

# INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

## GUIDANCE NOTE

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### PREPARATION OF INVESTMENT RETURNS



**Ver 02**  
**AUGUST, 2016**

The Authority, to bring consistency in the “data” filed through electronic submission, had prepared “Guidance Note on Preparation of Investment Returns”. While due care had been taken to prepare this Guidance Note, users can point out through Life or General Insurance Council any inconsistency, to be addressed in the subsequent versions

## FORM 1 – STATEMENT OF INVESTMENT AND INCOME ON INVESTMENT

### OBJECTIVE

To ascertain return on investment assets, insurers shall file FORM-1 listing Category of Investment wise (as per Investments - Master Circular on Category of Investments) income and yield on such investment at gross and net basis. The Form shall be prepared in respect of each fund. In case of ULIPs, **FORM 1** shall be prepared at Segregated Fund (**SFIN**) level and also at consolidated level. The Income on Investments shown in **FORM1** shall reconcile with Revenue and Profit & Loss Account figures

### A. METHOD OF PREPARATION

#### a. COI (Category of Investments)

Category of investment shall be as per Investments - Master Circular on Category of Investments – Annexure - 1

#### b. Cat Code (Category Code)

Category Code shall be as prescribed in Investments - Master Circular on Category of Investments – Annexure - 1

### DETAILS PERTAINING TO THE CURRENT QUARTER

#### c. Investments

The insurer shall state the Simple Average of investments for (Non-ULIP and General Insurer including an insurer carrying on business of re-insurance or health insurance) the quarter at their Book Value and for ULIP Business at the value of Investment Assets taken for computing NAV. The simple average investments shall be calculated based on daily closing balance. In case where any security has been reclassified (when the Security is moved from Approved to Other Investment Category or vice versa) to another category then the simple average balance shall be shown under the first category till the time such investment was classified under that category and for the balance period in the reclassified category.

### NOTE:

*Simple average of investments shall be the sum of daily closing balance of Investments divided by the number of day(s) such investments are outstanding. The net investment current assets of linked funds shall be reported as at the period end in the Current quarter and Year to Date column.*

#### d. Income on Investment

For non-ULIP funds and General Insurer including an insurer carrying on business of re-insurance or health insurance, Income on Investments will include, income taken to Revenue Account & Profit and Loss account (Interest, profit / (loss) on sale, accretion of discount, amortization of premium, dividend earned during the quarter) and taken to financial statements pertaining to all the securities held under that category during that quarter.

In case of ULIP funds, any incremental un-realized gains / (loss) arisen for the period on investment shall be included. In case where any security has been reclassified to another category then income shall be shown under the first category till the time such investment was classified under that category and for the balance period in the reclassified category. Income earned on lending securities under SLB shall be shown in the CAT code of underlying security.

Further, Year to Date Income on investment shall be reconciled with figures in Revenue account and Profit and Loss Account. Provisions on Assets, if any, as per regulations, shall be reduced from Income shown in **FORM 1**

**e. Gross yield**

The gross yield shall be computed by dividing the income on Investment for the quarter by the simple daily average investments outstanding for number of days for the quarter

**f. Net Yield**

The net yield shall be computed by giving the effect of tax rate to the gross yield.

**1. DETAILS PERTAINING TO THE INCOME AND YIELD FOR YEAR TO DATE**

Under the head “Year to Date”, details of Investments, Income, Gross Yield and Net Yield shall be shown for the period April to the end of the quarter for which details are being furnished. For example for the quarter ended June, the details from April to June shall be provided and for the quarter ended September, the details pertaining to April to September shall be provided.

**2. DETAILS PERTAINING TO THE INCOME AND YIELD FOR PREVIOUS YEAR**

Under the head “Year to Date”, details of Investments, Income, Gross Yield and Net Yield for the corresponding period of the previous year are to be shown.

## **FORM 2 – STATEMENT OF DOWNGRADED INVESTMENTS (PART – A)**

### **OBJECTIVE**

In order to establish the movement of securities from one category to another especially the movement from Approved Investments to Other Investments on account of rating downgrades/upgrades on the reporting date, all insurers are required file **FORM 2**, listing various instruments which have been downgraded from its rating at the time of the purchase (original rating).

### **A. METHOD OF PREPARATION**

The details of all the downgraded debt securities during the quarter shall be given under 'current quarter' and all downgraded securities shall be shown under "As on date". 'Investments currently upgraded to the original grade or above, listed as Down Graded during earlier Quarter shall be deleted from the Cumulative listing.

#### **a. COI (Category of Investments)**

Insurers are required to pick up the corresponding Category of Investment (COI) for every downgraded security, reposition the same at the appropriate COI as prescribed in the regulation.

#### **b. Amount**

The Book Value (as defined in **FORM 3 PART- A** of Guidance Note on Preparation of Investment Returns) shall be stated in this column.

#### **c. Date of purchase**

In this column, the insurer shall state the date of purchase of that security. In case there are multiple purchases then the date on which the earliest purchase was made shall be stated.

#### **d. Rating Agency**

In this column, the insurer shall state the name of the rating agency as prescribed in the regulation. If an instrument is rated by more than one rating agency, the lowest rating must be used as a matter of conservatism.

