

UNIT-3: FINANCIAL STATEMENTS OF INSURANCE COMPANIES

LEARNING OUTCOMES

After studying this unit, you will be able to:

- Prepare financial statements of insurance companies carrying on life insurance business.
- Prepare financial statements of insurance companies carrying on general insurance
- Understand the requirements of IRDA Regulations, 2002.

UNIT OVERVIEW

Financial Statements	<p><i>Life Insurance Business</i></p> <p>The insurance company carrying life insurance business is required to prepare Balance sheet form A – BS Revenue account [Policy holders' account] Form A- RA Profit and loss account form A-PL. These forms have been given in the IRDA Regulations, 2002.</p>
	<p><i>General Insurance Business</i></p> <p>The insurance company carrying on general insurance business is required to prepare Balance sheet form B – BS Revenue account [Policy holders' account] Form B- RA Profit and loss account form B-PL. These forms have been given in the IRDA Regulations, 2002.</p>

3.1 INTRODUCTION

Insurance Regulatory and Development Authority, after consultation with the Insurance Advisory Committee, in exercise of the powers conferred by section 114A of the Insurance Act, 1938 (4 of 1938) published the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2000 in the official Gazette on 14th August, 2000. The Guidelines were revised and a new set of guidelines have been issued vide notification dated 30th March, 2002 [www.irdaindia.org]. IRDA also issued a circular on 4 April 2016 on IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 suggesting certain modifications to the 2002 Regulations. As per the IRDA Guidelines, an insurer carrying on life insurance business should comply with the requirements given in Schedule A, an insurer carrying on general insurance business should comply with the requirements given in Schedule B and the report of the auditors should be in conformity with the requirements of Schedule C.

3.2 STRUCTURE OF SCHEDULES A AND B

The following table depicts the structure of schedules A and B given under IRDA regulations:

Schedule A for Life Insurance Business	Schedule B for General Insurance Business
Part I: Accounting Principles for preparation of financial statement	Part I: Accounting Principles for preparation of financial statements
Part II: Disclosures forming part of Financial Statements	Part II: Disclosures forming part of Financial Statement
Part III: General Instructions for preparation of financial statements	Part III: General Instructions for preparation of financial statements.
Part IV: Contents of Management Report	Part IV: Contents of Management Report
Part V: Preparation of Financial statements	Part V: Preparation of financial statements.
Form A-RA: Revenue Account	Form B-RA: Revenue Account
Form A-PL: Profit and Loss Account	Form B-PL: Profit and Loss Account
Form A-BS: Balance sheet and 15 Schedules forming part of financial statements	Form B-BS: Balance Sheet and 15 Schedules forming part of financial statements

3.3 FINANCIAL STATEMENTS

Life Insurance Business

The insurance company carrying life insurance business is required to prepare Balance sheet Form A – BS, Revenue account [Policy holders' account] Form A-RA, Profit and loss account Form A-PL. These forms have been given in the IRDA Regulations, 2002.

No form has been specified for cash flow statement.

General Insurance Business

The insurance company carrying on general insurance business is required to prepare Balance Sheet Form B – BS, Revenue account [Policy holders' account] Form B- RA, Profit and loss account Form B-PL. These forms have been given in the IRDA Regulations, 2002.

No form has been specified for cash flow statement.

3.4 IRDA REGULATIONS, 2002

Preparation of financial statements, management report and auditor's report

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

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

Provided that this sub-regulation should apply, *mutatis mutandis*, to reinsurers until separate regulations are made for them.

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

Note: For details regarding Schedule A and Schedule B refer Annexure I and Annexure II respectively, given at the end of this Chapter.

AUDITOR'S REPORT SCHEDULE C (See Regulation 3):

The auditors should express their opinion on

- whether the balance sheet gives a true and fair view of the insurer's affairs as at the end of the financial year/period;

- whether the revenue account gives a true and fair view of the surplus or the deficit for the financial year/period;
- whether the profit and loss account gives a true and fair view of the profit or loss for the financial year/period; and
- whether the receipts and payments account gives a true and fair view of the receipts and payments for the financial year/period.

The auditor should also comply with other provisions stated in the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002.

3.5 PREPARATION OF FINANCIAL STATEMENTS

After studying IRDA Regulations, let us work out few illustrations which will help you in understanding the procedure for preparation of financial statements of insurance companies.

Students are required to go through the formats of Revenue Account, Profit and Loss Account, Balance Sheet and its Schedules as prescribed in Part V of Schedule A for Life Insurance business given in Annexure I for better understanding of the illustration given here under.

Illustration 1

From the following balance as at 31st March, 20X2 in the books of the National Life Assurance Co. Ltd., prepare Profit and Loss Account and Balance Sheet.

	₹ '000		₹ '000
Life Assurance Fund on 1 st April, 20X1	34,00,000	Agents' Balances (Dr.)	18,000
Annuities paid (in India 72,500)	81,750	Advances to ceding companies	47,000
General Reserve	2,25,000	Due from Re-insurers	38,500
Deposit with the Reserve Bank		Due to Re-insurers	47,500
—Government Securities	2,10,000	Sundry Creditors	1,800
Indian Government Securities	10,90,000	Premiums : First year	5,90,000
Foreign Government Securities	75,000	Renewal	1,20,000
Loan on Company's Policies	2,10,000	Reinsurance accepted	50,000
		Reinsurance ceded	70,000

Leasehold Buildings	63,300	Interim Bonus to Policy-holders	22,500
Securities on which interest is guaranteed by the Government	4,50,000	Commission – Direct : First year	40,500
Stocks of Shares of companies incorporated in India	14,50,000	Renewal	2,000
Share Capital (20,000 shares @ ₹ 100 each)	20,00,000	Reinsurance accepted	12,000
Mortgages in India	14,32,500	Reinsurance ceded	4,000
Cash with Bankers on Current Account	40,500	Claims By Death (in India 1,30,000)	2,00,000
Cash with Bankers on Deposit (short-term) Account	20,000	By Maturity (in India 1,40,000)	2,20,000
Cash in hand	7,000	Bank Loan	21,750
State Government Securities	7,25,000	Salaries	30,400
Furniture and Fixtures	39,000	Auditors' Fees	5,400
Outstanding Premiums	66,000	Law Charges	3,400
		Rent paid	3,600
		Other Expenses of Management	750
		Travelling Expenses	1,950
		Interest and Rents Received (Gross)	2,16,000

Transfer the surplus amount if any to Life Fund for the year ended 31st March, 20X2. 5% dividend is also proposed on share capital.

Solution

Form A-RA

Name of Insurer: National Life Assurance Co. Ltd.

Registration no. and date of registration with IRDA: _____

Revenue Account for the year ended 31st March, 20X2

Policyholders' Account (Technical Account)

Particulars	Schedule		Current Year	Previous Year
		(₹ '000)	(₹ '000)	(₹ '000)
Premiums earned – net (a) Premium	1	7,10,000		

(b) Reinsurance ceded		(70,000)		
(c) Reinsurance accepted		<u>50,000</u>	6,90,000	
Income from Investments				
(a) Interest, Dividends & Rent – Gross			2,16,000	
(b) Profit on sale/redemption of investments				
(c) (Loss on sale/redemption of investments)				
(d) Transfer/Gain on revaluation change in fair value				
Other Income (to be specified)				
Total (A)			<u>9,06,000</u>	
Commission	2	50,500		
Operating Expenses related to Insurance Business	3	45,500		
Provision for doubtful debts		—		
Bad debts written off				
Provision for tax				
Provisions (other than taxation)				
(a) For diminution in the value of investments (Net)				
(b) Others (to be specified)				
Total (B)			<u>96,000</u>	
Benefits Paid (Net)	4	5,01,750		
Interim Bonuses Paid		22,500		
Change in valuation of liability against life policies in force				
(a) Gross				
(b) (Amount ceded in Reinsurance)				
(c) Amount accepted in Reinsurance				
Total (C)			<u>5,24,250</u>	
Surplus [(A) – (B) – (C)]			<u>2,85,750</u>	
Appropriations				
Transfer to Shareholders' Account			2,85,750	
Transfer to Other Reserves (to be specified)			-	
Balance being Funds for Future Appropriations			-	
Total (D)			<u>2,85,750</u>	

Form A-PL**Name of the Insurer:****Registration No. and Date of Registration with IRDA****Profit & Loss Account for the year ended 31st March, 20X2****Shareholders' Account (Non-technical Account)**

Particulars	Schedule	Current Year	Previous Year
		(₹ '000)	(₹ '000)
Amount transferred from/to the Policyholders Account (Technical Account)		2,85,750	
Income From Investments			
(a) Interest, Dividends & Rent – Gross			
(b) Profit on sale/redemption of investments			
(c) (Loss on sale/redemption on investments)			
Other Income (To be specified)			
Total (A)			
Expense other than those directly related to the insurance business			
Bad debts written off			
Provisions (Other than taxation)			
(a) For diminution in the value of investments (Net)			
(b) Provision for doubtful debts			
(c) Other (to be specified)			
Total (B)			
Profit/(Loss) before tax			
Provision for Taxation			
Profit/(Loss) after tax			
Appropriations			
(a) Balance at the beginning of the year			
(b) Interim dividends paid during the year			
(c) Proposed final dividend		1,00,000	

(d) Dividend distribution on tax			
(e) Transfer to reserves/other accounts (to be specified)			
Profit carried forward to the Balance Sheet		<u>1,85,750</u>	

Notes :

- Premium income received from business concluded in and outside India should be separately disclosed.
- Reinsurance premiums whether on business ceded or accepted are to be brought into account gross (i.e., before deducting commissions) under the head reinsurance premiums.
- Claims incurred should comprise claims paid, specific claim settlement costs wherever applicable and change in the outstanding provision for claims at the year-end.
- Items of expenses and income in excess of one percent of the total premiums (less reinsurance) or ₹ 5,00,000 whichever is higher, should be shown as a separate line item.
- Fees and expenses connected with claims should be included in claims.
- Under the sub-head "Others" should be included items like foreign exchange gains or losses and other items.
- Interest, dividends and rentals receivable in connection with the investment should be stated as gross amount, the amount of income tax deducted at source being included under advance taxes paid and taxes deducted at source."
- Income from rent should include only the realised rent. It should not include any notional rent.

