

**Technical Guide on
Internal / Concurrent Audit
of Investment Functions of
Insurance Companies
(2013)**



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

Technical Guide on Internal/Concurrent Audit of Investment Functions of Insurance Companies (2013)



Committee on Banking, Insurance and Pension
The Institute of Chartered Accountants of India
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Foreword

Internal/Concurrent Audit of investment functions of an insurer is an essential part of management process to ensure effective controls and in short, a comprehensive compliance checking mechanism. This audit is essential for ensuring sound internal accounting functions and effective controls and setting tone for a vigilant internal audit to preclude the incidence of serious errors and fraudulent manipulations. It attempts to shorten the interval between the occurrence of a transaction and its examination by an independent person not involved in its documentation.

The Insurance Regulatory and Development Authority (IRDA) has mandated the insurers to have their investment functions verified through internal or concurrent audit (depending on the AUM of insurers), either through internal resources or by an independent audit firm. This is to be done in order to ensure that the transactions/decisions are within the policy parameters laid down by the Investment Committee of the insurers and are in compliance with the terms and conditions for exercise of delegated authority and not violating the Guidelines and Regulations of IRDA and the provisions of Insurance Act and other applicable Laws.

Recently, to keep pace with the dynamics of the economic landscape of the nation as well as insurance industry, the IRDA has amended its Investment Regulations for insurance companies. Consequent to the amendments to the Investment Regulations, it is imperative that the Technical Guide on Internal/Concurrent Audit of investment Functions of Insurance Companies issued by the Committee on Banking, Insurance and Pension (COBIP) in 2009 be revised so as to cover the requirements of the amended Regulations. The Technical Guide has been revised thoroughly for providing guidance to the members on conducting internal/concurrent audit of investment functions of insurers.

I take this opportunity to thank the IRDA for reposing confidence in ICAI and its fraternity by not only making it mandatory that the Internal / Concurrent Audit of insurers shall be conducted by the Chartered Accountants, but also stipulating that the audit shall be done as per the Technical Guide issued by ICAI in this regard.

I appreciate the efforts put in by my fellow colleague in the Central Council of ICAI, CA. J. Venkateswarlu, Chairman, COBIP, members and special invitees of the Committee and the other professionals who were involved in revising this Technical Guide. I also wish to place my appreciation to the Chairman IRDA and his dynamic team for guiding ICAI in the revision process.

CA. Subodh Kumar Agrawal
President, ICAI

New Delhi

30th May 2013

Preface

One of the major functions of an insurer is investment of its funds and with the ever growing fund size of investments, safeguarding and protection of the same has acquired enormous significance. Insurance Regulatory and Development Authority (IRDA), the regulator, has put in place a tight framework for regulating this important function of insurers. The IRDA has devised two tier system for effective management and control of investment functions of insurers whereby the investment department of insurance companies manage investments and an independent Chartered Accountant firm (subject to quantum of fund size) is engaged to conduct the internal / concurrent audit of the same to ensure compliance with the Investment Regulations.

As per the latest amended investment regulations notified vide IRDA (Investment) (5th Amendment) Regulations, 2013, the IRDA has mandated the insurers having Assets Under Management (AUM) of not more than Rs.1000 Crores to have its investment functions audited on a quarterly basis through independent Internal Audit (either through internal resources or through firms of Chartered Accountants) and insurer with AUM of over Rs. 1000 Crores to appoint an independent firm of Chartered Accountants as Concurrent Auditor to have its Investment transactions and related Systems audited on concurrent basis. It has further mandated that the internal / concurrent audit shall be conducted as per the Technical Guide on Internal/Concurrent Audit of Investment Functions of Insurance Companies issued by the ICAI. The Guide provides framework and guidance on the manner of conduct of internal/concurrent audit of investment functions of insurance companies, as mandated by the IRDA.

In the light of release of the IRDA (Investment) (5th Amendment) Regulations 2013, to help the members in providing value added service to the insurers and to comply with the amended investment regulations of IRDA, the Committee on Banking, Insurance & Pension (COBIP) has revised the Technical Guide on Internal / Concurrent Audit of Investment Functions of Insurance Companies, which was originally issued in 2009. The revised guide covers all the relevant areas in the internal / concurrent audit of investment functions as mandated by IRDA.

I place on record my sincere gratitude to CA S N Jayasimhan, Joint Director, IRDA; Shri Sanjeev Kumar Jain, Joint Director, IRDA, Shri. R Kumar, Deputy Director, IRDA; Shri Suresh Nair, Sr Assistant Director, IRDA; Ms Uma Maheswari, Sr Assistant Director, IRDA, Shri Rakesh Sarodey, IRDA, CA D Subramanian; CA N. Venkatakrisnan; CA V Manickam; Shri. R Chandrasekar; CA Abhirajan Gupta, Shri K S Gopalakrishnan for their guidance and advice in revising the Guide. I am highly thankful to CA. P.S. Prabhakar for preparing the basic draft of this Technical Guide. I am happy to acknowledge the contribution of CA Vijay Kumar; CA Ketan Vikemsey; CA Viraj Londhe; CA Ramandeep Sahni; CA Pradipta Roy; CA Sanjay Agarwal; Shri Saroj Kumar Pati; CA Pradeep Mahapatro; CA Anand Desai; Shri. Bharat Kalsi; CA Vittal Raj and CA Amit Kataria for their advice and guidance.

I am thankful to the President of ICAI, CA Subodh Kumar Agrawal, and Vice President of ICAI, CA. K. Raghu for their support and encouragement. I am grateful to CA. Shrinivas Yeshwant Joshi, Vice Chairman of COBIP, CA. Jay Chhaira, CA. Prafulla Premsukh Chhajer, CA. Tarun Jamnadas Ghia, CA. V. Murali, CA. Vijay Kumar Garg, CA. Mukesh Singh Kushwah, CA. Naveen N.D. Gupta, CA. Vijay Kumar Gupta, CA. Charanjot Singh Nanda, Shri Manoj Kumar, CA. D.K. Singla, CA. S. V. Sunder Krishnan, CA. M. H. Singhal and CA. Patni Dilip Kumar, members of COBIP for their valuable guidance and cooperation in revising this Technical Guide. I appreciate the efforts put in by the officials of Secretariat of the Committee in timely release of this Technical Guide.

CA. J. Venkateswarlu

Chairman

New Delhi

29th May 2013

Committee on Banking Insurance and Pension of ICAI

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Framework of Internal / Concurrent Audit for Insurance Companies

1. Introduction

One of the major functions of an insurance company is investment of funds and with the ever growing fund size of insurers' investments, safeguarding and protection of the investments has acquired enormous significance. IRDA, the regulator of insurance industry, has put in a tight framework for regulating this all-important function of insurers. As the investment department of insurance companies manages investments of insurance companies comprising of both "Shareholders" and "Policyholders" funds, it is essential that a periodic review be carried out through Internal Audit (or) Concurrent Audit in order to ensure 'safety' of Policyholders' funds and support a good quality Investment portfolio towards 'Solvency Margin'. Towards achieving such objectives, IRDA notified the IRDA (Investment) Regulations, 2000 on 16th Aug, 2000 in the Gazette of India and, to keep pace with the dynamics of the economic landscape of the Nation as well as the insurance industry, periodically amended these Regulations in 2001, 2002, 2004, 2008 and the latest in Feb, 2013. The regulations, as amended, holistically cover:

1. Proactive and dynamic investment management.
2. Synchronous and asynchronous interfaces with other domains (Accounting and Actuarial).
3. Real-time and integrated IT System Management and Security management.

An effective management is a three stage process of Measurement, Monitoring and Management. Mere measurement will not amount to monitoring. Similarly, mere monitoring does not mean management. Hence, proactive and dynamic investment management system envisages monitoring the Investment Operations to assist in management's decision making and measurement to support monitoring. Thus, it is further two stages beyond measurement i.e. purposeful monitoring and effective management.

Synchronous and asynchronous interfacing of investment domain with other domains is essential not only for the present system but also because it is flexible enough to incorporate future changes in regulation for both investment and other domains. Also, real-time and integrated IT systems and security management are essential to ensure data integrity, audit trail at data entry points, review of system with due monitoring and reporting on the compliance aspects etc.

2. Internal/Concurrent Audit

(a) Internal / Concurrent Audit of investment functions of an insurer is essentially part of management process to ensure effective controls and in short, a comprehensive compliance check mechanism. Such audits should, by reporting on the controls and processes, passively aid the investment departments to ensure that the transactions / decisions are within the policy parameters laid down by the "Investment Committee" formed by the Board, and are in compliance with the terms and conditions for exercise of delegated authority and do not violate the guidelines of IRDA and the Insurance Act. The Audit is expected to cover all the transactions, recorded during the period covered in the Audit Report.

(b) The internal / concurrent audit requirement flows from the Investment Regulations. IRDA has issued guidelines through its Circular No. INV/CIR/023/2009-10 dated 4th Aug, 2009 directing all insurers having Assets Under Management (AUM) (both Shareholders' Funds and Policyholders' funds taken together) not over Rs. 1000 Crores to have the investment functions audited on a Quarterly basis through internal audit (either through internal sources or by appointing an external firm of Chartered Accountants) and those insurers having AUM over Rs. 1000 Crores to have the investment functions audited on a Quarterly basis through concurrent audit by appointing an external firm of Chartered Accountants. The appointment of the auditor will be done by the Audit Committee of the Board. The internal audit requirement will get converted to Concurrent Audit requirement from the quarter following the quarter in which the AUM exceeds Rs. 1000 Crores for the first time. An insurer who gets covered under Concurrent Audit for the first time, will continue to have the Investment functions concurrently audited, even if the AUM falls subsequently below Rs.1,000 Crores. The scope remains unchanged whether it is done through Internal Source or through an external Chartered Accountant firm. If the Audit of Investment Operations, as per the AUM criteria, fall under Internal Audit, and if the Internal Auditor is an

Framework of Internal/Concurrent Audit for Insurance Companies

employee of the Insurer, the Internal Auditor shall be a Chartered Accountant. While the scope of the audit is detailed in the following chapter, the Technical Guide provides comprehensive Check List, which is as good as a functional Audit Programme for an Auditor.

(c) The Auditor appointed shall report to the **Audit Committee of the Board, taking into consideration the responses of the Investment Committee (IC)**.

(d) Compliance to "Implementation of Investment Risk Management Systems & Process", as committed by the Insurers' Board shall be confirmed by the Internal/Concurrent Auditor for its implementation. Also, the Audit is expected to confirm that the Audit Committee's Recommendations, along with the implementation details of the previous Quarter, are placed before the Insurer's Board, and are a part of its Agenda.

3. Broad Scope of the Audit

As mentioned earlier, the scope of the Internal /Concurrent audit is detailed in the following Chapter. The broad scope of this audit is envisaged on -

- (a) Confirming the implementation of Investment Risk Management Systems and Process, as committed by Insurers Board, listing the proof based on which such confirmation is made.
- (b) Confirming the implementation of **Audit Committee's (of the Board)** recommendations of Previous Quarter.
- (c) Review of the Standard Operating Procedures (SOP) & Systems supporting the investment process. (Refer Annexure 'A')

[The scope shall cover the investment policy and SOP of the insurer for compliance with IRDA guidelines.]

- (d) Review of investment related transactions and operations.
 - (i) The scope shall cover extensively the Front Office, Mid Office & Back Office functions, the Investment domain requirement and Systems and Process supporting the Investment transactions.
 - (ii) The review shall include follow-up of all previous pending audit observations.

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- (iii) The review shall cover ALL categories of Investments permissible, falling under both Shareholders' and Policyholders' funds. [Annexure 'B']
 - (iv) The Audit shall cover **ALL** transactions/operations and have the same periodicity as that at which such transactions are recorded.
- (e) Audit Report & Certification.

4. Frequency of Audit

The frequency of audit shall be Daily / Weekly / Monthly, commensurate with the volume of transactions of the insurer. Monthly checklists should be prepared and sent to CIO and CFO of the Company to enable corrective actions in time. However, a consolidated report shall be prepared once in every quarter and submitted to the company.

5. Reporting

The Internal / Concurrent Auditor has to issue his audit Certificate for every quarter end along with the Annexures thereto in the format prescribed (refer Chapter 5 of this Technical Guide).

The internal / concurrent auditor has to discuss all the audit observations with the CIO / CFO to obtain the feedback / replies and take them into consideration before issuing the Certificate to the Audit Committee.

The IRDA (Investment) (5th Amendment) Regulations, 2013 also requires the Internal /Concurrent Auditor's certification in Form 4 (Part B). It has to be noted that the Regulations mandate that all the Returns mentioned in Regulation No. 10 are to be submitted by an insurer within 30 days from the end of each quarter. As this requirement is also for Form 4 (Part B), it is imperative for the Auditor to take due care to verify and certify the Form-4 in time.

Investment Functions of Insurer- Internal / Concurrent Audit Scope

Internal/Concurrent Audit is an examination of financial transactions and is contemporaneous with the occurrence of transactions or is to be carried out almost simultaneously. It attempts to shorten the interval between the occurrence of a transaction and its examination by an independent person not involved in its documentation. There is emphasis in substantive checking in key areas rather than test checking. This audit is essentially a management process integral to the establishment of sound internal accounting functions and in effect, controls, and sets the tone for a vigilant audit to preclude the incidence of serious errors and fraudulent manipulations. Such an Audit is expected to cover all the transactions, without any exception, recorded during the period covered in the Audit Report.

An internal/concurrent auditor may not sit in judgment on the decisions taken by the authorized official. However, the auditor will necessarily have to see that the transactions or decisions are within the policy parameters laid down by the Board / Investment Committee; that they do not violate the instructions / prescriptions of IRDA and Insurance Act, 1938, and that they are within the delegated authority and in compliance with the terms and conditions for exercise of delegated authority.

If the Auditor finds any deviation in the operations of the Investment department from the Board/IC approved policies, those deviations with their observation shall be brought the notice of the Audit Committee of the Company. The Auditor shall also Report the serious observations instantly to the management to take immediate steps to prevent the recurrence of such incidents.

Two detailed checklists, one applicable to Life and Non-Life Insurance business, and the other covering the additional points applicable to Life & Linked business (ULIP) have been given separately in the succeeding chapters and the Internal/Concurrent Auditors may find them as an extant audit programme itself. While every effort has been taken to map the

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checklists in accordance with the regulatory requirement in respect of such Audits and to the information already being submitted by the Insurer to the IRDA in various forms, nothing precludes the Auditor to travel beyond such checklists in case he needs to derive additional comfort in any transaction(s). In fact, in view of the heavy reliance placed on the auditors by the Regulator, it is indeed imperative for the auditor to ensure that his certification and report on the important function of Internal/Concurrent audit is never short on facts but never long on clerical errors that do not impact materially. As most insurers have systematised their Investment functions, it would be better for the Internal / Concurrent Auditor to get familiarised with the system and even learn to input dummy data and take out dummy reports. This will enable him to derive comfort on the system and data integrity. He may even take a call on sampling and test checking of transactions of same type once he checks and verifies the system integrity in certain modules.

It is in this background that a well defined scope is necessary to even plan an audit of the nature expected of an Internal/Concurrent Auditor. The Auditor, while making an audit plan based on the Scope, would do well to first understand the broad structure under which the Investment functions are designed in an insurance company, under the paradigm of the laws and regulations in force.

The broad structure revolves around the following, about each of which the Internal / Concurrent Auditor has to be completely familiar with:

1. Pattern of investments - Shareholders funds / Policyholders Funds
2. Pattern of investments - as applicable to LIFE/PENSION/ULIP/NON-LIFE (*Annexure 'C'*)
3. Prudential and Exposure norms (*Annexure '1'*)
4. Rating Requirements
5. Sub limits prescribed in the circulars on various investments*
6. Broad category of Investments
7. Valuation of Investments
8. Fund Accounting and NAV process on ULIP funds
9. Investment Policy (*Annexure 'D'*)
10. Standard Operating Procedure (*Annexure 'A'*)

Investment Functions of Insurer-Internal / Concurrent Audit Scope

11. Financial Authority
12. Model Code of Conduct
13. Outsourcing
14. Systems requirements
15. Definition of Infrastructure compliance
16. Issues pertaining to Other Regulators
17. Quarterly & other Investment Returns to the Regulator (Annexure 'K')
18. Remarks of Concurrent Auditor /Systems auditor of Previous quarter
19. Placement before the Audit Committee of the Board

*Sub limits have been specified in the Regulations and circulars for various types of investments for:

- (i) Mutual Funds
- (ii) Venture Funds (Alternate Investment Funds) only Cat I is permitted
- (iii) SRs/PTC/ABS
- (iv) Tier II capital of Bank Bonds
- (v) Derivatives
- (vi) Repo and Reverse Repo on Corporate Bonds
- (vii) Credit Default Swaps
- (viii) Infrastructure Debt Funds
- (ix) SPVs of Infrastructure
- (x) Fixed Deposits
- (xi) Immovable Properties
- (xii) Loans/ Project Loans – Creation of Securities

Scope of Audit

Taking into consideration the foregoing, the minimum Internal/Concurrent Audit Scope of an Insurer, as per the requirements of Insurance Regulatory and Development Authority, shall include the following:

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1. *Review of Standard Operating Procedure (SOP) -(Annexure 'A')*

- (a) To be approved by the Investment Committee
- (b) Amendments, if any, to be approved by the Investment Committee

2. *Investment Policy (IP) – (Annexure 'D')*

- (a) Approval by Board of Directors
- (b) In framing the policy, the Board will be guided by the guidelines given in Regulation 13 (1) of IRDA (Investment) (5th Amendment) Regulations 2013. The main areas to be covered are:
 - (i) Liquidity
 - (ii) Prudential Norms – broadly, separately covering norms for various industries, i.e. Manufacturing, Banking & Financial Institutions, Infrastructure, etc.
 - (iii) Exposure Limits
 - (iv) Stop Loss Limits in securities trading
 - (v) Management of all Investment, fund wise performance measurement, Credit and market risks
 - (vi) Management of assets and liabilities mismatch
 - (vii) Investment audits and Investment Statistics
- (c) The relevant provisions of Insurance Act, 1938.
- (d) Submitting to Investment Committee / Board , the status of Compliance / Operationalising of Investment Policy

3. *Investment Committee (IC)*

- (a) Members
- (b) Meetings
- (c) Minutes.
- (d) Recommendations

(Whether IC includes representatives of Mid Office / Back Office in addition to CFO)

Investment Functions of Insurer-Internal / Concurrent Audit Scope

4. Delegation of Authority to IC

- (a) To be approved by the Board
- (b) Amendments if any, to be approved by Board

5. Front Office – Mid Office – Back Office – segregation of duties (Annexure 'H')

(Including deployment of requisite skilled manpower, investment system and infrastructure to Mid office and Back Office commensurate to Front Office)

6. Maintenance of voice recorder for transactions done

7. Custodian Controls

- (a) Arrangements
- (b) Reconciliation
- (c) Physical holding / custody.

8. Appointment of Brokers (by Back office)

- (a) Procedures / Criteria (as stipulated in Investment Policy / SOP) for Ceiling per broker (as stipulated in Investment Policy / SOP)
- (b) Execution of Legal Agreement with Brokers for empanelment covering terms and conditions of brokerage business (in a standard format).
- (c) Broker appointment by Back Office, Dealing with Front Office and Review / monitoring by Mid-Office
- (d) Business to be routed through them,

9. Exposure / Prudential / Other Norms – Company / Group / Sector/ Industry [both Regulatory (IRDA Regulations & Insurance Act) and Internal Norms (as per Investment Policy)]. (Annexure 'I')

10. Non performing investments (Annexure 'J')

- (a) Classification
- (b) Income recognition
- (c) Provisioning

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11. Categories of Investments

- (a) Central Government Securities, Approved Securities, Housing and Infrastructure Investments and other Approved Investments
- (b) Prescribed percentages
- (c) Deviations
- (d) Ongoing monitoring

12. Inter-fund transfers

- (a) Permitted areas
- (b) Rates

13. Rating of Securities

- (a) Rating Criteria
- (b) Whether the Investments which are not in rated securities, capable of being rated
- (c) Downgraded securities' classification

14. Controls & Compliance with Regulations for different types of Investments

- (a) Investment in equity shares through IPOs
- (b) Investment in Mutual Funds, Asset Backed Securities, PTCs And SRs
- (c) Investment in Perpetual Debt Instruments of Banks Tier-I capital and Debt capital instruments of upper Tier-II capital
- (d) Investment in Venture Funds
- (e) Investment in any other instruments approved by IRDA including but not limited to CDS, Reverse Repo in Corporate Securities etc.

15. Investment Deals Testing: (Annexure 'E')

- (a) Daily transaction register
- (b) Journal vouchers
- (c) Investment ledgers
- (d) Counter party confirmations

Investment Functions of Insurer-Internal / Concurrent Audit Scope

(e) Contract notes from brokers

(f) Deal tickets

16. Sanction of Loans: (Annexure 'G')

(a) Scrutiny of request in the form of detailed proposal

(b) Promoter Assessment and Financial Assessment

(c) Repaying capacity

(d) Automatic re-classification of loans as 'Other Investments', which are not covered with adequate 'security', as required by the Act.

(e) Whether the company has uniform policy to charge 'Up-front Fees / Processing Charges'? In case of waiver of such charges, whether necessary internal approval has been sought?

(f) Where pre-commitment and pre-disbursement conditions have been stipulated, whether the same have been duly complied with?

(g) Whether Financing documents and Security documents have been executed and the security clause as stipulated in Security document has been created in favour of the company along with registration of charge in the O/o ROC.?

(h) Post Sanction review and monitoring: To verify whether the borrower is complying with the interest and principal obligations in time. Whether any visit / review of physical and financial progress is done on periodical basis, say quarterly, and review report in standard format is submitted to IC.

(i) Whether Escrow and Trust & Retention Account (TRA) Agreement or equivalent arrangement is in place for tracking the cash-flows of the borrower company and working smoothly.

17. Investment in Debt Instruments

(a) Whether Debt Investment is supported by documents like Information Memorandum (IM)/ subscription Agreement, Term Sheet, Latest Credit Rating rationale and taking into account the amount for which rating is given etc.

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- (b) Whether security stipulated under IM / Subscription agreement has been created in favour of lender or Trustee. If not, whether any penal charges have been stipulated as per the policy of the Company.
- (c) Whether hard copy or soft copy of IM /subscription agreement and other documents are available for internal/ concurrent audit and kept in safe custody.
- (d) Wherever Security Trustee has been appointed for ensuring the creation of security, whether necessary due diligence has been done and security is created.

18. Investible Surplus:

Determination of the Investible surplus (premium income minus expenses minus policyholder's payments)

19. Compliance to IRDA Accounting Regulations:

- (a) Compliance with general accounting standards
- (b) Adherence to accounting policies of the insurer

20. Minimum Risk management System & Process - The minimum risk management systems and processes prescribed by the IRDA are to be complied with by the Insurer all the time

21 Segregation between shareholder and policy holder funds:

- (a) Bifurcation of Income and Investment assets
- (b) Whether bifurcation of investments done at entry level

22 NAV: (Annexure 'J')

- (a) Calculation
- (b) System
- (c) Outsourcing
- (d) Process

23 Employee dealing guidelines :

- (a) Implementation
- (b) Monitoring

24 Deposit U/s 7 of Insurance Act 1938:

- (a) Sufficiency

Investment Functions of Insurer-Internal / Concurrent Audit Scope

(b) Certification from banks

25 Investment in promoter groups:

(a) Identification of companies

(b) Maintenance and updation of list of promoter group companies

(c) Verification with company profile in the system

(d) Whether within the prescribed limits

26 Investment returns to IRDA (Annexure 'K')

(a) Timely submission

(b) Accuracy of the data

(c) Procedure for generation of data

27 Amortisation of debt securities and valuation of investment portfolio at periodic intervals – Whether as per IRDA guidelines

28 Outsourcing of Investment functions:

(a) Permissions from IRDA

(b) As per norms.