#### **e. Original Grade**

Original grade is the rating at the time of purchase of the instrument.

**f. Current Grade**

Current grade is the rating for the instrument as at the last day of the quarter.

**g. Date of Downgrade**

Further the Insurer shall state the date of downgrade along with remarks, if any. In case of any downgrade of security resulting in securities being reclassified as "Other Investment", in Pension and General Annuity fund, the same shall be specifically disclosed in the Returns.

## **FORM 2 – INVESTMENT ASSETS – RATING PROFILE (PART – B)**

### **OBJECTIVE**

To assess the credit quality of the Investment portfolio, Insurers are required to file **FORM 2**. This form needs to be linked to **FORM 3A/ 3B**. Equity or Equity Related Instruments and other than Debt Instruments Portfolio are also reported in **FORM 2**, for the purpose of linking the total portfolio to **FORM 3A / 3B**

### **A. METHOD OF PREPARATION**

1. **FORM - 2** shall be prepared in respect of each fund/investment assets. In case of ULIP **FORM 2** shall be prepared at Segregated Fund (**SFIN**) level and also at consolidated level.
2. For the purpose of asset classification in various rating classes, the following points may be noted:
  - a. Debt investments which are capable of being rated and are not rated shall be shown under "Unrated"
  - b. In case of loans in housing sector, infrastructure sector, secured loans appearing in approved investment and unsecured loans appearing in 'Other investments' amount shall appear in unrated column of the **FORM 2(PART B)**
  - c. All loans, excluding policy loans, shall form part of Other Investments
  - d. Reverse Repo with underlying corporate bond, Investment in Mutual Funds including Promoter Group Mutual Funds, Bank FDs, Net investment current assets, Venture funds, immovable property and any other non-debt investments as permitted under the regulations, shall be shown under "Equity and Other Instruments"
  - e. In case of Reverse Repo with underlying Government securities & CBLO the same shall be classified under 'AAA' or Equivalent
  - f. Non-Performing investments assets will be shown separately irrespective of rating
3. Book value of the Investments shall be provided. The figures in Col (i) must match with **FORM 3A/B**
4. Percentage to Investment Assets shall be computed, in the case of Non-ULIP funds and General Insurer including an insurer carrying on business of re-insurance or health insurance by dividing the Book value of investments in various rating class by the total Book value of Investment assets held and in the case of ULIP funds, by dividing the Market Value of investments in various rating class by the total Market Value of Investment assets held

5. Other investments in housing and infrastructure should be disclosed under 'Other Investments'

## **FORM 2 - INVESTMENT ASSETS & INFRA INVESTMENTS - RATING PROFILE (PART – C)**

### **OBJECTIVE**

To assess the amount of infrastructure investments in life funds, Insurers are required to file FORM 2C. Section 1 of this s form needs to be linked to **FORM 3A / 3B**. Section 2 of the Form would contain the details of Investments in Infrastructure sector only. Investments in housing sector would not be part of it.

### **A. METHOD OF PREPARATION**

1. **FORM – 2C** shall be prepared in respect of life fund only and General Insurer including an insurer carrying on business of re-insurance or health insurance.
2. The figures under investment assets category must reconcile with **FORM 3A / FORM 3B**
3. The figures under the infrastructure category must reconcile with **FORM 5**



## **FORM 3A – STATEMENT OF INVESTMENT ASSETS (PART – A)**

### **OBJECTIVE**

The Insurer shall file **FORM 3A (PART A)** for compliance of fund wise Pattern of Investments showing Investment assets and other assets and linking the same with Balance Sheet figures.

### **A. METHOD OF PREPARATION**

#### **1. FORM 3A (Part-A) has two Sections**

##### **SECTION-I**

Section I provides link to Investment assets reported in the Balance Sheet with that as reported in **FORM 3A (PART A)**. The investment assets which are subject to pattern of investments, under each fund of the Life Insurer as required under Regulation 3, and shown under “funds available for investments”

##### **a. Funds available for Investment**

To arrive at the “funds available for investments”, the amounts appearing in the non investment schedules and non investment line items appearing in Balance Sheet under Application of Funds, are deducted. Similarly any non-investment items, deducted from Balance Sheet, shown under Application of Funds, shall be added back in the reconciliation to arrive at the “funds available for investments”. If any Insurer is carrying Loans as a part of investments, then the same shall not be deducted from the application of the funds.

The balance so arrived as “funds available for investments” shall tally with the sum of the values shown in the “Total Fund” column of all the three funds in **FORM 3A (PART A)** which shall reconcile with figures shown in schedule 8, 8A, 8B & 9.

Application Money for investments under ‘non linked funds’ shall form part of the Schedule 12 and the same shall not form part of the Schedule 8, 8A, & 9. It shall not form part of the investment assets till the allotment is complete. In case of ‘Linked portfolios’ the same shall form part of ‘Net Current assets’ till the allotment is complete. Also, it shall be reported under Schedule 8B. If investment application money is paid through ASBA Fixed Deposit instead of cash, the same shall be treated as application money (current Assets) and the lien shall be properly disclosed in Form 6 as a note.