Form A-BS**Name of the Insurer:****Registration No. and Date of Registration with IRDA****Balance Sheet as at 31st March, 20X2**

	Schedule	Current Year	Previous Year
		(₹ '000)	(₹ '000)

Sources of Funds			
Shareholders' Funds			
Share Capital	5	20,00,000	
Reserves and Surplus	6	38,10,750	
Credit/[Debit] Fair value change account			
Sub-Total			
Borrowings	7	69,250	
Policyholders' Funds			
Credit/[Debit] Fair value change account			
Policy Liabilities			
Insurance reserves			
Provision for linked liabilities			
Sub-Total			
Funds for future appropriations			
Total		58,80,000	
Application of Funds			
Investments	8	40,00,000	
Shareholders'			
Policyholders'			
Assets held to cover linked liabilities			
Loans	9	16,42,500	
Fixed Assets	10	1,02,300	
Current Assets			
Cash and Bank Balances	11	67,500	
Advances and Other Assets	12	1,69,500	
Sub-Total (A)		2,37,000	
Current Liabilities	13	1,800	
Provisions	14	1,00,000	
Sub-Total (B)		1,01,800	
Net Current Assets (C) = (A – B)		1,35,200	

Miscellaneous expenditure (to the extent not written off or adjusted) Debit Balance in profit & Loss Account (Shareholders' Account)	—
Total	58,80,000

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE-1: PREMIUM

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '000)
1.	First year premiums	5,90,000	
2.	Renewal premiums	1,20,000	
3.	Single premiums	—	
	Total premiums	<u>7,10,000</u>	
	Premiums Income from business written :		
1.	In India		
2.	Outside India		
	Total premiums (Net)		

SCHEDULE-2: COMMISSION EXPENSES

Particulars	Current Year	Previous Year
	(₹ '000)	(₹ '000)
Commission paid		
Direct – First year premium	40,500	
– Renewal premiums	2,000	
– Single premiums		
<i>Add</i> : Commission on Re-insurance Accepted	12,000	
<i>Less</i> : Commission on Re-insurance Ceded	(4,000)	
Net Commission	<u>50,500</u>	

Notes :

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

SCHEDULE-3: OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

Particulars	Current Year	Previous Year
	(₹ '000)	(₹ '000)
1. Employees' remuneration & welfare benefits	30,400	
2. Travel, conveyance and vehicle running expenses	1,950	
3. Training expenses		
4. Rents, rates & taxes	3,600	
5. Repairs		
6. Printing & stationery		
7. Communication expenses		
8. Legal & professional charges	3,400	
9. Medical fees		
10. Auditors' fees, expenses etc.	5,400	
(a) as auditor		
(b) as adviser or in any other capacity, in respect of		
(i) Taxation matters		
(ii) Insurance matters		
(iii) Managements services, and		
(c) in any other capacity		
11. Advertisement and publicity		
12. Interest & Bank Charges		
13. Others (to be specified)	750	
14. Depreciation		
Total	45,500	

Note: Items of expenses and income in excess of one percent of the total premiums (less reinsurance) or '5,00,000 whichever is higher, should be shown as a separate line item.

SCHEDULE-4: BENEFITS PAID [NET]

Particulars	Current Year	Previous Year
	(₹ '000)	(₹ '000)
1. Insurance Claims		
(a) Claims by Death,	2,00,000	
(b) Claims by Maturity,	2,20,000	
(c) Annuities/Pensions in payment,	81,750	

(d) Other benefits, specify		
2. (Amount ceded in reinsurance) :		
(a) Claims by Death,		
(b) Claims by Maturity,		
(c) Annuities/Pensions in payment,		
(d) Other benefits, specify		
3. Amount accepted in reinsurance :		
(a) Claims by Death,		
(b) Claims by Maturity,		
(c) Annuities/Pensions in payment,		
(d) Other benefits, specify		
Total	5,01,750	
Benefits paid to claimants*	5,01,750	

* Benefits paid to claimants	
1. In India (72,500 + 1,30,000 + 1,40,000)	3,42,500
2. Outside India	1,59,250
Total Benefits paid (Net)	5,01,750

SCHEDULE-5: SHARE CAPITAL

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '000)
1.	Authorised Capital Equity Shares of ₹ each		
2.	Issued Capital Equity Shares of ₹ each		
3.	Subscribed Capital Equity Shares of ₹ 100 each	20,00,000	
4.	Called-up Capital Equity Shares of ₹ each		
5.	Less : Calls unpaid		
	Add : Share forfeited (Amount Originally paid up)		

Less : Par value of Equity Shares bought back		
Less : Preliminary Expenses		
Expenses including commission or brokerage on Underwriting or subscription of shares		
Total	20,00,000	

Notes :

- (a) Particulars of the different classes of capital should be separated stated.
- (b) The amount capitalised on account of issue of bonus shares should be disclosed.
- (c) 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]**

Particulars	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 (₹ '000)	Previous Year (₹ '000)
1. Capital Reserve		
2. Capital Redemption Reserve		
3. Share Premium		
4. Revaluation Reserve		

5.	General Reserves		2,25,000	
	Less : Debit balance in Profit and Loss Account, if any			
	Less Amount utilised for Buy-back			
6.	Catastrophe Reserve			
7.	Life Fund			
	Opening balance	34,00,000		
	Transfer during the year	<u>1,87,750</u>	35,85,750	
8.	Balance of profit in Profit and Loss Account			
	Total		<u>38,10,750</u>	

Notes :

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

SCHEDULE-7: BORROWINGS

Particulars	Current	Previous
	Year	Year
	(₹ '000)	(₹ '000)
1. Debentures/Bonds		
2. Banks	21,750	
3. Financial Institutions		
4. Other entities carrying on insurance business	47,500	
Total	69,250	

Notes :

- The extent to which the borrowings are secured should be separately disclosed stating the nature of the security under each sub-head.
- Amounts due within 12 months from the date of Balance Sheet should be shown separately.

The classification of investments as desired by schedule 8 and 8A of the format can't be done due to non-availability, of formation of shareholders' and policyholders' investments. Therefore, investments are shown as follows (included as total figure in the Balance Sheet)

SCHEDULE-8: INVESTMENTS

Particulars	Current Year	Previous Year
	(₹ '000)	(₹ '000)
Deposit with the RBI	2,10,000	
Indian Government Securities	10,90,000	
State Government Securities	7,25,000	
Foreign Government Securities	75,000	
Securities guaranteed by the Government	4,50,000	
Stock and shares of companies incorporated in India	14,50,000	
	40,00,000	

SCHEDULE-9: LOANS

Particulars	Current Year	Previous Year
	(₹ '000)	(₹ '000)
1. Security-wise classification		
Secured		
(a) On mortgage of property		
(aa) In India	14,32,500	
(bb) Outside India		
(b) On shares, Bonds, Govt. Securities, etc.		
(c) Loans against policies	2,10,000	
(c) Others (to be specified)		
Unsecured		
Total	<u>16,42,500</u>	
2. Borrower-wise classification		
(a) Central and State Governments		
(b) Banks and Financial Institutions		
(c) Subsidiaries		
(d) Companies		

(e) Loans against policies		
(f) Others (to be specified)		
Total		
3. Performance-wise classification		
(a) Loans classified as standard		
(aa) In India		
(bb) Outside India		
Non-standard loans less provisions		
(aa) In India		
(bb) Outside India		
Total		
4. Maturity-wise classification		
(a) Short Term		
(b) Long Term		
Total		

Notes :

- Short-term loans should include those, which are repayable within 12 months from the date of balance sheet. Long term loans should be the loans other than short-term loans.
- Provisions against non-performing loans should be shown separately.
- The nature of the security in case of all long term secured loans should be specified in each case. Secured loans for the purposes of his schedule, means loans secured wholly or partly against on asset of the company.
- Loans considered doubtful and the amount of provision created against such loans should be disclosed.

SCHEDULE-10: FIXED ASSETS

(₹ '000)

Particulars	Cost/Gross Block	Depreciation	Net Block
Goodwill			
Intangibles (specify)			
Land-Freehold			

Leasehold Property		63,300
Buildings		
Furniture & Fittings		39,000
Information Technology		
Equipment		
Vehicles		
Office Equipment		
Others (Specify nature)		
Total		<u>1,02,300</u>
Work in progress		
Grand total		
PREVIOUS YEAR		

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

SCHEDULE-11: CASH AND BANK BALANCES

Particulars	Current Year	Previous Year
	(₹ '000)	(₹ '000)
1. Cash (including cheques, drafts and stamps)	7,000	
2. Bank Balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months of the date of Balance Sheet)	20,000	
(bb) Others		
(b) Current Accounts	40,500	
(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	67,500	
Balances 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
		(₹ '000)	(₹ '000)
ADVANCES			
1. Reserve deposits with ceding companies		47,000	
2. Application money for investments			
3. Prepayments			
4. Advances to Directors/Officers			
5. Advance tax paid and taxes deducted at source (Net of provision for taxation)			
6. Others (to be specified)			
TOTAL (A)		47,000	
OTHER ASSETS			
1. Income accrued on investments			
2. Outstanding Premiums		66,000	
3. Agents' Balances		18,000	
4. Foreign Agencies Balances			
5. Due from other entities carrying on insurance business (including reinsures)		38,500	

6.	Due from subsidiaries/ holding		
7.	Deposit with Reserve Bank of India [Pursuant to section 7 of Insurance Act, 1938]		
8.	Others (to be specified)		
	TOTAL (B)	1,22,500	
	TOTAL (A+B)	1,69,500	

Notes:

- (a) The items under the above heads should 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 that term as given under the Companies Act, 2013.
- (c) Sundry debtors will be shown under item 8 (Others)

SCHEDULE – 13**CURRENT LIABILITIES**

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '000)
1.	Agents' Balances		
2.	Balances due to other insurance companies		
3.	Deposits held on re-insurance ceded		
4.	Premiums received in advance		
5.	Unallocated Premium		
6.	Sundry creditors	1,800	
7.	Due to subsidiaries/ holding company		
8.	Claims Outstanding		
9.	Annuities due		
10.	Due to Officers/ Directors		
11.	Others (to be specified)		
	TOTAL	1,800	

SCHEDULE – 14**PROVISIONS**

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '000)
1	For taxation (less advance tax paid and taxes deducted at source)		
2	For proposed dividends	1,00,000	
3	For dividend distribution tax		
4	Others (to be specified)		
	TOTAL	1,00,000	

Students are required to go through the formats of Revenue Account, Profit and Loss Account, Balance Sheet and its Schedules as prescribed in Part V of Schedule B for General Insurance business given in Annexure II for better understanding of illustrations given here under.

Illustration 2

Prepare Revenue Account in proper form for the year ended 31st March, 20X2, from the following particulars related to Goma General Insurance Co. for the year 20X1 – 20X2:

	<i>Related to Direct business</i> (₹)	<i>Related to Reinsurance business</i> (₹)
<i>Premiums:</i>		
<i>Amount received</i>	30,00,000	2,40,000
<i>Receivable at the beginning</i>	1,80,000	24,000
<i>Receivable at the end</i>	2,40,000	36,000
<i>Amount paid</i>	--	3,60,000
<i>Payable at the beginning</i>	--	30,000
<i>Payable at the end</i>	--	42,000

<i>Claims:</i>		
<i>Amount paid</i>	18,00,000	1,80,000
<i>Payable at the beginning</i>	60,000	12,000
<i>Payable at the end</i>	1,20,000	18,000
<i>Amount recovered</i>	–	1,20,000
<i>Receivable at the beginning</i>	–	18,000
<i>Receivable at the end</i>	–	12,000
Commission:		
<i>Amount paid</i>	72,000	10,800
<i>Amount received</i>	--	14,400

Additional information:

- (i) *Interest, dividend and rent received* 30,000
Income-tax in respect of above 6,000
Management expenses including ₹ 12,000 related to
(ii) *legal*
expenses regarding claims 1,32,000

Provision for income tax existing at the beginning of the year was ₹ 1,95,000, the income-tax actually paid during the year ₹ 1,68,000 and the provision necessary at the year end ₹ 2,07,000.

The net premium income of the company during the year 20X0 – 20X1 was ₹ 24,00,000 on which reserve for unexpired risk @ 50% and additional reserve @ 7 ½ % was created. This year, the balance to be carried forward is 50% of net premium on reserve for unexpired risk and 5% on additional reserve.

