

29<sup>th</sup> October, 2003

ALL INSURERS

**Re.: Regulations pertaining to Preparation  
of Financial Statements by the Insurers**

The IRDA (Preparation of Financial Statements and the Auditors' Report of insurance Companies) Regulations, 2002 while laying down the accounting principles for preparation of financial statements provide the procedure for determination of the value of investments as at the Balance Sheet date.

Attention is drawn to clause 6 (c ) Part I pertaining to Accounting Principles for preparation of Financial Statements under Schedule A in case of Life insurers; and Schedule B in case of non life insurers, which provides that listed equity securities and derivative instruments that are traded in the active markets shall be measured at fair value on the balance sheet date. For the purpose of calculation of fair value, the lowest of the last quoted closing price at the stock exchanges where the securities are listed, shall be taken.

Insurers have represented that the Authority permit them to take the market price of the actively traded securities at the lowest of the last quoted closing price at the National Stock Exchange and/or the Bombay Stock Exchange, *in place of* , the lowest of the last quoted closing price at the stock exchanges where the securities are listed. The request has been made on account of the practical difficulties in getting the quotations from the regional stock exchanges. Besides, the quotations on the BSE/NSE are the most representative of the market value of the actively traded securities.

After due consideration of the matter, the Authority accedes to the insurers' request as to permit the insurers to take the market price of the actively traded securities at the lowest of the last quoted closing price at the National Stock Exchange or the Bombay Stock Exchange for the purpose of such fair valuation.

All insurers are advised to take note for compliance.

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