##### **SECTION-II**

Section II requires the insurer to report the fund wise, pattern of investments as prescribed under

Regulation 4, 5 and 6 of the IRDAI (Investment) Regulations 2016 as amended from time to time.

Separate Custodian account shall be maintained for “balance” investments of Shareholder’s fund that does not form part of the FRSM (except in case of Securities held with RBI/ CCIL). Shareholders’ funds held beyond the solvency requirements shall not be subject to Pattern of Investments prescribed under Regulation 4, 5 and 6 and shall be subject to Prudential / Exposure norms prescribed under Regulation 9, provided the same are maintained in a separate custody account.

**a. Category of Investments**

Investments shall be categorized as per the Regulation or circular issued there under, such as Central Government Securities, State Government Securities, Other Approved Securities, Housing and Infrastructure, Approved Investments and Other Investments.

**b. % as per Regulation**

This specifies the minimum or maximum % of investments under each category of investments as prescribed in Regulation for various funds.

**c. Shareholder’s and Policyholder’s fund**

All the insurers shall maintain portfolios of SH - FRSM, SH BALANCE (other than fund representing solvency margin), UL non-unit reserves, Par and Non par. The insurer shall maintain sub portfolios under these broad portfolios on the basis of various line of business. The Pattern of Investment, with respect to Life Fund, shall be complied with respect to the total of Life fund (both shareholder fund representing solvency and Policyholder funds taken together). It may be noted that the pattern of Investment will not apply to Shareholders funds in excess of solvency requirement, held in a separate custody account. But exposure norms of ‘Investee’ company, ‘Group’, and ‘industry sector’ will apply to both shareholders and policyholders funds.

**d. Book Value (SH+PH)**

In case of ULIP Net asset value including net current assets shall be considered for pattern of investments. Net current assets shall be considered as ‘approved investment’ for this purpose. All the securities (both Equity and Debt) shall be marked to market.

In case of ‘Non-Linked’ funds, cost plus amortization value of the debt securities and acquisition cost in case of Equity, mutual fund and investment property and other than Debt investments will be considered for pattern of investments. Net current Assets shall not be considered for calculation of Pattern of Investments for non linked portfolio.

**e. Actual %**

The actual % of the each category of investments under Non-linked portfolios shall be calculated as a % to the total book value of investment assets in the fund. The amounts in the column (f) shall be used for calculating the Exposure %.

In case of the ULIP, the actual % of each category are calculated as a % to the 'market value' of the assets of the funds including 'net current assets' that is considered for NAV calculation.

**f. Fair Value Change (FVC) Amount**

The insurer shall compute the fair value for equities and units of mutual fund. The difference between the fair value and the book value is the Fair Value Change (FVC) and the same shall be disclosed in the column provided for.

**g. Total Fund**

The amount after adding the fair value amount to the book value shall be shown under Total Fund Column. The Grand total under this column shall reconcile with the 'Balance Sheet' value of investments assets shown in Section I

**h. Market Value**

The market value of the securities classified under the various categories of investments shall be shown under Market Value column. In the case of Equity, the Market Value shall be as per regulation, as amended from time to time.

**NOTE**

- a. *In case of Life Fund, Pattern of Investment is applicable for Share holder fund representing solvency margin and Policyholder funds. Shareholder fund beyond solvency margin is not subject to pattern of investment.*
- b. *In FORM 3A PART A, the equation provided under 'Book Value (SH+PH) shall be read as '(f) = [b+c+d+e],*
- c. *"Other Investments" made from all Categories of Investment including housing and infrastructure category shall not exceed 15% of investment assets of Life fund.*
- d. *All the investment assets such as Fixed Deposits, shall form part of the Schedule, 8, 8A, 8B or 9 with a note in the respective forms.*
- e. *Non-investment assets of the non-linked funds shall be shown in the respective schedules other than 8, 8A & 9*

*f. Net Current Assets of the Linked portfolios shall be shown as a separate line item in the Schedule 8B*

## **FORM 3A – STATEMENT OF INVESTMENT ASSETS (PART – B)**

### **OBJECTIVE**

The objective of the form is for compliance to the pattern of Investment under Reg. at the Segregated Fund level of ULIP fund. This Form is linked to the item C of **FORM 3A (PART-A)**.

### **A. METHOD OF PREPARATION**

#### **Fund 1 to Fund `n`**

Details about each Segregated Fund of ULIP and its total shall be provided in this form. The number of funds shall be the funds as approved by the File & Use of IRDAI.

#### **i. FORM 3A (Part-B) has two sections**

#### **SECTION-I**

This section shows the movement of funds from the previous quarter to the reporting quarter on account of the inflow /outflow in the policyholders funds and increase/decrease in the value of investments during the quarter.

#### **a. Opening Balance (Market Value)**

The closing fund values i.e. total Assets under Management (AUM) (at the segregated ULIP fund level) at the end of the previous quarter shall be brought forward as opening balance of the linked portfolio(s).

#### **b. Inflow during the quarter**

Inflow (a positive figure) will represent the funds brought in for creation of units in each of the Fund(s).

