



Circular

Ref No: IRDA/F&A/CIR/MISC/080/05/2019

Date: 20th May 2019

To,

CMDs/CEOs

All General/Health/Specialized Insurers

Sub: Reconciliation of Co-Insurers Balance from ETASS

Ref:

1. IRDAI Guidelines on Participation in Electronic Transaction Administration and Settlement System (ETASS) bearing Ref: IRDA/NL/ETASS/RIN/103/05/2015 dated 11th May 2015
2. IRDA Circular bearing ref IRDA/NL/CIR/MISC/101/06/2018 dated 27th June 2018

General Insurance Council has been implementing ETASS for capturing of Co-insurance transactions, reconciliation and settlement of balances between member insurance companies. The system has been in operation from April 2017 for all lines of Business and GI Council agreed that from 1st April 2018, the system would be treated as live and all co-insurance transactions will be settled between member insurers only on the basis of ETASS statement.

The Authority had noticed that the inter-company balances in re-insurance and co-insurance business are significantly high and are on the rise. The re-insurance and co-insurance transactions typically involve multiple organizations across various geographies giving rise to following issues:

1. Inability of parties to the transactions to agree, resulting in growing inter-company balances;
2. Lack of cooperation between the companies and inadequate documentation, posing a problem towards the efforts to minimize these balances;

3. Lack of a common platform to handle the re-insurance and co-insurance transactions;
4. Delayed settlement of balances;
5. High turnaround times.

In this regard, it is hereby directed that:

- I. For all the co-insurance transactions that took place after 1st April 2018, the balances due to/from co-insurers shall be reconciled with the balances as per ETASS;
- II. A certificate from the statutory auditor shall be submitted to the Authority, in the format as prescribed in Annexure A, along with the annual financial statements certifying that there is no difference in books of accounts and ETASS with regard to co-insurance transactions that relate to policies with a risk start date on or after 1st April 2018;
- III. In case of differences, the co-insurer wise differences shall be reported in the Auditor's certificate;
- IV. Balances for the transactions that took place before 1st April 2018 shall be reconciled by the insurer and the same shall be submitted to the Authority on or before 30th September 2019 without fail.

This Circular is being issued under section 14 of IRDAI Act, 1999. All insurers are advised to take note of the above for compliance from Q1 of FY2019-20 and thereafter.



(Pravin Kutumbe)



Member (F&I)

Enclosed: as above

Annexure A

Certificate on Reconciliation of Co-Insurers Balances with ETASS

I/We..... (Name of the Auditor), the statutory auditor of
(name of the Insurer) (hereinafter "the Insurer") have examined the statement of
balances due to/from other insurers in respect of co-insurance transaction that took
place from 1st April 2018 to (specify the date) (herein after referred to as
statement).

The management of the Insurer is responsible for preparation of the statement.
The management of the Insurer is also responsible for preparation and
maintenance of the proper books of account and such other relevant records as
prescribed under relevant laws and Regulations. This responsibility includes
designing, implementing and monitoring of internal controls relevant to the
preparation and maintenance of such books of account and records and the
particulars furnished in the aforesaid Return.

My/Our responsibility is to verify the aforesaid statement. We have carried out our
verification in accordance with the Guidance Note on Audit Reports and
Certificates for Special Purposes, issued by Institute of Chartered Accountants of
India.

We have verified the reconciliation of the co-insurers balances as per the
statement with the balances as per Electronic Transaction Administration and
Settlement System (ETASS). Based on our aforesaid reconciliation and to the best
of our knowledge and belief and according to the information, explanations and
representations given to us by the management of the Insurer, I / we hereby certify
that:

1. All the co-insurance transactions that took place on or after 1st April 2018
have been entered into ETASS system. (Please furnish the details of
deviation, if any observed).

2. Co-insurers balances shown in the books of accounts have been tallied with the balance as per ETASS on quarterly basis. (Please furnish the details of deviation, if any observed).
3. No differences have been observed in the co-insurers balances as per books of accounts and ETASS. (Please furnish the details of deviation, if any observed*).
4. Co-insurers balances outstanding for more than ninety days as on..... (specify the date) has been placed with zero value for the purpose of computation of Solvency Margin as on that date. (Please furnish the details of deviation, if any observed*)

Place of Signature

For XYZ & Co.

Chartered Accountants

Firm's Registration Number

Date:

.....

(Signature)

Designation:

Membership:

*Notes:

1. In case of any differences in the co-insurers balances as per books of accounts and ETASS, a statement showing age wise and insurer wise differences shall be submitted along with the Auditor's Certificate.
2. In case of any unreconciled co-insurers balances (even if outstanding for less than 90 days) have been considered for the purpose of computation of solvency margin, amount of the same shall be separately disclosed in the Auditor's certificate.

