

ALL PUBLIC SECTOR NON-LIFE INSURERS

**Re.: Finalization of accounts for the financial year 2002-03**

The Authority has received a number of representations from the insurers seeking relaxation in the provisions of the regulations pertaining to preparation of financial statements for the financial year 2002-03. The insurers may note that the following relaxations are being extended to the non-life public sector insurers for the financial year 2002-03:

1. **Creation of reserve for premium deficiency:** The Authority had, vide Circular dated 29<sup>th</sup> April, 2003 advised all insurers to create a reserve for premium deficiency segment wise which will now apply from financial year commencing from 1<sup>st</sup> April, 2003. In modification of the earlier instructions, it is hereby directed that for the financial year 2002-03, the insurers are required to create the reserve for premium deficiency, if any, considering the three major segments, viz., Fire, Marine and Miscellaneous, separately. In addition, the insurers are required to disclose the premium deficiency in each segment of business as indicated at clause (1) of Part V of Schedule B of the IRDA (Preparation of financial statements and auditor's report of insurance companies) Regulations, 2002. Further, the premium deficiency in case of Motor must be separately indicated as Motor – TP and Motor – OD.
2. **Preparation of Cash Flow Statement:** Proviso 1(i) of part I of Schedule B of the regulations, as indicated at (1) above requires all insurers to furnish the Cash Flow Statement under the Direct method. Until a suitable format is prescribed, the provision is deferred as to permit insurers to prepare the statement as laid down in the Accounting Standard – 3.
3. **Actuarial valuation of Claim Liability:** Proviso 5 of Part I of Schedule B of the regulations requires all non-life insurers to have all claims made in respect of contracts where the claims payment period exceeds four years to be recognized on an actuarial basis. Pending framing of regulations, the requirement is being relaxed for the financial year 2002-03.

All public sector non-life insurers may note for compliance.

(C. S. RAO)  
**Chairman**