#### **c. Outflow During the quarter**

Outflow (a negative figure) during the quarter shall represent the redemption of units for surrender, claims, charges etc.

#### **d. Increase / (Decrease) value of Investments**

Increase / (decrease) in the value of investments shall include the realized, unrealized gains/losses and other Investment income that has accrued to the individual fund during the reporting quarter

#### **e. Total Investible Funds (Market Value)**

Opening Balance (Market Value) + inflow during the quarter + net Increase / (Decrease) in the value of Investments – outflow during the quarter of all funds taken together. In the case of Equity, the Market Value shall be, as per regulations, as amended from time to time.

## **SECTION-II**

### **INVESTMENT OF UNIT FUND**

All the Investments under the ULIP each Segregated Fund(s) shall be shown under two heads namely Approved and Other Investments.

Under the Approved Investment Category, the investments shall be further divided into Central Govt. Securities, State Govt Securities, Other Approved Securities, Corporate Bonds, Infrastructure Bonds, Equity, Money Market investments, Mutual funds, Deposit with Banks. 'Net current assets' shall be classified as 'Approved Investment' and its breakup shall be provided as prescribed in the format.

Under the Other Investment Category, the investments shall be further divided into between Corporate Bonds, Infrastructure Bonds, Equity, Mutual funds, and any other investments which can be readily realizable and marketable. No investment shall be made in the securities which cannot be marked to market on daily basis. Total funds i.e. aggregate of Approved and Other Investments shall reconcile with the Total investible funds as shown in the Section 1 of the **FORM 3A (PART B)**

### **NOTE**

- a. *The aggregate of all the above Segregated Unit-Funds should tally with item C of FORM 3A (PART A), for both Par & Non Par Business*
- b. *The details of Item 12 of FORM LB 2 which form part of IRDA (Actuarial Report) Regulation, 2000 shall be reconciled with FORM 3A (PART B). LB2 being an annual form the reconciliation would be done only at year end.*
- c. *Other Investments' are as permitted under regulations, as amended from time to time.*
- d. *Market value of the securities considered for NAV calculation shall be taken for the purpose of applicability of Pattern of Investments for ULIP*
- e. *All the assets of linked funds at the segregated level including net current assets shall be considered in the denominator for limit monitoring*

## **FORM 3A – STATEMENT OF INVESTMENT ASSETS (PART - C)**

### **OBJECTIVE**

The objective of the form is to compare the performance of funds at various periods. Further the form establishes the consistency of NAV considered for accounting and that reported in Actuarial Statement LB2 are the same. Also the form provides the periodical investment returns of fund(s). This Form is linked to the FORM 3A (PART B).

### **A. METHOD OF PREPARATION**

#### **a. Name of the Segregated fund**

Details about each segregated fund of linked fund shall be provided in this column.

#### **b. SFIN**

SFIN for each of the segregated fund shall be provided.

#### **c. Date of Launch**

The date of the first unit allotted under the fund needs to be stated against each segregated fund.

#### **d. Par/Non Par**

Details about the fund whether it is Par/Non Par to be provided

#### **e. Assets Under Management on the above date**

The total should be equivalent to the Assets under Management (AUM) of the segregated fund as provided in FORM 3A PART B.

#### **f. NAV as per LB 2**

NAV as per FORM LB2, (Regulation 4 of IRDA (Actuarial Report and Abstract) Regulations 2000 shall be provided in the column. LB2 being an annual form, the NAV as per LB2 would equal the published NAV on a quarterly basis.

#### **g. NAV as on the above date**

The NAV on the last day of the quarter shall be provided for calculating the return.

**h. NAV of previous quarters**

NAV from previous quarter upto the 4th previous quarter shall be provided. For example for the quarter ended June 2012, the NAV on March 31, 2012 shall be provided in Previous Qtr NAV column, the NAV on December 31, 2011 shall be provided in 2nd Previous Qtr NAV column, the NAV on September 30, 2011 shall be provided in 3rd Previous Qtr NAV column and the NAV on June 30, 2011 shall be provided in 4rd Previous Qtr NAV column.

**i. Return**

The absolute yield should be computed for one year return based on NAV movement. Absolute return/ yield = Current quarter NAV/ 4th Previous Qtr NAV -1. In case the fund inception data is later than 4th previous quarter NAV date the same must be reported as NA (Not Applicable).

**j. 3 Year rolling CAGR**

The formulae for 3 year CAGR is  $= ((X/Y)^{(1/3)})-1$

X = NAV as provided in the as on above date column

Y = NAV of the corresponding date of the 3rd previous year

In case the fund inception data is later than three years from as on above date of the Form the same must be reported as NA (not applicable).

**k. Highest NAV since inception**

Highest NAV of each fund since inception should be provided.

**l. NAV upto 4 decimals to be given at all places**



## **FORM 3A – STATEMENT OF INVESTMENT ASSETS (PART - D)**

### **OBJECTIVE**

All insurers are required to file FORM 3A (Part – D) to provide the details of investments made under various funds (Life, Pension and Linked) of the Life Insurer during the quarter. The Form should be prepared separately for each fund and in aggregate for all segregated linked funds. The form is intended to bring out the accretion to the insurers investments (fund wise) while complying with the fund wise pattern of Investment.