29 Banking:

(a) Tracking of transactions

(b) Reconciliations

30 Generation of exception reports and their scrutiny should be submitted to IC.

31 Placement of IRDA circulars before Audit Committee of the Board/ IC

32 Inspection by IRDA – Follow-up on the observations from the previous reports.

33 Follow up for recovery of overdues

34 Follow up on open items in the Previous Concurrent Audit Report and the Systems audit report

Internal / Concurrent Audit Checklist– Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
1	INVESTMENT POLICY			
1.1	Whether the Investment Policy is approved by the Board of Directors and the same is in accordance with IRDA Investment Regulations?	Low	Annually	
1.2	Does the Investment Policy cover all the areas as provided in the IRDA Investment Regulations?	Low	Quarterly	
1.3	Whether the Investment Policy is being reviewed half yearly by the management?	Low	Half-Yearly	
1.4	Have amendments to the Investment Policy, if any, been approved by the Board of the Insurer?	Medium	For every amendment	
1.5	Has the Standard Operating Procedure (<i>SOP</i>) been approved by the Investment Committee of the Insurer?	Low	Annually	
1.6	Whether the <i>SOP</i> , for each 'category of investment' is the same for all fund(s)?	Medium	Quarterly	
1.7	Does <i>SOP</i> of the Insurer, for "each" Category of	High	For every	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	Investment, (as per Guidelines INV/GLN/001/2003-04, as amended from time to time, issued by the IRDA) provide individual activities to be carried out in Front, Mid and Back office?		amendment	
1.8	Whether the IC approved SOP has been followed for 100% of the investments?	High	For each Investment	
1.9	Has the model code of conduct, to prevent insider / personal trading of officers involved in Investment Operations, including front, mid and back office as approved by the Board, is implemented? If so:	High	Annually	
	a. Does it cover Officers involved in Investment Operations at various levels?	Low	Annually	
	b. Does it cover all Officers of such level as prescribed by the Board?	Low	Annually	
	c. Has the Board been informed of compliance or otherwise to model code of conduct during the Quarter?	Low	Quarterly	
	d. Has the Concurrent Auditor issued their Audit Report of previous Quarter, with any qualification on aspects	High	Quarterly	

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No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	of model code of conduct implemented by the Insurer?			
	e. Has breach of model code of conduct, if any, reported during the previous Quarter, been dealt properly and appropriate action as recommended by Audit Committee/ Board been taken?	High	Quarterly	
2	INVESTMENT COMMITTEE			
2.1	Is the Constitution of the Investment Committee of the Insurer in full compliance with the requirements mentioned under <i>Regulation 13</i> of Investment Regulations?	Low	Annually	
2.2	Whether the exceptions to investments policy/SOP been adequately reported to Board/IC and action has been taken.	High	Quarterly	
3	MONITORING OF INVESTMENTS & SETTLEMENT			
3.1.	Investee Company Exposure			

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
3.1.1	<p>Investment in equity, preference shares, convertible debenture:</p> <p>Did the exposure at any point of time exceed the limits set in Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) considered separately) of this Regulation, in the case of Life insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer, whichever is lower?</p>	High	For every transaction	
3.1.2	<p>Investment in Debt/ loans and any other permitted Investments as per Act / Regulation, other than 'Equity', Preference Shares, Convertible Debentures:</p> <p>Did the exposure at any point of time exceeded the limits set in Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) above considered separately) of this Regulation, in the case of Life insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer whichever is lower?</p>	High	For every transaction	
3.1.3	Is the maximum exposure under limit for a single 'investee' company from all	High	For every transaction	

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No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	investment assets (Equity / Preference Shares / Convertible Debenture / Debentures/ bonds / CPs / loans and any other permitted debt Investments as per Act / Regulation), within the limit prescribed in Regulation 9 (B)?			
3.1.4	Are the debt investments made in infrastructure SPVs in compliance with the limits, terms and conditions as mentioned in <i>Note: 4 of the Investment Regulations?</i>	High	For every transaction	
3.2	Limit for the entire Group of the Investee Company			
3.2.1	Are the total investments made in the entire "Group of the Investee Company" within the limits set out in Regulation 9(A.1.(a) or A.1.(b) or A.1.(c) in the case of Life insurers / under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer, or 15% of investment Assets in all companies belonging to the group ?	High	For every transaction	
3.3	Promoter Group Company			
3.3.1	Are the total investments made in all "Companies falling under Insurer's Promoter Group":			

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	a. not more than 5% in aggregate of its total investments in all companies belonging to the promoters' groups;	High	For every transaction	
	b. not made investments in any companies belonging to the promoters' group by way of private placement (equity);	High	For every transaction	
	c. Not made investment in unlisted instruments [equity & debt certificate of deposits and fixed deposits (<i>without prejudice to Section 27A (9) and Section 27B (10) of the Act</i>) held in a Scheduled Commercial Bank], except for companies formed by Insurers under <i>Sec 27A (4) or Sec 27B (5)</i> of the Act?	High	For every transaction	
3.4	Industry sector			
3.4.1	Are the investments made by the insurer in any industrial sector [except Financial and Insurance Activities sector as per National Industrial Classification (<i>All Economic Activities</i>) - 2008]: <i>not in excess of the lower of:</i> 15% of the amount under Regulation 9 (<i>A.1.(a) or A.1.(b) or A.1.(c) considered separately</i>) of this regulation in the case of life insurer / an amount under Regulation 9	High	For every transaction	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	(A.2) or (A.3) of this regulation, in the case of General Insurer / Re-insurer (or) 15% of Investment Asset?			
3.4.2	Are the investments made by the insurer in Financial and Insurance Activities sector as per National Industrial Classification (All Economic Activities) - 2008 (<i>excluding Fixed Deposit, Term Deposit and Certificates of Deposit</i>) not in excess of 25% of its total investment assets?	High	For every transaction	
3.4.3	Are the classification of industrial sectors done on the lines of National Industrial Classification (All Economic Activities) - 2008 [NIC] for all sectors, except "infrastructure sector"?	High	For every transaction	
3.4.4	Has exposure been calculated for Financial and Insurance Activities sector at Section level (of NIC (All Economic Activities) – 2008)?	High	For every transaction	
3..5	Are no further exposures made in Housing & Infrastructure in excess of the limits reported to the Authority as at 31 st March 2013?	Medium	Daily / Monthly	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	Note: Any investment made in housing and infrastructure as per earlier regulations which are in excess of the limits specified as per Regulation 9, as at 31st March, 2013, Investee company, Group, Promoter Group wise, as certified by the Internal / Concurrent Auditor shall be filed with IRDA			
3.6	Whether exposure norms have been adhered to both funds representing solvency margin [FRSM] and funds held in excess of required solvency margin.	High	At any point of time	
4	Rating Criteria			
4.1	Are investments under 'Approved Investments' made only in rated instruments, if such instruments are capable of being rated?	High	For every transaction	
4.2	At the time of purchase, are Corporate Bonds rated below AA (<i>A+ with the prior approval of the Board of the Insurer</i>) or its equivalent and P1 or equivalent (<i>in case of short term instruments</i>) classified under "Other Investments"?	High	For every transaction	
4.3	Are instruments downgraded below the minimum rating prescribed under Note 3 & 4	High	Quarterly	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	to Regulation 3 to 8 of the IRDA (Investment) Regulation, 2000, as amended from time to time, reclassified under "Other Investments" through the System?			
4.4	<p>Are 'Debt' instruments (<i>including Central Govt, State Govt Securities and Other Approved Securities</i>) - fund wise, in the case of life insurer (<i>including ULIP funds at segregated fund level</i>) and Investment Assets in the case of general insurer - have a minimum rating of Sovereign, AAA or equivalent rating for long term and Sovereign, P1+ or equivalent for short term instruments, not less than 75% (Life Insurer) / 65% (General Insurer)?</p> <p><i>Note : For the purpose of calculating the 75%/65% of the investment in debt instruments the following shall not be taken either in the numerator or denominator:</i></p> <ol style="list-style-type: none"> 1. <i>Reverse Repo with corporate bond underlying</i> 2. <i>Fixed Deposit</i> 	High	At required periodicity	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	3. <i>Investment in Promoter Group Mutual Fund(s) and un-rated Mutual funds</i>			
4.5	Are 'Debt' instruments (including Central Government Securities, State Government Securities and Other approved securities) – fund wise, in the case of life insurer (<i>including ULIP funds at segregated fund level</i>) and Investment Assets in the case of general insurer – having a rating of A or below or equivalent rating for long term, not more than 5% (8% in the case of Non-Life Insurers)?	High	At required periodicity	
4.6	Has the insurer, apart from the credit rating evaluated by the rating agencies, carried out their own risk analysis commensurate with the complexity of the product(s) and the materiality of their holding for every investment made?	High	At required periodicity	
4.7	Are all investments in assets or instruments which are capable of being rated (except Fixed Deposits with Scheduled Commercial Banks) made based on	Medium	For every transaction	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	'instrument' rating and NOT based on Investee 'Company' rating?			
4.8	Have Investments in debt instruments rated AA minus or below <i>{A Plus or below in case of Debt instruments issued by All India Financial Institutions}</i> been classified under Other Investments?	Medium	For every transaction	
5	Exposure verification and Sec. 7 Deposit			
5.1	Has the Exposure been verified through the System and is within the SOP / Regulatory limits?	High	Quarterly	
5.2	Does the System have the capability of providing alerts at transaction level BEFORE taking exposure?	High	Quarterly	
5.3	Has the Insurer maintained deposits under Section 7 of Insurance Act, 1938 and circulars issued thereunder?	High	Quarterly	
6	Investment Management			
6.1	Whether any of the functions of the insurer relating to Investment Operations falling under Front / Mid / Back Office, (covering both Shareholders and Policyholders Investments), are outsourced <i>(except to the extent permitted under Point</i>	High	On going	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	<i>11 and 12 of Annexure II to Circular INV/CIR/008/2008-09 Dt. 22nd Aug, 2008 with respect to Outsourcing of Investment Advice and NAV Calculation).</i>			
6.2	Is the segregation of front, mid and back office, as per Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies issued by the Institute of Chartered Accountants of India?	Medium	On going	
6.3	Is the increase during the quarter, in Shareholders' funds (<i>other than income from shareholders' investments, maintained in a separate custody account</i>) held beyond solvency margin requirement, supported by surplus calculation certified by the Appointed Actuary?			
6.4	Are the investments made during the Quarter, within the exhaustive 'Categories of Investments' prescribed under Guidelines INV/GLN/001/2003-04, as amended from time to time?	High	Quarterly	
6.5	Has the Insurer, during the Quarter, taken any Derivative position (<i>including interest</i>	Medium	Quarterly	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	<i>rate swap and Credit default swap)? If Yes:</i>			
	a. Has the Derivative Policy been approved by the Board of the Insurer?	High	Quarterly	
	b. Has the insurer taken prior approval of IRDA for such Derivative policy?	High	Quarterly	
	c. Is there a process to identify the risk to be hedged ['fund-wise' in the case of Life Insurers]?	High	Quarterly	
	d. Does such derivative position comply with IRDA Guidelines?	High	Quarterly	
	e. Is the derivative exposure taken clearly identified with the portfolio risk to be hedged?	High	Quarterly	
	f. Has the Insurer filed the regulatory information / returns required under the Guidelines issued?	Medium	Quarterly	
6.6	Whether investments made in immovable property covered under Section 27A (1) (n) of the Act exceeded at the time of investment, 5% of the Investment Assets [as per FORM 3B (Part A)] in the case of General Insurer / within 5% of Life fund, Pension & General Annuity Fund, [as per FORM 3A (Part A)] in the case of Life Insurer.	High	Quarterly	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
6.7	Are investments in equity shares through IPO, Mutual fund, Venture fund, SEBI approved Alternate Investment Funds, Corporate Bond Reverse Repo, IDF (as per Note 2 to Regulation 9) Perpetual Debt instruments of Bank's Tier-I Capital and Debt Capital instruments of Bank's Upper Tier-II Capital, made in compliance with the relevant circulars issued in this regard from time to time and SOP?	High	Quarterly	
6.8	Are investments in asset backed securities, PTC, SRs both under Approved and Other investment category, made within 10% of Investment assets in case of Life Companies and 5% of Investment assets in case of Non – life companies?	High	Quarterly	
6.9	Are any securitized assets with underlying housing or infrastructure assets, if downgraded below AAA or equivalent, reclassified as Other Investments?	Medium	Quarterly	
6.10	Has Shareholders funds been split into Funds Representing Solvency Margin (FRSM) in FORM 3A (Part A) and balance?	Medium	Quarterly	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
6.11	If funds are split as above, between FRSM and Balance, have the same been maintained in separate custodian accounts with identified 'scrips' for both Life and General (including Re-insurance) companies and reconciled with that in FORM 3A (Part A)?	Medium	Quarterly	
6.12	Are Investments made in a Public Limited Special Purpose Vehicle (SPV) engaged in infrastructure sector within 20% of the project cost (or) amount under Regulation 9 (B) (i), whichever is lower?	Medium	For every transaction	
6.13	If answer to point above is 'yes', have all the requirements mentioned under Note 4 to Regulation 9 been complied with?	Medium	For every transaction	
6.14	Do investments made in Mortgaged Backed Securities [MBS] / Assets Backed Securities [ABS] comply with the requirements of Note 5 to Regulation 9?	Medium	For every transaction	
6.15	Has 'each' purchase and sale of Investments, as mentioned in the Deal Slip, been identified with respect to 'each' fund / 'segregated fund' in respect of ULIP funds?	High	For every transaction	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
6.16	Are all thinly traded equity (as per SEBI norms) classified as "Other Investments"?	Medium	Quarterly	
6.17	If any instruments are dealt with in physical form, whether adequate controls with regard to storage and accounting of such instruments maintained?	Medium	Quarterly	
6.18	Whether broker appointment is as per norms defined by the insurer in SOP?	Medium	For every appointment	
6.19	In the case of securities, whether aggregating all deals done through broker and comparison thereof with the aggregate buy/sell deals on a periodical basis as prescribed in the SOP of the insurer (<i>this is required to monitor transaction volume limits through each broker</i>) is taking place?	Medium	Quarterly	
6.20	Whether brokerages paid are within the internal guidelines of the insurer?	Medium	Quarterly	
6.21	Is the appointment of custodian made with requisite approvals?	Medium	Quarterly	
6.22	Are periodic audits of the custodian, to ascertain that adequate controls are in place, conducted?	Medium	Quarterly	
6.23	Whether Escalation Matrix is available and followed for	Medium		

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	resolving any discrepancies with the custodian.			
7	SYSTEMS / PROCEDURE			
7.1	Is the software application for Investment Operations fully automated without manual intervention in calculating the exposure norms of Investee Company, Group, Promoter Group and Industry Sector, as per the various slabs of 'investment assets' provided under Regulation 9 (B)?	Medium	Quarterly	
7.2	Have all non-compliances reported in the Chartered Accountant's certificate issued (<i>as per the Technical Guide on Investment Risk Management Systems & Process of Insurance Companies, by ICAI</i>) on the 'status' of implementation of Investment Risk Management Systems and Process been rectified as per timelines committed to IRDA?	High	Quarterly	
7.3	Is the Primary Data Server of the Computer Application used for Investment Management maintained / situated within the Country?	High	On going	
8	INVESTMENT ACCOUNTING & SETTLEMENT			

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
8.1	Has the insurer, reconciled investments, fund-wise, with bank and custodian records on 'day-to-day basis for 'each' segregated fund?	Medium	On going	
8.2	Has the insurer, reconciled investment accounts, for each fund in the case of Non-ULIP Business and General Insurance Business, with Custodians records?	Medium		
8.3	Has valuation of investments of 'each' fund (<i>including ULIP</i>) is done as prescribed in IRDA (<i>Preparation of Financial Statements and Auditors Report of Insurance Companies</i>) Regulations, 2002?	Medium	Quarterly	
8.4	Is the Investible Surplus determined as per procedure laid down in SOP?	Medium	Daily	
8.5	Are there adequate controls in place to ensure accuracy of Investible Surplus?	Medium	Monthly	
8.6	Whether there is proper internal control in place to ensure that the investments do not exceed the available cash position in the respective portfolios.	Medium	Monthly	
8.7	Whether the failed deals are reported to appropriate authorities, stating the reason	Medium	Quarterly	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
8.8	Whether all the deals placed by the front office are settled and accounted by the Back office.	Medium	On going	
8.9	Whether the settlement date is tracked properly.	Medium	On going	
8.10	Whether the exception report is generated along with the reasons for failure of settlement.	Medium	Monthly	
8.11	Whether management has taken corrective actions for the exceptions.	Medium	On going	
8.12	Whether the funds are transferred as per the settlement date and traced in the bank statement.	Medium	On going	
8.13	Whether demat statement is being received on a daily basis from the custodian.	Medium	Daily	
8.14	Whether the settlement bank reconciliation statement is prepared on a daily basis and is signed by the preparer and reviewer.	Medium	Daily	
8.15	Whether the settlement bank's reconciliation statement been reviewed.	Medium	Monthly	
8.16	Whether the custodian's reconciliation is prepared on a daily basis and is signed by the preparer and reviewer.	Medium	Daily	
8.17	Whether the custodian reconciling items are followed up on a timely basis.	Medium	On going	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
8.18	Whether the accounting entries passed to record purchase / sale of investments are appropriate	Medium	On going	
8.19	Whether amount received against security sold is properly recorded.	Medium	On going	
8.20	Has all interest and dividend income been accounted on accrual basis?	Medium	On going	
8.21	Whether Income is accounted as per the Accounting Standards and other regulations specified by IRDA and the accounting policies of the insurer.	Medium	Monthly	
8.22	Whether the Investments are accounted and disclosed as per the Accounting Standards and other regulations as applicable and specified by IRDA.	Medium	Monthly	
8.23	Are there controls to ensure that all Corporate actions are acknowledged and recorded?	Medium	Quarterly	
8.24	Check for corporate actions during the audit period and verify that these have been correctly recorded and accounted.	Medium	Quarterly	
8.25	Is there a procedure for exercise of voting rights and seeking representation on Board of companies?	Medium	Quarterly	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
8.26	Are the procedures and decisions taken by the insurance companies adhered to during the period under review?	Medium	Quarterly	
8.27	Whether accounting and recording for Investment Reclassification as NPA and downgrading done?	Medium	Monthly	
8.28	Whether the deals are instantly put into the system for verification, confirmation and settlement by the Mid – Office and Back Office?	Medium	On going	
9	REPORTING			
9.1	Are periodical Investment Returns to be filed for the Quarter prepared in full compliance with the "Guidance Note on preparation of Investment Returns" issued by IRDA?	High	Quarterly	
9.2	Has the Internal / Concurrent audit Report of the previous Quarter with the with comments of Audit Committee of the Board, on 'very serious', 'serious' points (as per the Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies, issued by the Institute of Chartered Accountants of India) in the report, and status of	High	Quarterly	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	implementation of Audit committee recommendation been placed before the Board of the Insurer during the current quarter?			
9.3	Has the Audit Report of the previous Quarter along with Audit Committee's recommendation and its implementation status filed with the Authority along with these returns?	High	Quarterly	
9.4	Has the Board, during the previous Quarter, reviewed the performance of investments? [the review in the case of life insurers should cover both Non-Linked and Linked funds [SFIN] level].	Medium	Quarterly	
9.5	Have all the negative deviations reported in FORM 4A (Part A)?	Medium	Quarterly	
9.6	Whether there has been any change in investment limits during the period under review which is likely to result in non compliance. If yes, whether the same has been correctly effected in the system.	Medium	Quarterly	
9.7	Is the list of day end reports generated as per SOP and verified by back office?	Medium	Daily	
9.8	Whether the following minimum has been reported			

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	<p>to the board on quarterly basis product wise by Life Insurers & Line of business wise by General Insurers:</p> <ul style="list-style-type: none"> (i) New business scale planned versus actual at the end of the period 1 to maturity (ii) Expenses projected versus actual (iii) Persistency / renewal premium streams projected versus actual (iv) Claims - projected versus actual (v) Actual Yield versus projected yield or returns (vi) Action plan and follow up status 	Medium	Quarterly	
9.9	<p>Transfer of share holders' funds in excess of Solvency Margin:</p> <ul style="list-style-type: none"> (i) Whether transfer is made only after fully complying with mandatory investment in Central Government Securities, State Government and Other Approved Securities and in Housing & Infrastructure 	High	Quarterly	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	Investments from funds representing solvency margin. (ii) Whether such transfer made between quarters has been duly certified by the Concurrent Auditor.			
10	DEALS / PROPOSALS			
	DEAL TESTING			
10.1	Whether Delegation of Authority is approved by the board/IC and implemented as defined in the SOP of the Insurer.	Medium	On going	
10.2	Whether the transactions executed are approved by the appropriate authority as defined in the SOP and whether they are within the eligible limits for authorisation.	Medium	On going	
10.3	Are there amendments if any, to the delegation of authority approved by Board / IC?	Medium	On going	
10.4	Is there a record (Audit Trail) of all deals that have been done?	Medium	On going	
10.5	Are all deal slips serially numbered and available? Check if there are any missing deal slips.	High	On going	
10.6	Is there a record of approvals for each deal?	Medium	On going	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
10.7	Verify that each deal has a deal slip with appropriate details viz., security name, quantity, amount, broker name etc.	Medium	On going	
10.8	Whether intimation for the trades sent to custodian is with proper documentation (such as amount, quantity, value, description etc.).	Medium	On going	
10.9	Whether equity deals are settled through STP dump.	Medium	On going	
10.10	Whether deals are authorized and matched with the underlying documents such as counterparty confirmation etc.	Medium	On going	
10.11	Whether calculation of profit/loss is happening on trade upon deal entry.	Medium	On going	
10.12	Verify that all trades executed/investments made are classified correctly and appropriately reported to IRDA, as per the guidelines on category of Investments.	Medium	On going	
10.13	Verify that there is adequate segregation of duties between people booking, confirming and accounting trade.	Medium	On going	
10.14	Whether the Dealers have been strictly following the dealing guidelines during the investments.	Medium	On going	

Internal / Concurrent Audit Checklist–Life & General Insurers

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
11	Project / Term Loans			
11.1	Whether Scrutiny of request in the form of detailed proposal.	High	On going	
11.2	Is Promoter Assessment and Financial Assessment carried out?	High	On going	
11.3	Has repaying capacity, on promoters' strength assessed?	High	On going	
11.4	Has re-classification of loans as 'Other Investments', which are not covered with adequate 'security', as required by Act been done through the system?	High	On going	
11.5	Whether the company has uniform policy to charge 'Up-front Fees / Processing Charges'. In case of waiver of such charges, whether necessary internal approvals have been sought.	High	On going	
11.6	Where pre-commitment and pre-disbursement conditions have been stipulated, have the same been duly complied with?	High		
11.7	Whether Financing Documents and Security Documents have been executed and the security clause as stipulated in Security document has been created in favour of the company along with registration of charge of it.	High	On going	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
11.8	Post Sanction review and monitoring – Whether the borrower is making the interest and principal obligations in time? Whether any visit / review of physical and financial progress is done on periodical basis say on quarterly basis etc. and review report in standard format is submitted to IC.	High	On going	
11.9	Whether Escrow and Trust & Retention Account (TRA) Agreement or equivalent arrangement is in place for tracking the cash-flows of the borrower company and whether it is working smoothly.	High	On going	

Internal / Concurrent Audit Additional Checklist – Life & ULIP Business

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
1	UNIT LINKED (<i>Annexure 'F'</i>)			
1.1	Has inter-fund transfer been done as per circular IRDA/FA/02/10/2003-04 and any other circular issued from time to time, between ULIP funds during Market Hours, for Equity and Debt at the prevailing price and not based on broker quote?	High	Ongoing	
1.2	Whether every ULIP plan has a separate D-mat account and all securities held in all funds are in segregated D-mat accounts.	Medium	Monthly	
1.3	Does each 'Segregated fund' [SFIN] have underlying 'Scrips', identified up to to Custodian level?	Medium	Monthly	
1.4	Does each 'Segregated Fund' [SFIN] have not less than 75% of Approved Investments as specified in the Regulation?	Medium	Ongoing	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
1.5	With respect to 'each' Segregated Fund [including Discontinued Policy Fund (DPF)] in the case of ULIP business, whether reconciliation of "Units" has been made between Policy Admin System (PAS) and Investment Accounting Systems through a fully automated system using process integrators to ensure seamless data transfer without manual intervention.	Medium	Ongoing	
1.6	Has the life insurer in the case of ULIP business reconciled through the system the premium received (net of charges and benefits paid) under each product (Unique Identification Number – UIN wise) with value of all the segregated fund(s) (Segregated Fund Identification Number – SFIN wise) net of fund management charges, held under a single UIN, on a day to day basis, during the quarter?	High	Daily	
1.7	Has the life insurer disclosed UIN wise reconciliation on the Insurer's website on the same day?	Medium	Daily	
1.8	Is there a fully automated system to generate, on a day to day basis, Form 3A - Part E (Investment Details of ULIP Products to Segregated Funds)?	Medium	Daily / At required periodicity	

Internal / Concurrent Audit Checklist Life & ULIP Business

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
1.9	Whether the Insurer's Policy Admin System (PAS) is 'automated' for tracking 'policy-wise', information of discontinued policies along with the information of the particular ULIP fund to which the same pertains.	Medium	Monthly / Quarterly	
1.10	Has the life insurer disclosed the value of policy wise units held by policyholder on the Insurer's policyholder portal as per the format prescribed under Annexure III of IRDA/F&I/CIR/INV/067/04/2013 Dt. 1 st Apr, 2013 w.e.f 1 st October 2013?	Medium	Monthly	
1.11	Whether any investments in Immovable Properties been made out of ULIP Funds.	High	Monthly	
1.12	Has the Insurer floated any new fund during the quarter?	Medium	Quarterly	
1.13	If the answer to point above is 'yes', have the directions in respect of Fund Approval procedure and Guidelines on NAV Process as per Circular IRDA/F&I/CIR/INV/173/08/2011 Dt. 29th Jul, 2011 been complied with?	Medium	Quarterly	
1.14	Investments of Unit Linked funds: (i) Whether insurer invests only in investments wherein day-to-day valuations are available.	High	Daily / Monthly	

