Insurance Regulatory and Development Authority of India (Preparation of Financial Statements and Auditor's Report of Insurance Companies) (First Amendment) Regulations, 2021

Objective: *To provide the manner in which the premium for long term contracts and unexpired Risk Premium Reserve shall be recognized*

F. No. IRDAI/Reg/__/___/2020 – In exercise of the powers conferred by Section 11 read with Section 114A of the Insurance Act, 1938 (4 of 1938) and sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely

1. Short title and commencement

(1) These regulations may be called the Insurance Regulatory and Development Authority of India (Preparation of Financial Statements and Auditor's Report of Insurance Companies) (First Amendment) Regulations, 2021.

(2) These Regulations shall be effective from the first day of the financial year coming into force after notification of these regulations.

2. For Para 2 of Part 1 of Schedule B, the following shall be substituted, namely-

"**Premium**

2 (i) Premium shall be recognized as income over the contract period or the period of risk, whichever is appropriate.

(ii) Premium received in Advance is the premium where the period of inception of the risk is outside the accounting period and is to be shown under current liabilities.

(iii) Unallocated premium includes premium deposit and premium which has been received but for which risk has not commenced. It is to be shown under current liabilities.

2A. Unearned Premium Reserve

A reserve for unearned premium shall be created as the amount representing that part of the premium written which is attributable to, and allocated to the succeeding accounting periods. Such Reserves shall continue to be computed as under:

i) **Marine Hull:** 100 percent of Net Written Premium during the preceding twelve months;

ii) **Other Segments:** 50 percent of Net Written Premium during the preceding twelve months; or on the basis of 1/365th method on the unexpired period of the respective policies.

However, Insurers shall follow the method of provisioning of UPR in a consistent manner. Any change in the method of provisioning can be done only with the prior written approval of the Authority."

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