Solution**FORM B – RA**

Name of the Insurer : Goma General Insurance Company

Registration no. and date of registration with IRDA :

Revenue Account for the year ended 31.3.20X2

	Particulars	Schedule	Amount (₹)
1.	Premium earned (Net)	1	27,03,000
2.	Profit/Loss on sales/Redemption of	-	-

	investment		
3.	Other	-	-
4.	Interest, dividend & rent (Gross)	-	<u>30,000</u>
	Total (A)		<u>27,33,000</u>
1.	Claims incurred (Net)	2	19,44,000
2.	Commission	3	68,400
3.	Operating expenses related to insurance business	4	<u>1,20,000</u>
	Total (B)		<u>21,32,400</u>
	Operating profit/Loss from insurance business		
	(C) = (A-B)		<u>6,00,600</u>

Appropriation:

Transfer to Shareholders account	-
Transfer to Catastrophe Reserve	-
Transfer to other reserves	-
Total (D)	-

Schedule – Premium Earned (Net)**1**

Particulars	₹
Premium received from direct business (W.N.1)	30,60,000
<i>Ad</i> Premium on reinsurance accepted ₹ (2,40,000 + 36,000 – <i>d:</i> 24,000)	<u>2,52,000</u>
	33,12,000
<i>Less:</i> Premium on reinsurance ceded ₹ (3,60,000 + 42,000 – 30,000)	<u>(3,72,000)</u>
Net Premium	29,40,000
Adjustment for change in reserve for unexpired risk (W.N.2)	<u>(2,37,000)</u>
Total premium earned (Net)	27,03,000

Schedule – 2 Claims Incurred (Net)

Particulars	₹
Claims paid (Direct)	18,00,000
<i>Add:</i> Legal expenses regarding claims	<u>12,000</u>
	18,12,000
<i>Add:</i> Reinsurance Accepted	<u>1,80,000</u>
	19,92,000
<i>Less:</i> Reinsurance ceded ₹ (1,20,000 + 12,000 – 18,000)	<u>(1,14,000)</u>
	18,78,000
<i>Add:</i> Claims outstanding at the end ₹ (1,20,000 + 18,000)	1,38,000
<i>Less:</i> Claims outstanding at the beginning ₹ (60,000 + 12,000)	<u>(72,000)</u>
Total claim incurred	<u>19,44,000</u>

Schedule –3 Commission

Particulars	₹
Commission paid Direct	72,000
<i>Add:</i> Re-insurance accepted	<u>10,800</u>
	82,800
<i>Less:</i> Commission on re-insurance ceded	<u>(14,400)</u>
Net commission	68,400

Schedule – 4 Operating Expenses related to Insurance Business

Particulars	₹
Expenses of management ₹ (1,32,000 – 12,000)	1,20,000

Working Notes:**1. Calculation of premium received from direct business**

Premium on direct business	30,00,000
<i>Add:</i> Premium outstanding at the end	<u>2,40,000</u>
	32,40,000
<i>Less:</i> Premium outstanding at the beginning	<u>(1,80,000)</u>
	30,60,000

2. Computation of change in reserve for unexpired risk

	₹
Reserve for unexpired risk for the year 20X1-X2 (29,40,000 x 50%)	14,70,000
Add: Additional reserve for unexpired risk for the year 20X1-X2 (29,40,000 x 5%)	<u>1,47,000</u>
	16,17,000
Less: Reserve for unexpired risk for the year 20X0-X1 (24,00,000 x 50%)	(12,00,000)
Additional reserve for unexpired risk for the year (24,00,000 x 7.5%)	<u>(1,80,000)</u>
	<u>2,37,000</u>

Illustration 3

Metro General Insurance Company submits the following information for the year ended 31st March, 20X2:

Particulars	Director Business (₹)	Reinsurance (₹)
Premium received	75,25,000	8,25,000
Premium paid	-	4,90,000
Claim paid during the year	49,70,000	5,10,000
Claim payable:		
1 st April, 20X1	6,85,000	95,000
31 st March, 20X2	7,38,000	70,000
Claims received	-	3,95,000
Claims receivable:		
1 st April, 20X1	-	75,000
31 st March, 20X2	-	1,25,000
Expenses of Management	2,90,000	-
Commission:		
On Insurance accepted	1,60,000	15,000
On Insurance ceded	-	18,000

The following additional information are also available:

- (1) Expenses of Management include ₹ 45,000 Surveyor's fees and ₹ 55,000 Legal expenses for settlement of claims.
- (2) Reserve for unexpired risk is to be maintained @ 40%. The balance of Reserve for unexpired risk as on 01.04.20X1 was ₹ 28,40,000.

You are required to make the Revenue Account for the year ended 31st March, 20X2.

Answer

Form B-RA (Prescribed by IRDA)

Metro General Insurance Company

Registration no. and date of registration with IRDA

Revenue Account for the year ended 31st March, 20X2

Particulars	Schedule	Amount (₹)
Premium earned (Net)	1	75,56,000
Total (A)		<u>75,56,000</u>
Claims incurred (Net)	2	51,63,000
Commission	3	1,57,000
Operating expenses related to insurance business	4	<u>1,90,000</u>
Total (B)		<u>55,10,000</u>
Operating profit from insurance business (A-B)		20,46,000

Schedules forming part of Revenue Account

Schedule 1: Premium Earned (Net)

Particulars	Amount (₹)
Premium from direct business written	75,25,000
Add: Premium on reinsurance accepted	8,25,000
Less: Premium on reinsurance ceded	<u>(4,90,000)</u>
Net Premium	78,60,000
Adjustment for change in Reserve for unexpired risk (W.N.2)	<u>(3,04,000)</u>
Total Premium earned (net)	<u>75,56,000</u>

Schedule 2: Claims Incurred (Net)

<i>Particulars</i>	<i>Amount (₹)</i>
Claims paid - Direct (W.N.1)	51,23,000
Add: Re-insurance accepted (W.N.1)	4,85,000
Less: Re-insurance ceded (W.N.1)	<u>(4,45,000)</u>
Net Claims paid	<u>51,63,000</u>

Schedule 3: Commission

<i>Particulars</i>	<i>Amount (₹)</i>
Commission paid	1,60,000
Add: Reinsurance accepted	15,000
Less: Commission on reinsurance ceded	<u>(18,000)</u>
Net Commission	<u>1,57,000</u>

Schedule 4: Operating Expenses related to Insurance Business

<i>Particulars</i>	<i>Amount (₹)</i>
Expenses of management (2,90,000 – 45,000 – 55,000)	<u>1,90,000</u>
	<u>1,90,000</u>

Working Notes:**1. Claims incurred**

<i>Particulars</i>	<i>Direct Business (₹)</i>	<i>Re-insurance accepted (₹)</i>	<i>Re-insurance Ceded (₹)</i>
Paid / received	49,70,000	5,10,000	3,95,000
Add: Outstanding at the end of the year	7,38,000	70,000	1,25,000
Add: Expenses in connection with settlement of claims (45,000 + 55,000)	1,00,000		
Less: Outstanding at the beginning of the year	<u>(6,85,000)</u>	<u>(95,000)</u>	<u>(75,000)</u>
	<u>51,23,000</u>	<u>4,85,000</u>	<u>4,45,000</u>

2. Change in Reserve for unexpired risk

Particulars	Amount (₹)
Opening Reserve as on 31 st March, 20X1	28,40,000
Less: Closing Reserve as on 31 st March, 20X2 (₹ 78,60,000 x 40%)	<u>(31,44,000)</u>
	<u>3,04,000</u>

Illustration 4

The following are the Balances of Hercules Insurance Co. Ltd. as on 31st March, 20X2 :

	(₹ in '000)
Capital	320,00
Balances of Funds as on 1.4.20X1	
Fire Insurance	800,00
Marine Insurance	950,00
Miscellaneous Insurance	218,65
Unclaimed Dividends	8,50
Amount Due to Other Insurance Companies	34,50
Sundry Creditors	72,50
Deposit and Suspense Account (Cr.)	22,80
Profit and Loss Account (Cr.)	80,40
Agents Balances (Dr.)	135,00
Interest accrued but not due (Dr.)	22,50
Due from other Insurance Companies	64,50
Cash in Hand	3,50
Balance in Current Account with Bank	74,80
Furniture and Fixtures WDV (cost 100,00)	58,00
Stationery Stock	1,40
Expenses of Management	
Fire Insurance	280,00
Marine Insurance	168,00
Miscellaneous Insurance	40,00
Others	<u>30,00</u>
Outstanding premium	518,00
	82,00

<i>Donation Paid (No 80G Benefit)</i>		10,00
<i>Transfer Fees</i>		1,00
<i>Reserve for Bad Debts</i>		11,70
<i>Income Tax Paid</i>		120,00
<i>Mortgage Loan (Dr.)</i>		975,00
<i>Sundry Debtors</i>		25,00
<i>Government Securities Deposited with RBI</i>		37,00
<i>Government Securities</i>		1020,00
<i>Debentures</i>		465,50
<i>Equity Shares of Joint Stock Companies</i>		225,00
<i>Claims Less Re-insurance</i>		
<i>Fire</i>	450,00	
<i>Marine</i>	358,90	
<i>Miscellaneous</i>	<u>68,00</u>	876,90
<i>Premium Less Re-insurance</i>		
<i>Fire</i>	1762,50	
<i>Marine</i>	1022,50	
<i>Miscellaneous</i>	<u>262,25</u>	3047,25
<i>Interest and Dividends Received on Investments (Net)</i>		46,80
<i>Tax Deducted at Source</i>		11,70
<i>Commission</i>		
<i>Fire</i>	500,00	
<i>Marine</i>	350,00	
<i>Miscellaneous</i>	<u>80,00</u>	930,00
<i>You are required to make the following provisions :</i>		
<i>Depreciation on Furniture—10% of Original Cost</i>		
<i>Impairment on investments of Joint Stock Companies Shares</i>		
10,00		
<i>Transfer to General Reserve</i>		10,00

Outstanding claims as on 31.3.20X2

<i>Fire</i>	<i>200,00</i>
<i>Marine</i>	<i>50,00</i>
<i>Miscellaneous</i>	<i>32,50</i>

Provision for tax @ 50%. Proposed dividends @20%. Provision for the unexpired risks is to be made as follows:

- (a) *On Marine Policies* *100% Premium less reinsurance.*
 (b) *On Other Policies* *50% Premium less reinsurance.*

You are required to prepare the revenue and profit and loss account for the year ended 31.3.20X2 of the company.

Solution

Form B – RA (Prescribed by IRDA)
Hercules Insurance Co. Ltd.
Registration no. and date of registration with IRDA
Revenue Account for the year ended 31st March, 20X2
Fire and Marine and Misc Insurance Businesses

	Schedule	Fire Current Year	Marine Current Year	Misc. Current Year
		<i>₹ '000</i>	<i>₹ '000</i>	<i>₹ '000</i>
Premiums earned (net)	1	1681,25	950,00	349,77
Total (A)		<u>1681,25</u>	<u>950,00</u>	<u>349,77</u>
Claims incurred (net)	2	650,00	408,90	100,50
Commission	3	500,00	350,00	80,00
Operating expenses related to Insurance business	4	<u>280,00</u>	<u>168,00</u>	<u>40,00</u>
Total (B)		<u>1430,00</u>	<u>926,90</u>	<u>220,50</u>
Profit from Fire/Marine/Misc. Insurance business (A–B)		251,25	23,10	129,27

Schedules forming part of Revenue Account

Schedule – 1

Premiums earned (net)	Fire Current Year	Marine Current Year	Misc. Current Year
	₹ '000	₹ '000	₹ '000
Premiums <i>Less</i> reinsurance (net)	1762,50	1022,50	262,25
Change in provision for unexpired risk (W.N.1)	<u>(-)81,25</u>	<u>(-) 72,50</u>	<u>87,52</u>
Premiums earned (net)	<u>1681, 25</u>	<u>950,00</u>	<u>349,77</u>
Schedule – 2			
Claims incurred (net)	650,00	408,90	100,50
Schedule – 3			
Commission paid	500,00	350,00	80,00
Schedule – 4			
Operating expenses related to insurance business			
Expenses of Management	280,00	168,00	40,00

Form B-PL

Hercules Insurance Co. Ltd.