Technical Guide

No.	Particulars	Suggested Business Impact	Periodicity of Verification	Auditor's Comments
	(ii) Has it been ensured that no investments are made in any Funds of Fund or a fund for which NAV is not available on a day-to-day basis?			
2	<p>NAV COMPUTATION, ACCOUNTING & RECONCILIATION</p> <p>2.1 Has the life insurer disclosed fund wise NAV (SFIN wise) on the Insurer's website and life council website on the same day?</p> <p>2.2 Has NAV of each segregated fund [SFIN] been audited before its declaration by Internal / Concurrent Auditor on a day-to-day basis (on T+0 basis)?</p> <p>2.3 NAV for last business day of Financial Year: (i) Whether applications received on the last business day up to 3 PM are processed with NAV of the last business day. (ii) Whether applications received after 3.00 PM of the last business day are processed with NAV of the immediate next business day and fall into the next financial year.</p>	<p></p> <p>High</p> <p>High</p> <p>Medium</p>	<p></p> <p>Daily / At required periodicity</p> <p>Daily / At required periodicity</p> <p>Yearly</p>	

Internal / Concurrent Audit Checklist Life & ULIP Business

No	Particulars	Suggested business impact	Periodicity of verification	Auditors comments
2.4	Verify investment valuation of various securities and check whether it is in accordance with IRDA regulations.	High	Monthly	
2.5	Check whether the Company uses appropriate sources for deriving market value / fair value of the investment.	Medium	Monthly	
2.6	Check holding reconciliation.	Medium	Daily / At required periodicity	
2.7	MERGER / SPLIT OF EXISTING FUND			
2.7.1	Verify the basis of split of investment where the funds are split.	High	Monthly	
2.7.2	Approval by Investment Committee post split relating to D-mat accounts of both the schemes.	Medium	Monthly	
2.7.3	Approval by Investment Committee post merger relating to D-mat accounts of both the schemes.	Medium	Monthly	
2.8	UNIT CAPITAL ACCOUNTING ENTRY	MEDIUM	MONTHLY	
2.8.1	Verify whether unit capital accounting is carried out at face value.	Medium	Monthly	
2.8.2	Verify whether the accounting of unit capital and the difference between NAV and Unit Capital is accounted as per the accounting policy laid down.	Medium	Monthly	

Technical Guide

No	Particulars	Suggested business impact	Periodicity of verification	Auditors comments	
3	NAV AUDIT				
	3.1	Check whether NAV Process as prescribed is carried out.	High	Daily / At required periodicity	
	3.2	CHECK AND VERIFY			
	3.2.1	Whether there is an internal process existing to ensure that units are daily reconciled as per the policy service system with Investment accounting system.	High	Daily	
	3.2.2	Whether the Units created or redeemed bring in or take out correct money of the fund to ensure the interests of all the policyholders are protected. (If there is any difference the same shall be compensated).	High	Daily / At required periodicity	
	3.2.3	Whether Investments including bidding through IPO or other primary/secondary offers are allocated to the different portfolios at the inception.	High	Daily / At required periodicity	
3.2.4	Whether Inter-scheme transfers are done within the market hour. and to save the expenses it shall not be done to enrich one portfolio at the cost of the other.	High	Daily / At required periodicity		

Internal / Concurrent Audit Checklist Life & ULIP Business

No	Particulars	Suggested business impact	Periodicity of verification	Auditors comments
3.2.5	Whether the investments of the schemes strictly follow the pattern of investment, prudential norms and the limits mentioned in the product feature.	Medium	Daily / At required periodicity	
3.2.6	Whether the Valuations of the investments are adequate and as per the accounting policy. The deviation shall be disclosed and shall be more appropriate.	Medium	Daily / At required periodicity	
3.2.7	Whether the NAVs declared are correct and tally with the system.	High	Daily / At required periodicity	
3.2.8	If there is change in NAV due to an error, the same shall be compensated to the policyholders or fund as per the IRDA guidelines.	High	Daily / At required periodicity	
4	OTHERS			
4.1	Is there any shortfall/deficit in meeting the Discontinued Policies Fund (DPF) liabilities?	Low	Monthly	
4.2	If the answer to above point is 'Yes', has the Insurer provided for such shortfall / deficit on a quarterly basis?	Low	Monthly	
5	IRDA RETURNS			

Technical Guide

No		Particulars	Suggested business impact	Periodicity of verification	Auditors comments
	5.1	Whether the IRDA returns are prima-facie correct and prepared with due diligence	High	Quarterly	
	5.2	Whether the Company maintains a record of the communication with the IRDA and the Company submits the data as required within the stipulated time	Medium	Monthly	
	5.3	Whether there is a System put in place by the Insurer to ensure that the IRDA Investment periodical Returns are prepared as per the Guidelines issued by IRDA for preparing Investment Returns.	High	Monthly	

Format of Internal / Concurrent Audit Report on Investment Functions of Insurance Companies

Internal/Concurrent Audit Report on Investment Functions

To

The Audit Committee of the Board of Directors

We have conducted the internal/concurrent audit of the Investment Functions of M/s ----- (the 'Insurer'/'the Company') for the quarter ended-----, as stipulated in Regulation 13.F of IRDA (Investment) (Fifth Amendment) Regulations, 2013 notified by the Insurance Regulatory and Development Authority ('IRDA') on the 16th February, 2013, as amended from time to time.

The management of the Insurer is responsible for design, implementation and maintenance of the Investment Policy, Standard Operating Procedures (SOPs) and Risk Management Systems and Processes in accordance with the IRDA Regulations, Guidelines, Circulars and other applicable Laws and Regulations and compliance thereto. Our responsibility is to examine the compliance of the insurer with the aforesaid, and also evaluate how far such Investment Policy, SOPs and Investment Risk Management Systems and Processes provide effective control over the investment functions of the Insurer.

Technical Guide

We conducted our internal/concurrent audit as per the Technical Guide on Internal/Concurrent Audit of Investment Functions of Insurance Companies issued by the Institute of Chartered Accountants of India. Our engagement was planned and performed to obtain reasonable assurance whether:

- (i) The investment policy and SOPs of the insurer are in compliance with the minimum requirements of IRDA and other applicable statutory and regulatory requirements
- (ii) The investment Policy, SOPs and Risk Management Systems & Processes provide adequate control over investment functions of the insurer
- (iii) The Insurer, in respect of its investment transactions, has complied with the applicable IRDA Regulations, Guidelines and Circulars ; the Investment policy approved by its Board of Directors and the SOPs as approved by its Investment Committee.

We also confirm that the Audit Committee's Recommendations, along with the implementation details of the previous Quarter, were placed before the Insurer's Board as a part of its Agenda.

We have examined the relevant records and information systems of the Insurer and have obtained all information, explanations and representations from the Chief Executive Officer /Chief Investment Officer/ Chief Technology Officer/Chief Information Officer, which to the best of our knowledge and belief were necessary for the purpose of our examination.

Based on our examination, in our opinion and to the best of our information and according to the explanations given to us, *subject to the following serious non-compliances:*

1. -----
2. -----

We report that:

1. The Insurer has complied with the applicable IRDA Regulations, Guidelines and Circulars and the Insurer's Investment Policy

Format of Internal/Concurrent Audit Report on Investment...

2. All investment transactions of the insurer are in compliance with the procedure laid down in the SOP approved by the Investment Committee, covering Front, Mid and Back Offices.
3. The Insurer's Board of Directors:
 - (a) has approved and implemented a Model Code of Conduct, for preventing insider / personal trading, complying the minimum requirement mandated under SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time for Officers involved in Investment Operations at various levels, including Front, Mid and Back Office to whom the code of conduct applies.
 - (b) during the quarter under audit, has been informed by the Investment Committee of its compliance with the Model Code of Conduct and has taken action as recommended by the Audit Committee.
 - (c) has reconciled the value of Investments shown under FORM 6 for Purchase / Sale of investments and acted upon all the unmatched open items. We also confirm that there are no longer open items pending for more than 15 days.
 - (d) has valued the debt investment portfolio based on the valuation matrix provided by a SEBI approved Rating Agency, as approved by its Investment Committee. We also confirm that there is no change in the valuation matrix adopted during the quarter from that of the previous quarter.
 - (e) has taken cognizance of, addressed and resolved all issues of non-compliance, reported in FORM 4 (Part - B) on Status of Implementation of Investment Risk Management Systems and the issues reported by the Internal/Concurrent auditors in the previous periods, subject to(*report if any unresolved issues remain*)
4. The key areas of non-mitigated/residual risk resulting from deficient compliance with a risk management implication as identified by us are given in Annexure I appended to this Report. Further, we have given the list of non-conformities / non-confirmations to the stated audit

Technical Guide

objectives with appropriate classification of the nature of non-conformance and our recommendations thereon in Annexure II appended to this Report.

This report is issued solely for use of the Insurer for submission to IRDA pursuant to IRDA (Investment)(Fifth Amendment) Regulations, 2013.

For.....

Chartered Accountants

(Firm Registration No.)

Place:

Date:

Partner

[ICAI membership number]

Encl: As above

Annexure - I

Please include current audit findings and unresolved **prior audit** issues in the table below.

<i>Nature of Observation</i>	<i>Business Impact</i>	<i>Risk Weight</i>	<i>Overall Rating</i>	<i>Description of Risk Rating</i>
From report				

A. INVESTMENT IMPACT IS RATED AS UNDER

High Impact (Value 3) – Any observation that is

1. Non-compliance with the provisions of the Insurance Act, IRDA Investment Regulations and guidelines & circulars issued thereunder
2. Non-compliance to implementation of model code of conduct, as approved by Insurer's Board, for preventing insider / personal trading, of Officers involved in Investment Operations at various levels, including Front, Mid and Back Office
3. Any other issue that the Auditors may decide to be of high impact on business operations

Medium Impact (Value 2) - Any other issue that the Auditor's may decide to be of Medium impact on business operations

SAMPLE INSTANCES

1. Non compliance to SOP / Investment Policies of the insurer
2. Non Compliance to any other statutory Act other than IRDA and Insurance Act
3. Any other observation which an auditor is of the opinion causes medium impact on Business Operations

Technical Guide

Low Impact (Value 1) - Any other issue that the Auditor's may decide to be of low impact on business operations

SAMPLE INSTANCES

1. Procedural level non compliance to SOP / Investment Policies of the insurer
2. Subject to internal ratifications and approvals (and where such ratifications/approval has since been obtained)
3. Any observation that has been rectified during the audit and that does not involve an issue relating to a high or medium classification mentioned above

B. RISK WEIGHT MATRIX

<i>Procedure/ Control is available</i>	<i>Procedure/ Control is adhered to</i>	<i>Risk Weight</i>
Y	Y	1
N	Y	2
Y	N	3
N	N	4

Overall Rating = Investment Impact X Risk Weight

C. DESCRIPTION OF RISK RATING

<i>Overall Rating</i>	<i>Description</i>
1-3	No Need to Report to IRDA
4-5	Procedural Non Compliance
6-9	Serious Non Compliance
10-12	Very Serious Non Compliance

Annexure – II

Audit Report / Confirmations

The Auditor shall report on Insurer's compliance to EACH of the following points **WITHOUT EXCEPTION**. If there is no observation for any of the below-mentioned points, the Auditor shall clearly record a 'NIL' statement to that effect.

Part A Transactions during the Quarter **NOT** covered by **SOP**

Part B Transaction with **different** SOP, but falling under the **same / single Category** (as per IRDA guidelines on Category of Investment), or under different fund(s)

Part C Issues having impact on Systems or Process **NOT** covered by **SOP** along with procedure for handling such issues in Front, Mid and Back Office

Part D Transactions which have breached

1. Internal Norms (including transactions that have breached insider / personal trading guidelines issued by the Insurer's Board)
2. Regulatory Norms (including Circulars & Guidelines issued from time to time)
3. Act (Violations)

Part E Issues having **impact on the Systems or Process**, currently **COVERED** by SOP but requires amendment (along with **suggested amendment to the SOP** covering Front, Mid and Back Office)

Part F Issues **identified and resolved** having **NO** impact on Systems or Process

Part G CONFIRMATIONS ON:

A. POLICY / SYSTEMS / PROCEDURE

1. Has the Insurer, having not less than Rs. 500 Crores of Assets Under Management (both Shareholders and Policyholders funds, under **ALL** funds) complied with Regulation 13 (C) (2) of IRDA (Investment) (5th Amendment) Regulations, 2013 and Point 11 and 12 of Annexure II to Circular

Technical Guide

INV/CIR/008/2008-09 Dt. 22nd Aug, 2008 with respect to Outsourcing of Investment Advice and NAV Calculation?

2. Has the primary data server of the Investment Management Application within the Country?

3. Has the Insurer implemented an automated system to comply with exposure norms as certified by the CEO, CIO and CFO under Section I, II, III and IV of FORM 4? If the Insurer had not established such automated Systems, the Internal / Concurrent Auditor shall attach a **separate note** to the **Audit Report** explaining how exposure norms are monitored by the Insurer on a **day to day basis**.

4. Has the Investment Policy (**IP**) (fund wise in the case of Unit linked business) been approved by the Insurer's Board and has addressed all issues required under IRDA (Investment) Regulations, 2000, as amended from time to time?

5. Has the Insurer classified various Risks for Investment impact reporting? Has the same been approved by Audit Committee of or Risk Management Committee?

6. Has the Insurer, taken any Derivative position in the Quarter under audit? If yes;

- a. Has the Derivative Policy been approved by the Board of the Insurer?
- b. If yes, is there a process for identifying the risk to be 'hedged' [fund-wise' in the case of Life Insurers]
- c. Has the derivative position taken clearly identified with the portfolio risk to be hedged?

7. Has the IP been periodically reviewed, as required under IRDA (Investment) Regulations, 2000, as amended from time to time?

8. Has the Board reviewed (both life and non-life Insurers) during the previous quarter the **performance of products** [at **line of business level** in the case of General Insurers]?

9. Has the life insurer, in the case of ULIP business, reconciled through the system the premium received (net of charges and benefits paid) under each product (**Unique Identification Number – UIN** wise) with value of all the segregated fund(s) [**Segregated Fund Identification Number – SFIN** wise] net

Format of Internal/Concurrent Audit Report on Investment...

of fund management charges, held under a single UIN, on a day to day basis, during the quarter?

10. Has the life insurer disclosed UIN wise reconciliation, on the Insurer's website **on the same day**?

11. Is there a fully automated system to generate, on a **day to day basis**, **Form 3A - Part E** (Investment Details of ULIP Products to Segregated Funds)?

12. Has the life insurer, for his Unit linked Policyholders, implemented a System through his **Policyholder Portal**, to disclose “**value**” of “**policy-wise (UIN)**” “**units**” held alongside the benefits as per “**benefit illustration**” provided to such Policyholder?

13. Has the life insurer established a System to disclose fund wise (SFIN wise) NAV on the **Insurer's website** and **Life Insurance Council** website **on the same day**?

14. Have the amendments, if any, made to the IP comply with IRDA (Investment) Regulations, 2000 amended from time to time, Circulars and Guidelines issued thereunder and provisions of Insurance Act, 1938?

15. Is there an automated System to classify investments as per the IRDA Category of Investments as per Guidelines: INV/GLN/001/2003-04, as amended from time to time?

16. In the case of Life Insurers, with respect to ULIP business, is the Investment Trial Balance, in respect of each 'Segregated Fund' [with clear link to Segregated Fund Identification Number (**SFIN**)] generated **through the system**?

17. With respect to Discontinued Policy Fund (**DPF**) and for 'each' Segregated Fund in the case of ULIP business, has reconciliation of “**Units**” been made, between Policy Admin System (**PAS**) and Investment Accounting Systems through a **fully automated System** using **process integrators** to ensure seamless data transfer without manual intervention?

18. Is there a clear segregation of **functions** and **activities** of Investment operations between **Front**, **Mid** and **Back** Office, as provided in the **Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies, issued by ICAI**?

Technical Guide

19. Does the Chief Investment Officer (CIO) and Chief Financial Officer (CFO) report independently to the Chief Executive Officer (CEO)?

20. Had the Insurer disclosed the reconciliation as required under Annexure II of IRDA/F&I/CIR/INV/067/04/2013 Dt. 1st Apr, 2013 on Insurer's website on a day-to-day basis w.e.f 1st October, 2013? And has such reconciliation been disclosed on a monthly basis till such automation?

21. Is the Insurer's Policy Admin System (PAS) 'automated' for tracking 'policy-wise', information of discontinued policies along with the information of the particular ULIP fund to which the same pertains?

B. CONFIRMATION ON PROVISIONS OF ACT / REGULATIONS

1. Has all investment been made in compliance with Section 27C of Insurance Act, 1938?

2. Are Money Market Investments classified as per Regulation 2(h) of IRDA (Investment) Regulations, 2000 as amended from time to time?

3. Does the policyholders' fund under the 'Life Fund' include "Non-unit" reserve of ULIP Business?

4. Has the Insurer reported material adverse impact, if any on the investment portfolio as required under Regulation 8 of IRDA (Investment) Regulations, 2000?

5. Does **each** 'Segregated fund' [SFIN] have identifiable 'Scrips' in compliance of Circular: INV/CIR/020/2008-09, Dated: 11th Nov, 2008 – Anx 2?

6. Has the same been identified at custodian level, by separate sub code, for such 'Segregated Fund' (Ref: INV/CIR/008/2008-09 Dt. 22nd Aug, 2008)?

7. Has the Insurer complied fully with the directions of circular: IRDA/CIR/INV/062/JAN/05 dated 17th Jan, 2005?

8. Has the insurer complied with ALL the Guidelines/circular issued from time to time by IRDA?

9. Has the total investments made in **ALL** "Companies falling under the Promoter Group of the Insurer" is:

(a) less than 5% in aggregate of its total investments (all funds taken together in the case of Life Insurer)?

Format of Internal/Concurrent Audit Report on Investment...

- (b) Not been made by way of Private Placement?
- (c) Not been made in unlisted instruments?
- 10. Does the Insurer comply with the provisions of Section 29(1) of Insurance Act 1938?
- 11. Does the insurer comply with the NPA norms as prescribed vide CIR No: 32/2/F&A/CIR/169/Jan/2006-07 as amended from time to time?
- 12. Has 'every' write-off arising out of NPAs been approved by the Board of the Insurer?
- 13. Has the insurer complied with the norms of 'Approved Investments' under Schedule I / (Schedule 2 for General Insurers) read along with Regulation 3 and 4 of IRDA (Investment) (4th Amendment) Regulations, 2008, as amended from time to time?
- 14. Has the insurer complied with **ALL** the norms mentioned under Note to Regulation 5 of IRDA (Investment) (4th Amendment) Regulations, 2008, as amended from time to time?
- 15. Are all investments in 'infrastructure' fully covered by the definition of 'infrastructure facility' vide Section 2(h) of IRDA (Registration of Indian Insurance Companies) Regulations, 2000, as amended from time to time?

C. CONFIRMATION ON INVESTMENT OPERATIONS / EXPOSURE

- 1. Has the Insurer implemented a System to ensure that the Investment Returns to be filed with IRDA are prepared as per the "**Guidance Note on preparation of Investment Returns**" issued by IRDA? [**The Internal / Concurrent Auditor shall make a specific comment on this point**]
- 2. Has the insurer, under Shareholders funds, clearly split Funds Representing Solvency Margin (FRSM) in FORM 3A (Part A)?
- 3. Has the insurer, reconciled investment accounts, fund-wise, with bank and custodian records on a 'day-to-day basis for 'each' segregated fund?
- 4. Has the Insurer reconciled Govt. Securities and CBLO holding, operated through a common account and allocated between various segregated fund wise [SFIN] at the inception?
- 5. In connection with the model code of conduct, as approved by the Board of the Insurer, implemented to prevent Insider / personal trading:

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- (a) Were there any instances of violation of the model code of conduct **during the Quarter** under Audit?
 - (b) Have the details of violations, if any, during the **previous quarter(s)**, been reported to the Audit Committee and Board of the Insurer?
 - (c) Were action(s) recommended by Audit Committee / Board implemented?
6. Whether the following minimum has been reported to the board during the Quarter product wise by Life Insurers & Line of business wise by General Insurers:
- (a) New business scale planned versus actual at the end of the period¹ to maturity
 - (b) Expenses projected versus actual
 - (c) Persistency / renewal premium streams projected versus actual
 - (d) Claims - projected versus actual
 - (e) Actual Yield versus projected yield or returns
 - (f) Action plan and follow up status
7. Has the insurer, reconciled investment accounts, for each fund in the case of Non-ULIP Business and General Insurance Business with Custodian Books?
8. Has inter-fund transfer been done as per circular IRDA/FA/02/10/2003-04, between ULIP funds, during Market Hours, for Equity and Debt at the prevailing price and not on the basis of broker quote?
9. If funds are split as per point 3 above between FRSM and Balance, have the same been maintained in separate custodian accounts with identified 'scrips' for both Life and General (including Re-insurance) companies and reconciled with FORM 3A (Part A) / FORM 3B?
10. If funds are split as per point 8 above, do such funds, representing solvency margin, follow the pattern of Investments as prescribed under Regulations?
11. Is there any shortfall / deficit in meeting the Discontinued Policies Fund (DPF) liabilities?

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12. Has the Write-Off of NPA, if any, shown in FORM 7 of IRDA (Investment) Regulations, 2000 as amended from time to time, been approved by the Insurer's Board?
13. Has the Insurer provided for such shortfall / deficit and earmarked Assets for such shortfall from revenue account on a quarterly basis?

