

# **International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023**

UNION OF INDIA

India

## **International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023**

### **Regulation IFSCA-2022-23-GN-REG038 of 2023**

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In exercise of the powers conferred by Section 28 read with Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, and clauses (y), (z), (za) and (zab) of sub-section (2) of Section 114A read with Section 64V and 64VA of the Insurance Act, 1938, the International Financial Services Centres Authority hereby makes the following regulations namely: -

#### **1. Short title and commencement.**

(1) These regulations may be called the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023.(2) They shall come into force on the date of their publication in the Official Gazette.

### **Chapter I Introduction**

#### **2. Applicability.**

These regulations shall be applicable to International Financial Service Centre Insurance Offices (IIOs) undertaking general, health, or re-insurance business. Provided that for an IIO set up in an unincorporated form, solvency margin and related requirements under these regulations shall not be applicable and such IIO shall comply with related requirement as stipulated under sub-regulation (4) of regulation 17 of the IFSCA (Registration of Insurance Business) Regulations, 2021 Provided however that the reporting formats specified under these regulations shall continue to be applicable

for such IIOs.

### 3. Objective.

These regulations aim to specify the requirements related to capital and solvency for undertaking general, health, or re-insurance business by IIOs.

### 4. Definitions.

(1) In these regulations, unless the context otherwise requires-(a) '*Act*' means the International Financial Services Centres Authority Act, 2019 (50 of 2019);(b) '*allocated loss adjustment expenses*' mean the expenses which are directly attributable to a specific claim;(c) '*Appointed Actuary*' shall have the same meaning as assigned to it under clause (c) of sub-regulation 1 of regulation 3 of the International Financial Services Centres Authority (Appointed Actuary) Regulations, 2022;(d) '*Authority*' means the International Financial Services Centres Authority established under subsection (1) of Section 4 of the Act;(e) '*claim reserves*' mean the reserves in respect of the claims which have already occurred and determined as the aggregate of outstanding claim reserves and incurred but not reported claim reserves.(f) '*incurred but not enough reported reserves*' means the reserves reflecting the expected changes in the estimates of reported claims as on the accounting date;(g) '*incurred but not reported claim reserves*' means the estimate made for reopened claims, provision for incurred but not reported claims, provision for claims in transit as on the accounting date and includes allocated loss adjustment expenses and incurred but not enough reported reserves;(h) '*insurer*' for the purpose of these regulations means an International Financial Service Centre Insurance Office undertaking general, health or re-insurance business;(i) '*International Financial Service Centre Insurance Office*' shall have the same meaning as assigned to it under clause (k) of sub-regulation (1) of regulation 3 of the International Financial Services Centres Authority (Registration of Insurance Business) Regulations, 2021;(j) '*outstanding claim reserves*' means the provision made in respect of all outstanding reported claims as on the accounting date and includes allocated loss adjustment expenses;(k) '*premium deficiency reserve*' means the reserve held in excess of the unearned premium reserve, which allows for any expectation that the unearned premium reserve will be insufficient to cover the cost of claims and related expenses incurred during the period of unexpired risk;(l) '*re-insurer*' for the purpose of these regulations, means an International Financial Service Centre Insurance Office undertaking re-insurance business;(m) '*unearned premium reserve*' means an amount representing that part of the premium written which is attributable and to be allocated to the succeeding accounting periods representing the unexpired portion of the risks on the policies;(n) '*unexpired risk reserves*' means the reserves in respect of the liabilities for unexpired risks and determined as the aggregate of unearned premium reserve and premium deficiency reserve.(2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act or any rules or regulations made thereunder, shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

## Chapter II Reporting Requirements

### 5.

(1) An IIO shall prepare and submit to the Authority the following statements with such periodicity as may be specified: (a) A statement of admissible assets in **FORM ALSM-GI-A**, as specified under **Schedule- I**. (b) A statement of the amount of liabilities in **FORM ALSM-GI-L**, as specified under **Schedule- II**. (c) A statement of solvency margin in **FORM ALSM-GI-SM**, as specified under **Schedule- III**. (2) An IIO shall submit - (a) Annual Actuarial Report prepared by the Appointed Actuary to the Authority in accordance with and in such manner as may be specified; (b) Valuation of Assets & Liabilities and the computation of solvency margin duly certified by Appointed Actuary, (c) such other reports as may be directed by the Authority. *Explanation.* - This regulation shall be applicable even in cases where the capital is being maintained in accordance with the home country regulations.