Registration No. and date of registration with IRDA

Profit and Loss Account for the year 31st March, 20X2

Particulars	Schedule	Current Year	Previous Year
		₹ ' (000)	₹ ' (000)
Operating Profit/(Loss)			
(a) Fire Insurance		251,25	
(b) Marine Insurance		23,10	
(c) Miscellaneous		129,27	
Income From Investments			
(a) Interest, Dividend & Rent–Gross		58,50	
Other Income			
Transfer Fees		<u>1,00</u>	
Total (A)		<u>463,12</u>	
Provisions (Other than taxation)			
Depreciation of Furniture		10,00	

Impairment of Investments		10,00	
Other Expenses –			
Expenses of Management		30,00	
Donation		<u>10,00</u>	
Total (B)		<u>60,00</u>	
Profit Before Tax (A-B)		403,12	
Provision for Taxation		<u>206,56</u>	
Profit After Tax		196,56	
Appropriations			
(a) Interim dividends paid during the year		—	
(b) Proposed final dividend (320 x 20%)		64,00	
(c) Dividend distribution tax		—	
(d) Transfer to General Reserves		<u>10,00</u>	
		<u>12,256</u>	
Balance of profit/loss brought forward from last year		<u>80,40</u>	
Balance carried forward to Balance Sheet		<u>202,96</u>	

Working Notes:

- Reserve for unexpired risk 50% of net premium for fire and miscellaneous and 100% of net premium for marine.

Particulars	Fire	Marine	Misc.
Fund as on 1.4.20x1	800,00	950,00	218,65
Fund as on 31.3.20x1	881,25	1022,50	131,13
	(50%)	(100%)	(50%)
Adjustment for change in reserve	81,25	72,50	(87,52)

- Provision for Taxation ₹
Net Profit before tax 403,12
Add : Donation 10,00
Taxable Profit 413,12
Tax 50%

ANNEXURE I**SCHEDULE A for Life Insurance Business****PART I: Accounting principles for preparation of financial statements**

1. Applicability of Accounting Standards---Every Balance Sheet, Revenue Account [Policyholders' Account], Receipts and Payments Account [Cash Flow statement] and Profit and Loss Account [Shareholders' Account] of an insurer shall be in conformity with the Accounting Standards (AS) issued by the ICAI, to the extent applicable to insurers carrying on life insurance business, except that:

1. Accounting Standard 3 (AS 3) – Cash Flow Statements – Cash Flow Statement shall be prepared only under the Direct Method.
2. Accounting Standard 17 (AS 17) - Segment Reporting – shall apply to all insurers irrespective of the requirements regarding listing and turnover mentioned therein.

2. Premium – Premium shall be recognised as income when due. For linked business the due date for payment may be taken as the date when the associated units are created.

3. Acquisition Costs – Acquisition costs, if any, shall be expensed in the period in which they are incurred.

Acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. The most essential test is the obligatory relationship between costs and the execution of insurance contracts (i.e., commencement of risk).

4. Claims Cost –The ultimate cost of claims shall comprise the policy benefit amount and specific claims settlement costs, wherever applicable.

5. Actuarial Valuation – Liability for Life Policies – The estimation of liability against life policies shall be determined by the appointed actuary of the insurer pursuant to his annual investigation of the life insurance business. Actuarial assumptions are to be disclosed by way of notes to the account.

The liability shall be so calculated that together with future premium payments and investment income, the insurer can meet all future claims (including bonus entitlements to policyholders) and expenses.

6. Procedure to determine value of investments. – An insurer shall determine the values of investments in the following manner:-

- (a) **Real Estate – Investment Property** – The value of investment property shall be determined at historical cost, subject to revaluation at least once in every three years. The change in the carrying amount of the investment property shall be taken to Revaluation Reserve.

The insurer shall assess at each balance sheet date whether any impairment of the investment property has occurred.

Gains/ losses arising due to changes in the carrying amount of real estate shall be taken to equity under 'Revaluation Reserve'. The 'Profit on sale of investments' or 'Loss on sale of investments', as the case may be, shall include accumulated changes in the carrying amount previously recognised in equity under the heading 'Revaluation Reserve' in respect of a particular property and being recycled to the relevant Revenue Account or Profit and Loss Account on sale of that property.

The bases for revaluation shall be disclosed in the notes to accounts. The Authority may issue directions specifying the amount to be released from the revaluation reserve for declaring bonus to the policyholders. For the removal of doubt, it is clarified that except for the amount that is released to policyholders as per the Authority's direction, no other amount shall be distributed to shareholders out of Revaluation Reserve Account.

An impairment loss shall be recognised as an expense in the Revenue/Profit and Loss Account immediately, unless the asset is carried at re-valued amount. Any impairment loss of a re-valued asset shall be treated as a revaluation decrease of that asset and if the impairment loss exceeds the corresponding revaluation reserve, such excess shall be recognised as an expense in the Revenue/Profit and Loss Account.

- (b) **Debt Securities – Debt securities**, including government securities and redeemable preference shares, shall be considered as "held to maturity" securities and shall be measured at historical cost subject to amortisation.
- (c) **Equity Securities and Derivative Instruments that are traded in active markets** – Listed equity securities and derivative instruments that are traded in 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.

The insurer shall assess on each balance sheet date whether any impairment of listed equity security(ies)/ derivative(s) instruments has occurred.

An active market shall mean a market, where the securities traded are homogenous, availability of willing buyers and willing sellers is normal and the prices are publicly available.

Unrealised gains/ losses arising due to changes in the fair value of listed equity shares and derivative instruments shall be taken to equity under the head 'Fair Value Change Account'. The 'Profit on sale of investments' or 'Loss on sale of investments', as the case may be, shall include accumulated changes in the fair value previously recognised in equity under the heading 'Fair Value Change Account' in respect of a particular security and being recycled to the relevant Revenue Account or Profit and Loss Account on actual sale of that listed security.

The Authority may issue directions specifying the amount to be released from the Fair Value Change Account for declaring bonus to the policyholders. For the removal of doubt, it is clarified that except for the amount that is released to policyholders as per the Authority's prescription, no other amount shall be distributed to shareholders out of Fair Value Change Account. Also, any debit balance in Fair Value Change Account shall be reduced from profit/free reserves while declaring dividends.

The insurer shall assess, on each balance sheet date, whether any impairment has occurred. An impairment loss shall be recognised as an expense in Revenue/Profit and Loss Account to the extent of the difference between the re-measured fair value of the security/investment and its acquisition cost as reduced by any previous impairment loss recognised as expense in Revenue/Profit and Loss Account. Any reversal of impairment loss, earlier recognised in Revenue/Profit and Loss Account shall be recognised in Revenue/Profit and Loss Account.

- (d) **Unlisted and other than actively traded Equity Securities and Derivative Instruments** – Unlisted equity securities and derivative instruments and listed equity securities and derivative instruments that are not regularly traded in active markets shall be measured at historical cost. Provision shall be made for diminution in value of such investments. The provision so made shall be reversed in subsequent periods if estimates based on external evidence show an increase in the value of the investment over its carrying amount. The increased carrying amount of the investment due to the reversal of the provision shall not exceed the historical cost.

For the purposes of this regulation, a security shall be considered as being not actively traded, if as per guidelines governing mutual funds laid down from time to time by SEBI, such a security is classified as "thinly traded".

7. Loans – Loans shall be measured at historical cost subject to impairment provisions. The insurer shall assess the quality of its loan assets and shall provide for impairment. The impairment provision shall not be lower than the amounts derived on the basis of guidelines prescribed from time to time by the Reserve Bank of India that apply to companies and financial institutions.

8. Linked Business – The accounting principles used for valuation of investments are to be consistent with principles enumerated above. A separate set of financial statements, for each segregated fund of the linked businesses, shall be annexed.

Segregated funds represent funds maintained in accounts to meet specific investment objectives of policyholders who bear the investment risk. Investment income/ gains and losses generally accrue directly to the policyholders. The assets of each account are segregated and are not subject to claims that arise out of any other business of the insurer.

9. Funds for Future Appropriation – The funds for future appropriation shall be presented separately.

The funds for future appropriation represent all funds, the allocation of which, either to the policyholders or to the shareholders, has not been determined by the end of the financial year.

PART II: Disclosures forming part of Financial Statements

A. The following shall be disclosed by way of notes to the Balance Sheet:

1. Contingent Liabilities:
 - (a) Partly-paid up investments
 - (b) Underwriting commitments outstanding
 - (c) Claims, other than those under policies, not acknowledged as debts
 - (d) Guarantees given by or on behalf of the company
 - (e) Statutory demands/liabilities in dispute, not provided for
 - (f) Reinsurance Obligations to the extent not provided for in accounts
 - (g) Others (to be specified).

2. Actuarial assumptions for valuation of liabilities for life policies in force.
3. Encumbrances to assets of the company in and outside India.
4. Commitments made and outstanding for Loans, Investments and Fixed Assets.
5. Basis of amortisation of debt securities.
6. Claims settled and remaining unpaid for a period of more than six months as on the balance sheet date.
7. Value of contracts in relation to investments, for:
 - (a) Purchases where deliveries are pending;
 - (b) Sales where payments are overdue.
8. Operating expenses relating to insurance business: basis of allocation of expenditure to various segments of business.
9. Computation of managerial remuneration.
10. Historical costs of those investments valued on fair value basis.
11. Basis of revaluation of investment property.

B. The following accounting policies shall form an integral part of the financial statements:

1. All significant accounting policies in terms of the accounting standards issued by the ICAI, and significant principles and policies given in Part I of Accounting Principles. Any other accounting policies, followed by the insurer, shall be stated in the manner required under Accounting Standard AS 1 issued by the ICAI.
2. Any departure from the accounting policies shall be separately disclosed with reasons for such departure.

C. The following information shall also be disclosed:

1. Investments made in accordance with any statutory requirement should be disclosed separately together with its amount, nature, security and any special rights in and outside India;
2. Segregation into performing/ non performing investments for purpose of income recognition as per the directions, if any, issued by the Authority;
3. Assets to the extent required to be deposited under local laws or otherwise encumbered in or outside India;

4. Percentage of business sector-wise;
5. A summary of financial statements for the last five years, in the manner as may be prescribed by the Authority;
6. Bases of allocation of investments and income thereon between Policyholders' Account and Shareholders' Account;
7. Accounting Ratios as may be prescribed by the Authority.