### **A. METHOD OF PREPARATION**

#### **a. Opening balance**

The value of investments of the previous quarter as disclosed under FORM 3A (Part A) shall be reported in the column.

#### **b. % to Total**

The opening balance of prescribed category of investments under various funds divided by total value of investments of the fund expressed as a percentage.

#### **c. Net Accretion for the Qtr.**

Net increase/ (decrease) in the category of investments during the quarter.

#### **d. Total**

Opening balance of the category of investments plus net accretion during the quarter must be shown in the column. The summation of the column for the various funds should tally with book value figures shown in **FORM 3A (PART A)**.

## **FORM 3A – STATEMENT OF INVESTMENTS (PART - E)**

### **OBJECTIVE**

All insurers are required to file FORM 3A (Part – E) to provide the details of investments made under unit linked funds (at a segregated fund level) of the Life Insurer during the quarter. The Form should be prepared separately for each fund and in aggregate for all segregated linked funds. The form is intended to bring out the reconciliation of Investment details of ULIP products (UIN) to segregated funds (SFIN)

### **A. METHOD OF PREPARATION**

- a. This form is to be prepared for all ULIP products at UIN level. UIN approved by IRDAI
- b. Premium  
It represents premium income (including first year premium, renewal premium, Top up premium and Single premium) received during the quarter for each UIN
- c. Others – need to specify type of inflow, other than premium income, which flows into policy fund.
- d. Outflow  
Details of all charges, policyholders’ payouts including claims, surrender, partial withdrawal, and any other outflows (need to specify), which gets deducted either from premium inflow or policy fund (by way of policyholders’ payout or charges) during the quarter.
- e. The above information will flow from policy admin system at UIN level
- f. Policy funds  
Net inflow or outflow as computed above will flow into or flow out of segregated policy fund (at SFIN level) during the quarter. This information will reconcile with change in unit capital and premium reserve at SFIN level in the Investment management system
- g. Difference between net inflows/outflows as per UIN level and Net inflows/outflows as per SFIN level must be “nil”
- h. Total of Net Inflows as per **FORM 3A PART E** should match with Total of Net Inflows as per **FORM 3A PART B**

## **FORM 3B – STATEMENT OF INVESTMENTS (PART - A)**

### **OBJECTIVE**

The Insurer shall file FORM 3B (Part A) for compliance of Pattern of Investments showing Investment assets and other assets and linking the same with Balance Sheet figures

### **A. METHOD OF PREPARATION**

#### **a. FORM 3B has two sections:**

##### **Section I**

Section I requires the insurer to establish linkage with the details of investment as shown in the Balance Sheet and the investment returns. The Insurer shall furnish the figures as appearing in Schedule 8 to 15 and the debit balance in Profit & Loss Account. Further, all the items pertaining to investments disclosed in the investment returns (FORM 5) which do not form part of schedule 8 need to be shown in the “less” items of this section. The Investment assets as appearing in section I shall be reconciled with the investment assets shown under the head “Total Fund” in section II.

##### **Section II**

In Section II, the insurer is required to comply with the pattern of investments as prescribed under Regulation 7 of the IRDAI (Investment) Regulations 2016 as amended from time to time. Separate Custodian account shall be maintained for “balance” investments of Shareholder’s fund that does not form part of the FRSM (except in case of Securities held with RBI/ CCIL). Shareholders’ funds held beyond the solvency requirements shall not be subject to Pattern of Investments prescribed under Regulation 7 (provided such assets are kept in a separate custody account) but shall be subject to Prudential / Exposure norms prescribed under Regulation 9, provided the same are maintained in a separate custody account.

#### **b. Category of Investments**

Investments shall be categorized as per the Regulation, such as Central Government Securities, State Government Securities, Other Approved Securities, Housing and Infrastructure, Approved Investments and Other Investments.

#### **c. % as per Regulation**

This specifies the minimum or maximum % of investments under each category of investments as

prescribed in Regulation for various funds.

**d. Shareholders' Fund (SH) and Policyholders' Fund**

All the insurers shall maintain portfolios of SH BALANCE (other than fund representing solvency margin) and /or assets representing Solvency Margin. The Pattern of Investment shall be complied with funds representing solvency margin (both shareholder fund representing solvency and Policyholder funds taken together. It may be noted that the pattern of Investment will not apply to Shareholders funds in excess of solvency requirement, held in a separate custody account. But exposure norms of 'Investee', 'company', 'Group' and 'industry sector' will apply to both shareholders and policyholders funds.

Any amount shown under the head "Balance" shall clearly identified (security wise) in a separate custody account.

**e. Book Value (SH + PH)**

Investment assets allocated under SH and PH shall be shown at Book value i.e. all the debt securities shall be at historical cost subject to amortization. Units of Mutual Fund and equity and equity related instruments shall be shown at cost of acquisition. In the investment returns, column d would be sum of column b and column c.

**f. % Actual**

The insurer shall work out the percentage of holding in G Sec, G Sec or Other Approved Securities (including Govt. Securities), Housing & Loans to State Government for Firefighting equipments; Infrastructure Investments, Approved investments and Other Investments with respect to Total Investment asset.