ANNEXURES

Annexure 'A'

STANDARD OPERATING PROCEDURE (SOP)

(The following are the minimum requirements to be adhered to as per IRDA directive)

(LIFE INSURERS)

(Periodicity of Verification - Quarterly)

A. GENERAL FRAME WORK

1. Investment policy Governance framework
2. Delegation of Authority – at different levels
3. Accounting conventions and standards
4. Valuation and Unit pricing frameworks
5. Internal & Regulatory reporting
6. Risk management practices
7. Classification of Risks, for Investment Impact Reporting, between High, Medium and Low

B. REGULATORY FRAMEWORK

1. Insurance Act, 1938
2. IRDA Regulations, Circulars and Guidelines made there under.

C. INTERNAL ADMINISTRATION

1. Committee(s) formed to monitor / manage the following key areas of Investment Operations
 - a. Liability and Asset Management
 - b. Operational Risk Management
 - c. Market Risk Management
 - d. Credit Risk Management
 - e. Technology Management

Technical Guide

2. Structure – Front, Mid and Back Office segregation of functions (Minimum segregation shall be as provided in Annexure H of this Technical Guide under “Segregation of Duties in Front / Mid and Back Office”)
3. Counter Party Management
4. Broker Management
5. Model Code of Conduct to prevent insider / personal trading (in compliance with SEBI (Prohibition of Insider Trading) Regulation, 1992 as amended from time)
6. Custodial Services Management
7. MIS including frequency

D. INTERNAL CONTROL

1. Chief Investment Officer (CIO), Chief Financial Officer (CFO) and reporting matrix
2. Segregation of responsibilities
3. Limit Management
4. Procedure for making Investment (for each Category of Investment – as per IRDA Guidelines, along with activities carried out in Front, Mid & Back Office) The procedure or its subsequent amendment shall be approved by the Investment Committee of the Insurer.
5. Deal execution controls
6. Periodic credit review

E. TECHNOLOGY MANAGEMENT

1. Information security policy including application and database security policies
2. Historical and Transactional data management
3. System support
 - a. Deal execution including STP
 - b. Limit and alert management
 - c. Risk management
 - d. Internal controls

- e. Blocking/Locking transactions
- 4. Access and Process control management
- 5. Disaster recovery strategy and Business Continuity plan

F. SOP MANAGEMENT

- 1. Employee education: Training and Cross training
- 2. Controlling procedural drift

(System to monitor SOP regularly by tracking the opportunities which require SOP to be tweaked for appropriate modification in it)

- 3. Evaluation and review system

STANDARD OPERATING PROCEDURE (SOP)

(The following are the minimum requirements to be adhered to as per IRDA directive)

NON LIFE INSURERS

(Periodicity of Verification - Quarterly)

A. GENERAL FRAME WORK

1. Investment policy Governance framework
2. Delegation of Authority – at different levels
3. Accounting conventions and standards
4. Internal & Regulatory reporting
5. Risk management practices
6. Classification of Risks, for Investment Impact Reporting, between High, Medium and Low

B. REGULATORY FRAMEWORK

1. Insurance Act, 1938
2. IRDA Regulations, circulars and guidelines made there under.

C. INTERNAL ADMINISTRATION

1. Committee(s) shall be formed to monitor / manage the following key areas of Investment Operations
 - a. Liability and Asset Management
 - b. Operational Risk Management
 - c. Market Risk Management
 - d. Credit Risk Management
 - e. Technology Management
2. Structure – Front, Mid and Back Office segregation of functions (Minimum segregation shall be as provided in Annexure H of this Technical Guide under “Segregation of Duties in Front / Mid and Back Office”)

3. Counter Party Management
4. Broker Management
5. Model Code of Conduct to prevent insider / personal trading (in compliance with SEBI (Prohibition of Insider Trading) Regulation, 1992 as amended from time)
6. Custodial Services Management
7. MIS including frequency

D. INTERNAL CONTROL

1. Chief Investment Officer (CIO), Chief Financial Officer (CFO) and reporting matrix
2. Segregation of responsibilities
3. Limit management
4. Procedure for making Investment (for each Category of Investment – as per IRDA Guidelines, along with activities carried out in Front, Mid & Back Office) The procedure or its subsequent amendment shall be approved by the Investment Committee of the Insurer.
5. Deal execution controls
6. Periodic credit review

E. TECHNOLOGY MANAGEMENT

1. Information security policy including application and database security policies
2. Historical and Transactional data management
3. System support
 - a. Deal execution including STP
 - b. Limit and alert management
 - c. Risk management
 - d. Internal controls
 - e. Blocking/Locking transactions
4. Access and Process control management

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5. Disaster recovery strategy and Business Continuity plan

F. SOP MANAGEMENT

1. Employee education: Training and Cross training
2. Controlling procedural drift

(System to monitor SOP regularly by tracking the opportunities which require SOP to be tweaked for appropriate modification in it)

3. Evaluation and review system

PERMITTED ASSETS CATEGORY

Schedule I (See Regulation 3 to 6)

List of Approved Investments for Life Business

'Approved Investments' for the purposes of section 27A of the Act shall consist of the following:

- (a) all investments specified in section 27A of the Act except
 - (i) clause (b) of sub-section (1) of section 27A of the Act;
 - (ii) first mortgages on immovable property situated in another country as stated in clause (m) of sub-section (1) of section 27A of the Act;
 - (iii) Immovable property situated in another country as stated in clause (n) of sub-section (1) of section 27A of the Act.
- (b) In addition the following investments shall be deemed as approved investments by the Authority under the powers vested in it vide clause (s) of sub-section (1) of section 27A of the Act.
 - (i) All loans secured as required under the Act, rated debentures (including bonds) and other rated & secured debt instruments as per Note appended to Regulation 3 to 8. Equity shares and preference shares and debt instruments issued by all India Financial Institutions recognized as such by Reserve Bank of India – investments shall be made in terms of investment policy guidelines, benchmarks and exposure norms, limits approved by the Board of Directors of the insurer.
 - (ii) Bonds or debentures issued by companies rated not less than AA or its equivalent and P1 or equivalent ratings for short term bonds, debentures, certificate of deposits and commercial papers by a credit rating agency, registered under SEBI (Credit Rating Agencies) Regulations 1999 would be considered as 'Approved Investments'.
 - (iii) Subject to norms and limits approved by the Board of Directors of the insurers deposits (including fixed deposits as per section 27A

(9) of Insurance Act, 1938) with banks (e.g. in current account, call deposits, notice deposits, certificate of deposits etc.) included for the time being in the Second Schedule to Reserve Bank of India Act, 1934 (2 of 1934) and deposits with primary dealers duly recognized by Reserve Bank of India as such.

- (iv) Collateralized Borrowing and Lending Obligations (CBLO) created by the Clearing Corporation of India Ltd and recognized by the Reserve Bank of India and exposure to Gilt, G Sec and liquid mutual fund forming part of Approved Investments as per Mutual Fund Guidelines issued under these regulations and money market instrument / investment.
- (v) Asset Backed Securities with underlying Housing loans or having infrastructure assets as underlying as defined under 'infrastructure facility' in clause (h) of regulation 2 of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Amendment Regulations, 2008 as amended from time to time.
- (vi) Commercial papers issued by a company or All India Financial Institution recognized as such by Reserve Bank of India having a credit rating by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations 1999.
- (vii) Money Market instruments as defined in Regulation 2(h) of these Regulation.

Explanation

1. All conditions mentioned in the 'note' appended to Regulation 3 to 8 shall be complied with.

Schedule II
(See Regulation 7 & 8)
List of Approved Investments for General Business

'Approved Investments' for the purpose of section 27B of the Act shall consist of the following:

- (a) All investments specified in section 27B of the Act except
 - (i) clause (b) of sub-section (1) of section 27A of the Act;
 - (ii) Immovable property situated in another country as stated in clause (n) of sub-section (1) of section 27A of the Act;
 - (iii) First mortgages on immovable property situated in another country as stated in clause (i) of sub-section (1) of section 27B of the Act.
- (b) In addition the following investments shall be deemed as approved investments by the Authority under the powers vested in it vide clause (j) of sub-section (1) of section 27B of the Act:
 - (i) All loans secured as per the Act, rated debentures (including bonds) and other rated & secured debt instruments as per Note appended to Regulations 3 to 8. Equity shares, preference shares and debt instruments issued by All India Financial Institutions recognized as such by Reserve Bank of India – investments shall be made in terms of investment policy guidelines, benchmarks and exposure norms, limits approved by the Board of Directors of the insurer.
 - (ii) Bonds or debentures issued by companies rated not less than AA or its equivalent and P1 or Equivalent ratings for short term bonds, debentures, certificate of deposits and commercial papers by a credit rating agency, registered under SEBI (Credit Rating Agencies) Regulations 1999 would be considered as 'Approved Investments'.
 - (iii) Subject to norms and limits approved by the Board of Directors of the insurers deposits (including fixed deposits as per section 27B (10) of Insurance Act, 1938) with banks (e.g. in current account, call deposits, notice deposits, certificate of deposits etc.) included for the time being in the Second Schedule to Reserve Bank of India Act, 1934 (2 of 1934) and deposits with primary dealers duly recognized by Reserve Bank of India as such.

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- (iv) Collateralized Borrowing & Lending Obligations (CBLO) created by the Clearing Corporation of India Ltd and recognized by the Reserve Bank of India and exposure to Gilt, G Sec and liquid mutual fund forming part of Approved Investments as per Mutual Fund Guidelines issued under these regulations and money market instrument / investment.
- (v) Asset Backed Securities with underlying Housing loans or having infrastructure assets as underlying as defined under 'infrastructure facility' in clause (h) of regulation 2 of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Amendment Regulations, 2008 as amended from time to time.
- (vi) Commercial papers issued by a company or All India Financial Institution recognized as such by Reserve Bank of India having a credit rating by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations 1999
- (vii) Money Market instruments as defined in Regulation 2(h) of this Regulation.

Explanation:

1. All conditions mentioned in the 'note' appended to Regulation 3 to 8 shall be complied with.

Note:

1. Investments covered under Section 27A and 27B and Approved Investments under Schedule I & II of IRDA (Inv) Regulations, are summarised and 'Grouped' into various Categories in the Guidelines provided by IRDA with Category codes.
2. The asset categories are "exhaustive" as per IRDA Guidelines. No new asset category can be included, unless it is permitted by IRDA.

Annexure 'C'

PATTERN OF INVESTMENTS

(Periodicity of Verification – For every transaction)

LIFE INSURANCE

Regulation of Investments

3. A life insurer, for the purpose of these Regulations, shall invest and at all times keep invested, the Investment Assets forming part of the Controlled Fund as defined in Section 27A of the Act as under:

- a. all funds of Life insurance business and One Year Renewable pure Group Term Assurance Business (OYRGTA), and non-unit reserves of all categories of Unit linked life insurance business, as per Regulation 4
- b. all funds of Pension, Annuity and Group Business [as defined under Regulation 2 (d) of IRDA (Actuarial Report and Abstract) Regulations, 2000] as per Regulation 5; and
- c. the unit reserves portion of all categories of Unit linked funds, as per Regulation 6

4. Without prejudice to Sections 27 or 27A of the Act, every insurer carrying on the business of Life Insurance, shall invest and at all times keep invested his Investment Assets as defined in Regulation 3 (a) (other than funds relating to Pension & General Annuity and Group Business and unit reserves of all categories of Unit Linked Business) in the following manner:

No	Type of Investment	Percentage to funds as under Regulation 3(a)
(i)	Central Government Securities	Not less than 25%
(ii)	Central Government Securities, State Government Securities or Other Approved Securities	Not less than 50% (incl (i) above)
(iii)	Approved Investments as specified in Section 27A of the Act and Other Investments as specified in	Not exceeding 50%

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No	Type of Investment	Percentage to funds as under Regulation 3(a)
(iv)	<p>Section 27A(2) of the Act and Schedule I to these Regulations, (all taken together) subject to Exposure / Prudential Norms as specified in Regulation 9:</p> <p>Other Investments as specified under Section 27A (2) of the Act, subject to Exposure / Prudential Norms as specified in Regulation 9:</p>	Not exceeding 15%
(v)	<p>Investment in housing and infrastructure by way of subscription or purchase of:</p> <p>A. Investment in Housing</p> <p>(a) Bonds / debentures of HUDCO and National Housing Bank</p> <p>(b) Bonds / debentures of Housing Finance Companies either duly accredited by National Housing Banks, for house building activities, or duly guaranteed by Government or carrying current rating of not less than 'AA' by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations, 1999</p> <p>(c) Asset Backed Securities with underlying housing loans, satisfying the norms specified in the guidelines issued under these regulations from time to time.</p> <p>B. Investment in Infrastructure</p> <p>(Explanation: Subscription or purchase of Bonds / Debentures, Equity and Asset Backed Securities with underlying infrastructure assets would qualify for the purpose of this requirement.</p> <p>'Infrastructure facility' shall have the meaning as given in clause (h) of regulation 2 of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Amendment Regulations, 2008 as amended from time to time</p>	Total Investment in housing and infrastructure (i.e.) investment in categories (i), (ii), (iii) and (iv) above taken together shall not be less than 15% of the fund under Regulation 3(a)

Annexure 'C'

No	Type of Investment	Percentage to funds as under Regulation 3(a)
	Note: Investments made under category (i) and (ii) above may be considered as investment in housing and infrastructure, provided the respective government issues such a security specifically to meet the needs of any of the sectors specified as 'infrastructure facility'	

5. Without prejudice to Sections 27 or 27A of the Act, every insurer carrying on Pension, Annuity and Group Business [as defined under Regulation 2 (d) of IRDA (Actuarial Report and Abstract) Regulations, 2000] shall invest and at all times keep invested his Investment Assets of Pension, Annuity and Group business in the following manner:

No	Type of Investment	Percentage to funds under Regulation 3(b)
(i)	Central Government Securities	Not less than 20%
(ii)	Central Government Securities, State Government Securities or Other Approved Securities	Not less than 40% (incl (i) above)
(iii)	Balance to be invested in Approved Investments, as specified in Schedule I, subject to Exposure / Prudential norms as specified in Regulation 9.	Not exceeding 60%

Note: For the purposes of this regulation no investment falling under 'Other Investments' as specified under 27A (2) of the Act shall be made"

6. Unit Linked Insurance Business: - Every insurer shall invest and at all times keep invested his segregated fund(s) under Regulation 3(c) (with underlying securities at custodian level) of Unit linked business as per pattern of investment offered to and approved by the policy-holders where the units are linked to categories of assets which are both marketable and easily realizable. However the investment in Approved Investments shall not be less than 75% of such fund(s) in each such segregated fund"

GENERAL INSURANCE (INCLUDING RE-INSURERS)

Regulation of Investments

7. General Insurance Business – without prejudice section 27B of the Act, every General insurer (including Health insurer) shall invest and at all times keep invested his investment assets in the manner set out below:

No	Type of Investment	Percentage of Investment Assets
(i)	Central Government Securities	Not less than 20%
(ii)	Central Government Securities, State Government Securities or Other Approved Securities	Not less than 30% (incl (i) above)
(iii)	Approved Investments as specified in Section 27B of the Act and Other Investment as specified in Section 27B(3) of the Act and Schedule II to these Regulations, (all taken together) subject to Exposure / Prudential Norms as specified in Regulation 9:	Not exceeding 70%
(iv)	Other investments as specified under Section 27B (3) of the Act, subject to Exposure / Prudential Norms as specified in Regulation 9:	Not more than 25%
(v)	<p>Housing and loans to State Government for Housing and Fire Fighting equipment, by way of subscription or purchase of:</p> <p>A. Investments in Housing</p> <p>(a) Bonds / Debentures issued by HUDCO, National Housing Bank</p> <p>(b) Bonds / debentures of Housing Finance Companies either duly accredited by National Housing Banks, for house building activities, or duly guaranteed by Government or carrying current rating of not less than 'AA' by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations, 1999</p> <p>(c) Asset Backed Securities with underlying</p>	Total Investment in housing (i.e.,) investment in categories (i), (ii), (iii) and (iv) above taken together shall not be less than 5% of the Investment Assets.

No	Type of Investment	Percentage of Investment Assets
	<p>Housing loans, satisfying the norms specified in the Guidelines issued under these regulations from time to time.</p> <p>B. Investment in Infrastructure (Explanation: Subscription or purchase of Bonds/ Debentures, Equity and Asset Backed Securities with underlying infrastructure assets would qualify for the purpose of this requirement.</p> <p>'Infrastructure facility' shall have the meaning as given in clause (h) of regulation 2 of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) (Amendment) Regulations, 2008 as amended from time to time.</p> <p>Note: Investments made under category (i) and (ii) above may be considered as investment in housing or infrastructure, as the case may be, provided the respective government issues such a security specifically to meet the needs of any of the sectors specified as 'infrastructure facility'</p>	<p>Total Investment in Infrastructure (i.e.) investment in categories (i), (ii), (iii) and (iv) above taken together shall not be less than 10% of the Investment Assets.</p>

8. Reinsurance Business – Every re-insurer carrying on re-insurance business in India shall invest and at all times keep invested his investment assets in the same manner as set out in Regulation 7

Note – For the purpose of Regulations 3 to 8:

1. All investment in assets or instruments, which are capable of being rated as per market practice, shall be made on the basis of credit rating of such assets or instruments. No approved investment shall be made in instruments, if such instruments are capable of being rated, but are not rated
2. The rating should be done by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations, 1999
3. Corporate bonds or debentures rated not less than AA or its equivalent and P1 or equivalent ratings for short term bonds, debentures, certificate of deposit and commercial paper, by a credit rating agency, registered under SEBI

Technical Guide

(Credit Rating Agencies) Regulations, 1999 would be considered as 'Approved Investments'

4. The rating of a debt instrument issued by All India Financial Institutions recognized as such by RBI shall be of 'AA' or equivalent rating. In case investments of this grade are not available to meet the requirements of the investing insurance company, and Investment Committee of the investing insurance company is fully satisfied about the same, then, for the reasons to be recorded in the Investment Committee's minutes, the Investment Committee may approve investments in instruments carrying current rating of not less than 'A+' or equivalent as rated by a credit rating agency, registered under SEBI (Credit Rating Agencies) Regulations, 1999, would be considered as 'Approved Investments'

5. Approved Investments under regulations 4, 5, 6, 7 and 8 which are downgraded below the minimum rating prescribed should be automatically re-classified under 'Other Investments' category for the purpose of pattern of investment

6. Investments in equity shares listed on a registered stock exchange should be made in actively traded and liquid instruments viz., equity shares other than those defined as thinly traded as per SEBI Regulations and guidelines governing mutual funds issued by SEBI from time to time

7 (a) Not less than 75% of investment in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case life insurer and not less than 65% of investment in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case of general insurer - shall be in sovereign debt, AAA or equivalent rating for long term and sovereign debt, P1+ or equivalent for short term instruments. This shall apply at segregated fund(s) in case of Unit linked business.

(b) Not more than 5% of funds under Regulation 3 (a) and Regulation 3 (c) in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case of life insurer and not more than 8% of investment in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case of general insurer – shall have a rating of A or below or equivalent rating for long term

(c) No investment can be made in other investments out of funds under Regulation 3 (b)

(d) Investments in debt instruments rated AA - (AA minus) or below shall form part of Other Investments

8 Notwithstanding the above, it is emphasized that rating should not replace appropriate risk analysis and management on the part of the Insurer. The Insurer should conduct risk analysis commensurate with the complexity of the product(s) and the materiality of their holding, or could also refrain from such investments

Instruction to Internal / Concurrent Auditors:

1. Pattern of investments and exposure norms in the case of Unit Linked funds (ULIPs) shall be calculated for each segregated fund (Segregated fund identification number SFIN wise) and net current assets shall form part of 'Approved investments' for the purpose of pattern of Investments

2. Bank FDs, Mutual Funds, CBLO, Reverse Repo, Net investment current assets, Venture funds, Derivative instruments, immovable property and any other non-debt investments shall not be considered either in numerator or denominator in calculating 75%/65% of investments in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) to be in AAA rated investments.

Annexure 'D'

INVESTMENT POLICY

(Periodicity of Verification – Annually)

1. INTRODUCTION

- (a) The Investment Policy (IP) of the insurer shall be approved by the Board. The IP requires to be reviewed at least half-yearly.
- (b) The investment performance at SFIN level and product performance requires to be reviewed by the Board
- (c) The Investment policy should outline the investment philosophy, investment objectives & the planning for day-to-day investment management, delegation of power to Investment Committee with respect to 'Operational' matter on Investments.
- (d) It should contain both the short-term and the long-term perspectives.

2. MINIMUM CONTENT OF INVESTMENT POLICY

- (a) The insurer's vision (investment related)
- (b) Organizational structure of Investment Department
- (c) Standard Operating Procedure (SOP) framework
- (d) Regulatory / Internal requirements (Hard and Soft Limits)
- (e) Investment objectives (Fund wise)
- (f) Preferable asset mix (within statutory patterns)
- (g) Quarterly performance evaluation parameters
- (h) Acceptable risk tolerance level
- (i) Risk Management (Identification, Assessment, Measurement, Mitigation, Monitoring and reporting)
- (j) Valuation of all asset classes
- (k) Internal Controls and Audit
- (l) Quarterly Reporting parameters to Board both on Fund and Product performance

Annexure 'E'

INVESTMENT DEALS TESTING

(Periodicity of Verification – Every Deal)

A. INVESTMENT CUT OFF TESTING

1. Daily transaction register (DTR) for trades up to the end of quarter.
2. Daily trades file from Investment Accounting System
3. Confirmation from the custodians for trades done on last business day.
4. Deal tickets for the trades done on last business day.

B. INVESTMENT DEAL DATA CONTROL TESTING

1. Daily transaction register ('DTR') for the period from beginning of the quarter to end of the quarter of buy and sell of equity, debt, G-Secs, derivatives, Repos /Reverse Repos etc..
2. A complete transaction report of all the inter-scheme trades (involving all types of securities) done during the audit period.
3. Deal tickets for the above trades.
4. Contract notes from brokers for the above trades.
5. Negotiated Dealer System ('NDS') output for the GOI trades.
6. Counter party confirmations for corporate debt deals other than inter-scheme deals
7. Investment ledgers of the scrip involved in the trades.
8. Journal vouchers for identification of profit/loss booked from the transaction.

Annexure 'F'

INVESTMENT OF ULIP

(Periodicity of Verification – Every Investment)

PARTICULARS	REMARKS
1. Obtain a copy of various ULIP products issued by the Company during the life cycle of the Company	
2. Obtain an understanding of process followed by the Company for ULIP funds.	
3. Obtain the product brochures and verify for any new unit linked products launched by the Company	
The auditor shall : 1. Review efficacy of the System & Process in place 2. Verify that the conversion charges including risk premium are as per offer document 3. Verify reconciliation of Units & provide instant resolution for differences, if any 4. Management of fund schemes is as per Investment Objective of portfolio 5. Verify prompt allotment of deals to respective schemes	
Inter-Scheme Transfer The auditor shall: 1. check that the transfer is only between approved ULIP schemes 2. check that there is no undue benefit to any portfolio	
Verify the following based on Company Policy: 1. Allocation 2. Creation of units 3. Redemptions of units 4. calculation of NAV 5. Fund Management Fees Policy/Administration Charges	
General procedures related to computation of NAV: 1. Verify whether investments are made within the investment objective (defined in terms of asset	

PARTICULARS	REMARKS
<p>allocation, strategy etc) for each scheme of the ULIP business as defined in the Investment Policy</p> <p>2. Verify that all investments are made within the provision of IRDA and rules made thereunder</p> <p>3. Verify whether unit reconciliation is carried out on daily basis</p> <p>4. Verify whether inter scheme transfer of investments is made within the IRDA guidelines prescribed from time to time.</p> <p>5. Verify the process of computation of NAV.</p> <p>6. Verify the following items leading to the computation of NAV:</p> <p>(a) Creation/redemption of units</p> <p>(b) Accounting for investments</p> <p>(c) Expensing of various charges/fees</p> <p>(d) Income recognition</p> <p>(e) Reconciliation of Bank, Stock & units</p> <p>(f) Valuation of investments</p> <p>7. Verify that the investments are accounted on the trade date basis and the accrual incomes are calculated from the settlement basis.</p> <p>8. Verify that the valuations are carried out as per the IRDA guidelines.</p> <p>9. Verify that the insurer does not invests in any security those are readily realizable and marketable.</p> <p>10. Verify that the valuation of unquoted and illiquid investments is as per the valuation norms.</p>	

PROJECT / TERM LOANS

(Periodicity of Verification – Every Loan)

G. PRE – SANCTION

1. Scrutiny of request in the form of detailed proposal
2. Aggregate Credit Exposure to promoters, borrowers and industry
3. Integrity and reputation of borrowers or counterparties
4. Repayment history and repayment ability
5. Purpose of Loan and repayment plan
6. Technical, economic viability of the project
7. Projections and repaying capacity – ratios
8. Negotiations done for rates, if any
9. Justification by the sanctioning authority that the interest rate spread available in the proposal is adequate to the risk associated in the proposal.
10. Automatic re-classification of loans as 'Other Investments', which are not covered with adequate 'security', as required by the Act.
11. Security Coverage (Movable & Immovable properties). If land is given as security, then a Valuation Report (by an independent valuer) and a Legal Report (by a lawyer) shall be insisted upon.
12. Documents obtained and whether these are vetted by Law Officer / Legal Department.
13. Terms and conditions of credits including covenants or collateral to limit changes in the future risk profile of borrowers.
14. Other details such as Cost of materials – Turnover, Audit report, IT Returns.,
15. Existence of Internal approvals of the company for raising the loan (such as board approval etc)
16. Promoter track record

17. Percentage of Promoter holding and percentage of promoter shares already pledged
18. Put/Call options
19. Report from the bankers of the borrower
20. Third party guarantees and due diligence of guarantors
21. Approvals if the instrument is proposed to be listed
22. Credit Agency grading of borrowing, issue

H. POST – SANCTION

- (a) Appropriateness of Holiday period to be given
- (b) Minimum Capital Requirements - for major risks namely Credit Risk, Market Risk and Operational Risk.
- (c) Supervisory Review Process - Inspecting and evaluating the ability of borrower to assess and monitor its capital adequacy and risk management, as well as taking supervisory actions in an appropriate and timely manner.
- (d) Market Discipline
- (e) Independent and on going credit review with accurate credit grading appropriate amount and scope, and reporting to allow monitoring of risk management.
- (f) A well defined policy detailing the exposure norms, assessment of working capital, the deployment ceiling for various industrial sectors, tenor specific, project specific etc to avoid concentration risk.
- (g) Listing requirements if the loan is proposed to be listed

I. POST – DISBURSAL PROCEDURE

- (a) Repayment as per the plan
- (b) Application of penalty interest
- (c) Changes to Instrument grading
- (d) Changes to Borrowing grading
- (e) Filing of the periodical returns/information as agreed upon.
- (f) Changes in constitution/structure of Board

SEGREGATION OF DUTIES (SOD)

FRONT OFFICE / MID OFFICE / BACK OFFICE

(Periodicity of Verification - Ongoing)

A. GENERAL

1. Front & Back Office Operations

- (a) Insurer having Assets under Management (AUM) in excess of Rs.500 crores shall ensure separate personnel acting as fund manager and dealer.
- (b) The Investment System should have separate modules for Front and Back Office.
- (c) Transfer of data from Front Office to Back Office should be electronic without Manual intervention (Real time basis) i.e., without the need for re-entering data at Back Office.
- (d) The Insurer may have multiple Data Entry Systems, but all such Systems should be seamlessly integrated without manual intervention.
- (e) The Front Office shall report through the Chief Investment Officer (CIO) to the Chief Executive Officer (CEO). The Mid Office and Back Office, to be headed by separate personnel, shall be the overall responsibility of Chief Financial Officer (CFO) who shall independently report to the CEO.