PART III: General instructions for preparation of Financial Statements

1. The corresponding amounts for the immediately preceding financial year for all items shown in the Balance Sheet, Revenue Account, Profit and Loss Account and Receipts and Payments Account shall be given.
2. The figures in the financial statements may be rounded off to the nearest thousands.
3. Interest, dividends and rentals receivable in connection with an investment should be stated at gross amount, the amount of income tax deducted at source should be included under 'advance taxes paid' and taxes deducted at source.
1. (I) For the purposes of financial statements, unless the context otherwise requires -
 - (a) the expression 'provision' shall, subject to (II) below mean any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, or retained by way of providing for any known liability or loss of which the amount cannot be determined with substantial accuracy;
 - (b) the expression 'reserve' shall not, subject to as aforesaid, include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability or loss;
 - (c) the expression 'capital reserve' shall not include any amount regarded as free for distribution through the profit and loss account; and the expression 'revenue reserve' shall mean any reserve other than a capital reserve;
 - (d) The expression "liability" shall include all liabilities in respect of expenditure contracted for and all disputed or contingent liabilities.

(II) Where:

- (a) any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, or
- (b) any amount retained by way of providing for any known liability or loss, is in excess of the amount which in the opinion of the directors is reasonably necessary for the purpose, the excess shall be treated as a reserve and not provision.

5. The company shall make provisions for damages under lawsuits where the management is of the opinion that the award may go against the insurer.
6. Extent of risk retained and re-insured shall be separately disclosed.
7. Any debit balance of the Profit and Loss Account shall be shown as deduction from uncommitted reserves and the balance, if any, shall be shown separately.

PART IV: Contents of Management Report

There shall be attached to the financial statements, a management report duly authenticated by the management.

PART V: Preparation of Financial Statements

1. An insurer shall prepare the Revenue Account [Policyholders' Account], Profit and Loss Account [Shareholders' Account] and the Balance Sheet in Form A-RA, Form A-PL and Form A-BS, as prescribed in this Part, or as near thereto as the circumstances permit.

Provided that an insurer shall prepare Revenue Account and Balance Sheet for the under mentioned businesses separately and to that extent the application of AS 17 shall stand modified:-

- (a) Participating policies and Non-participating policies;
- (b) (i) Linked business [As defined in regulation 2 (i) of the IRDA (Registration of Indian Insurance Companies) Regulations, 2000]
- (ii) Non-Linked business separately for Ordinary Life, General Annuity, pensions and Health Insurance;

Business within India and business outside India.

2. An insurer shall prepare separate Receipts and Payments Account in accordance with the Direct Method prescribed in AS 3 – "Cash Flow Statement" issued by the ICAI.

FORM A-RA**Name of the Insurer:****Registration No. and Date of Registration with the IRDA****REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 20__.****Policyholders' Account (Technical Account)**

Particulars	Schedule	Current Year (₹ '000)	Previous Year (₹ '000).
Premiums earned – net			
(a) Premium	1		
(b) Reinsurance ceded			
(c) Reinsurance accepted-			
Income from Investments			
(a) Interest, Dividends & Rent – Gross			
(b) Profit on sale/redemption of investments			
(c) (Loss on sale/ redemption of investments)			
(d) Transfer/Gain on revaluation/change in fair value*			
Other Income (to be specified)			
TOTAL (A)			
Commission	2		
Operating Expenses related to Insurance Business	3		
Provision for doubtful debts			
Bad debts written off			
Provision for Tax			
Provisions (other than taxation)			
(a) For diminution in the value of investments (Net)			
(b) Others (to be specified)			
TOTAL (B)			
Benefits Paid (Net)	4		
Interim Bonuses Paid			
Change in valuation of liability in respect of			

life policies			
(a) Gross**			
(b) Amount ceded in Reinsurance			
(c) Amount accepted in Reinsurance			
TOTAL (C)			
SURPLUS/ (DEFICIT) (D) = (A)-(B)-(C)			
APPROPRIATIONS			
Transfer to Shareholders' Account			
Transfer to Other Reserves (to be specified)			
Balance being Funds for Future Appropriations			
TOTAL (D)			

Notes:

* Represents the deemed realised gain as per norms specified by the Authority.

** represents Mathematical Reserves after allocation of bonus

The total surplus shall be disclosed separately with the following details:

- Interim Bonuses Paid:
- Allocation of Bonus to policyholders:
- Surplus shown in the Revenue Account:
- Total Surplus: [(a)+(b)+(c)].

See Notes appended at the end of Form A-PL

FORM A-PL**Name of the Insurer:****Registration No. and Date of Registration with the IRDA**

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 20__.

Shareholders' Account (Non-technical Account)

Particulars	Schedule	Current Year	Previous Year
		(₹'000)	(₹'000)
Amounts transferred from/to the Policyholders Account (Technical Account)			
Income From Investments			

(a) Interest, Dividends & Rent – Gross			
(b) Profit on sale/redemption of investments			
(c) (Loss on sale/ redemption of investments)			
Other Income (To be specified)			
TOTAL (A)			
Expense other than those directly related to the insurance business			
Bad debts written off			
Provisions (Other than taxation)			
(a) For diminution in the value of investments (Net)			
(b) Provision for doubtful debts			
(c) Others (to be specified)			
TOTAL (B)			
Profit/ (Loss) before tax			
Provision for Taxation			
Profit / (Loss) after tax			
APPROPRIATIONS			
(a) Balance at the beginning of the year			
(b) Interim dividends paid during the year			
(c) Proposed final dividend			
(d) Dividend distribution on tax			
(e) Transfer to reserves/ other accounts (to be specified)			
Profit carried -----to the Balance Sheet			

Notes to Form A-RA and A-PL.

- (a) *Premium income received from business concluded in and outside India shall be separately disclosed.*
- (b) *Reinsurance premiums whether on business ceded or accepted are to be brought into account gross (i.e. before deducting commissions) under the head reinsurance premiums.*
- (c) *Claims incurred shall comprise claims paid, specific claims settlement costs wherever applicable and change in the outstanding provision for claims at the year-end.*

- (d) *Items of expenses and income in excess of one percent of the total premiums (less reinsurance) or ₹ 5,00,000 whichever is higher, shall be shown as a separate line item.*
- (e) *Fees and expenses connected with claims shall be included in claims.*
- (f) *Under the sub-head "Others" shall be included items like foreign exchange gains or losses and other items.*
- (g) *Interest, dividends and rentals receivable in connection with an investment should be stated as gross amount, the amount of income tax deducted at source being included under 'advance taxes paid and taxes deducted at source'.*
- (h) *Income from rent shall include only the realised rent. It shall not include any notional rent.*

FORM A-BS

Name of the Insurer:

Registration No. and Date of Registration with the IRDA

BALANCE SHEET AS AT 31ST MARCH, 20____.

	Schedule	Current Year	Previous Year
		(₹ '000)	(₹ '000)
Sources of Funds			
<i>Shareholders' Funds:</i>			
Share Capital	5		
Reserves and Surplus	6		
Credit/[Debit] Fair Value Change Account			
Sub-Total			
Borrowings	7		
<i>Policyholders' Funds:</i>			
Credit/[Debit] Fair Value Change Account			
Policy Liabilities			
Insurance Reserves			
Provision for Linked Liabilities			
Sub-Total			
Funds for Future Appropriations			
Total			

Application of Funds			
Investments			
Shareholders'	8		
Policyholders'	8A		
Assets held to cover Linked Liabilities	8B		
Loans	9		
Fixed Assets	10		
Current Assets			
Cash and Bank Balances	11		
Advances and Other Assets	12		
Sub-Total (A)			
Current Liabilities	13		
Provisions	14		
Sub-Total (B)			
Net Current Assets (C) = (A – B)			
Miscellaneous Expenditure (To the extent not written off or adjusted)	15		
Debit Balance in Profit & Loss Account (Shareholders' Account)			
Total			

CONTINGENT LIABILITIES

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'000)
1.	Partly paid-up investments		
2.	Claims, other than against policies, not acknowledged as debts by the company		
3.	Underwriting commitments outstanding (in respect of shares and securities)		
4.	Guarantees given by or on behalf of the Company		
5.	Statutory demands/ liabilities in dispute, not provided for		

6.	Reinsurance obligations to the extent not provided for in accounts		
7.	Others (to be specified)		
	Total		

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE – 1

PREMIUM

	Particulars	Current Year (₹ '000)	Previous Year (₹ '000)
1	First year premiums		
2	Renewal Premiums		
3	Single Premiums		
	TOTAL PREMIUM		

SCHEDULE- 2

COMMISSION EXPENSES

Particulars	Current Year (₹ '000)	Previous Year (₹ '000)
Commission paid		
Direct – First year premiums		
- Renewal premiums		
- Single premiums		
Add: Commission on 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 – 3

OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

	Particulars	Current Year (₹ '000)	Previous Year (₹ '000)
1.	Employees' remuneration & welfare benefits		

2	Travel, conveyance and vehicle running expenses		
3	Training expenses		
4	Rents, rates & taxes		
5	Repairs		
6	Printing & stationery		
7	Communication expenses		
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		

Note : Items of expenses and income in excess of one percent of the total premiums (less reinsurance) or ₹ 5,00,000 whichever is higher, shall be shown as a separate line item.

SCHEDULE – 4

BENEFITS PAID [NET]

	Particulars	Current Year (₹ '000)	Previous Year (₹ '000)
1.	Insurance Claims Claims by Death, Claims by Maturity, Annuities/Pension payment, Other benefits, specify		
2.	(Amount ceded in reinsurance): (a) Claims by Death, (b) Claims by Maturity,		

3.	(c) Annuities/Pension payment, (d) Other benefits, specify Amount accepted in reinsurance: (a) Claims by Death, (b) Claims by Maturity, (c) Annuities/Pension payment, (d) Other benefits, specify TOTAL		
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Notes:

(a) Claims include specific claims settlement costs, wherever applicable.

(b) Legal and other fees and expenses shall also form part of the claims cost, wherever applicable.

SCHEDULE – 5

SHARE CAPITAL

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

Notes:

- (a) Particulars of the different classes of capital should be separately stated.
- (b) The amount capitalised on account of issue of bonus shares should be disclosed.
- (c) 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 (₹'000)	Previous Year (₹'000)
1.	Capital Reserve		
2.	Capital Redemption Reserve		
3.	Share Premium		
4.	Revaluation Reserve		
5.	General Reserves		
	Less: Debit balance in Profit and Loss Account, if any		
	Less: Amount utilized for Buy-back		
6.	Catastrophe Reserve		
7.	Other Reserves (to be specified)		
8.	Balance of profit in Profit and Loss Account		
	TOTAL		

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

SCHEDULE - 7

BORROWINGS

	Particulars	Current Year (₹'000)	Previous Year (₹'000)
1.	Debentures/ Bonds		
2.	Banks		
3.	Financial Institutions		
4.	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-head.
- (b) Amounts due within 12 months from the date of Balance Sheet should be shown separately

SCHEDULE – 8

INVESTMENTS-SHAREHOLDERS

	Particulars	Current Year (₹'000)	Previous Year (₹'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 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.	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		
	Investment Properties-Real Estate		
4.	Investments in Infrastructure and Social Sector		
5.	Other than Approved Investments		
	TOTAL		

Note: See Notes appended at the end of Schedule- 8B

SCHEDULE- 8A

INVESTMENTS-POLICYHOLDERS

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '000)
	LONG TERM INVESTMENTS		
1.	Government securities and Government guaranteed bonds including Treasury Bills		
2.	Other Approved Securities		
3.	(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		
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) 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		
4.	Investments in Infrastructure and Social Sector		
5.	Other than Approved Investments		
	TOTAL		

