



CIRCULAR

**To,
All Insurers,**

Sub: Accounting Treatment of Enhanced Provision of Pension Scheme

The pay revision of the officers and employees has been carried out by the Public Sector General Insurance Companies in the year 2015-16 consequent upon the Gazette Notification dated 23.01.2016 issued by the Ministry of Finance.

By virtue of the Gazette Notification no. 233(E), 234(E) and 235(E) dated 23.01.2016, the Pension Scheme 1995 has been extended to PSU officers and staff members who joined until 31.03.2010. Earlier the pension scheme was applicable to officers and staff members who joined until 31.03.2004. This will lead to an increase in the 'Employee Liability' on account of extension of pension scheme. The said provisions will impact the insurers' profitability significantly as they need to provide for the same in the financial year 2015-16. This will also cause a strain on their solvency as well as on their performance results.

In view of the above, the Authority hereby permits the insurers to amortize the additional liability on account of extension of pension scheme (until 31.03.2010) over a period of five years starting from financial year 2015-16 subject to the following conditions:

- i. The additional liability on account of pension provisions may be fully recognized and charged to Revenue Account/ or Profit and Loss Account for the financial year 2015-16. The expenditure as indicated above, may, if not fully charged to the Revenue Account and/or Profit and Loss Account during the financial year 2015-16, be amortized over a period of five years beginning with the financial year 2015-16 subject to a minimum of 1/5th of the total amount involved every year.
- ii. The unamortized expenditure carried forward should not include any amounts relating to separated/retired employees.
- iii. A complete disclosure in the notes to accounts to this effect giving the total amount of liability on this account, and the amount recognised to Revenue/ Profit and Loss Account.


(V.R.Iyer)
Member (F&I)