## Chapter III Miscellaneous Provisions

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

The Authority shall have the power to inspect or investigate the affairs of an IIO including calling for any information from the IIO or the parent entity and may specify the disclosures to be made by an IIO to the Authority in relation to its activities.

### 7. Power to specify procedure, etc.

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

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

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

### 9. No-applicability of certain regulations and savings.

(1) On and from the commencement of these regulations, the Insurance Regulatory and Development Authority of India (Assets, Liabilities, and Solvency Margin of General Insurance Business) Regulations, 2016, and the circulars or guidelines issued thereunder, shall cease to apply

in International Financial Services Centres;(2) Notwithstanding anything contained in sub-regulation (1), anything done or any action taken or purported to have been done or taken under the regulations, circulars or guidelines mentioned in sub-regulation (1), before the commencement of these regulations, shall be deemed to have been done or taken under the corresponding provisions of these regulations.(3) An IIO operating in the International Financial Services Centre prior to the commencement of these regulations, shall comply with additional requirements stipulated in these regulations, if any, within a period of six (6) months from the commencement of these regulations or within such extended time as may be specified by the Authority.

**Schedule - I(refer clause (a) of sub-regulation (1) of regulation 5)**

**1. Valuation Of Assets**(1) The following assets shall be placed with value zero:(a) Movable and Immovable property excluding financial instrument and any other asset as may be specified by the Authority;(b) Agents' and Intermediaries' balances and outstanding premiums to be payable by policyholders from outside India, to the extent they are not realisable;(c) Sundry debts, to the extent they are not realizable;(d) Advances and receivables of an unrealizable character;(e) Furniture, fixtures, dead stock and stationery;(f) Deferred expenses;(g) Debit balance of Profit and loss appropriation account and any fictitious assets other than prepaid expenses;(h) Co-insurer's balances outstanding for more than ninety days;(i) Re-insurer's balances outstanding for more than 180 days;(j) Leasehold improvements;(k) Goods and Service Tax Unutilized Credit outstanding for more than ninety days;(l) Any other assets, as may be specified by the Authority from time to time.(2) All other assets of an insurer shall be valued in accordance with the applicable regulations and any instructions issued by the Authority in this regard.

**2. Statement of Admissible Assets**Every insurer shall prepare a statement of admissible assets in form ALSM-GI-A, as provided below:

**Form - Alsm-GI-AStatement of Admissible AssetsAs on 31st March 20XX**

**Name of IIO:Registration Number:**

(All amounts in USD mn)

	<b>Particulars</b>	<b>Policyholder's A/C</b>	<b>Shareholder's A/C</b>	<b>Total</b>
	<b>Investments</b>			
	Investments Shareholders'			
	Investments Policyholders'			
<b>A</b>	Total Investments as per audited BS			
<b>B</b>	Inadmissible investment assets identified under clause (1) of Schedule- I			
	Fixed assets			
<b>C</b>	Fixed assets as per audited BS			
<b>D</b>	Inadmissible Fixed assets identified under clause (1) of Schedule - I			
	Current Assets			
<b>E</b>	Cash & Bank Balances as per audited BS			
<b>F</b>	Advances and Other assets as per audited BS			
<b>G</b>	Total Current Assets as per audited BS (E) + (F)			

	Particulars	Policyholder's A/C	Shareholder's A/C	Total
<b>H</b>	Inadmissible Current assets identified under clause (1) of Schedule-I			
<b>I</b>	<b>Loans as per audited BS</b>			
<b>J</b>	Fair Value Change Account subject to minimum of zero			
<b>K</b>	<b>Total Assets as per audited BS (K) = (A) + (C) + (G) + (I)</b>			
<b>L</b>	<b>Total Inadmissible assets (L) = (B) + (D) + (H) + (J)</b>			
<b>M</b>	<b>Current Liabilities and Provisions</b>			
<b>N</b>	<b>Total Admissible assets for Solvency</b>			

**Note.** - The statement shall show the value of the above-mentioned categories of assets in accordance with Clause 1 here in above.