Note: See Notes appended at the end of Schedule- 8B

SCHEDULE- 8B

ASSETS HELD TO COVER LINKED LIABILITIES

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '000)
	LONG TERM INVESTMENTS		
1.	Government securities and Government guaranteed bonds including Treasury Bills		
2.	Other Approved Securities		
3.	(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		
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) 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		
4.	Investments in Infrastructure and Social Sector		
5.	Other than Approved Investments		
	TOTAL		

Notes (applicable to Schedules 8 and 8A & 8B):

(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, 2013:

(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 on the board of directors, participation in the policymaking 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 percent 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 percent 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.*
- (c) *Investment 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 costs 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.*
- (f) *Investments maturing within twelve months from balance sheet date and investments made with the specific intention to dispose of within twelve months from balance sheet date shall be classified as short-term investments*

SCHEDULE - 9

LOANS

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '000)
1.	SECURITY-WISE CLASSIFICATION <i>Secured</i> (a) On mortgage of property (aa) In India		

	(bb) Outside India (b) On Shares, Bonds, Govt. Securities, etc. (c) Loans against policies (d) Others (to be specified) <i>Unsecured</i> TOTAL		
2.	BORROWER-WISE CLASSIFICATION (a) Central and State Governments (b) Banks and Financial Institutions (c) Subsidiaries (d) Companies (e) Loans against policies (f) Others (to be specified) TOTAL		
3.	PERFORMANCE-WISE CLASSIFICATION (a) Loans classified as standard (aa) In India (bb) Outside India (b) Non-standard 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 from the date of balance sheet. 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**

(₹'000)

Particulars	Cost/ Gross Block				Depreciation				Net Block	
	Opening	Additions	Deductions	Closing	Up to Last Year	For The Year	On Sales/ Adjustments	To Date	As at year end	Previous Year
Goodwill										
Intangibles (specify)										
Land- Freehold										
Leasehold										
Property Buildings										
Furniture & Fittings										
Information Technology Equipment										
Vehicles										
Office Equipment										
Others (Specify nature)										
TOTAL										
Work in progress										
Grand Total PREVIOUS YEAR										

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

SCHEDULE- 11**CASH AND BANK BALANCES**

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

	(bb) 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		
	Balances 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 shall be separately stated.

SCHEDULE – 12

ADVANCES AND OTHER ASSETS

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'000)
	ADVANCES		
1.	Reserve deposits with ceding companies		
2.	Application money for investments		
3.	Prepayments		
4.	Advances to Directors/Officers		
5.	Advance tax paid and taxes deducted at source (Net of provision for taxation)		
6.	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 entities carrying on insurance business (including reinsures)		
6.	Due from subsidiaries/ holding company		
7.	Deposit with Reserve Bank of India [Pursuant to section 7 of Insurance Act, 1938]		
8.	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 that term as given under the Companies Act, 2013.*
- (c) *Sundry debtors will be shown under item 8 (Others)*

SCHEDULE – 13**CURRENT LIABILITIES**

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

SCHEDULE – 14**PROVISIONS**

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'000)
1.	For taxation (less payments and taxes deducted at source)		
2.	For proposed dividends		
3.	For dividend distribution tax		
4.	Others (to be specified)		
	TOTAL		

SCHEDULE – 15

MISCELLANEOUS EXPENDITURE
(To the extent not written off or adjusted)

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'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.

ANNEXURE II**SCHEDULE B for General Insurance Business****PART I: Accounting principles for preparation of financial statements**

1. **Applicability of Accounting Standards**---Every Balance Sheet, Receipts and Payments Account [Cash Flow statement] and Profit and Loss Account

[Shareholders' Account] of the insurer shall be in conformity with the Accounting Standards (AS) issued by the ICAI, to the extent applicable to the insurers carrying on general insurance business, except that:

1. Accounting Standard 3 (AS 3) – Cash Flow Statements – Cash Flow Statement shall be prepared only under the Direct Method.
2. Accounting Standard 13 (AS 13) – Accounting for Investments, shall not be applicable.
3. Accounting Standard 17 (AS 17) - Segment Reporting – shall apply to all insurers irrespective of the requirements regarding listing and turnover mentioned therein.

2. Premium--Premium shall be recognised as income over the contract period or the period of risk, whichever is appropriate. Premium received in advance, which represents premium income not relating to the current accounting period, shall be disclosed separately in the financial statements.

A reserve for unexpired risks shall be created as the amount representing that part of the premium written which is attributable to, and to be allocated to the succeeding accounting periods and shall not be less than as required under section 64 V(1) (ii) (b) of the Act.

Premium Received in Advance, which represents premium received prior to the commencement of the risk, shall be shown separately under the head '*Current Liabilities*' in the financial statements.

3. Premium Deficiency--Premium deficiency shall be recognised if the sum of expected claim costs, related expenses and maintenance costs exceeds related reserve for unexpired risks.

4. Acquisition Costs---Acquisition costs, if any, shall be expensed in the period in which they are incurred.

Acquisition costs are those costs that vary with, and are primarily related to, the acquisition of new and renewal insurance contracts. The most essential test is the obligatory relationship between costs and the execution of insurance contracts (i.e. commencement of risk).

5. Claims--The components of the ultimate cost of claims to an insurer comprise the claims under policies and specific claims settlement costs. Claims under policies comprise the claims made for losses incurred, and those estimated or anticipated under the policies following a loss occurrence.

A liability for outstanding claims shall be brought to account in respect of both direct business and inward reinsurance business. The liability shall include: -

- (a) Future payments in relation to unpaid reported claims;
- (b) Claims Incurred But Not Reported (IBNR) including inadequate reserves [sometimes referred to as Claims Incurred But Not Enough Reported (IBNER)], which will result in future cash/asset outgo for settling liabilities against those claims. Change in estimated liability represents the difference between the estimated liability for outstanding claims at the beginning and at the end of the financial period.

The accounting estimate shall also include claims cost adjusted for estimated salvage value if there is sufficient degree of certainty of its realisation.

Actuarial Valuation of claim liability – in some cases

Claims made in respect of contracts where the claims payment period exceeds four years shall be recognised on an actuarial basis, subject to regulations that may be prescribed by the Authority. In such cases, certificate from a recognised actuary as to the fairness of liability assessment must be obtained. Actuarial assumptions shall be suitably disclosed by way of notes to the account.

6. Procedure to determine the value of investments.---An insurer shall determine the values of investments in the following manner:-

(a) Real Estate – Investment Property-- Investment Property shall be measured at historical cost less accumulated depreciation and impairment loss, residual value being considered zero and no revaluation being permissible.

The Insurer shall assess at each balance sheet date whether any impairment of the investment property has occurred.

An impairment loss shall be recognised as an expense in the Revenue/Profit and Loss Account immediately.

Fair value as at the balance sheet date and the basis of its determination shall be disclosed in the financial statements as additional information.

(b) Debt Securities--Debt securities including government securities and redeemable preference shares shall be considered as "held to maturity" securities and shall be measured at historical cost subject to amortisation.

(c) Equity Securities and Derivative Instruments that are traded in active markets---Listed equity securities and derivative instruments that are traded in active markets shall be measured at fair value as at the balance sheet date. For

the purpose of calculation of fair value, the lowest of the last quoted closing price of the stock exchanges where the securities are listed shall be taken.

The insurer shall assess on each balance sheet date whether any impairment of listed equity security(ies)/ derivative(s) instruments has occurred.

An active market shall mean a market, where the securities traded are homogenous, availability of willing buyers and willing sellers is normal and the prices are publicly available.

Unrealised gains/losses arising due to changes in the fair value of listed equity shares and derivative instruments shall be taken to equity under the head 'Fair Value Change Account'. The 'Profit on sale of investments' or 'Loss on sale of investments', as the case may be, shall include accumulated changes in the fair value previously recognised in equity under the heading Fair Value Change Account in respect of a particular security and being recycled to Profit and Loss Account on actual sale of that listed security.

For the removal of doubt, it is clarified that balance or any part thereof shall not be available for distribution as dividends. Also, any debit balance in the said Fair Value Change Account shall be reduced from the profits/free reserves while declaring dividends.

The insurer shall assess, at each balance sheet date, whether any impairment has occurred. An impairment loss shall be recognised as an expense in Revenue/Profit and Loss Account to the extent of the difference between the remeasured fair value of the security/ investment and its acquisition cost as reduced by any previous impairment loss recognised as expense in Revenue/Profit and Loss Account. Any reversal of impairment loss, earlier recognised in Revenue/Profit and Loss Account shall be recognised in Revenue/Profit and Loss Account.

(d) Unlisted and other than actively traded Equity Securities and Derivative Instruments--Unlisted equity securities and derivative instruments and listed equity securities and derivative instruments that are not regularly traded in active market will be measured at historical costs. Provision shall be made for diminution in value of such investments. The provision so made shall be reversed in subsequent periods if estimates based on external evidence show an increase in the value of the investment over its carrying amount. The increased carrying amount of the investment due to the reversal of the provision shall not exceed the historical cost.

For the purposes of this regulation, a security shall be considered as being not actively traded, if as per guidelines governing mutual funds laid down from time to time by SEBI, such a security is classified as “thinly traded”.

7. Loans--Loans shall be measured at historical cost subject to impairment provisions.

The insurer shall assess the quality of its loan assets and shall provide for impairment. The impairment provision shall not be lower than the amounts derived on the basis of guidelines prescribed from time to time by the Reserve Bank of India, that apply to companies and financial institutions.

8. Catastrophe Reserve -- Catastrophe reserve shall be created in accordance with norms, if any, prescribed by the Authority. Investment of funds out of catastrophe reserve shall be made in accordance with prescription of the Authority.

PART II: Disclosures forming part of Financial Statements

A. The following shall be disclosed by way of notes to the Balance Sheet:

1. Contingent Liabilities:
 - (a) Partly-paid up investments
 - (b) Underwriting commitments outstanding
 - (c) Claims, other than those under policies, not acknowledged as debts
 - (d) Guarantees given by or on behalf of the company
 - (e) Statutory demands/liabilities in dispute, not provided for
 - (f) Reinsurance obligations to the extent not provided for in accounts
 - (g) Others (to be specified)
2. Encumbrances to assets of the company in and outside India.
3. Commitments made and outstanding for Loans, Investments and Fixed Assets.
4. Claims, less reinsurance, paid to claimants in/outside India.
5. Actuarial assumptions for determination of claim liabilities in the case of claims where the claims payment period exceed four years.
6. Ageing of claims – distinguishing between claims outstanding for more than six months and other claims.
7. Premiums, less reinsurance, written from business in/outside India.

8. Extent of premium income recognised, based on varying risk pattern, category wise, with basis and justification therefor, including whether reliance has been placed on external evidence.
9. Value of contracts in relation to investments, for:
 - (a) Purchases where deliveries are pending;
 - (b) Sales where payments are overdue.
10. Operating expenses relating to insurance business: basis of allocation of expenditure to various classes of business.
11. Historical costs of those investments valued on fair value basis.
12. Computation of managerial remuneration.
13. Basis of amortisation of debt securities.
14. (a) Unrealised gain/losses arising due to changes in the fair value of listed equity shares and derivative instruments are to be taken to equity under the head 'Fair Value Change Account' and on realisation reported in profit and loss Account.
(b) Pending realisation, the credit balance in the 'Fair Value Change Account' is not available for distribution.
15. Fair value of investment property and the basis therefor.
16. Claims settled and remaining unpaid for a period of more than six months as on the balance sheet date.