**g. FVC Amount**

The insurer shall compute the fair value for holding in equities and for units of mutual fund. The difference between the fair value and the book value is the Fair Value Change (FVC).

**h. Total**

This is the sum of Balance of Shareholders Fund, FRSM, Policyholders funds and FVC amount. The grand total under this column should tally with the investments assets shown in section I.

**i. Market Value**

The market value all the securities shall be shown, Category code wise as provided in the Guidelines

issued. In the case of Equity, the Market Value shall be the lower of BSE / NSE prices

**NOTE**

- a. *“Other Investments” made from all categories of Investment including Housing and Infrastructure sectors shall not exceed 25% of the total investment assets.*
- b. *All investment assets such as Fixed Deposit, Section 7 deposit should form part of Schedule 8 in the Balance Sheet*

## **FORM 3B – STATEMENT OF INVESTMENTS (PART - B)**

### **OBJECTIVE**

All insurers are required to file FORM 3B (Part – B) to provide the details of investments during the quarter. The form is intended to bring out the accretion to the Insurer's investments while complying with the pattern of Investment.

### **A. METHOD OF PREPARATION**

#### **a. Opening balance**

The closing book value of investments of the previous quarter as disclosed under FORM 3B (Part A) shall be reported in the column.

#### **b. % to Opening Balance**

The opening balance of prescribed category of investments under various funds divided by total book value of investments of the fund expressed as a percentage.

#### **c. Net Accretion for the Qtr.**

Net increase/ (decrease) in the category of investments during the quarter is the difference between the opening balance and the closing balance during the quarter.

#### **d. Total**

Opening balance of the pattern of investment assets plus net accretion during the quarter must be shown in the column. The summation of the column for the various funds should tally with book value figures shown in **FORM 3B (PART A)**.

## **FORM 4A – EXPOSURE NORMS COMPLIANCE (PART A, B, C & D)**

### **OBJECTIVE**

In order to establish compliance with prudential and exposure norms as prescribed in Regulation 9 and other circulars issued by the Authority from time to time, all insurers are required to file **FORM 4A (PART A, B, C & D)**. Norms for exposure to Investee Company, Investee Company Group and Industrial Sector have been laid down in Regulation 9 of the IRDAI (Investment) Regulation, 2016 as amended from time to time. **FORM 4A (PART A)** requires exception reporting and hence only deviations from the prescribed regulations are required to be reported. FORM 4A (Part B) shall be prepared for Promoter Group, **FORM 4A (PART C)** shall be prepared for Non Promoter Group and Part D be prepared for each Industry Sector. **FORM 4A (PART A, B, C & D)** shall be prepared for Life, Pension & General Annuity and for ULIP at Segregated Funds [SFIN] level.

### **A. METHOD OF PREPARATION**

#### **In Part A of FORM 4A**

The insurer is required to submit only the instances of deviation where there is non-compliance with investee company norms as prescribed in Regulation.

#### **a. Investee Company**

The insurer shall state the full name of the Investee Company.

#### **b. Eligibility limit as per Regulation**

The insurer shall state the limit in terms of amount for equity and debt. The maximum amount (Eligible limit) for investment in equity, preference shares and convertible debentures shall be the lower of amount computed as per percentage (prescribed under Regulation 9 of IRDAI (Investment) Regulations, 2016 as amended from time to time) of (1) investee company's outstanding shares or (2) insurers investment assets/ funds.

In case of debt, loans and other investments the limit shall be the lower of amount computed as per percentage (prescribed under Regulation 9 of IRDAI (Investment) Regulations, 2016 as amended from time to time) of (1) Paid-up share capital, free reserves and Debentures / Bonds or (2) insurers investment assets/ funds.

Outstanding shares do not include the preference shares. Investments in preference shares, Convertible debentures / bonds shall be as per Regulation 9 of IRDAI (Investment) Regulations, 2016 as amended

from time to time. Further, the total exposure to any company (equity, debt and all other investments taken together) shall be capped as prescribed in the regulations. The insurer shall endeavor to obtain the latest available details.

**c. Actual Investment**

In this column the insurer shall show, Investee Company wise, the actual investments at Book Value. The insurer shall show equity investments and debt investments separately.

**d. Deviation Amount**

The deviation amount is the difference between the eligible investment amount and the actual investment made by the insurer. The deviations shall be given separately for equity and debt investments. The insurer shall report only those cases where there are deviations.

**In Part B of FORM 4A**

**a. Serial No.**

**b. Name of the Promoter Group Company**

The insurer shall identify Investee Company with the promoter group to which Investee Company belongs to. The insurer shall follow the “Group” definition consistently as prescribed in the Investment Regulation

**c. Eligible limit of the Promoter Group as per Regulation**

The maximum investments in any company belonging to the Insurer’s promoter Group shall be the percentage (as prescribed in the Regulations) computed on investment assets at aggregate level.

**d. Actual Investments**

In this column the insurer shall show, Investee Company Group wise, the actual investments at Book value

**e. Actual Investments (cumulative)**

The exposure should be on the Book Value basis for all non-linked funds and on Market Value basis for all ULIP Funds

**f. Deviation**

The deviation amount is the difference between the eligible investment limit as shown in column ‘d’ and



the actual investment as shown in column 'e'.

