) Where the Appointed Actuary is of the view that statistical methods maybe used for the estimation of Outstanding claims, he may use the appropriate statistical method of claims reserving instead of following case by case method. In such cases, the OCR shall be certified by the Appointed Actuary.

(3) Incurred But Not Reported (IBNR) Claims Reserve

- (a) The Incurred But Not Reported (IBNR) claims reserve shall be certified by the Actuary.

4. Determination of Other Liabilities

The general insurer shall place a proper value in respect of the following items:

- (1) provision for bad and doubtful debts; reserve for dividends declared or recommended, and outstanding dividends in full;
- (2) amount due to insurance companies carrying on insurance business, in full;
- (3) amount due to sundry creditors, in full;
- (4) provision for taxation, in full; and
- (5) foreign exchange reserve.

5. Statement of Liabilities

- (1) Every general insurer shall prepare a statement of liabilities in FORM ALSM-GI-L certified by the Appointed Actuary and the Statutory Auditor in accordance with Section 64V of the Insurance Act, 1938.
- (2) The statement shall be furnished to the Authority along with the returns mentioned in section 15 of the Insurance Act, 1938.

FORM ALSM-GI-L
 << Name of General Insurer >>
STATEMENT OF LIABILITIES As at 31st March 20XX

| |
|-----------------------|
| Name of IIO: |
| Registration Number: |
| Date of registration: |

(All amounts in USD mn)

| Reserve | Gross Reserve | Net Reserve |
|---|---------------|-------------|
| Unearned Premium Reserve (UPR) (a) | | |
| Premium Deficiency Reserve (PDR)...(b) | | |
| Unexpired Risk Reserve (URR)....(c)=(a) +(b) | | |
| Outstanding Claim Reserve (other than IBNR reserve)...(d) | | |

| | | |
|---|--|--|
| IBNR Reserve.... (e) | | |
| Total Technical Reserves (f)=(c)+(d)+(e) | | |
| Note: The statement shall show the value of the above-mentioned categories of liabilities in accordance with Clause 1 to 4 hereinabove. | | |

Certifications

(1) Certification from Statutory Auditor:

I certify that the above statement represents the liabilities of the insurer which have been determined in the manner prescribed in the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General Insurance business) Regulations, 2022 and amounts of such liabilities are fair and reasonable. I further certify that the OCR (that are estimated using statistical methods), PDR and IBNR reserves in the statement above have been determined by the Appointed Actuary and his certificate is furnished below.

Qualifications, if any (in regard to the determination of liabilities):

Place:

Date:

Name and Signature of the Statutory Auditor

(2) Certification from the Appointed Actuary:

I certify that, I have checked the data to the best of my ability, and I am satisfied that the data is consistent, reliable and complete. **I further certify that** the OCR (that are estimated using statistical methods), PDR and IBNR reserves in the statement above have been determined using actuarial principles and in the manner prescribed in the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General Insurance business) Regulations, 2022. These reserves, estimated as on the 31st day of March of (year of investigation) represent, in my opinion, a fair reflection of the expected future experience.

Qualifications, if any:

Name of the Insurer:

Place:

Date:

Name and Signature of the Appointed Actuary

(3) Certification by Principal Officer:

I certify that

- (a) Full and accurate particulars of every policy and claim have been furnished to the Appointed Actuary: <name of the actuary> for the purpose of the determination of Technical Reserves as on the 31st Day of March of 20XX.
- (b) The data provided to the Appointed Actuary reconciles with the Audited Financials as at 31st Day of March 20XX.
- (c) The Appointed Actuary has been made aware of all the information pertaining to underwriting, claims and re-insurance policies and practices followed by the Insurer.

Qualifications, if any:

Name of the Insurer:

Place:

Date:

Name and Signature of the Principal Officer

(4) Certification from Chief Financial Officer: I certify that

The UPR has been determined as per the extant provisions of the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General Insurance business) Regulations, 2022.

Qualifications, if any (in regard to the determination of UPR):

Name of the Insurer:

Place:

Date:

Name and Signature of the Chief Financial Officer

| | | | | | | | | |
|----|--------------|--|--|--|--|--|--|--|
| 02 | | | | | | | | |
| 03 | | | | | | | | |
| | Total | | | | | | | |

NOTES:

(3) = Gross Written Premium including Inward Re-insurance

(4) = Net Written Premium

(5) = Gross Incurred Claims including impact of Gross IBNR

(6) = Net Incurred Claims including impact of Net IBNR

(3) and (4) are calculated as 'Trailing 12 Months Data'

(5) and (6) are calculated as Maximum of 'Trailing 12 Months Data' and 'Trailing 36 Months Data divided by 3'

(7) RSM 1 in the above table means Required Solvency Margin based on premiums, and shall be determined as Twenty Percent (20%) of the amount which is the higher of the Gross Premiums multiplied by a factor of 0.5 and the Net Premium,

(8) RSM 2 in the above table means Required Solvency Margin based on incurred claims and shall be determined as Thirty Percent (30%) of the amount which is the higher of the Gross Incurred Claims multiplied by a factor of 0.5 and the Net Incurred Claims.

(9) RSM means Required Solvency Margin and shall be the higher of the amounts of total of RSM 1 and total of RSM 2 for the IIO.

TABLE IB: AVAILABLE SOLVENCY MARGIN AND SOLVENCY RATIO

| |
|----------------------|
| Name of Insurer: |
| Registration Number: |

(All amounts in USD mn)

| (1) ITEM NO. | (2) DESCRIPTION | (3) AMOUNT |
|-------------------------------|---|-----------------------------|
| (A) | Policyholder's FUNDS | |
| | Available Assets (as per Form ALSM-GI-A) | |
| | Deduct: | |
| (B) | Current Liabilities as per BS | |
| (C) | Provisions as per BS | |
| (D) | Other Liabilities | |
| (E) | Excess in Policyholder's funds (A)-(B)-(C)-(D) | |
| | Shareholder's FUNDS | |

| | | |
|------------|--|--|
| (F) | Available Assets | |
| | Deduct: | |
| (G) | Other Liabilities | |
| (H) | Excess in Shareholder's funds (F-G) | |
| (I) | Total ASM (E+H) | |
| (J) | Total RSM | |
| (K) | SOLVENCY RATIO (Total ASM/ Total RSM) | |

Certification:

I _____, the Statutory Auditor, hereby certify that the above statements have been prepared in accordance with the Section 64VA of the Insurance Act, 1938, and the amounts mentioned therein are true to the best of my knowledge.

Place

Date

Name and Signature of the Statutory Auditor

Counter signed by

Principal Officer:

Appointed Actuary

Chief Financial Officer

NOTES:

- (1) Item A shall be the amount of the Adjusted Value of Assets in respect of policyholders' funds as mentioned in **FORM ALSM-GI-A.**
- (2) Item B shall be the amount of Total Liabilities as mentioned in **FORM ALSM-GI-L.**
- (3) Item C shall be the amount of other liabilities arising in respect of policyholders' funds and as mentioned in the Balance Sheet
- (4) Item F shall be the amount of the Total Assets in respect of shareholders' funds as mentioned in **FORM ALSM-GI-A.**
- (5) Item G shall be the amount of other liabilities arising in respect of shareholders' funds and as mentioned in the Balance Sheet.