B. The following accounting policies shall form an integral part of the financial statements:

1. All significant accounting policies in terms of the accounting standards issued by the ICAI, and significant principles and policies given in Part I of Accounting Principles. Any other accounting policies followed by the insurer shall be stated in the manner required under Accounting Standard AS 1 issued by the ICAI.
2. Any departure from the accounting policies as aforesaid shall be separately disclosed with reasons for such departure.

C. The following information shall also be disclosed:

1. Investments made in accordance with any statutory requirement should be disclosed separately together with its amount, nature, security and any special rights in and outside India.

2. Segregation into performing/ non performing investments for purpose of income recognition as per the directions, if any, issued by the Authority.
3. Percentage of business sector-wise.
4. A summary of financial statements for the last five years, in the manner as may be prescribed by the Authority.
5. Accounting Ratios as may be prescribed by the Authority.
6. Basis of allocation of Interest, Dividends and Rent between Revenue Account and Profit and Loss Account.

PART III: GENERAL INSTRUCTIONS FOR PREPARATION OF FINANCIAL STATEMENTS

1. The corresponding amounts for the immediately preceding financial year for all items shown in the Balance Sheet, Revenue Account and Profit and Loss Account should be given.
2. The figures in the financial statements may be rounded off to the nearest thousands.
3. Interest, dividends and rentals receivable in connection with an investment should be stated as gross value, the amount of income tax deducted at source being included under 'advance taxes paid'.
4. Income from rent shall not include any notional rent.
5. (l) For the purposes of financial statements, unless the context otherwise requires -
 - (a) the expression 'provision' shall, subject to note II below mean any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, or retained by way of providing for any known liability or loss of which the amount cannot be determined with substantial accuracy;
 - (b) the expression "reserve" shall not, subject to as aforesaid, include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability;
 - (c) the expression capital reserve shall not include any amount regarded as free for distribution through the profit and loss account; and the expression "revenue reserve" shall mean any reserve other than a capital reserve;

- (d) The expression "liability" shall include all liabilities in respect of expenditure contracted for and all disputed or contingent liabilities.
- (II) Where:
- (a) any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, or
 - (b) any amount retained by way of providing for any known liability is in excess of the amount which in the opinion of the directors is reasonably necessary for the purpose, the excess shall be treated for the purposes of these accounts as a reserve and not as a provision.
 - 1. The company should make provisions for damages under lawsuits where the management is of the opinion that the award may go against the insurer.
 - 2. Extent of risk retained and reinsured shall be separately disclosed.
 - 3. Any debit balance of Profit and Loss Account shall be shown as deduction from uncommitted reserves and the balance if any, shall be shown separately.

PART IV: CONTENTS OF MANAGEMENT REPORT

There shall be attached to the financial statements, a management report duly authenticated by the management.

PART V: Preparation of Financial Statements

(1) An insurer shall prepare the Revenue Account, Profit and Loss Account [Shareholders' Account] and the Balance Sheet in Form B-RA, Form B-PL, and Form B-BS, or as near thereto as the circumstances permit.

Provided that an insurer shall prepare Revenue Accounts separately for fire, marine, and miscellaneous insurance business and separate schedules shall be prepared for Marine Cargo, Marine – Other than Marine Cargo and the following classes of miscellaneous insurance business under miscellaneous insurance and accordingly application of AS 17 – Segment Reporting - shall stand modified.

- | | |
|-----------------------------|--|
| 1. Motor | 2. Workmen's Compensation/Employers' Liability |
| 3. Public/Product Liability | 4. Engineering |
| 5. Aviation | 6. Personal Accident |
| 7. Health Insurance | 8. Others |

(2) An insurer shall prepare separate Receipts and Payments Account in accordance with the Direct Method prescribed in AS 3 – “Cash Flow Statement” issued by the ICAI.

FORM B-RA

Name of the Insurer:

Registration No. and Date of Registration with the IRDA

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 20__.

	Particulars	Schedule	Current Year	Previous Year
			(₹ '000)	(₹ '000)
1.	Premiums earned (Net)	1		
2.	Profit/ Loss on sale/redemption of Investments			
3.	Others (to be specified)			
4.	Interest, Dividend & Rent – Gross			
	TOTAL (A)			
1.	Claims Incurred (Net)	2		
2.	Commission	3		
3.	Operating Expenses related to Insurance Business	4		
	TOTAL (B)			
	Operating Profit/(Loss) from Fire/ Marine/Miscellaneous Business C= (A - B)			
	APPROPRIATIONS			
	Transfer to Shareholders' Account			
	Transfer to Catastrophe Reserve			
	Transfer to Other Reserves (to be specified)			
	TOTAL (C)			

FORM B-PL**Name of the Insurer:****Registration No. and Date of Registration with the IRDA****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 20__.**

	Particulars	Schedule	Current Year	Previous Year
			(₹'000)	(₹'000)
1.	OPERATING PROFIT/(LOSS) (a) Fire Insurance (b) Marine Insurance (c) Miscellaneous Insurance			
2.	INCOME FROM INVESTMENTS (a) Interest, Dividend & Rent – Gross (b) Profit on sale of investments Less: Loss on sale of investments			
3.	OTHER INCOME (To be specified)			
	TOTAL (A)			
4.	PROVISIONS (Other than taxation) (a) For diminution in the value of investments (b) For doubtful debts (c) Others (to be specified)			
5.	OTHER EXPENSES (a) Expenses other than those related to Insurance Business (b) Bad debts written off (c) Others (To be specified)			
	TOTAL (B)			
	Profit Before Tax			
	Provision for Taxation			
	APPROPRIATIONS			
	(a) Interim dividends paid during the year			
	(b) Proposed final dividend			
	(c) Dividend distribution tax			
	(d) Transfer to any Reserves or Other			

Accounts (to be specified) Balance of profit/ loss brought forward from last year Balance carried forward to Balance Sheet			
--	--	--	--

Notes: to Form B-RA and B- PL

- (a) Premium income received from business concluded in and outside India shall be separately disclosed.
- (b) Reinsurance premiums whether on business ceded or accepted are to be brought into account gross (i.e. before deducting commissions) under the head reinsurance premiums.
- (c) Claims incurred shall comprise claims paid, specific claims settlement costs wherever applicable and change in the outstanding provision for claims at the year-end.
- (d) Items of expenses and income in excess of one percent of the total premiums (less reinsurance) or ₹ 5,00,000 whichever is higher, shall be shown as a separate line item.
- (e) Fees and expenses connected with claims shall be included in claims.
- (f) Under the sub-head "Others" shall be included items like foreign exchange gains or losses and other items.
- (g) Interest, dividends and rentals receivable in connection with an investment should be stated as gross amount, the amount of income tax deducted at source being included under 'advance taxes paid and taxes deducted at source'..
- (h) Income from rent shall include only the realised rent. It shall not include any notional rent.

FORM B-BS**Name of the Insurer:****Registration No. and Date of Registration with the IRDA****BALANCE SHEET AS AT 31ST MARCH, 20__.**

	Schedule	Current Year	Previous Year
		(₹'000)	(₹'000)
Sources of Funds			

Share Capital	5		
Reserves and Surplus	6		
Fair Value Change Account			
Borrowings	7		
Total			
Application of Funds			
Investments	8		
Loans	9		
Fixed Assets	10		
Current Assets			
Cash and Bank Balances	11		
Advances and Other Assets	12		
Sub-Total (A)			
Current Liabilities	13		
Provisions	14		
Sub-Total (B)			
Net Current Assets (C) = (A - B)			
Miscellaneous Expenditure (To the extent not written off or adjusted)	15		
Debit Balance in Profit And Loss Account			
Total			

CONTINGENT LIABILITIES

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'000)
1.	Partly paid-up investments		
2.	Claims, other than against policies, not acknowledged as debts by the company		
3.	Underwriting commitments outstanding (in respect of shares and securities)		
4.	Guarantees given by or on behalf of the Company		
5.	Statutory demands/ liabilities in dispute, not provided for		
6.	Reinsurance obligations to the extent not provided for in accounts		

7.	Others (to be specified)		
	TOTAL		

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE – 1

PREMIUM EARNED [NET]

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'000)
	Premium from direct business written		
	<i>Add:</i> Premium on reinsurance accepted		
	<i>Less :</i> Premium on reinsurance ceded		
	Net Premium		
	Adjustment for change in reserve for unexpired risks		
	Total Premium Earned (Net)		

Note: Reinsurance premiums whether on business ceded or accepted are to be brought into account, before deducting commission, under the head of reinsurance premiums.

SCHEDULE – 2

CLAIMS INCURRED [NET]

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'000)
	Claims paid		
	Direct		
	<i>Add :</i> Re-insurance accepted		
	<i>Less :</i> Re-insurance Ceded		
	Net Claims paid		
	<i>Add</i> Claims Outstanding at the end of the year		
	<i>Less</i> Claims Outstanding at the beginning		
	Total Claims Incurred		

Notes:

(a) *Incurred But Not Reported (IBNR), Incurred but not enough reported [IBNER] claims should be included in the amount for outstanding claims.*

- (b) Claims includes specific claims settlement cost but not expenses of management
- (c) The surveyor fees, legal and other expenses shall also form part of claims cost.
- (d) Claims cost should be adjusted for estimated salvage value if there is a sufficient certainty of its realisation.

SCHEDULE- 3**COMMISSION**

Particulars	Current Year	Previous Year
	(₹ '000)	(₹ '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**OPERATING EXPENSES RELATED TO INSURANCE BUSINESS**

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '000)
1.	Employees' remuneration & welfare benefits		
2.	Travel, conveyance and vehicle running expenses		
3.	Training expenses		
4.	Rents, rates & taxes		
5.	Repairs		
6.	Printing & stationery		
7.	Communication		
8.	Legal & professional charges		

9.	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		
10.	Advertisement and publicity		
11.	Interest & Bank Charges		
12.	Others (to be specified)		
13.	Depreciation		
	TOTAL		

Note: Items of expenses and income in excess of one percent of the total premiums (less reinsurance) or ₹ 5,00,000 whichever is higher, shall be shown as a separate line item.

SCHEDULE – 5

SHARE CAPITAL

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'000)
1.	Authorised Capital Equity Shares of ₹ each		
2.	Issued Capital Equity Shares of ₹each		
3.	Subscribed Capital Equity Shares of ₹each		
4.	Called-up Capital Equity Shares of ₹each <i>Less</i> : Calls unpaid <i>Add</i> : Equity Shares forfeited (Amount originally paid up) <i>Less</i> : Par Value of Equity Shares bought back		

	Less : Preliminary Expenses including commission or brokerage on Underwriting or subscription of shares		
	TOTAL		

Notes:

- (a) Particulars of the different classes of capital should be separately stated.
- (b) The amount capitalised on account of issue of bonus shares should be disclosed.
- (c) In case any part of the capital is held by a holding company, the same should be separately disclosed.