### **In Part C of FORM 4A**

#### **a. Name of the Group**

The insurer shall identify every investee company with the group to which Investee Company belongs to. The insurer shall follow the "Group" definition consistently as prescribed in the Investment Regulation.

#### **b. Eligible limit of the Promoter Group as per Regulation**

The maximum investments in the investee company belonging to the Group Company as defined in the Investment Regulation. Shall be the percentage (as prescribed in the Regulations) computed on investment asset/ fund. In the case of ULIP funds, the limit shall be applicable both at Segregated Fund level and at aggregate level.

#### **c. Actual Investments**

In this column the insurer shall show, Investee Company group wise, the actual investments at Book value. The Total of Actual Investments should reconcile with Total Investment Assets as per FORM 3A at Book Value for Non Linked Funds and on Market Value for Unit linked Funds.

For the purpose of matching with **FORM 3A**, the details of Investments which are not part of Group Exposure as per regulation to be provided by way of separate line items. In specific, the G Sec, Other Approved Securities, CBLO, Investment Property, Net Current Assets (for Unit Linked Funds) shall be shown as line items

#### **d. Deviation**

The deviation amount is the difference between the eligible investment limit as shown in column 'c' and the actual investment as shown in column 'd'.

#### **e. % deviation**

The insurer shall show the deviation as a % to investment assets/controlled fund/ULIP fund size.

### **In Part D of FORM 4A**

#### **a. Name of the Industry**

The insurer shall state the name of industrial sector. The classification of any investee company into any

industry sector shall be classified on the lines of National Industrial Classification (All Economic Activities) – 2008 (NIC) for all sectors, except infrastructure sector. Exposure shall be calculated at Division level from A to R. For Financial and Insurance Activities sector, exposure shall be at Sectional level. In case an investee company is capable of being classified under more than one classification, then the insurer shall classify such that it reflects same in such a way the broad business of the investee company and shall consistently classify the same under the industrial sector in future.

**b. Actual investments**

The insurer shall state the total investments made in that industrial sector at Book value. The Total of Actual Investments should reconcile with Total Investment Assets as per FORM 3A at Book Value for Non Linked Funds and on Market Value for Unit linked Funds.

For the purpose of matching with Form 3 A, the details of Investments which are not part of Industry Exposure as per regulations, to be provided by way of separate line items like G Sec, SDL, Other Approved Securities, Infrastructure, CBLO, FD & CD, Mutual Funds, Net Current Assets (for Unit Linked Funds) etc.

**c. Deviation**

The deviation amount is the difference between the eligible investment limit as shown in column 'c' and the actual investment as shown in column 'd'

**d. % deviation**

The insurer shall show the deviation as a % to investment assets/controlled fund/ULIP fund size.

Lastly, the insurer shall state the % deviation from the limit prescribed under Regulation 9 of the IRDAI (Investment) Regulation 2016 as amended from time to time.

Industry sector norms shall not apply for investments made in 'Infrastructure' sector as defined under Regulation 2(h) of IRDA (Registration of Indian Insurance Companies) Regulations, 2000 as amended from time to time.

## FORM 5 – STATEMENT OF INVESTMENT RECONCILIATION

### OBJECTIVE

In order to understand the movement of instruments as a result of Purchase and Sale of Investments during the Quarter and in order to link the same [FORM-5 shall be prepared in respect of each fund. In case of ULIP Form 5 shall be prepared at Segregated Fund (SFIN) level and also at consolidated level and Total Investments in the case of General Insurer including an insurer carrying on business of re-insurance or health insurance] with FORM-3A (Part A) / FORM-3B filed for each Quarter this report is presented. Listing of various investments made based as per Investments – Master Circular

### A. METHOD OF PREPARATION

The statement shall be prepared as per major categories mentioned under IRDAI (Investment) Regulations, 2016 amended from time to time and as applicable to Life Insurers, General Insurer including an insurer carrying on business of re-insurance or health insurance namely;

1. Central Government Securities
2. State Government Securities or Other Approved Securities
3. Housing and Loans to State Government for Housing and Fire Fighting Equipments
4. Infrastructure Investments
5. Approved Investments
6. Other Investments

### NOTE

*For all securities, falling under the above heads, the respective Category Code shall be as per Investment – Master Circular on Category of Investments*

#### a. Category Listing Method

The list should follow the category code as prescribed in Investment – Master Circular.

The Opening Balance of each sub-category shall be the consolidated entry, shown at the book cost of that particular sub-category or at the Actual Cost of Purchases after amortization. In respect of investment property, equity, mutual fund investment, the opening balance shall be shown at weighted average cost of acquisition under respective category of investments. The same shall be the closing balance of previous quarter.

#### b. Purchases for the Quarter

All purchases made during the period shall be shown at the consolidated Weighted Average Value, category code wise (as provided in Guidelines on Category of Investments), and be listed in the same sequence as provided in the "Category of Investments". The Face Value shall be the consolidated Value of each security purchased during the Quarter.