2. Employee Dealing Guidelines

The Standard Operating Procedure followed by the Insurer shall clearly specify the Guidelines to be adhered to by the Dealer That is the Insurer shall clearly specify the Trading guidelines for Personal Investments of the dealer. The compliance of this requirement shall be commented upon by the Internal / Concurrent Auditor.

3. Maker Checker Process

Insurer should have the procedure of Maker / Checker mapped in their Standard Operating Procedure / Operations Manual of Investment

Operations. The Internal / Concurrent Auditor shall comment on such practice in his report.

4. Audit Trail At Data Entry Points

The Audit trail should be available for all data entry points including at the Checker / Authorizer level.

5. Business Continuity Process

To ensure Business continuity, the Insurer should have a clear Off-site back-up of data in a city falling under a different Seismic Zone, either on his own or through a Service Provider. Further, the Insurer / service provider (if outsourced) is required to have the necessary infrastructure for Mission Critical Systems to address at least the following:

1. Calculation of daily NAV (Fund wise)
2. Redemption processing.

B. FRONT OFFICE

1. Segregation Of Fund Manager / Dealer

- (a) Investment Department should have documented the segregation of Fund Managers and Dealers through Authority Matrix as a part of its 'Standard Operating Procedure'.
- (b) The Insurer should have documented the Access Controls and Authorization process for Orders and Deal execution.
- (c) The Dealing Room should have a Voice Recorder and procedure for maintaining the recorded conversation and their disposal including procedure like no mobile phone usage in dealing rooms and other best practices.

2. Investment In Investee / Group Company / Industry Sector

System based checks should be in place for investments in an Investee Company, Group and Industry Sector. The system should signal when the Internal / Regulatory limits are nearly reached **PRIOR** to taking such exposure and making actual investment.

3. Inter Fund Transfer

The System should handle Inter Fund transfer as per Circulars issued by IRDA from time to time. The Investment Committee may fix the Cut Off time as per Market practice, for such transfer within the fund. (The inter fund

Technical Guide

transfer should be like any other Market deal and the same needs to be carried out with in the Market hours only)

C. MID OFFICE

1. Market Risk

- (a) The system should be capable of computing various portfolio returns.
- (b) Regular limits monitoring and Exception Reporting. Also reporting on movement of prices.

2. Liquidity Risk

- (a) The Insurer should have a Cash Management System to provide the funds available for Investment considering the settlement obligations and subscription and redemption of units etc, to preempt any leveraged position or liquidity risk.
- (b) The System should be validated not to accept any commitment beyond availability of funds.

3. Credit Risk

- (a) The Investment System should capture Instrument Ratings to enable it to automatically generate FORM 2 (Statement of Downgraded Investments) through the System.
- (b) System should automatically monitor various Regulatory limits on Exposure & Rating.
- (c) The System should have the ability to track changes in ratings over a period, and generate appropriate alerts, along with ability to classify investments between Approved and Other Investments.
- (d) The Insurer should conduct periodic credit reviews for all companies in the portfolio. The periodicity should be clearly mentioned in the Investment Policy.
- (e) The Insurer is required to keep a track of movement of Securities between Approved and Other Investments Status, as a part of Audit trail, at individual security level.

4. Tracking Of Regulatory Limits

- (a) The System should have key limits preset for ensuring compliance with all Regulatory requirements and should be supported by workflow

through the System, (Real time basis) for such approval, if Regulatory limit is close to being breached.

- (b) The System should have capability of generating Exception reports for Audit by Internal / Concurrent Auditor.

5. Review, Monitoring And Reporting

- (a) The System should automatically track and report all internal limits breaches. All such breaches should be audited by Internal / Concurrent Auditor.
- (b) Implementation and Review of Asset & Liability Matching and other Investment Policy Guidelines.

D. BACK OFFICE

1. Data Input Error

The system should be validated in such a way, that the Deal can only be rejected by the Back Office and not edited.

2. Settlement Risk

The System should be validated to restrict Short Sales at the time of placing the order.

3. Computation of 'NAV'

- (a) The System should be capable of computing NAV and compare it with the NAV computed by the Service provider, if outsourced.
- (b) The Insurer should maintain NAV history (Fund wise) in his Public Domain from the Start of the Fund to current date.
- (c) 'NAV' error – Computation & Compensation
 - 1. All expenses and incomes accrued up to the Valuation date shall be considered for computation of NAV.
 - 2. In case the NAV of a Plan differs by more than 1% due to non - recording of the transactions or any other errors / mistakes, the investors or fund(s) as the case may be, shall be paid the difference in amount as follows:-
 - (i) If the investors are allotted units at a price higher than NAV or are given a price lower than NAV at the time of

sale of their Units, they shall be paid the difference in amount by the plan.

- (ii) If the investors are charged lower NAV at the time of purchase of their units or are given higher NAV at the time of sale of their units, the Insurer shall pay the difference in amount to the Plan and shall be compensated by non unit reserve of the ULIP funds.
- (iii) The Internal / Concurrent Auditor shall look into the above issues and specifically report on it and comment on the Systems in place to take care of such issues on an ongoing basis.
- (iv) A log of NAV errors and the management action taken on those errors shall be maintained in the System and be forwarded to Internal / Concurrent Auditors.

4. Errors During Broker Execution Leg

All equity deals should be through STP gateway for all broker transactions.

5. Uploading Of Valuation Price Files

System to have capability to upload Corporate Actions such as Stock Splits, Dividend, Rights Issue, Buy Back, Bonus issues etc., for computation of NAV / Portfolio valuation.

6. Reconciliation

- (a) Fund wise, in the case of Life Insurers, reconciliation with Investment Accounts, Bank, and Custodian records should be done on day-to-day basis for all types of products. In the case of ULIP products, Units reconciliation with Policy Admin Systems should be ensured on a **day to day** basis.
- (b) In the case of General Insurer / Re-insurer reconciliation with Investment Accounts, Bank and Custodian records should be done on a **day-to-day** basis.

**MACRO FLOW OF INVESTMENT FUNCTIONS IN FRONT / MID / BACK OFFICE
MINIMUM SEGREGATION OF INVESTMENT FUNCTIONS**

No	PARTICULARS	FRONT OFFICE (FO)	MID OFFICE (MO)	BACK OFFICE (BO)
1	Treasury operation	a. Dealing in Primary G–Sec, Secondary G–Sec Bonds, FDs, Bonds, Mutual Fund, Money market instruments (Reverse Repos, FD, CoD, CP, TB, CBLO etc) etc as per the fund objectives and ALM requirement	a. Monitoring Exposure limits analyzing credit and ALM requirement of non linked portfolios.	a. Disbursement of sanctions and Settlements.
2	Corporate Debt & Company Matters	a. Investment decisions and sanctions for subscription to NCDs, Bonds. b. Participation in Rights, Preferential Issues etc. IPO/ FBO, Buy back etc	a. Credit appraisal of proposals related to Corporate Debt/ Bonds IPO/ FBO Analysis b. Research view on Rights, Open Offer, Buy back, reduction of interest rates/ prepayment of NCDs c. Matters relating to Preferential Issues etc	a. IPO/ FBO/ Rights/ Preferential issue – submission of application, b. Execution of Agreements, Creation Securities disbursement of sanctions etc
3	Equity	a. (Dealing) Buying and	a. Price scanning and	a. Broker settlement,

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No	PARTICULARS	FRONT OFFICE (FO)	MID OFFICE (MO)	BACK OFFICE (BO)
	operations	Selling including large quantities, Strategies, b. Mandate preparation & approval from Competent Authority (for Traditional and ULIP funds) c. Equity Research	confirmation. Broker Monitoring. b. Revision of limits	b. Daily business statements, c. Matter related to SEBI, Press release etc. Broker empanelment & related matters d. Set up of Buying and Selling limits Sale of unquoted/ written down stocks
4	All project proposals of Corporate, Venture capital, Securitization etc)	a. Investment decisions and sanctions for project financial assistance, Venture capital securitization etc	a. Appraisal of Project and recommendation on sanction/ rejection including waiver of financial and non-financial conditions precedent	a. Execution of Agreement, settlement, Security creation etc
5	Financial assistance to Govt. / Local Authorities	a. Investment decisions and sanctions for Financial assistance to Govt. / Local authorities	a. Credit appraisal of proposals related to Govt. / Local authorities Processing of recall/ refinancing, Merger/ demerger/ acquisition etc	a. Execution of agreement, Security creation, disbursement of sanctions etc
6	Restructuring OTS, NPA and follow-up with		a. Processing of restructuring/ OTS proposals, CDR issues and matters related	a. Follow-up with companies regarding AGM, EGM, CGM etc. Nominee Director matters etc

Annexure 'H'

No	PARTICULARS	FRONT OFFICE (FO)	MID OFFICE (MO)	BACK OFFICE (BO)
	corporate		to corporate financial assistance. Merger/ demerger, acquisition etc	
7	Accounting and Establishment		a. IRDA Compliance, submission of returns etc	General accounts, dividend accounting (Including refunds), corporate actions, Custodian reconciliation, valuation, Trial Balance, Schedule preparation submission of Final accounts Audit & Inspection matters and Parliamentary queries. All establishment matters
8	Risk Management		a. Exposure norms, MIS preparation, Investment policies preparation/ review, concept notes, Board notes employees declaration etc	a. IC matters
9	Daily cash flow statements and investible funds	a. Assessment of Investible funds		a. Cash flow statements for the next day
10	Legal			a. All matters concerning Legal aspects of Investment and RTI Act including settlement of legal expenses. b. Appointment of Nominee/

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No	PARTICULARS	FRONT OFFICE (FO)	MID OFFICE (MO)	BACK OFFICE (BO)
				Directors
11	Performance Review		<p>a. Reviewing the fund performance vis-à-vis Benchmarks and Peer group selected for each fund</p> <p>Reviewing the traditional fund investments are as per Liability Vs Assets Management requirement and best suited based on the movement of interest rate and index movement.</p>	

EXPOSURE / PRUDENTIAL NORMS

(Periodicity of Verification – Daily / Periodic intervals of time)

Without prejudice to anything contained in Sections 27A and 27B of the Act every insurer shall limit his investment as per the following exposure norms:

- A. Exposure norms for investment assets of:
1. (a) all funds of Life insurance business and One Year Renewable pure Group Term Assurance Business (OYRGTA), and non-unit reserves of all categories of Unit linked life insurance business
 - (b) all funds of Pension, Annuity and Group Business [as defined under Regulation 2 (d) of IRDA (Actuarial Report and Abstract) Regulations, 2000]
 - (c) the unit reserves portion of all categories of Unit linked funds, as per Regulation 6” Life, Pension, Annuity and Group business and each segregated fund within Unit Linked Insurance business (except for promoter group exposure)
2. General Insurance business,
 3. Re-insurance Business

for both Approved Investments as per the Act, Schedule I and Schedule II of these Regulations, and Other Investments as permitted under 27A(2) and 27B(3) of the Act shall be as under.

B. The maximum exposure limit for a single 'investee' company (equity, debt and other investments taken together) from all investment assets under point (A.1.a, A.1.b, A.1.c all taken together), (A.2) and (A.3) mentioned above, shall not exceed the **lower** of the following;

- (i) an amount of 10% of investment assets as under Regulation 2 (g) (1), Regulation 2 (g) (2)
- (ii) an aggregate of amount calculated under point (a) **and** (b) of the following table

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Type of Investment (1)	Limit for 'Investee' Company (2)	Limit for the entire Group of the Investee Company (3)	Limit for Industry Sector to which Investee Company belongs (4)
a. Investment in 'Equity', Preference Shares, Convertible Debentures	10%* of Outstanding Equity Shares (Face Value) or 10% of the amount under point A.1.(a) or A.1.(b) or A.1.(c) above considered separately in the case of Life insurers / amount under A.2 or A.3 in the case of General Insurer / Re-insurer whichever is lower	Not more than 15% of the amount under point A.1.(a) or A.1.(b) or A.1.(c) or A.2 or A.3 or 15% of investment Assets in all companies belonging to the group, whichever is lower Exposure to Investments made in companies belonging to Promoter Group shall be made as per Point 7 under notes to Regulation 9	Investment by the insurer in any industrial sector should not exceed 15% of the amount under point A.1.(a) or A.1.(b) or A.1.(c) or A.2 or A.3 or 15% of investment Asset, whichever is lower Note: Industrial Sector shall be classified in 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 Section level. Exposure to 'infrastructure'
b. Investment in Debt / Loans and any other permitted Investments as per Act / Regulation other than item 'a' above.	10%* of the Paid-up Share capital, Free reserves (excluding revaluation reserve) and Debentures / Bonds of the 'Investee' company		

Annexure 'I'

Type of Investment (1)	Limit for 'Investee' Company (2)	Limit for the entire Group of the Investee Company (3)	Limit for Industry Sector to which Investee Company belongs (4)
	<p>or</p> <p>10% amount under point A.1.(a) or A.1.(b) or A.1.(c) above considered separately in the case of Life insurers. An amount under A.2 or A.3 in the case of General Insurer / Re-insurer</p> <p>whichever is lower.</p>		investments are subject to Note: 1, 2, 3 and 4 mentioned below

In the case of insurers having investment assets within the meaning of Regulation 2 (g) (1) and Regulation 2 (g) (2) of the under mentioned size, the () marked limit in the above table for investment in equity, preference shares, convertible debentures, debt, loans or any other permitted investment under the Act / Regulations, shall stand substituted as under:

Investment assets	Limit for 'investee' company	
	Equity	Debt
Rs 250000 Crores or more	15% of outstanding equity shares (face value)	15% of paid up share capital, free reserves (excluding revaluation reserve) & debentures / bonds
Rs. 50000 Crores but less than Rs. 250000 Crores	12% of outstanding equity shares (face value)	12% of paid up share capital, free reserves (excluding revaluation

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Investment assets	Limit for 'investee' company	
	Equity	Debt
		reserve) & debentures / bonds
Less than Rs. 50000 Crores	10% of outstanding equity shares (face value)	10% of paid up share capital, free reserves (excluding revaluation reserve) & debentures / bonds

Note:

- 1 Industry sector norms shall not apply for investments made in 'Infrastructure facility' sector as defined under Regulation 2(h) of IRDA (Registration of Indian Insurance Companies) Regulations, 2000 as amended from time to time. NIC classification shall not apply to investments made in 'Infrastructure facility'
- 2 Investments in Infrastructure Debt Fund (IDF), backed by Central Government as approved by the Authority, on a case to case basis shall be reckoned for investments in Infrastructure.
- 3 Exposure to a public limited 'Infrastructure investee company' will be 20% of outstanding equity shares (face value) in case of equity (or) 20% of equity plus free reserves (excluding revaluation reserve) plus debentures / bonds taken together, in the case of debt (or) amount under Regulation 9 (B) (i), whichever is lower. The 20% mentioned above, can be further increased by an additional 5%, in case of debt instruments alone, with the prior approval of Board of Directors. The outstanding tenure of debt instruments, beyond the exposure prescribed in the above table, in an infrastructure Investee Company, should not be less than 5 years at the time of investment. In case of Equity investment, dividend track record as per Sec 27A (1) (l) and 27B (1) (h) of the Act, in the case of primary issuance of a wholly owned subsidiary of a Corporate / PSU shall apply to the holding company. However all investments made in an 'infrastructure investee company' shall be subject to group / promoter group exposure norms.
- 4 An insurer can, at the time of investing, subject to group / promoter group exposure norms, invest a maximum of 20% of the project cost (as decided by a competent body) of an Public Limited Special Purpose Vehicle (SPV) engaged in infrastructure sector (or) amount under Regulation 9 (B) (i), whichever is lower, as a part of Approved Investments provided:

- a. such investment is in Debt
- b. the parent company guarantees the entire debt extended and the interest payment of SPV
- c. the principal or interest, if in default and if not paid within 90 days of the due date, such debt shall be classified under other investments.
- d. the latest instrument of the parent company (ies) has (have) rating of not less than AA
- e. such guarantee of the parent company (ies) should not exceed 20% of net worth of parent company (ies) including the existing guarantees, if any, given
- f. the net worth of the parent company (ies), if unlisted, shall not be less than Rs. 500 crores or where the parent company (ies) is listed on stock exchanges having nationwide terminals, the net worth shall not be less than Rs. 250 Crores

Investment Committee should continuously evaluate the risk of such investments and take necessary corrective actions where the parent company (ies) is floating more than one SPV

- 5 Investment in securitized assets [Mortgaged Backed Securities (MBS) / Asset Backed Securities (ABS) / Security Receipts (SR) **both** under approved and other investment category shall not exceed 10% of Investment Assets in case of Life companies and 5% of Investment Asset in the case of Non-life companies. Approved Investment in MBS / ABS with underlying Housing or Infrastructure Assets shall not exceed 10% of investment assets in the case of life companies and not more than 5% of investment assets in the case of non-life companies. Any MBS / ABS with underlying housing or infrastructure assets, if downgraded below AAA or equivalent, shall be reclassified as Other Investments.
- 6 Investment in immovable property covered under Section 27A (1) (n) of the Act shall not exceed, at the time of investment, 5% of (a) Investment Assets in the case of general insurer and (b) 5% of Investment Assets of funds relating to life funds, pension, annuity and group funds in the case of life insurer
- 7 Subject to exposure limits mentioned in the table above, an insurer shall not have investments of more than 5% in aggregate of its total investments in all companies belonging to the promoters' groups. Investment made in all companies belonging to the

promoters' group shall not be made by way of private placement (equity) or in unlisted instruments (equity, debt, certificate of deposits and fixed deposits (without prejudice to Section 27A (9) and Section 27B (10) of the Act) held in a Scheduled Commercial Bank), except for companies formed by Insurers under Sec 27A (4) or Sec 27B (5) of the Act.

- 8 The exposure limit for financial and insurance activities (as per Section K of NIC classification – 2008) shall stand at 25% of investment assets for all insurers.
- 9 Investment in fixed deposit and certificate of deposit of a Scheduled Bank shall be made in terms of the provisions of Section 27A (9) and Section 27B (10) of the Act. Such investments would not be deemed as exposure to financial and insurance activities (as per Section K of NIC classification - 2008).

FORM 4 – COMPLIANCE

I. Investee Company Exposure:

- (a) Investment in equity, preference shares, convertible debenture:-

Exposure at any point of time did not exceed 10% of outstanding equity shares (face value) **or** 10% of the amount under point Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) considered separately) of this Regulation, in the case of Life insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer **whichever is lower.**

[In case of Infrastructure Co, the limit of 10% shall be read as 20%. Where the investment assets of the insurer is Rs. 250000 Crores or more, the limit of 10% shall be read as 15% of outstanding equity shares (face value) **or** where the investment assets of the insurer is Rs.50000 Crores but less than Rs 250,000 Crores the limit of 10% shall be read as 12% of outstanding equity shares (face value)]

- (b) Investment in Debt/ loans and any other permitted Investments as per Act / Regulation, other than 'Equity', Preference Shares, Convertible Debentures :-

Exposure at any point of time did not exceed 10% of the paid-up share capital, free reserves (except revaluation reserve) and debenture / bonds of the investee company **or** 10% of amount under point Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) above considered separately) of this Regulation, in the case of Life insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer **whichever is lower.**

[In case of Infrastructure Co, the limit of 10% shall be read as 20%. Where the investment assets of the insurer is Rs. 250000 Crores or more, the limit of 10% shall be read as 15% of paid up share capital, free reserves (excluding revaluation reserve) and debenture / bonds **or** where the investment assets of the insurer is Rs.50000 Crores but less than Rs 250,000 Crores the limit of 10% shall be read as 12% paid up share capital, free reserves (excluding revaluation reserve) and debenture / bonds]

(c) Has the maximum exposure under limit for a single 'investee' company from all investment assets (Equity / Preference Shares / Convertible Debenture / Debentures/ bonds / CPs / loans and any other permitted debt Investments as per Act / Regulation), are within the limit prescribed in Regulation 9 (B) (In case of Infrastructure Co, the limit of 10% shall be read as 20%)?

(d) Has debt investments made in infrastructure SPV have complied with the limits, terms and conditions as mentioned in the Note: 4 of the Investment Regulation 9?

(e) Investment in equity, preference shares, convertible debenture:-

Exposure at any point of time did not exceed 10% of outstanding equity shares (face value) **or** 10% of the amount under point Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) considered separately) of this Regulation, in the case of Life insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer **whichever is lower.**

[In case of Infrastructure Co, the limit of 10% shall be read as 20%. Where the investment assets of the insurer is Rs. 250000 Crores or more, the limit of 10% shall be read as 15% of outstanding equity shares (face value) **or** where the investment assets of the insurer is Rs.50000 Crores but less than Rs 250,000 Crores the limit of 10% shall be read as 12% of outstanding equity shares (face value)]

(f) Investment in Debt/ loans and any other permitted Investments as per Act / Regulation, other than 'Equity', Preference Shares, Convertible Debentures :-

Exposure at any point of time did not exceed 10% of the paid-up share capital, free reserves (except revaluation reserve) and debenture / bonds of the investee company **or** 10% of amount under point Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) above considered separately) of this Regulation, in the case of Life insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer **whichever is lower.**

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[In case of Infrastructure Co, the limit of 10% shall be read as 20%. Where the investment assets of the insurer is Rs. 250000 Crores or more, the limit of 10% shall be read as 15% of paid up share capital, free reserves (excluding revaluation reserve) and debenture / bonds **or** where the investment assets of the insurer is Rs.50000 Crores but less than Rs 250,000 Crores the limit of 10% shall be read as 12% paid up share capital, free reserves (excluding revaluation reserve) and debenture / bonds)

(g) Has the maximum exposure under limit for a single 'investee' company from all investment assets (Equity / Preference Shares / Convertible Debenture / Debentures/ bonds / CPs / loans and any other permitted debt Investments as per Act / Regulation), are within the limit prescribed in Regulation 9 (B) (In case of Infrastructure Co, the limit of 10% shall be read as 20%)?

(h) Has debt investments made in infrastructure SPV have complied with the limits, terms and conditions as mentioned in the Note: 4 of the Investment Regulation 9?

II. Limit for the entire Group of the Investee Company

Has total investments made in entire **"Group of the Investee Company"** is the lower of:

(a) amount under point Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) above considered separately) of this Regulation, in the case of Life insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer (or)

(b) 15% of investment Assets in all companies belonging to the group
(In case of Infrastructure company the limit mentioned in point 'a' above shall be read as 20%)

III. Promoter Group Company

Has total investments made in all **"Companies falling under Insurer's Promoter Group"**:

(a) is not more than 5% in aggregate of its total investments in all companies belonging to the promoters' groups.

(b) not made investments in any companies belonging to the promoters' group by way of private placement (equity)

(c) not made any investment in unlisted instruments [equity & debt certificate of deposits and fixed deposits (without prejudice to Section 27A (9) and Section 27B (10) of the Act) held in a

Scheduled Commercial Bank], except for companies formed by Insurers under Sec 27A (4) or Sec 27B (5) of the Act.

IV. Industry sector

Has investment made by the insurer in any industrial sector [**except** Financial and Insurance Activities sector as per National Industrial Classification (All Economic Activities) - 2008]:

- (a) not exceeded the **lower** of:
 - 15% of the amount under Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) **considered separately**) of this regulation in the case of life insurer / an amount under Regulation 9 (A.2) or (A.3) of this regulation, in the case of General Insurer / Re-insurer
 - (or)** 15% of investment Asset
- (b) Has the investment made by the insurer in **Financial and Insurance Activities** sector as per National Industrial Classification (All Economic Activities) - 2008 (**excluding** Fixed Deposit, Term Deposit and Certificates of Deposit) not exceeded 25% of its total investment assets?
- (c) Is the classification of industrial sectors been done on the lines of National Industrial Classification (All Economic Activities) - 2008 [**NIC**] for all sectors, **except “infrastructure sector”**.
- (d) Has exposure been calculated at **Division** level from A to R of (NIC (All Economic Activities) – 2008) Classification for all sectors other than infrastructure sector?
- (e) Has exposure been calculated for **Financial and Insurance Activities** sector at **Section** level (of NIC (All Economic Activities) – 2008)?

V. Rating Criteria

1. Are investments under 'Approved Investments' made only in rated instruments, if such instruments are capable of being rated?
2. At the time of **purchase**, are Corporate Bonds rated below AA (A+ with the prior approval of the Board of the Insurer) or its equivalent and P1 or equivalent (in case of short term instruments) classified under "Other Investments"?
3. Are instruments **downgraded** below the minimum rating prescribed under Note 3 & 4 to Regulation 3 to 8 of the IRDA (Investment) Regulation, 2000, as amended from time to time, reclassified under "Other Investments" through the System?