'BS' indicates 'Balance Sheet'\*\*\*Name and Signature of Appointed ActuaryName and Signature of Statutory AuditorName and Signature of Chief Executive OfficerPlaceDate\*\*

## Schedule - II

### (refer clause (b) of sub-regulation (1) of regulation 5)Determination of Amount of Liabilities1. Determination of Technical Reserves

(1) The technical reserves shall be determined on the Valuation Date separately for each line of business. The representation of reserves for each line of businesses shall be as specified by the Authority.(2) The technical reserves for each line of business shall be determined as the aggregate of Premium Reserves as mentioned in clause 2 herein and Claims Reserves as mentioned in clause 3 herein.

**2. Premium Reserves(1) Unearned Premium Reserve (UPR):**UPR will be estimated as per the extant provisions and shall be certified by the Chief Financial Officer and the Statutory Auditor of the IIO.(2) **Premium Deficiency Reserve (PDR):**The PDR shall be calculated using sound actuarial principles and maintained at the level of insurer.The insurer shall continuously monitor the PDR on segmental basis for the segments as may specified by the Authority.

**(3) Unexpired Risk Reserve (URR):**Unexpired Risk Reserve shall mean the sum total of UPR and PDR.

**3. Claims Reserve(1)** The Claims Reserve shall be determined as the aggregate amount of Outstanding Claims Reserve (OCR) and Incurred but Not Reported Claims Reserve (IBNR) for each line of business.(2)

**Outstanding Claims Reserve (OCR)**The outstanding claims reserve shall be determined in the following manner:(a) Where the amount of outstanding claims of the insurers is known, the amount is to be provided in full;(b) Where the number of outstanding claims can be reasonably estimated, the Appointed Actuary shall follow the 'case by case method';(c) Where the Appointed Actuary is of the view that statistical methods maybe used for the estimation of Outstanding claims, he may use the appropriate statistical method of claims reserving instead of following case by case method. In such cases, the OCR shall be certified by the Appointed Actuary.(3) **Incurred But Not Reported (IBNR) Claims Reserve**The Incurred But Not Reported (IBNR) claims reserve shall be certified

by the Actuary.**4. Determination of Other Liabilities**The insurer shall place a proper value in respect of the following items:(1) provision for bad and doubtful debts; reserve for dividends declared or recommended, and outstanding dividends in full;(2) amount due to insurance companies carrying on insurance business, in full;(3) amount due to sundry creditors, in full;(4) provision for taxation, in full; and(5) foreign exchange reserve.**5. Statement of Liabilities**(1) Every insurer shall prepare a statement of liabilities in FORM ALSM-GI-L certified by the Appointed Actuary and the Statutory Auditor in accordance with Section 64V of the Insurance Act, 1938.(2) The statement shall be furnished to the Authority along with the returns mentioned in section 15 of the Insurance Act, 1938.**Form - Alsm-GI-LStatement of LiabilitiesAs on 31st March 20XX**

**Name of IIO:Registration Number:(All amounts in USD mn)**

(All amounts in USD mn)

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

**Total Technical Reserves (f)=(c)+(d)+(e)**

Note: The statement shall show the value of the above-mentioned categories of liabilities in accordance with Clause 1 to 4 here in above.

**Certifications(1) Certification from Statutory Auditor:I certify that** the above statement represents the liabilities of the insurer which have been determined in the manner prescribed in the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023, and amounts of such liabilities are fair and reasonable. I further certify that the OCR (that are estimated using statistical methods), PDR and IBNR reserves in the statement above have been determined by the Appointed Actuary and his certificate is furnished below.Qualifications, if any (in regard to the determination of liabilities):**Name of the Insurer:Place:Date:Name and Signature of the Statutory Auditor**

**(2) Certification from the Appointed Actuary:I certify that,** I have checked the data to the best of my ability, and I am satisfied that the data is consistent, reliable and complete. **I further certify that** the OCR (that are estimated using statistical methods), PDR and IBNR reserves in the statement above have been determined using actuarial principles and in the manner prescribed in the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023. These reserves, estimated as on the 31st day of March of (year of investigation) represent, in my opinion, a fair reflection of the expected future experience.Qualifications, if any:**Name of the**

