

008/IRDA/F&A/May-06

May 17, 2006

CEOs of Insurers and Re-insurer

Dear Sir/Madam,

IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000

Please refer to para 3 of the Circular no.045/IRDA/F&A/MAR-06 dated 31st March, 2006 on the IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 drawing attention to Clause 2 (ii) to Schedule II-B of the regulations which lays down the manner of determination of Reserve for Unexpired Risk. While issuing the Circular it was clarified that the Reserve for Unexpired Risks (URR) reckoned for the purpose of computation of solvency margin should be the higher of (i) the actual reserve maintained in the books of accounts of the insurer and (ii) the URR arrived at based on the percentages stated in the Regulations for each class of business stated therein. The clarification was necessary as it is not prudent to consider a reserve for computation of solvency margin which is less than that created in the financial statements.

However, as some insurers have expressed difficulties in ensuring compliance with the requirements as stipulated in the Circular for the year ended 31st March, 2006, due to late receipt of the clarification, it has been decided that while the instruction would remain unchanged, it shall be made effective from the financial year 2006-07.

Yours faithfully,

(C. R. Murlidharan)
Member