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4. Are 'Debt' instruments (including Central Govt, State Govt Securities and Other Approved Securities) - fund wise, in the case life insurer (including ULIP funds at segregated fund level) and Investment Assets in the case of general insurer - have a minimum rating of Sovereign, AAA or equivalent rating for long term and Sovereign, P1+ or equivalent for short term instruments, not less than 75% (Life Insurer) / 65% (General Insurer)?

5. Are 'Debt' instruments (including Central Government Securities, State Government Securities and Other approved securities) – fund wise, in the case of life insurer (including ULIP funds at segregated fund level) and Investment Assets in the case of general insurer – have a rating of A or below or equivalent rating for long term, are not more than 5% (8% in the case of Non-Life Insurers)?

VI. Others

D. CONFIRMATION ON POLICY / SYSTEMS / PROCEDURE

1. Has the software application for Investment Operations, been fully automated without manual intervention in calculating the exposure norms of Investee Company, Group, Promoter Group and Industry Sector, as per the various slabs of 'investment assets' provided under Regulation 9 (B)?

2. Is the Constitution of the Investment Committee of the Insurer in full compliance with the requirements mentioned under Regulation 13 of Investment Regulation?

3. Was none of the functions of the insurer relating to Investment Operations falling under Front / Mid / Back Office, (covering both Shareholders and Policyholders Investments), outsourced (except to the extent permitted under Point 11 and 12 of Annexure II to Circular INV/CIR/008/2008-09 Dt. 22nd Aug, 2008 with respect to Outsourcing of Investment Advice and NAV Calculation)?

4. Is the Audit Committee of the Board, headed by a Chartered Accountant, provided he is a member of the Board of the Insurer?

5. Have periodical Investment Returns to be filed for the Quarter, prepared in full compliance with the **"Guidance Note on preparation of Investment Returns"** issued by IRDA?

6. Have amendments to the Investment Policy, been approved by the Board of the Insurer?

7. Has the model code of conduct, to prevent insider / personal trading of officers involved in Investment Operations, including front, mid and back office **as approved by the Board**, implemented? If so:

- (f) Does it cover Officers involved in Investment Operations at various levels?
- (g) Does the code of conduct cover each Officer in such level?
- (h) Has the Board been informed of compliance or otherwise to model code of conduct **during the Quarter**?
- (i) Has the Concurrent Auditor issued his Audit Report of previous Quarter, without any qualification on aspects of model code of conduct implemented by the Insurer?
- (j) Where breach of model code of conduct, if any, reported during the previous Quarter, been dealt properly and appropriate action as recommended by Audit Committee/ Board been taken?
8. Does the segregation of front, mid and back office – are as per Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies issued by the Institute of Chartered Accountants of India?
9. Have **all** non-compliance reported in the Chartered Accountant's certificate issued (as per the Technical Guide on Investment Risk Management Systems & Process of Insurance Companies, by ICAI) on the '**status**' of implementation of Investment Risk Management Systems and Process been implemented as per timelines committed to IRDA?
10. Has the Internal / Concurrent audit Report of the **previous Quarter** with the with comments of Audit Committee of the Board, on 'very serious', 'serious' points (as per the Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies, issued by the Institute of Chartered Accountants of India) in the report, and status of implementation of Audit committee recommendation been placed before the Board of the Insurer during the current quarter?
11. Have the Audit Report of the previous Quarter along with Audit Committees recommendation and its implementation status filed with the Authority along with these returns?
12. Have the increase during the quarter, in Shareholders' funds (other than income from shareholders' investments, maintained in a separate custody account) held beyond solvency margin requirement, is supported by surplus calculation **certified** by the **Appointed Actuary**? [annex a copy of Appointed Actuary's Certificate to this return]
13. Has the Board reviewed (both life and non-life Insurers) during the previous quarter the performance of products [at line of business level in the case of General Insurers]?

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14. Has the Board, during the previous Quarter, reviewed (both life and non-life insurers) the performance of investments? **[the review in the case of life insurers should cover both Non-Linked and Linked funds [SFIN] level]**
15. Has the life insurer, in the case of ULIP business reconciled, through the system, the premium received (net of charges and benefits paid) under each product (Unique Identification Number – UIN wise) with value of all the segregated fund(s) (Segregated Fund Identification Number – SFIN wise) net of fund management charges, held under a single UIN, on a day to day basis, during the quarter?
16. Has the life insurer disclosed UIN wise reconciliation, on the Insurer’s website on the **same** day?
17. Is there a fully automated system to generate, on a **day to day basis**, Form 3A - Part E (Investment Details of ULIP Products to Segregated Funds)?
18. Has the life insurer disclosed the value of policy wise units held by policyholder on the Insurer’s policyholder portal?
19. Has the life insurer disclosed fund wise NAV (SFIN wise) on the Insurer’s website and life council website **on the same day**?
20. Has the Standard Operating Procedure (**SOP**) approved by the Investment Committee of the Insurer?
21. Does the **SOP**, for each ‘category of investment’ is same **across all fund(s)**?
22. Does SOP of the Insurer, for “each” Category of Investment, (as per Guidelines INV/GLN/001/2003-04, as amended from time to time, issued by the Authority) provide individual activities to be carried out in Front, Mid and Back office?
23. Have all investments made (100%) followed the IC approved SOP?
24. Does the Investment made during the Quarter, are **within** the exhaustive ‘Categories of Investments’ prescribed under Guidelines INV/GLN/001/2003-04, as amended from time to time?
25. Has the Insurer during the Quarter taken any Derivative position (including interest rate swap and Credit default swap)? **If Yes:**
 - a. Has the Derivative Policy been approved by the Board of the Insurer?

- b. Has the insurer taken prior approval of IRDA for such Derivative policy?
 - c. If so, is there a process to identify the risk to be **hedged** ['fund-wise' in the case of Life Insurers]?
 - d. Does such derivative position comply with IRDA Guidelines?
 - e. Has derivative exposure taken, are clearly identified with the portfolio risk to be hedged?
 - f. Has the Insurer filed the regulatory information / returns required under the Guidelines issued?
26. Are investment made in immovable property covered under Section 27A (1) (n) of the Act shall not exceed, at the time of investment, within 5% of the Investment Assets [as per FORM 3B (Part A)] in the case of General Insurer / within 5% of Life fund, Pension & General Annuity Fund, [as per FORM 3A (Part A)] in the case of Life Insurer.
27. Have **NO** investments in Immovable Properties been made out of ULIP Funds?
28. Are investments in equity shares through IPO, Mutual fund, Venture fund, SEBI approved Alternate Investment Funds, Corporate Bond Reverse Repo, IDF (as per Note 2 to Regulation 9) Perpetual Debt instruments of Bank's Tier-I Capital and Debt Capital instruments of Bank's Upper Tier-II Capital, made in compliance with the relevant circulars issued in this regards from time to time?
29. Are investments in asset backed securities, PTC, SRs both under Approved and Other investment category, made within 10% of Investment assets in case of Life Companies and 5% of Investment assets in case of Non – life companies
30. Are any securitized assets with underlying housing or infrastructure assets, if downgraded below AAA or equivalent reclassified as Other Investments

E. CONFIRMATION ON INVESTMENT OPERATIONS / EXPOSURE

- 1. Has Shareholders funds been split Funds Representing Solvency Margin (FRSM) in FORM 3A (Part A)?
- 2. If funds are split as per point 1 above, between FRSM and Balance, have the same been maintained in separate custodian account with identified 'scrips' for both Life and General (including Re-insurance) companies and reconciled with FORM 3A (Part A) / FORM 3B?

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3. Do **each** 'Segregated fund' [SFIN] have underlying 'Scrips', identified upto to Custodian level?
4. Do each 'Segregated Fund' [SFIN] have not less than 75% of Approved Investments as defined in the Act?
5. Does all investments in assets or instruments which are capable of being rated (except Fixed Deposits with Scheduled Commercial Banks) are made based on 'instrument' rating and **NOT** based on Investee 'Company' rating?
6. Have Investments in debt instruments rated AA - (AA minus) or below classified under Other Investments?
7. Are Investments made in a Public Limited Special Purpose Vehicle (SPV) engaged in infrastructure sector is within 20% of the project cost (or) amount under Regulation 9 (B) (i), whichever is lower?
8. If answer to point above is 'yes', have all the requirements mentioned under Note 4 to Regulation 9 have been complied?
9. Are investments made in Mortgaged Backed Securities [MBS] / Assets Backed Securities [ABS] complied with the requirements of Note 5 to Regulation 9?
10. Has 'each' purchase and sale of Investments, **as mentioned in the Deal Slip**, been identified with respect to '**each**' fund / '**segregated fund**' in respect of ULIP funds?
11. Are all thinly traded equity (as per SEBI norms) classified as "Other Investment"?
12. Has inter fund transfer, been done as per circular IRDA/FA/02/10/2003-04 and any other circular issued from time to time , between ULIP funds during Market Hours, for Equity and Debt at the prevailing price and not based on broker quote?
13. With respect to '**each**' Segregated Fund [including Discontinued Policy Fund (**DPF**)] in the case of ULIP business, whether reconciliation of "**Units**" have been made, between Policy Admin System (**PAS**) and Investment Accounting Systems through a **fully automated system** using **process integrators** to ensure seamless data transfer without manual intervention?
14. Does the Primary Data Server of the Computer Application used for Investment Management, maintained within the Country?
15. Has the insurer, reconciled investments, fund-wise, with bank and custodian records on 'day-to-day basis for 'each' segregated fund?

16. Has the insurer, reconciled investment accounts, for each fund in the case of Non-ULIP Business and General Insurance Business, with Custodian records?
17. Has valuation of investments of 'each' fund (including ULIP), done as prescribed in IRDA (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002?
18. Is there any shortfall/deficit in meeting the Discontinued Policies Fund (DPF) liabilities?
19. If the answer to above point is 'Yes', has the Insurer provided for such shortfall / deficit on a quarterly basis?
20. Have all the negative deviations reported in FORM 4A (Part A)?
21. Has NAV of each segregated fund [SFIN] been audited before its declaration by Internal / Concurrent Auditor on a day-to-day basis (on T+0 basis)?
22. Has the Insurer floated any new fund during the quarter?
23. If the answer to point above is 'yes', has the directions in respect of Fund Approval procedure and Guidelines on NAV Process as per Circular IRDA/F&I/CIR/INV/173/08/2011 Dt. 29th Jul, 2011 complied with?
24. Has the insurer, apart from the credit rating evaluated by the rating agencies, carried out their own risk analysis commensurate with the complexity of the product(s) and the materiality of their holding for every investment made?

NAV PROCESS

(Periodicity of Verification – Daily / Periodic Intervals)

- A. Settlement entries
- B. Bank entries
- C. Primary market deals/IPO
- D. Security master creation
- E. Units creation/liquidation
- F. Corporate actions
- G. Secondary market debt/equity deal authorization
- H. Valuation process

A. SETTLEMENT ENTRIES

- 1. Equity (Sale) T+2:

Bank settlement (trade receivables) entries passed for trades settling on current day.

- 2. Equity (Purchase) T+1:

Bank settlement (trade payables) entries passed for trades settling on current day. It may also be settled on T+2 basis, if the company had deposited margin money with the exchanges as required for equity settlement.

- 3. Debt (purchase/Sale) T+1:

Bank settlement (trade payables/receivables) entries passed for trades settling on current day. Corporate Debt deals dealt on T+O basis shall be settled on T+O basis.

- 4. Money market transactions & Non-SLR T+1:

Bank settlement (trade payables/receivables) entries passed for trades settling on current day. Money market transactions excluding treasury bills s could also be dealt and settled on T+O basis.

- 5. Reverse Repo withdrawal:

Reverse Repo maturities posted in bank accounts

- 6. Brokerage Payments:

Brokerage Payment settled in Bank

B. BANK ENTRIES

1. Coupon Payments for Debt Investments:

Interest receipt entries passed in Bank (Reconciled with Custody Corporate Actions report)

2. Redemptions/Maturities for Debt Investments:

Redemptions/Maturity receipt entries passed in bank account (Reconciled with Custody Corporate Actions report).

3. Dividend Receipts for Equity Investments:

Dividend receivables received in bank on the receipt date (Reconciled with Custody Corporate Actions report)

4. Management Fees, Custodian Fees & CCIL Charges:

Payment entries pertaining to Management transfer to Non-Linked Funds, Custodian Fees and CCIL fees passed in Bank accounts on respective payment dates.

5. Booking of Application Money:

Application Money booked in current asset account on the date of payment of application money towards prospective investments. Applied quantity shall be allocated to the intended portfolios on the date of application. In case of application for equity through IPO, FPO and other primary options, if the insurer pays the amount in advance through cash or FD in lieu of cash under ASBA, the same shall be considered as current asset.

C. PRIMARY MARKET DEALS/IPO

1. Booking of Primary market Deals - Debt:

Primary market applications shall be booked in Investment account on the date of application and allotment of such debt instruments shall be made on the same proportionate basis as the application was made.

2. Booking of Equity IPO:

Equity Investments accounted on the date of allotments of the IPO Issue. However, the application money shall be booked under the respective portfolios on the date of application.

D. SECURITY MASTER CREATION

1. Equity Investments:

Based on the inputs from treasury & investment mid-office functions the security masters are created in the system (linked via NSE/BSE codes).

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The procedure includes documentation of supporting & supervisory sign off.

2. Debt Investments :

Security masters for debt Instruments are prepared on the basis of Information memorandum and deals in case of primary and secondary market deals respectively. The procedure includes documentation of supporting and supervisory sign off.

E. UNITS CREATION / LIQUIDATION

1. Unit capital movement is an integral part of NAV calculation. It keeps track of the capital movement (subscription and redemption) in the funds and requires the following:

2. Reconciliation with Policy Admin system:

The unit report is reconciled with the Policy Admin System Trial Balance before booking the entries in the system.

3. Reconciliation with operating system :

Unit Report is reconciled with the system's (operating system) Creation/Liquidation Report post booking of unit capital entries.

F. CORPORATE ACTIONS

1. Reconciliation of Custodian report with Third party service Provider:

The Custodian report for equity ex-dates is reconciled with Global corporate actions report on NSE/BSE of Third Party Service Provider for Dividend, Bonus, split, mergers, de-mergers, amalgamations, capital reduction, and follow-on issues.

2. For Government Securities and other SLR securities, RBI-NDS gives the corporate actions and is considered for valuation.

G. SECONDARY MARKET DEBT /EQUITY DEAL AUTHORIZATION

1. Equity Deals :

(a) STP (Straight Through Process) Reconciliation:

Equity deals received from various brokerage houses are reconciled with the STP system & cross checked with operating system for Scrip code, quantity, rate, STT, brokerage & consideration.

(b) Authorization in Operating System:

Post verification the deals are authorized in operating system.

(c) Custodian /Broker settlement:

Post STP reconciliation the equity trade files ISO files are sent to custodian & broker houses via STP.

2. Equity Deals –NIFTY Basket (purchase/sale):

The NIFTY Basket (trade file) is consolidated for all the brokers & uploaded in operating system. Post upload are reconciled with the source file and subsequently authorized.

H. VALUATION PROCESS

1. Equity:

NSE and BSE closing price files are uploaded in operating system .Subsequently the system global price is checked with the source files.

Equity investments are to be valued at lower of closing price NSE or BSE.

2. Debt:

(a) Debentures & Bonds:

Valuations for all debentures & bonds are arrived at using yield matrix provided by a Bond Valuer approved by the Investment Committee. The valuations report giving prices for each such securities is generated by Bond Valuer and subsequently uploaded in operating system. Debenture & Bonds could also be valued consistently using the yield matrix and bond valuer of FIMMDA or any other independent agencies.

(b) G-Sec:

The G-sec prices provided by FIMMDA or any other rating agency is directly uploaded in the operating system for valuation consistently.

(c) State Government Bonds:

State Government securities shall be valued by adding the minimum spreads, as recommended by the FIMMDA or any other independent agency, to the base G-sec yield curve of the same maturity.

(d) Reverse Repos:

Valued at cost plus interest accrued on reverse repo rate

(e) Collateralised Borrowing and Lending Obligation (CBLO):

Valued at accreted cost on Straight line till the beginning of the day plus the difference between the redemption value and the cost spread uniformly (straight line method) over the remaining maturity period of the instruments. The income shall be recognized as discount accrued. The Insurers may also use YTM basis of amortisation for amortising the discount on purchase of certificate of Deposits.

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(f) Treasury Bills:

Valued at accreted cost on Straight line till the beginning of the day plus the difference between the redemption value and the cost spread uniformly (straight line method) over the remaining maturity period of the instruments. The income shall be recognized as discount accrued. The Insurers may also use YTM basis of amortisation for amortising the discount on purchase of Treasury Bills.

(g) Commercial Papers:

Valued at accreted cost on Straight line method till the beginning of the day plus the difference between the redemption value and the cost spread uniformly (straight line method) over the remaining maturity period of the instruments. The income shall be recognized as discount accrued. The Insurers may also use IRR/YTM basis of amortisation for amortising the discount on purchase of commercial papers.

(h) Certificate of Deposit:

Valued at accreted cost on Straight line method till the beginning of the day plus the difference between the redemption value and the cost spread uniformly (straight line method) over the remaining maturity period of the instruments. The income shall be recognized as discount accrued. The Insurers may also use IRR/YTM basis of amortisation for amortising the discount on purchase of certificate of Deposits.

(i) Fixed Deposits:

Valued at cost till the date of maturity

(j) Non-Convertible debentures (NCD):

Maturity >182 days

Valued on YTM basis by using spread over benchmark rates (matrix released by CRISIL on daily basis) to arrive at the yield for pricing the security. The benchmark spreads are incorporated in the IC approved Bond valuer on daily basis and accordingly the instruments are valued on yield to maturity basis depending upon its maturity buckets & corresponding ratings.

Maturity <182 days

Securities purchased with residual maturity of upto 182 days are to be valued at cost plus the difference between the redemption value and cost spread uniformly over the remaining maturity period of the instrument. In case of securities with maturity >182 days at the time of purchase, the last available valuation price should be used. Depending upon the

premium or discount at the time of purchase ,the price will be subject to amortization/accretion

(k) Call option:

The securities with call option shall be valued (by IC approved Bond Valuer) at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

(l) Put option:

The securities with put option shall be valued (by IC approved BOND VALUER) at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.

(m) Put & call option on the same day:

The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly (by IC approved BOND VALUER).

(n) Annually compounding coupon:

Securities having annual compounding coupons shall be valued on YTM basis by using spread over benchmark rates (matrix released by IC approved Bond Valuer on daily basis) to arrive at the yield for pricing the security. The gross/dirty price so arrived shall be reduced by the coupon calculated from last interest payment date or allotment date whichever is earlier to arrive at the clean price. Such reduction shall take into account the compounding coupon calculations wherever applicable.

(o) Coupon reset Paper:

6 monthly benchmark coupon reset paper/Floater are to be valued at cost plus the difference between the redemption value and cost spread uniformly over the remaining maturity period of the instrument. Depending upon the premium or discount at the time of purchase, the price will be amortized/accreted respectively. On the date of reset such accretion/amortization shall be also reset for pricing.

(p) NSE MIBOR Paper:

NSE MIBOR instruments including those with daily put call options shall be valued at cost till the date of maturity.

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(q) PTC/Asset backed securities/structured papers:

Maturity >182 days:

Valued on YTM basis by using spread over benchmark rates (matrix released by IC approved Bond Valuer on daily basis) to arrive at the yield for pricing the security. The benchmark spreads are incorporated in the IC approved Bond valuer on daily basis and accordingly the instruments are valued on yield to maturity basis depending upon its maturity buckets & corresponding ratings. However such instruments are valued on gross/dirty price (i.e. including accrued interest). The periodic cash flows shall be updated in IC approved Bond Valuer as per specified intervals and valued accordingly.

Maturity < 182 days:

Valued on the basis of amortization/accretion (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments) Depending upon the premium or discount at the time of purchase, the price will be subject to amortization/accretion respectively.

(r) Zero coupon bonds:

Valued on YTM basis by using spread over benchmark rates (matrix released by daily basis) to arrive at the yield for pricing the security. The benchmark spreads are incorporated in IC approved Bond valuer on daily basis and accordingly the instruments are valued on yield to maturity basis depending upon its maturity buckets and corresponding ratings. Further, for those with maturity <182 days, valuations norms NCD shall be applicable.

3. Mutual Fund :

The scheme NAVs received from various fund houses is reconciled with AMFI website. Subsequently, they are uploaded in operating system for portfolio valuations.

4. Venture Fund:

Investments in the units of the Venture fund can be made from ULIP funds, only if the values of those units are available on day to day basis.

5. Security Receipts:

Security receipts shall be valued at market value on day to basis. No investment shall be made in Security Receipts, if the value is not available on a day-to-day basis.

6. Special Bonds:

Special bond / Oil Bond issued by government of India shall be valued on daily basis.

7. Global Portfolio Price Check:

Post Upload all the prices for all asset classes are cross checked with source files

Annexure 'K'

RETURNS TO BE SUBMITTED BY AN INSURER

(Periodicity of Verification - Quarterly)

Every insurer shall submit to the Authority the following returns within such time, at such intervals duly verified/certified in the manner as indicated there against.

No	Form	Description	Periodicity of Return	Time limit for submission	Verified / Certified by
1	Form 1	Statement of Investment and Income on Investment	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments)/ Chief of (Finance)
2	Form 2 (Part A, B)	Statement of Downgraded Investments, Details of Rated Instruments	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments)/ Chief of (Finance)
3	Form 3A (Part A, B, C, D,E)	Statement of Investments Assets (Life Insurers)	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments)/ Chief of (Finance)
4	Form 3B (Part A, B)	Statement of Investment Assets (General Insurance & Re-insurer)	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments)/ Chief of (Finance)
5	Form 4 (Part A)	Exposure / Prudential and other Investment Norms – Compliance Certificate	Quarterly	Within 30 days of the end of the Quarter	Principal Officer, Chief of (Investments), Chief of (Finance)

Annexure 'K'

No	Form	Description	Periodicity of Return	Time limit for submission	Verified / Certified by
6	Form 4 (Part B)	Internal / Concurrent Auditor's Certificate on Investment Risk Management Systems - Implementation Status	Quarterly	Within 30 days of the end of the Quarter	Internal / Concurrent Auditor appointed under this regulation
7	Form 4A (Part A, B, C)	Statement of Investment Subject to Exposure Norms - Investee Company, Group, Promoter Group, Industry Sector	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments)/ Chief of (Finance)
8	Form 5	Statement of Investment Reconciliation	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments)/ Chief of (Finance)
9	Form 5A	Statement of Investment in Mutual Funds	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments)/ Chief of (Finance)
10	Form 6	Certificate under sections 28 (2A), 28 (2B) and 28B (3) of the Insurance Act, 1938	Quarterly	Within 30 days of the end of the Quarter	Chairman, Director 1, Director 2, Principal Officer

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No	Form	Description	Periodicity of Return	Time limit for submission	Verified / Certified by
11	Form 7	Statement of Non-Performing Assets	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments) / Chief of (Finance)

Note:

1. The Internal / Concurrent Audit Report of the previous quarter with comments of Audit Committee of the Board, on 'very serious', 'serious' points (as per the Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies, issued by the Institute of Chartered Accountants of India) in the report, and status of implementation of Audit committee recommendation shall be filed with the Authority along with current quarter returns

2. All returns for the quarter ending March shall be filed within the period stipulated above based on provisional figures and later re-submitted with Audited figures within 15 days of adoption of accounts by the Board of Directors.

APPENDICES

Appendix 'A'

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY NOTIFICATION

Hyderabad, the 16th February, 2013

Insurance Regulatory and Development Authority

(Investment) (Fifth Amendment) Regulations, 2013

F. No. IRDA/Reg./16/74/2013– In exercise of the powers conferred by Sections 27A, 27B, 27D and 114A of the Insurance Act, 1938 (4 of 1938), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations to further amend the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, notified on 16th August, 2000 in the Gazette of India and amended on 31st May 2001 in the Gazette of India, further amended on 2nd April, 2002 in the Gazette of India and further amended on 5th January 2004 and further amended on 31st Jul, 2008 and further amended on 8th Feb, 2013 namely:-

1. Short title and commencement:

1. (1) *These regulations may be called the Insurance Regulatory and Development Authority (Investment) (Fifth Amendment) Regulations, 2013*
- (2) *They shall come into force on the date of their publication in the Official Gazette*

2. Amendment to Regulation 2:

Regulation 2 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000 shall be **substituted with** the following:-

"Definitions

2. *In these regulations, unless the context otherwise requires,—*
 - (a) *"Act" means the Insurance Act, 1938 (4 of 1938)*
 - (b) *"Accretion of funds" means investment income, gains on sale/redemption of existing investment and operating surplus*
 - (c) *"Accounting Standard" (AS) means: Accounting Standard as recommended by the Institute of Chartered Accountants of India and*

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notified by the Central Government under the Companies Act, 1956 or any **successor** enactment thereunder

(d) **“Authority”** means the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)

(e) **“Financial Derivatives”** means a derivative as defined under clause (aa) of section 2 of the Securities Contracts (Regulation) Act, 1956, and includes a contract which derives its value from interest rates of underlying debt securities and such other derivative contracts as may be stipulated by the Authority, from time to time

(f) **“Group”** means: two or more individuals, association of individuals, firms, trusts, trustees or bodies corporate, or any combination thereof, which exercises, or is established to be in a position to exercise, significant influence and / or control, use of common brand names, directly or indirectly, over any associate as defined in AS 23, body corporate, firm or trust, or (ii) Associated persons, as may be stipulated by the Authority, from time to time, by issuance of guidelines under these regulations.