**c. Cost of Sales**

In case of equity, cost of sales shall be the Weighted Average Cost of the investment and in case of debt securities the cost of sales shall be the amortized cost of investment at the time of sale.

**d. Closing Balance**

In Closing Balance column, the book value shall be the sum of Weighted Average Cost of Opening Balance and Purchases made during the period as reduced by the Cost of Sales for that period plus adjustments if any. The closing balance, thus arrived at each sub-category level should be grossed at each category level. The book value, Market Value of each sub-category of Category of Investments shall be reconciled with **FORM 3A/3B**.

**e. % To Total**

For Life Insurance Companies : In case of Non- Linked Funds, each category code will be calculated with respect to on Book value and the same will be calculated with respect to Market Value basis for linked funds. For General Insurer including an insurer carrying on business of re-insurance or health insurance Companies, It will be calculated on Book value basis.

**f. Adjustments**

Any change in value of investments due to cat code reclassification during the quarter, adjustments in securities on account of corporate action entitlements and amortization of premium/ accretion of discount on investments shall be reported under Adjustments column.

**NOTE**

1. *Investments – Master Circular on "Prudential norms for Income Recognition, Asset Classification and Provisioning and Other related matters" shall be complied with.*
2. *Refer Annexure – 1 of this Guidelines for "Category of Investments for Life, Linked and General Insurer including an insurer carrying on business of re-insurance or health insurance Business as amended from time to time"*
3. *Refer Annexure – 2 of this Guidelines for "Market Value – Basis for FORM 3A, FORM 3B"*
4. *In case of ULIP, FORM 5 shall be prepared at Segregated Fund (SFIN) level for ULIP funds.*

5. *All transaction shall comply with provisions in Investments - Master Circular on "Transaction on Stock Market to be on cash basis"*

## FORM 6 – CERTIFICATE UNDER SECTION 27A (5) OF INSURANCE ACT, 1938

### OBJECTIVE

This form confirms the reconciliation of Investments as per Investment Returns and the same held free of charge, lien, hypothecation etc. This form is linked to FORM 3A/3B. This form shall be signed by Chairman and two Directors and the Principal Officer. The non-encumbrance shall need to be reported by both insurer and the custodian.

### A. METHOD OF PREPARATION

1. The form is prepared fund-wise and in aggregate for all segregated linked funds.
2. The Separate Custodian account shall be maintained for balance investments of Shareholder's fund that does not form part of the FRSM.
3. The details are furnished at major category code level namely, investment in Central Government Securities, State Government Securities, Other Approved Securities, Infrastructure/Housing & Loans to State Govt. for Housing & FFE, Approved Investment, Other than Approved Investment.
4. The statement reveals the holding particulars of Banks (Custodian bank), Self and Others with respect to Shareholder / Policy holder fund and shall certify the following.
  - a. The custodian should certify in the disclosure that he is not disqualified by SEBI (Custodian of securities) Regulation every time on annual basis.
  - b. The value should be adjusted for Purchase/Sale of investments purchased and awaiting settlement. Reconciliation to this effect should be attached to the certificate.
  - c. If the custodian belongs to promoter group, the norms of the promoter group as in the mentioned in Investment - Master Circular shall be complied with.
5. Investment current assets of linked business to be presented under the custody of self. CBLO and Securities which are lent through SLB to be presented under the custody of 'Others'. Government Securities and Treasury bills, Reverse Repo held in SGL account with Reserve Bank of India shall be classified under 'Bank' while for insurers availing CSGL account, these holdings should be shown under the respective head i.e. Banks if held with Custodian Bank else under 'Others'.
6. Detailed reconciliation statement for Securities which are lent through SLB Framework, covering name of the scrip, no. of securities lent, name of the fund, maximum limit permissible in such fund based on the total quantity held, stock exchange, date of expiry of the contract, value of the securities lent as on the date of the Return shall be provided along with Form 6.

## FORM 7 – DETAILS OF NON-PERFORMING ASSETS

### OBJECTIVE

This form provides the Non Performing Asset details in the debt investments of the funds.

### A. METHOD OF PREPARATION

1. This form is to be prepared at SFIN level for ULIP fund and at aggregate fund level for Life Fund, Pension & General Annuity funds and General Insurer including an insurer carrying on business of re-insurance or health insurance.
2. The absolute amount of Gross NPA as on date (before Provision of NPA to be provided but after write off)
3. Gross NPA as on date to Investment assets shall be shown by dividing “Gross NPA” by “Investment Assets”
4. Item No 4 shall be Provisions made for NPAs appearing under “Gross NPA”
5. Ratio of provisions made on the “NPAs” to “Gross NPA” shall not include provisions made on Standard Assets
6. Provision made on the 'Standard Assets' shall be as per Investments - Master Circular as amended from time to time.
7. “Net Investment Assets” is to be arrived at by subtracting provisions (Item no. 4) from Investment Assets (Item no. 1)
8. “Net NPA” is to be arrived at by subtracting provision (Item no. 4) from the Gross NPA (Item no.2)
9. “% of the net NPA” shall be calculated by dividing “Net NPA” by “Net Investment Asset”
10. Write off made during the period shall be as approved by the Board of the Insurer