SCHEDULE – 5A

**SHARE CAPITAL
PATTERN OF SHAREHOLDING
[As certified by the Management]**

Shareholder	Current Year Number of Shares	Previous Year		
		% of Holding	Number of Shares	% of Holding
Promoters				
• Indian				
• Foreign				
Others				
TOTAL				

SCHEDULE – 6**RESERVES AND SURPLUS**

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'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
		(₹'000)	(₹'000)
1.	Debentures/ Bonds		
2.	Banks		
3.	Financial Institutions		
4.	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-head.
- (b) Amounts due within 12 months from the date of Balance Sheet should be shown separately

SCHEDULE -8

INVESTMENTS

	Particulars	Current Year	Previous Year
		(₹'000)	(₹'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		
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.	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		
4.	Investments in Infrastructure and Social Sector		
5.	Other than Approved Investments		
	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 defined in the Companies Act, 2013:*
 - (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 on the board of directors, participation in the policymaking 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 percent 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 percent 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.*
 - (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.*

- (f) Investments maturing within twelve months from balance sheet date and investments made with the specific intention to dispose of within twelve months from balance sheet date shall be classified as short-term investments

SCHEDULE - 9**LOANS**

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '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 from the date of balance sheet. 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**

(₹'000)

Particulars	Cost/ Gross Block				Depreciation				Net Block	
	Opening	Additions	Deductions	Closing	Upto Last Year	For The Year	On Sales/ Adjustments	To Date	As at year end	Previous Year
Goodwill										
Intangibles (specify)										
Land- Freehold										
Leasehold Property										
Buildings										
Furniture & Fittings										
Information Technology Equipment										
Vehicles										
Office										

Equipment										
Others (Specify nature)										
TOTAL										
Work in progress										
Grand Total										
PREVIOUS YEAR										

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

SCHEDULE- 11

CASH AND BANK BALANCES

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '000)
1.	Cash (including cheques, drafts and stamps)		
2.	Bank Balances		
	(a) Deposit Accounts		
	(aa) Short-term (due within 12 months)		
	(bb) 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		
	Balances with non-scheduled banks included in 2 and 3 above		

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
		(₹ '000)	(₹ '000)
	ADVANCES		
1.	Reserve deposits with ceding companies		
2.	Application money for investments		
3.	Prepayments		
4.	Advances to Directors/Officers		
5.	Advance tax paid and taxes deducted at source (Net of provision for taxation)		
6.	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 entities carrying on insurance business (including reinsures)		
6.	Due from subsidiaries/ holding		
7.	Deposit with Reserve Bank of India [Pursuant to section 7 of Insurance Act, 1938]		
8.	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 that term as given under the Companies Act, 2013.

(c) Sundry Debtors will be shown under item 9(others)

SCHEDULE – 13

CURRENT LIABILITIES

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

SCHEDULE – 14

PROVISIONS

	Particulars	Current Year	Previous Year
		(₹ '000)	(₹ '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	Previous Year
		(₹ '000)	(₹ '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.

SUMMARY

Life Insurance Business : The insurance company carrying life insurance business is required to prepare Balance sheet form A – BS Revenue account [Policy holders' account] Form A- RA Profit and loss account form A-PL. These forms have been given in the IRDA Regulations, 2002.

General Insurance Business: The insurance company carrying on general insurance business is required to prepare Balance sheet form B – BS Revenue account [Policy holders' account] Form B- RA Profit and loss account form B-PL. These forms have been given in the IRDA Regulations, 2002.

No form has been specified for cash flow statement for both Life insurance and General Insurance.

TEST YOUR KNOWLEDGE**MCQs**

1. Liabilities under the existing policies are determined by _____ valuation in case of life insurance.
 - (a) Actuarial.
 - (b) Fair.
 - (c) Average
2. Commission on reinsurance ceded appears as
 - (a) An expense in revenue account.
 - (b) An income in revenue account.
 - (c) A liability in the balance sheet.
3. In marine insurance business _____ percentage of net premium income is carried forward as provision for and the balance is transferred to unexpired risks reserve.
 - (a) 100%.
 - (b) 50%.
 - (c) 25%.
4. For the settlement of claim, insurance company
 - (a) Ascertains the genuineness of the claim.
 - (b) Ensures completion of the necessary formalities.
 - (c) Both (a) & (b).
5. As per IRDA Regulations, 2002, Sun Light Insurance Company carrying business of more than one type of insurance business is required to prepare
 - (a) A separate revenue account for each type of business.
 - (b) A separate profit and loss account for each type of business.
 - (c) A separate balance sheet for each type of business.
6. As per IRDA Regulations, an insurance company is required to prepare
 - (a) Revenue account and Profit and loss account.
 - (b) Balance sheet.
 - (c) Both (a) and (b)

Practical Problems

Question 1

X Fire Insurance Co. Ltd. commenced its business on 1.4.20X1. It submits you the following information for the year ended 31.3.20X2:

	₹
Premiums received	15,00,000
Re-insurance premiums paid	1,00,000
Claims paid	7,00,000
Expenses of Management	3,00,000
Commission paid	50,000
Claims outstanding on 31.3.20X2	1,00,000
Create reserve for unexpired risk @50%	

Prepare Revenue account for the year ended 31.3.20X2.

Question 2

From the following information prepare the Revenue Account of Anmol Fire Insurance Company Ltd. for the year ended 31st March, 20X2:

1. Premium, Claims and Commission:

Particulars	On Direct Business	On Re-Insurance ceded	On Re-insurance accepted
	₹	₹	₹
(a) Total Premium	30,00,000	10,00,000	20,00,000
In India	80%	80%	80%
(b) Total Claims	6,00,000	2,00,000	4,00,000
Outside India	20%	20%	20%
(c) Commission	3,00,000	1,00,000	2,00,000

2. Expenses:

		₹
1.	Employees' remuneration and welfare benefits	2,31,000
2.	Managerial Remuneration	3,00,000

3.	Travel, conveyance and vehicle running expenses	59,000
4.	Rents, rates and taxes	30,000
5.	Repairs	20,000
6.	Printing and Stationery	10,000
7.	Communication expenses	5,000
8.	Legal and Professional charges	6,000
9.	Medical fees	7,000
10.	Auditor's fees, expenses etc.	8,000
11.	Advertisement and publicity	6,000
12.	Interest and Bank Charges	5,000
13.	Policy Stamps	3,000

3. Others:

	₹
Furniture and fixture (cost ₹ 1,00,000)	58,000
Rate of Depreciation on furniture – 10% an original cost	
Interest, Dividend and Rent Received	90,000
Income Tax deducted at source thereon	10,000
Profit and Sale of Motor Car	5,000
Double Income Tax Refund	15,000
Provision of Unexpired Risks (as on 1.4.20X1)	10,00,000
Additional Provision for Risks (as on 1.4.20X1)	1,00,000
Accounting Policy Regarding Additional Provision in Fire- 5% of net premium of the year	

ANSWERS/ HINTS**MCQs**

[Ans. 1. (a), 2. (b), 3. (a), 4. (c), 5. (a), 6. (c),

Practical Problems**Answer 1****Form B – RA (Prescribed by IRDA)****Name of the Insurer:**X Fire Insurance Co. Ltd.**Registration No. and Date of registration with the IRDA:****Revenue Account for the year ended 31st March, 20X2**

	<i>Particulars</i>	<i>Schedule</i>	<i>Current year ended on 31st March, 20X2</i>
			₹
1.	Premium earned (Net)	1	<u>7,00,000</u>
	Total (A)		<u>7,00,000</u>
1.	Claims incurred (Net)	2	8,00,000
2.	Commission	3	50,000
3.	Operating Expenses related to insurance business	4	<u>3,00,000</u>
	Total (B)		<u>11,50,000</u>
	Operating Profit/(Loss) from Fire Insurance Business [C =(A – B)]		(4,50,000)

Schedule 1**Premium earned (Net)**

	₹
Premium received from direct business written	15,00,000
Less: Premium on re-insurance ceded	<u>(1,00,000)</u>
	<u>14,00,000</u>
Adjustment for change in reserve for unexpired risk	<u>7,00,000</u>
Net Premium Earned	<u>7,00,000</u>

Schedule 2**Claims incurred (Net)**

	₹
Claims paid – Direct	7,00,000
Add: Claims outstanding on 31.3.20X2	1,00,000
Total claims incurred	8,00,000

Schedule 3**Commission**

Commission paid	50,000
Net commission	50,000

Schedule 4**Operating expenses related to insurance business**

	₹
Expenses of Management	3,00,000

Answer 2**Form B-RA****Name of the Insurer:****Registration No. and date of registration with IRDA****Fire Insurance Revenue Account for the year ended 31st March, 20X2**

<i>Particulars</i>	<i>Schedule</i>	<i>Current Year</i>	<i>Previous Year</i>
		(₹ '000)	(₹ '000)
1. Premium earned (Net)	1	29,00	
2. Interest, Dividend and Rent (Gross)		<u>100</u>	
Total (A)		<u>3000</u>	
1. Claims Incurred (Net)	2	800	
2. Commission	3	400	

3. Operating expenses related to Insurance Business	4	700	
Total (B)		<u>1900</u>	
Operating Profit from fire Insurance Business		<u>1100</u>	

Note: Profit on sale of motor car and double income-tax refund to be shown in profit and loss account.

SCHEDULE 1 Premium Earned (Net)

<i>Particulars</i>	<i>Current Year</i>	<i>Previous Year</i>
	(₹'000)	(₹'000)
Premium form Direct Business written	30,00	
<i>Add:</i> Premium on Re-insurance accepted	20,00	
<i>Less:</i> Premium on Re-insurance ceded	(10,00)	
Net Premium	40,00	
Adjustment for change in reserve for Unexpired Risk	<u>(11,00)</u>	
Total Premium Earned (Net)	<u>29,00</u>	
Premium Income from business effected		
In India (80%)	2,320	
Outside India (20%)	<u>580</u>	
	<u>29,00</u>	

SCHEDULE 2 Claims Incurred (Net)

<i>Particulars</i>	<i>Current Year</i>	<i>Previous Year</i>
	(₹'000)	(₹'000)
Claim paid		
Direct	600	
<i>Add:</i> Re-insurance accepted	400	
<i>Less:</i> Re-insurance ceded	(200)	
Total claim incurred	<u>800</u>	

Claim paid to claimants:		
In India (80%)		640
Outside India (20%)		160
		800

SCHEDULE 3 Commission

<i>Particulars</i>	<i>Current Year</i>	<i>Previous Year</i>
	<i>(₹ '000)</i>	<i>(₹ '000)</i>
Commission paid		
Direct	300	
Add: Re-insurance accepted	200	
Less: Commission on Re-insurance ceded	(100)	
Total	400	

SCHEDULE 4 Operating Expenses Related to Insurance Business

	<i>Particulars</i>	<i>Current Year</i>	<i>Previous Year</i>
		<i>(₹'000)</i>	<i>(₹'000)</i>
1.	Employees' remuneration and welfare benefits	231	
2.	Travel, conveyance and vehicle running expenses	59	
3.	Rents, rates and taxes	30	
4.	Repairs	20	
5.	Printing and Stationery	10	
6.	Communication expenses	5	
7.	Legal and Professional charges	6	
8.	Auditors' fees, expenses etc.	8	
9.	Advertisement and publicity	6	
10.	Interest and Bank Charges	5	
11.	Policy Stamps	3	
12.	Managerial remuneration	300	

13.	Medical fees	7	
14.	Depreciation (10% on ₹ 1,00,000)	10	
	Total	700	

Working Note: Change in Provision for Unexpired Risks

	<i>Particulars</i>		(₹' 000)
A.	Minimum Provision @ 50% of	₹ 40,00,000	2,000
B.	Add: Additional Provision @ 5% of	₹ 40,00,000	200
C.	Total		2,200
D.	Less: Opening Balance of Provision		
	(i) Minimum Provision	₹ 10,00,000	
	(ii) Additional Provision for Unexpired Risk	<u>₹ 1,00,000</u>	1,100
E.	Change in Provision for Unexpired Risk [C-D]		1,100