**Insurer:Place:Date:Name and Signature of the Appointed Actuary****(3) Certification by Principal Officer:I certify that**(a) Full and accurate particulars of every policy and claim have been furnished to the Appointed Actuary:for the purpose of the determination of Technical Reserves as on the 31st Day of March of 20XX.(b) The data provided to the Appointed Actuary reconciles with the Audited Financials as on 31st Day of March 20XX.(c) The Appointed Actuary has been made

aware of all the information pertaining to underwriting, claims and re-insurance policies and practices followed by the Insurer. Qualifications, if any: **Name of the Insurer: Place: Date: Name and Signature of the Principal Officer** (4) **Certification from Chief Financial Officer:** I certify that The UPR has been determined as per the extant provisions of the International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023. Qualifications, if any (in regard to the determination of UPR): **Name of the Insurer: Place: Date: Name and Signature of the Chief Financial Officer** Schedule - III (refer clause (c) of sub-regulation (1) of regulation 5) **Statement of Solvency Margin** 1. **Interpretation:** In this Schedule, (1) 'Available Solvency Margin (ASM)' means the excess of value of assets (as furnished in Form ALSM-GIA) over the value of liabilities (as furnished in Form ALSM-GI-L) with further adjustments as shown in Table IB of Form ALSM-GI-SM. (2) 'Solvency Ratio' means the ratio of Available Solvency Margin to Required Solvency Margin as specified in Table IB. (3) '**Control level of Solvency**' refers to the specified level of solvency margin to be maintained by the IIO in accordance with sub-section (3) of Section 64VA of the Insurance Act, 1938, on the breach of which the Authority shall act in accordance with sub-section (4) of section 64VA of the Insurance Act, 1938, without prejudice to taking any other remedial measures as deemed fit. The control level of solvency is hereby specified as a minimum solvency ratio of 150%. **Form - Alsm-GI-SM Statement of Solvency Margin As on 31st March 20XX**

**Name of IIO: Registration Number:**

**Table Ia: Required Solvency Margin Based on Net Premium and Net Incurred Claims** (All amounts in USD mn)

Item No.	Line of Business	Gross Premiums	Net Premiums	Gross Incurred claims	Net Incurred claims	RSM1	RSM2	RSM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
01								
02								
09								

**Total**

**Notes:** (3) = Gross Written Premium including Inward Re-insurance (4) = Net Written Premium (5) = Gross Incurred Claims including impact of Gross IBNR (6) = Net Incurred Claims including impact of Net IBNR (3) and (4) are calculated as 'Trailing 12 Months Data' (5) and (6) are calculated as Maximum of 'Trailing 12 Months Data' and 'Trailing 36 Months Data' divided by 3 (7) RSM 1 in the above table means Required Solvency Margin based on premiums, and shall be determined as Twenty Percent (20%) of the amount which is the higher of the Gross Premiums multiplied by a factor of 0.5 and the Net Premium, (8) RSM 2 in the above table means Required Solvency Margin based on incurred claims and shall be determined as Thirty Percent (30%) of the amount which is the higher of the Gross Incurred Claims multiplied by a factor of 0.5 and the Net Incurred Claims. (9) RSM means Required Solvency Margin and shall be the higher of the amounts of total of RSM 1 and total of RSM 2 for the IIO. (10) An IIO set up in unincorporated form shall also submit 'FORM ALSM-GISM' to the Authority. Provided that the Authority may permit deviation from the above reporting format based on applicable regulatory framework for Parent Entity of an IIO.

**Name of IIO:Registration Number:**

(All amounts in USD mn)

	(1)	(2)	(3)
Item No.	Description		Amount
	Policyholder's Funds		
A	Available Assets (as per Form ALSM-GI-A)		
	Deduct:		
B	Current Liabilities as per audited BS		
C	Provisions as per audited BS		
D	Other Liabilities		
E	Excess in Policyholder's funds (A)-(B)-(C)-(D)		
	Shareholder's Funds		
F	Available Assets		
	Deduct:		
G	Other Liabilities		
H	Excess in Shareholder's funds (F-G)		
I	Total ASM (E+H)		
J	Total RSM		
K	Solvency Ratio (Total ASM/ Total RSM)		

Certification: I \_\_\_\_\_, the Statutory Auditor, hereby certify that the above statements have been prepared in accordance with the Section 64VA of the Insurance Act, 1938, and the amounts mentioned therein are true to the best of my knowledge. Place Date Name and Signature of the Statutory Auditor Counter signed by Principal Officer: Appointed Actuary Chief Financial Officer

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