(g) **“Investment Assets”** mean all investments made out of:

(1) in the case of a Life Insurer

(a) shareholders' funds representing solvency margin, non-unit reserves of unit linked insurance business, participating and non-participating funds of policyholders at their carrying value

(b) policyholders' funds of Pension, Annuity business and Group business at their carrying value

(c) policyholders' unit reserves of unit linked insurance business at their market value as per guidelines issued under these regulations, from time to time

(2) in the case of a General Insurer

(a) shareholders' funds representing solvency margin and policyholders funds at their carrying value

as shown in its balance sheet drawn as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2000, but excluding items under the head 'Miscellaneous Expenditure'

(h) **Money Market Instruments**

Money Market Instruments shall comprise of Short term funds with maturity not more than one year comprising of the following instruments:

1. *Certificate of deposit rated by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations, 1999*
2. *Commercial paper rated by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations, 1999*
3. *Repos, Reverse Repo*
4. *Treasury Bills*
5. *Call, Notice, Term Money*
6. *CBLO as per Schedules I and II of these Regulations.*
7. *Any other instrument as may be prescribed by the Authority*

(i) *"Promoter" means a promoter as defined under Regulation 2 (m) of IRDA (Issuance of Capital by Life Insurance Companies) Regulations, 2011*

(j) *"Principal Officer" means any person connected with the management of an insurer or any other person upon whom the Authority has served notice of its intention of treating him as the principal officer thereof.*

(k) *All words and expressions used herein and not defined but defined in the Insurance Act, 1938 (4 of 1938), or in the Insurance Regulatory and Development Act, 1999 (41 of 1999), or in any Rules or Regulations made thereunder, shall have the meanings respectively assigned to them in those Acts or Rules or Regulations"*

3. Amendment of Regulation 3:

Regulation 3 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000 shall be **substituted with** the following:-

"Regulation of Investments

3. *A life insurer, for the purpose of these Regulations, shall invest and at all times keep invested, the Investment Assets forming part of the Controlled Fund as defined in Section 27A of the Act as under:*

- a. *all funds of Life insurance business and One Year Renewable pure Group Term Assurance Business (OYRGTA), and non-unit reserves of all categories of Unit linked life insurance business, as per Regulation 4*

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- b. *all funds of Pension, Annuity and Group Business [as defined under Regulation 2 (d) of IRDA (Actuarial Report and Abstract) Regulations, 2000] as per Regulation 5; and*
- c. *the unit reserves portion of all categories of Unit linked funds, as per Regulation 6”*

4. Insert New Regulation 4:

Insert the following **New Regulation 4** to the Insurance Regulatory and Development Authority (Investment) Regulations, 2000:-

“4. Without prejudice to Sections 27 or 27A of the Act, every insurer carrying on the business of Life Insurance, shall invest and at all times keep invested his Investment Assets as defined in Regulation 3 (a) (other than funds relating to Pension & General Annuity and Group Business and unit reserves of all categories of Unit Linked Business) in the following manner:

<i>No</i>	<i>Type of Investment</i>	<i>Percentage to funds as under Regulation 3(a)</i>
<i>(i)</i>	<i>Central Government Securities</i>	<i>Not less than 25%</i>
<i>(ii)</i>	<i>Central Government Securities, State Government Securities or Other Approved Securities</i>	<i>Not less than 50% (incl (i) above)</i>
<i>(iii)</i>	<i>Approved Investments as specified in Section 27A of the Act and Other Investments as specified in Section 27A(2) of the Act and Schedule I to these Regulations, (all taken together) subject to Exposure / Prudential Norms as specified in Regulation 9:</i>	<i>Not exceeding 50%</i>
<i>(iv)</i>	<i>Other Investments as specified under Section 27A (2) of the Act, subject to Exposure / Prudential Norms as specified in Regulation 9:</i>	<i>Not exceeding 15%</i>
<i>(v)</i>	<i>Investment in housing and infrastructure by way of subscription or purchase of:</i> A. Investment in Housing <i>(d) Bonds / debentures of HUDCO and National Housing Bank</i> <i>(e) Bonds / debentures of Housing Finance Companies either duly accredited by</i>	<i>Total Investment in housing and infrastructure (i.e.,)</i>

No	Type of Investment	Percentage to funds as under Regulation 3(a)
	<p><i>National Housing Banks, for house building activities, or duly guaranteed by Government or carrying current rating of not less than 'AA' by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations, 1999</i></p> <p><i>(f) Asset Backed Securities with underlying housing loans, satisfying the norms specified in the guidelines issued under these regulations from time to time.</i></p> <p>B. Investment in Infrastructure <i>(Explanation: Subscription or purchase of Bonds / Debentures, Equity and Asset Backed Securities with underlying infrastructure assets would qualify for the purpose of this requirement.</i></p> <p><i>'Infrastructure facility' shall have the meaning as given in clause (h) of regulation 2 of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Amendment Regulations, 2008 as amended from time to time</i></p> <p>Note: <i>Investments made under category (i) and (ii) above may be considered as investment in housing and infrastructure, provided the respective government issues such a security specifically to meet the needs of any of the sectors specified as 'infrastructure facility'</i></p>	<p><i>investment in categories (i), (ii), (iii) and (iv) above taken together shall not be less than 15% of the fund under Regulation 3(a)</i></p>

5. Insert New Regulation 5:

Insert the following **New Regulation 5** to the Insurance Regulatory and Development Authority (Investment) Regulations, 2000:-

"5. *Without prejudice to Sections 27 or 27A of the Act, every insurer carrying on Pension, Annuity and Group Business [as defined under Regulation 2 (d) of IRDA (Actuarial Report and Abstract) Regulations,*

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2000] shall invest and at all times keep invested his Investment Assets of Pension, Annuity and Group business in the following manner:

No	Type of Investment	Percentage to funds under Regulation 3(b)
(i)	Central Government Securities	Not less than 20%
(ii)	Central Government Securities, State Government Securities or Other Approved Securities	Not less than 40% (incl (i) above)
(iii)	Balance to be invested in Approved Investments, as specified in Schedule I, subject to Exposure / Prudential norms as specified in Regulation 9.	Not exceeding 60%

Note: For the purposes of this regulation no investment falling under 'Other Investments' as specified under 27A (2) of the Act shall be made"

6. Insert New Regulation 6:

Insert the following **New Regulation 6** to the Insurance Regulatory and Development Authority (Investment) Regulations, 2000:-

"6. Unit Linked Insurance Business: - Every insurer shall invest and at all times keep invested his segregated fund(s) under Regulation 3(c) (with underlying securities at custodian level) of Unit linked business as per pattern of investment offered to and approved by the policy-holders where the units are linked to categories of assets which are both marketable and easily realizable. However the investment in Approved Investments shall not be less than 75% of such fund(s) in each such segregated fund"

7. Amendment to Regulation 4:

Regulation 4 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, shall be **substituted with** the following:-

"Regulation of Investments

7. *General Insurance Business – without prejudice section 27B of the Act, every General insurer (including Health insurer) shall invest and at all times keep invested his investment assets in the manner set out below:*

No	Type of Investment	Percentage of Investment Assets
(i)	<i>Central Government Securities</i>	<i>Not less than 20%</i>
(ii)	<i>Central Government Securities, State Government Securities or Other Approved Securities</i>	<i>Not less than 30% (incl (i) above)</i>
(iii)	<i>Approved Investments as specified in Section 27B of the Act and Other Investment as specified in Section 27B(3) of the Act and Schedule II to these Regulations, (all taken together) subject to Exposure / Prudential Norms as specified in Regulation 9:</i>	<i>Not exceeding 70%</i>
(iv)	<i>Other investments as specified under Section 27B (3) of the Act, subject to Exposure / Prudential Norms as specified in Regulation 9:</i>	<i>Not more than 25%</i>
(v)	<p><i>Housing and loans to State Government for Housing and Fire Fighting equipment, by way of subscription or purchase of:</i></p> <p>A. Investments in Housing</p> <p><i>(d) Bonds / Debentures issued by HUDCO, National Housing Bank</i></p> <p><i>(e) Bonds / debentures of Housing Finance Companies either duly accredited by National Housing Banks, for house building activities, or duly guaranteed by Government or carrying current rating of not less than 'AA' by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations, 1999</i></p> <p><i>(f) Asset Backed Securities with underlying Housing loans, satisfying the norms specified in the Guidelines issued under these regulations from time to time.</i></p> <p>B. Investment in Infrastructure</p> <p><i>(Explanation: Subscription or purchase of Bonds/ Debentures, Equity and Asset Backed Securities with underlying infrastructure assets</i></p>	<p><i>Total Investment in housing (i.e.,) investment in categories (i), (ii), (iii) and (iv) above taken together shall not be less than 5% of the Investment Assets.</i></p> <p><i>Total Investment in Infrastructure (i.e.,) investment in</i></p>

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No	Type of Investment	Percentage of Investment Assets
	<p>would qualify for the purpose of this requirement.</p> <p>'Infrastructure facility' shall have the meaning as given in clause (h) of regulation 2 of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) (Amendment) Regulations, 2008 as amended from time to time.</p> <p>Note: Investments made under category (i) and (ii) above may be considered as investment in housing or infrastructure, as the case may be, provided the respective government issues such a security specifically to meet the needs of any of the sectors specified as 'infrastructure facility'</p>	<p>categories (i), (ii), (iii) and (iv) above taken together shall not be less than 10% of the Investment Assets.</p>

8. Insert New Regulation 8:

Insert the following **New Regulation 8** to the Insurance Regulatory and Development Authority (Investment) Regulations, 2000:-

8. Reinsurance Business – Every re-insurer carrying on re-insurance business in India shall invest and at all times keep invested his investment assets in the same manner as set out in Regulation 7

9. Amendment of Note appended at the end of Regulation 4:

Note appended at the end of Regulation 4 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, shall be **substituted with** the following:-

"Note – For the purpose of Regulations 3 to 8:

1. *All investment in assets or instruments, which are capable of being rated as per market practice, shall be made on the basis of credit rating of such assets or instruments. No approved investment shall be made in instruments, if such instruments are capable of being rated, but are not rated.*
2. *The rating should be done by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations, 199.*

3. *Corporate bonds or debentures rated not less than AA or its equivalent and P1 or equivalent ratings for short term bonds, debentures, certificate of deposit and commercial paper, by a credit rating agency, registered under SEBI (Credit Rating Agencies) Regulations, 1999 would be considered as 'Approved Investments'.*
4. *The rating of a debt instrument issued by All India Financial Institutions recognized as such by RBI shall be of 'AA' or equivalent rating. In case investments of this grade are not available to meet the requirements of the investing insurance company, and Investment Committee of the investing insurance company is fully satisfied about the same, then, for the reasons to be recorded in the Investment Committee's minutes, the Investment Committee may approve investments in instruments carrying current rating of not less than 'A+' or equivalent as rated by a credit rating agency, registered under SEBI (Credit Rating Agencies) Regulations, 1999, would be considered as 'Approved Investments'.*
5. *Approved Investments under regulations 4, 5, 6, 7 and 8 which are downgraded below the minimum rating prescribed should be automatically re-classified under 'Other Investments' category for the purpose of pattern of investment.*
6. *Investments in equity shares listed on a registered stock exchange should be made in actively traded and liquid instruments viz., equity shares other than those defined as thinly traded as per SEBI Regulations and guidelines governing mutual funds issued by SEBI from time to time.*
7.
 - (a) *Not less than 75% of investment in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case life insurer and not less than 65% of investment in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case of general insurer - shall be in sovereign debt, AAA or equivalent rating for long term and sovereign debt, P1+ or equivalent for short term instruments. This shall apply at segregated fund(s) in case of Unit linked business.*
 - (b) *Not more than 5% of funds under Regulation 3 (a) and Regulation 3 (c) in debt instruments (including Central Government Securities, State Government Securities or*

Other Approved Securities) in the case of life insurer and not more than 8% of investment in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case of general insurer – shall have a rating of A or below or equivalent rating for long term.

(c) No investment can be made in other investments out of funds under Regulation 3 (b).

(d) Investments in debt instruments rated AA - (AA minus) or below shall form part of Other Investments.

8 Notwithstanding the above, it is emphasized that rating should not replace appropriate risk analysis and management on the part of the Insurer. The Insurer should conduct risk analysis commensurate with the complexity of the product(s) and the materiality of their holding, or could also refrain from such investments.

10. Amendment of Regulation 5:

Regulation 5 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, shall be **substituted with** the following:-

9. Exposure / Prudential Norms

Without prejudice to anything contained in Sections 27A and 27B of the Act every insurer shall limit his investment as per the following exposure norms:

A. Exposure norms for investment assets of:

1. (a) all funds of Life insurance business and One Year Renewable pure Group Term Assurance Business (OYRGTA), and non-unit reserves of all categories of Unit linked life insurance business.

(b) all funds of Pension, Annuity and Group Business [as defined under Regulation 2 (d) of IRDA (Actuarial Report and Abstract) Regulations, 2000].

(c) the unit reserves portion of all categories of Unit linked funds, as per Regulation 6" Life, Pension, Annuity and Group business and each segregated fund within Unit Linked Insurance business (except for promoter group exposure).

2. General Insurance business,

3. Re-insurance Business

for both Approved Investments as per the Act, Schedule I and Schedule II of these Regulations, and Other Investments as permitted under 27A(2) and 27B(3) of the Act shall be as under.

B. The maximum exposure limit for a single 'investee' company (equity, debt and other investments taken together) from all investment assets under point (A.1.a, A.1.b, A.1.c all taken together), (A.2) and (A.3) mentioned above, shall not exceed the **lower** of the following;

- (i) an amount of 10% of investment assets as under Regulation 2 (g) (1), Regulation 2 (g) (2)
- (ii) an aggregate of amount calculated under point (a) and (b) of the following table

Type of Investment (1)	Limit for 'Investee' Company (2)	Limit for the entire Group of the Investee Company (3)	Limit for Industry Sector to which Investee Company belongs (4)
a. Investment in 'Equity', Preference Shares, Convertible Debentures	10%* of Outstanding Equity Shares (Face Value) or 10% of the amount under point A.1.(a) or A.1.(b) or A.1.(c) above considered separately in the case of Life insurers / amount under A.2 or A.3 in the case of General Insurer / Re-insurer whichever is lower	Not more than 15% of the amount under point A.1.(a) or A.1.(b) or A.1.(c) or A.2 or A.3 or 15% of investment Assets in all companies belonging to the group, whichever is lower Exposure to Investments made in companies belonging to Promoter Group shall be made as per	Investment by the insurer in any industrial sector should not exceed 15% of the amount under point A.1.(a) or A.1.(b) or A.1.(c) or A.2 or A.3 or or 15% of investment Asset, whichever is lower Note: Industrial Sector shall be classified in the lines of National Classification (All Economic Activities) - 2008 [NIC] for all sectors, except
b. Investment	10%* of the		

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<i>Type of Investment</i> (1)	<i>Limit for 'Investee' Company</i> (2)	<i>Limit for the entire Group of the Investee Company</i> (3)	<i>Limit for Industry Sector to which Investee Company belongs</i> (4)
<i>in Debt / Loans and any other permitted Investments as per Act / Regulation other than item 'a' above.</i>	<i>Paid-up Share capital, Free reserves (excluding revaluation reserve) and Debentures / Bonds of the 'Investee' company or 10% amount under point A.1.(a) or A.1.(b) or A.1.(c) above considered separately in the case of Life insurers. An amount under A.2 or A.3 in the case of General Insurer / Re-insurer whichever is lower.</i>	<i>Point 7 under notes to Regulation 9</i>	<p>infrastructure sector. Exposure shall be calculated at Division level from A to R. For Financial and Insurance Activities sector exposure shall be at Section level.</p> <p>Exposure to 'infrastructure' investments are subject to Note: 1, 2, 3 and 4 mentioned below</p>

* In the case of insurers having investment assets within the meaning of Regulation 2 (g) (1) and Regulation 2 (g) (2) of the under mentioned size, the (*) marked limit in the above table for investment in equity, preference shares, convertible debentures, debt, loans or any other permitted investment under the Act / Regulations, shall stand substituted as under:

<i>Investment assets</i>	<i>Limit for 'investee' company</i>	
	<i>Equity</i>	<i>Debt</i>
<i>Rs 250000 Crores or more</i>	<i>15% of outstanding equity shares (face value)</i>	<i>15% of paid up share capital, free reserves (excluding revaluation reserve) & debentures / bonds</i>
<i>Rs. 50000 Crores but less than Rs. 250000 Crores</i>	<i>12% of outstanding equity shares (face value)</i>	<i>12% of paid up share capital, free reserves (excluding revaluation reserve) & debentures / bonds</i>
<i>Less than Rs. 50000 Crores</i>	<i>10% of outstanding equity shares (face value)</i>	<i>10% of paid up share capital, free reserves (excluding revaluation reserve) & debentures / bonds</i>

Note:

- 1 *Industry sector norms shall not apply for investments made in 'Infrastructure facility' sector as defined under Regulation 2(h) of IRDA (Registration of Indian Insurance Companies) Regulations, 2000 as amended from time to time. NIC classification shall not apply to investments made in 'Infrastructure facility'*
- 2 *Investments in Infrastructure Debt Fund (IDF), backed by Central Government as approved by the Authority, on a case to case basis shall be reckoned for investments in Infrastructure.*
- 3 *Exposure to a public limited 'Infrastructure investee company' will be 20% of outstanding equity shares (face value) in case of equity (or) 20% of equity plus free reserves (excluding revaluation reserve) plus debentures / bonds taken together, in the case of debt (or) amount under Regulation 9 (B) (i), whichever is lower. The 20% mentioned above, can be further increased by an additional 5%, in case of debt instruments alone, with the prior approval of Board of Directors. The outstanding tenure of debt instruments, beyond the exposure prescribed in the above table, in an infrastructure Investee Company, should not be less than 5 years at the time of investment. In case of Equity investment, dividend track record as per Sec 27A (I) (I) and 27B (I) (h) of the Act, in the case of primary issuance of a wholly owned subsidiary*

of a Corporate / PSU shall apply to the holding company. However all investments made in an 'infrastructure investee company' shall be subject to group / promoter group exposure norms.

- 4 *An insurer can, at the time of investing, subject to group / promoter group exposure norms, invest a maximum of 20% of the project cost (as decided by a competent body) of an Public Limited Special Purpose Vehicle (SPV) engaged in infrastructure sector (or) amount under Regulation 9 (B) (i), whichever is lower, as a part of Approved Investments provided:*

- (a) such investment is in Debt*
- (b) the parent company guarantees the entire debt extended and the interest payment of SPV*
- (c) the principal or interest, if in default and if not paid within 90 days of the due date, such debt shall be classified under other investments.*
- (d) the latest instrument of the parent company (ies) has (have) rating of not less than AA*
- (e) such guarantee of the parent company (ies) should not exceed 20% of net worth of parent company (ies) including the existing guarantees, if any, given*
- (f) the net worth of the parent company (ies), if unlisted, shall not be less than Rs. 500 crores or where the parent company (ies) is listed on stock exchanges having nationwide terminals, the net worth shall not be less than Rs. 250 Crores*

Investment Committee should continuously evaluate the risk of such investments and take necessary corrective actions where the parent company (ies) is floating more than one SPV

- 5 *Investment in securitized assets [Mortgaged Backed Securities (MBS) / Asset Backed Securities (ABS) / Security Receipts (SR) **both** under approved and other investment category shall not exceed 10% of Investment Assets in case of Life companies and 5% of Investment Asset in the case of Non-life companies. Approved Investment in MBS / ABS with underlying Housing or Infrastructure Assets shall not exceed 10% of investment assets in the case of life companies and not more than 5% of investment assets in the case of non-life companies. Any MBS / ABS with underlying housing or infrastructure assets, if downgraded below AAA or equivalent, shall be reclassified as Other Investments.*

- 6 *Investment in immovable property covered under Section 27A (1) (n) of the Act shall not exceed, at the time of investment, 5% of (a) Investment Assets in the case of general insurer and (b) 5% of Investment Assets of funds relating to life funds, pension, annuity and group funds in the case of life insurer*
- 7 *Subject to exposure limits mentioned in the table above, an insurer shall not have investments of more than 5% in aggregate of its total investments in all companies belonging to the promoters' groups. Investment made in all companies belonging to the promoters' group shall not be made by way of private placement (equity) or in unlisted instruments (equity, debt, certificate of deposits and fixed deposits (without prejudice to Section 27A (9) and Section 27B (10) of the Act) held in a Scheduled Commercial Bank), except for companies formed by Insurers under Sec 27A (4) or Sec 27B (5) of the Act.*
- 8 *The exposure limit for financial and insurance activities (as per Section K of NIC classification – 2008) shall stand at 25% of investment assets for all insurers.*
- 9 *Investment in fixed deposit and certificate of deposit of a Scheduled Bank shall be made in terms of the provisions of Section 27A (9) and Section 27B (10) of the Act. Such investments would not be deemed as exposure to financial and insurance activities (as per Section K of NIC classification - 2008).*

7. Amendment of Regulation 6:

Regulation 6 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, shall be **substituted with** the following:-

“10. Returns to be submitted by an Insurer

Every insurer shall submit to the Authority the following returns within such time, at such intervals duly verified/certified in the manner as indicated there against.

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No	Form	Description	Periodicity of Return	Time limit for submission	Verified / Certified by
1	Form 1	Statement of Investment and Income on Investment	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments) / Chief of (Finance)
2	Form 2 (Part A, B)	Statement of Downgraded Investments, Details of Rated Instruments	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments) / Chief of (Finance)
3	Form 3A (Part A, B, C, D, E)	Statement of Investments Assets (Life Insurers)	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments) / Chief of (Finance)
4	Form 3B (Part A, B)	Statement of Investment Assets (General Insurance & Re-insurer)	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments) / Chief of (Finance)
5	Form 4 (Part A)	Exposure / Prudential and other Investment Norms – Compliance Certificate	Quarterly	Within 30 days of the end of the Quarter	Principal Officer, Chief of (Investments) / Chief of (Finance)
6	Form 4	Internal / Concurrent	Quarterly	Within 30 days of the	Internal / Concurrent

Appendix 'A'

No	Form	Description	Periodicity of Return	Time limit for submission	Verified / Certified by
	<i>(Part B)</i>	<i>Auditor's Certificate on Investment Risk Management Systems - Implementation Status</i>		<i>end of the Quarter</i>	<i>Auditor appointed under this regulation</i>
7	<i>Form 4A (Part A, B, C)</i>	<i>Statement of Investment Subject to Exposure Norms - Investee Company, Group, Promoter Group, Industry Sector</i>	<i>Quarterly</i>	<i>Within 30 days of the end of the Quarter</i>	<i>Principal Officer / Chief of (Investments) / Chief of (Finance)</i>
8	<i>Form 5</i>	<i>Statement of Investment Reconciliation</i>	<i>Quarterly</i>	<i>Within 30 days of the end of the Quarter</i>	<i>Principal Officer / Chief of (Investments) / Chief of (Finance)</i>
9	<i>Form 5A</i>	<i>Statement of Investment in Mutual Funds</i>	<i>Quarterly</i>	<i>Within 30 days of the end of the Quarter</i>	<i>Principal Officer / Chief of (Investments) / Chief of (Finance)</i>
10	<i>Form 6</i>	<i>Certificate under sections 28 (2A), 28 (2B) and 28B (3) of</i>	<i>Quarterly</i>	<i>Within 30 days of the end of the Quarter</i>	<i>Chairman, Director 1, Director 2, Principal Officer</i>

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No	Form	Description	Periodicity of Return	Time limit for submission	Verified / Certified by
		<i>the Insurance Act, 1938</i>			
11	Form 7	Statement of Non-Performing Assets	Quarterly	Within 30 days of the end of the Quarter	Principal Officer / Chief of (Investments) / Chief of (Finance)

Note:

1. *The Internal / Concurrent Audit Report of the previous quarter with comments of Audit Committee of the Board, on 'very serious', 'serious' points (as per the Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies, issued by the Institute of Chartered Accountants of India) in the report, and status of implementation of Audit committee recommendation shall be filed with the Authority along with current quarter returns*
2. *All returns for the quarter ending March shall be filed within the period stipulated above based on provisional figures and later re-submitted with Audited figures within 15 days of adoption of accounts by the Board of Directors.*

8. Amendment of Regulation 7:

Regulation 7 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, shall be **substituted with** the following:-

11. Power to call for additional information.

The authority may, by general or special order, require from the insurers such other information in such manner, intervals and time limit as may be specified therein.

9. Amendment of Regulation 8:

Regulation 8 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, shall be **substituted with** the following:-

12. Duty to Report extraordinary events affecting the investment portfolio.

Every insurer shall report to the Authority forthwith, the effect or the probable effect of any event coming to his knowledge, which could have material adverse impact on the investment portfolio and consequently on the security of policy-holder benefits or expectations.

10. Amendment of Regulation 9:

Regulation 9 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, shall be **substituted with** the following:-

"13. Provisions on Investment Management

A. Constitution of Investment Committee

1. *Every insurer shall constitute an Investment Committee which shall consist of a minimum of two non-executive directors of the Insurer, the Chief Executive Officer, Chief of Finance, Chief of Investment division, and wherever an appointed actuary is employed, the Appointed Actuary. The decisions taken by the Investment Committee shall be recorded and be open to inspection by the officers of the Authority.*

B. Investment Policy

1. *Every Insurer shall draw up, an Investment Policy (fund wise IP in the case of Unit Linked Insurance Business) and place the same before its Board of Directors for its approval and its annual review.*
2. *Every insurer shall have a model code of conduct to prevent insider / personal trading of Officers involved in various levels of Investment Operations in compliance with SEBI (Prohibition of Insider Trading) Regulation, 1992 as amended from time to time and place the same before its Board of Directors for its approval.*
3. *While framing the Investment Policy, the Board shall ensure compliance with the following:*
 - (i) *Issues relating to liquidity, prudential norms, exposure limits, stop loss limits including securities trading, management of all investment risks, management of assets liabilities mismatch, Scope of Internal or Concurrent audit of Investments and investment statistics and all other internal controls of investment operations, the provisions of the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Investment) Regulations, 2000, Guidelines and Circulars made there under.*

- (ii) *Ensuring adequate return on policyholders and shareholders' funds consistent with the protection, safety and liquidity of such fund(s).*
- 4. *The investment policy of both Life and Non-Life insurers, as approved by the Board shall be implemented by the investment committee. The Board shall review on a quarterly basis the monitoring of fund wise and product wise performance.*
- 5. *The Board shall review the investment policy and its implementation on a half-yearly basis or at such short intervals as it may decide and make such modification to the investment policy as is necessary to bring it in line with the investment provisions laid down in the Act and Regulations made there under, keeping in mind protection of policyholders' interest and pattern of investment laid down in these regulations or in terms of the agreement entered into with the policyholders in the case of unit linked insurance business.*

C. Investment Operations

- 1. *The funds of the insurer shall be invested and continued to be invested in equity shares, equity related instruments and debt instruments rated as per Note below Regulations 3 to 8 by a credit rating agency, registered under SEBI (Credit Rating Agencies) Regulations, 1999. The Board shall lay down clear norms for investing in 'Other Investments' as specified under sections 27A(2) and 27B(3) of the Insurance Act, 1938 by the investment committee, taking into account the safety and liquidity of the policyholders' funds and protection of their interest.*
- 2. *As required under Chapter II, Regulation 7 (c) of IRDA (Registration of Indian Insurance Companies) Regulations, 2000, to ensure proper internal control of investment functions and operations the insurer shall clearly segregate the functions and operations of front, mid and back office (as provided in the Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies issued by the Institute of Chartered Accountants of India) and no function falling under Front, Mid and Back Office Investment function(s), shall be outsourced. Also, the primary data server of the computer application used for investment management shall remain within the country.*

- D. Processing of Unit Linked Business Applications and Declaration of NAV**
1. All applications received for premium payment, switches, redemption, surrender, maturity claim etc., should be time stamped and dated.
 2. **Applications for “premium payment”**
 - a. for applications received, with local cheques, cash or demand draft payable at par at the place where the premium is received, **before cut-off time (3.00 pm)** on a business day, the applicable NAV would be the closing NAV of the **same day**.
 - b. for applications received, along with local cheques, cash or demand draft payable at par at the place where the premium is received, **after cut-off time (3.00 pm)** on a business day, the applicable NAV would be the closing NAV of the **next business day**.
 - c. for premiums received with an outstation cheque or demand draft, the closing NAV of the day on which the cheque / Demand Draft is **realized** shall be applied.
 3. **Applications for “other than” premium payment**
 - a. for applications received **before the cut-off time (3.00 pm)** on a business day, the applicable NAV would be the closing NAV of the **same day**.
 - b. for applications received, **after the cut-off time (3.00 pm)** on a business day, the applicable NAV would be the closing NAV of the **next business day**.
 4. **Daily disclosure / reconciliation of Product and Fund information**
 - a. Every insurer doing Unit linked business shall reconcile, through the system, the premium received (net of charges and benefits paid) under each product (Unique Identification Number – UIN) with value of all the segregated fund(s) (Segregated Fund Identification Number – SFIN) net of fund management charges, held under a single UIN, **on a day to day basis**.
 - b. The insurer shall disclose UIN wise reconciliation (as in point 'a' above) and the value of policy wise units held by

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- policyholder on the insurers website and fund wise NAV (SFIN wise) on both the Insurer's website and life council website on the same day.*
- c. The internal / concurrent Auditor shall report on the automated system and process to handle the UIN wise reconciliation (as in point 'a' above) and value of policy wise units held by policyholder and fund wise NAV, on a quarterly basis*
- 5. Applicable NAV for the applications received on the last business day of the Financial Year**
- a. for applications received on the last business day of the financial year **UP TO 3.00 pm** shall be processed with NAV of the last business day (irrespective if the payment instrument is local or outstation)*
- b. for applications received **AFTER 3.00 pm** on the last business day, the same shall fall into the next Financial Year and NAV of the immediate **next business day** would be applicable.*
- c. The insurer shall declare NAV for the last business day of a Financial Year, even if it is a non business day.*
- 6. For allotment of units, the applicable NAV shall be as per the date of commencement of policy for new policy contracts and date of receipt of premium for renewals.**
- 7. All Insurers shall file a certificate, issued by Internal / Concurrent Auditor for compliance of each of the directions issued at point 5 above, regarding the applicable NAV for applications received on the last business day. The Statutory Auditors shall also confirm the same in the Annual Accounts.**

Note:

Business day shall mean days other than holidays where stock exchanges with national wide terminals are open for trade (other than day on which exchanges are open for testing) or any day declared by the Authority as business day.

E. Risk Management Systems and its Review

1. *The Board shall implement the Investment Risk Management Systems and Process, mandated by the Authority. The implementation shall be certified by a Chartered Accountant firm, as per the procedure laid down in the "Technical Guide on Review and Certification of Investment Risk Management Systems and Process of Insurance Companies", issued by the Institute of Chartered Accountants of India, as amended from time to time.*
2. *The Investment Risk Management Systems and Process shall be reviewed at the beginning of every second financial year or such shorter frequency as decided by the Board of the Insurer, by a Chartered Accountant firm and file the certificate issued by such Chartered Accountant, with the Authority along with the first quarter returns.*
3. *The appointment of Chartered Accountant firm to certify implementation and review of Investment Risk Management Systems and Process shall be as per the circular issued under these regulations.*

F. Audit and Reporting to Management

1. *Every Insurer shall constitute an Audit Committee of the Board. The Audit Committee shall be headed by a Chartered Accountant, if he is a member in the Board of the Insurer.*
2. *The Insurer shall have the investment transactions covering both Shareholders and Policyholders funds be audited through Internal or Concurrent Auditor as per the circular issued under this regulation.*
3. *The quarterly internal / concurrent audit report, covering investments of both shareholders as well as policyholders, shall be as per the "Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies" issued by the Institute of Chartered Accountants of India, as amended from time to time.*
4. *The Details of Investment Policy, implementation status of Investment Risk Management Systems and Process or its review shall be made available to the internal or concurrent auditor. The auditor shall comment on such review and its impact on the investment operations, systems and process in their report to be placed before the Board's Audit Committee.*

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G. *Category of Investments*

1. *Every Insurer shall invest all his fund(s) only within the exhaustive category of investments listed in the guidelines issued by the Authority, as amended from time to time.*

H. *Others*

1. *The Authority may call for further information from time to time from the insurer as it deems necessary and in the interest of policyholders and issue such directions to the insurers as it thinks fit.*

11. **Amendment of Regulation 10:**

Regulation 10 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, shall be **substituted with** the following:-

14. Miscellaneous.

1. *Accounting of Investments shall be as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2000 and Valuation of Assets shall be as per guidelines issued under these regulations from time to time.*
2. *The Authority may, by any general or special order, modify or change the application of sub-regulations (3), (4), (5), (6), (7), (8), (9) and (10) to any insurer either on its own or on an application made to it.*

12. **Amendment of Regulation 11:**

Regulation 11 of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, shall be **substituted with** the following:-

"15. Dealing in Financial Derivatives

1. *Every Insurer carrying on the business of life insurance or general insurance may deal in financial derivatives only to the extent permitted and in accordance with the guidelines issued by the Authority in this regard from time to time.*
2. *Any margin or unamortized premium paid by any insurer in connection with the financial derivatives to the extent they are reflected as asset position in the balance sheet of the insurer in accordance with the guidelines issued by the Authority, shall be treated as 'Approved Investment' under Schedule I and Schedule II to these Regulations, only to the extent the derivative position*

constitutes a hedge for the underlying investment or portfolio which itself is treated as an approved investments under these regulations. All other margins or unamortized premium paid, to the extent reflected in the balance sheet of the insurer in accordance with the guidelines issued by the Authority in this regard from time to time, shall be treated as 'Other Investments'

13. Amendment of Schedule I:

Schedule I of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000 shall be **substituted with** the following:-

Schedule I

(See Regulation 3 to 6)

List of Approved Investments for Life Business

'Approved Investments' for the purposes of section 27A of the Act shall consist of the following:

- (a) all investments specified in section 27A of the Act except
 - (i) clause (b) of sub-section (1) of section 27A of the Act;*
 - (ii) first mortgages on immovable property situated in another country as stated in clause (m) of sub-section (1) of section 27A of the Act;*
 - (iii) Immovable property situated in another country as stated in clause (n) of sub-section (1) of section 27A of the Act.**
- (b) In addition the following investments shall be deemed as approved investments by the Authority under the powers vested in it vide clause (s) of sub-section (1) of section 27A of the Act.
 - (i) All loans secured as required under the Act, rated debentures (including bonds) and other rated & secured debt instruments as per Note appended to Regulation 3 to 8. Equity shares and preference shares and debt instruments issued by all India Financial Institutions recognized as such by Reserve Bank of India – investments shall be made in terms of investment policy guidelines, benchmarks and exposure norms, limits approved by the Board of Directors of the insurer.*
 - (ii) Bonds or debentures issued by companies rated not less than AA or its equivalent and P1 or equivalent ratings for short term bonds, debentures, certificate of deposits and commercial papers by a credit rating agency, registered**

under SEBI (Credit Rating Agencies) Regulations 1999 would be considered as 'Approved Investments'.

- (iii) Subject to norms and limits approved by the Board of Directors of the insurers deposits (including fixed deposits as per section 27A (9) of Insurance Act, 1938) with banks (e.g. in current account, call deposits, notice deposits, certificate of deposits etc.) included for the time being in the Second Schedule to Reserve Bank of India Act, 1934 (2 of 1934) and deposits with primary dealers duly recognized by Reserve Bank of India as such.*
- (iv) Collateralized Borrowing and Lending Obligations (CBLO) created by the Clearing Corporation of India Ltd and recognized by the Reserve Bank of India and exposure to Gilt, G Sec and liquid mutual fund forming part of Approved Investments as per Mutual Fund Guidelines issued under these regulations and money market instrument / investment.*
- (v) Asset Backed Securities with underlying Housing loans or having infrastructure assets as underlying as defined under 'infrastructure facility' in clause (h) of regulation 2 of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Amendment Regulations, 2008 as amended from time to time.*
- (vi) Commercial papers issued by a company or All India Financial Institution recognized as such by Reserve Bank of India having a credit rating by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations 1999.*
- (vii) Money Market instruments as defined in Regulation 2(h) of these Regulation.*

Explanation –

1. All conditions mentioned in the 'note' appended to Regulation 3 to 8 shall be complied with.

14. Amendment of Schedule II:

Schedule II to the Insurance Regulatory and Development Authority (Investment) Regulations, 2000 shall be **substituted with** the following:-

Schedule II
(See Regulation 7 & 8)

List of Approved Investments for General Business

'Approved Investments' for the purpose of section 27B of the Act shall consist of the following:

- (a) All investments specified in section 27B of the Act except
 - (i) clause (b) of sub-section (1) of section 27A of the Act;*
 - (ii) Immovable property situated in another country as stated in clause (n) of sub-section (1) of section 27A of the Act;*
 - (iii) First mortgages on immovable property situated in another country as stated in clause (i) of sub-section (1) of section 27B of the Act.**
- (b) In addition the following investments shall be deemed as approved investments by the Authority under the powers vested in it vide clause (j) of sub-section (1) of section 27B of the Act:
 - (i) All loans secured as per the Act, rated debentures (including bonds) and other rated & secured debt instruments as per Note appended to Regulations 3 to 8. Equity shares, preference shares and debt instruments issued by All India Financial Institutions recognized as such by Reserve Bank of India – investments shall be made in terms of investment policy guidelines, benchmarks and exposure norms, limits approved by the Board of Directors of the insurer.*
 - (ii) Bonds or debentures issued by companies rated not less than AA or its equivalent and P1 or Equivalent ratings for short term bonds, debentures, certificate of deposits and commercial papers by a credit rating agency, registered under SEBI (Credit Rating Agencies) Regulations 1999 would be considered as 'Approved Investments'.*
 - (iii) Subject to norms and limits approved by the Board of Directors of the insurers deposits (including fixed deposits as per section 27B (10) of Insurance Act, 1938) with banks (e.g. in current account, call deposits, notice deposits, certificate of deposits etc.) included for the time being in the Second Schedule to Reserve Bank of India Act, 1934 (2 of 1934) and deposits with primary dealers duly recognized by Reserve Bank of India as such.**

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- (iv) *Collateralized Borrowing & Lending Obligations (CBLO) created by the Clearing Corporation of India Ltd and recognized by the Reserve Bank of India and exposure to Gilt, G Sec and liquid mutual fund forming part of Approved Investments as per Mutual Fund Guidelines issued under these regulations and money market instrument / investment.*
- (v) *Asset Backed Securities with underlying Housing loans or having infrastructure assets as underlying as defined under 'infrastructure facility' in clause (h) of regulation 2 of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Amendment Regulations, 2008 as amended from time to time.*
- (vi) *Commercial papers issued by a company or All India Financial Institution recognized as such by Reserve Bank of India having a credit rating by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations 1999*
- (vii) *Money Market instruments as defined in Regulation 2(h) of this Regulation.*

Explanation:

1. *All conditions mentioned in the 'note' appended to Regulation 3 to 8 shall be complied with.*

J. HARI NARAYAN, Chairman
[ADVT. III/4/161/12/Exty.]

FORM - 1

(Read with Regulation 10)

Name of the Insurer:

Registration Number:

Statement as on:

Statement of Investment and Income on Investment

Periodicity of Submission: Quarterly

Name of the Fund _____

No.	Category of Investment	Category Code	Current Quarter			Year to Date (current year)			Year to Date (previous year) ³								
			Investment (Rs.) ¹	Income on Investment (Rs.)	Gross Yield (%) ¹	Net Yield (%) ²	Investment (Rs.) ¹	Income on Investment (Rs.)	Gross Yield (%) ¹	Net Yield (%) ²	Investment (Rs.)	Income on Investment (Rs.)	Gross Yield (%) ¹	Net Yield (%) ²			
TOTAL																	

Rs Crore

CERTIFICATION

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Date: _____

Signature _____

Full Name _____

Chief of Finance

Note: Category of Investment (COI) shall be as per Guidelines, as amended from time to time

1 Based on daily simple Average of Investments

2 Yield netted for Tax

3 in the previous year column, the figures of the corresponding Year to date of the previous financial year shall be shown

4 FORM-1 shall be prepared in respect of each fund. In case of ULIP FORM 1 shall be prepared at Segregated Fund (SFIN) level and also at consolidated level.

PART - A

FORM - 2

(Read with Regulation 10)

Name of the Insurer:

Registration Number:

Statement as on:

Statement of Down Graded Investments

Periodicity of Submission: Quarterly

Name of Fund _____

							Rs Crore		
No	Name of the Security	COI	Amount	Date of Purchase	Rating Agency	Original Grade	Current Grade	Date of Downgrade	Remarks
A.	<u>During the Quarter 1</u>								
B.	<u>As on Date 2</u>								

CERTIFICATION

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Signature _____

Full Name and Designation

Chief Finance Officer

Date:

Note:

- 1 Provide details of Down Graded Investments during the Quarter.
- 2 Investments currently upgraded, listed as Down Graded during earlier Quarter shall be deleted from the Cumulative listing.
- 3 FORM-2 shall be prepared in respect of each fund. In case of ULIP FORM 1 shall be prepared at Segregated Fund (SFIN) level and also at consolidated level.
- 4 Category of Investment (COI) shall be as per INV/GLN/001/2003-04

PART - B

FORM - 2
(Read with Regulation 10)

Name of the Insurer :

Registration No :

Name of the fund _____

INVESTMENT ASSETS - RATING PROFILE

Rs. Cr

No	Type of Investments	Investments in Sovereign instruments		AAA or Equivalent		AA+ or Equivalent		AA or lower upto A+ or Equivalent		Unrated		NPA		Equity or Equity Related Instruments and other Instruments		Total BV
		BV	% to Inv. Assets	BV	% to Inv. Assets	BV	% to Inv. Assets	BV	% to Inv. Assets	BV	% to Inv. Assets	BV	% to Inv. Assets	BV	% to Inv. Assets	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
i	Central Govt Securities															
ii	State Govt. Sec. or Other Approved Securities															
iii	(1) Housing Sector															
	(a) Debt or debt related instruments															
	(b) Loans															
	(c) Others (Specify)															
	(2) Infrastructure Sector															
	(a) Debt or debt related instruments															
	(b) Equity or equity related Instruments															

Rs. Cr

Investment in 'Debt' instruments	Book Value (Life, Pension Fund and General Insurers)	Market Value (for ULIP Funds)	%
Investments in Sovereign instruments			
APPROVED INVESTMENTS			
AAA or upto AA or Equivalent			
MM, Loans, Others - Approved Invt			
OTHER INVESTMENTS			
AA-A, lower than A or Equivalent			
Unrated, Loans, Others - Other Invt			
Total Debt Investments (a to g)			

Certified that the information given herein are correct and complete to the best of my knowledge. Also certified that the various investments made and covered in the return are within the categories provided in Investment Guidelines as amended from time to time.

Signature : _____
 Full Name : _____
 Chief of Finance

Note:

- 1 The figures in Col (f) must match (for each type of investment) with Form 3A (Part A)/Form 3B
- 2 Non-Performing investment assets shall be separately shown irrespective of the rating
- 3 For Linked business values of investments shall be at Market Value
- 4 Equity or Equity related instruments shall be as permitted under the Insurance Act, 1938 or IRDA (Investment) Regulations, 2000 as amended from time to time
- 5 FORM - 2 (Part B) shall be prepared in respect of each fund. In case of ULIP Form 2 shall be prepared at Segregated Fund (SFIN) level and also at consolidated level.

Technical Guide

FORM - 2

(Read with Regulation 10)

Name of the Insurer:

PART - C

Registration No:

INVESTMENT ASSETS & INFRA INVESTMENTS - RATING PROFILE

Name of the Fund _____

INVESTMENT ASSETS	Rs Crore	% to Inv. Assets
Central Govt. Sec + Other Approved Securities		
TOTAL (1)		
Approved Investments		
AAA or upto AA or Equivalent		
Equity - Approved Invt		
MM, Loans, Others - Approved Invt		
TOTAL (2)		
Other Investments		
AA-, A, lower than A or Equivalent		
Equity - Other Invt		
Unrated, NPA, Loans, Others - Other Invt		
TOTAL (3)		
TOTAL FUND (1+2+3)		
INFRASTRUCTURE INVESTMENTS		
Approved Investments		
AAA or upto AA or Equivalent		
Equities-Approved		
MM, Loans, Others-Approved Invt		
TOTAL (1)		
Other Investments		
AA-, A, lower than A or Equivalent		
Equities-Other Investments		
Loans, NPAs, Others - Other Invt		
TOTAL (2)		
Total Infra Investment (1+2)		
TOTAL FUND	0	

Certification

Certified that the information given herein are correct and complete to the best of my knowledge. Also certified that the various investments made and covered in the return are **within** the categories provided in Investment Guidelines as amended from time to time.

Signature: _____

Full name: _____

Chief of Finance _____

Note:

1. The figures in Col (i) must match (for each type of investment) with Form 3A (Part A)/Form 3B
2. FORM - 2 (Part C) shall be prepared in respect of Ilife fund

Appendix 'A'

FORM - 3A
(Read with Regulation 10)
Name of the Insurer:
Registration Number:
Statement as on:
Statement of Investment Assets (Life Insurers)
(Business within India)
Periodicity of Submission: Quarterly
Section I

PART - A

Rs. Crore

Total Application as per Balance Sheet (A)	0	Reconciliation of Investment Assets	
Add (B)		Total Investment Assets (as per Balance Sheet)	0
Provisions	Sch-14	Balance Sheet Value of:	
Current Liabilities	Sch-13	A. Life Fund	
	0	B. Pension & General Annuity and Group Business	
Less (C)		C. Unit Linked Funds	
Debit Balance in P&L A/c			0
Deferred tax asset			
Loans	Sch-09		
Adv & Other Assets	Sch-12		
Cash & Bank Balance	Sch-11		
Fixed Assets	Sch-10		
Misc. Exp. Not Written Off	Sch-15		
Funds available for Investments	0		

Section II

NON - LINKED BUSINESS

A. LIFE FUND	% as per Reg	SH		PH			Book Value (SH+PH)	Actual %	FVC Amount	Total Fund	Market Value
		Balance	FRSM*	UL-Non Unit Res	PAR	NON PAR					
		(a)	(b)	(c)	(d)	(e)	(f) = (a+b+c+d+e)	(g) = ((f) - (a))%	(h)	(i) = (a+f+h)	(j)
1	Central Govt. Sec	Not Less than 25%									
2	Central Govt Sec, State Govt Sec or Other Approved Securities (incl (i) above)	Not Less than 50%									
3	Investment subject to Exposure Norms										
	a. Housing & Infrastructure										
	1. Approved Investments	Not Less than 15%									
	2. Other Investments										
	b. (i) Approved Investments	Not exceeding 35%									
	ii) Other Investments										
TOTAL LIFE FUND		100%									

B. PENSION & GENERAL ANNUITY AND GROUP BUSINESS	% as per Reg	PH		Book Value	Actual %	FVC Amount	Total Fund	Market Value
		PAR	NON PAR					
		(a)	(b)	(c) = (a+b)	(d)	(e)	(f) = (c+e)	(g)
1	Central Govt. Sec	Not Less than 20%						
2	Central Govt Sec, State Govt Sec or Other Approved Securities (incl (i) above)	Not Less than 40%						
3	Balance in Approved investment	Not Exceeding 60%						
TOTAL PENSION, GENERAL ANNUITY FUND		100%						

LINKED BUSINESS

C. LINKED FUNDS	% as per Reg	PH		Total Fund	Actual %
		PAR	NON PAR		
		(a)	(b)	(c) = (a+b)	(d)
1	Approved Investments	Not Less than 75%			
2	Other Investments	Not More than 25%			
TOTAL LINKED INSURANCE FUND		100%			

CERTIFICATION:

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Date:

Signature: _____
Full name: _____
Chief of Finance

- Note**
- 1 (+) FRSM refers to 'Funds representing Solvency Margin'
 - 2 Funds beyond Solvency Margin shall have a separate Custody Account.
 - 3 Other Investments' are as permitted under Section 27A(2) of Insurance Act, 1938
 - 4 Pattern of Investment is applicable to both Shareholders funds representing solvency margin and policyholders funds.
 - 5 Exposure Norms shall apply to Funds held beyond Solvency Margin, held in a separate Custody Account

Technical Guide

FORM 3A

(Read with Regulation 10)

Unit Linked Insurance Business

PART - B

Name of the Insurer:

Registration Number:

Link to Item 'C' of FORM 3A (Part A)

Periodicity of Submission: Quarterly

Statement as on:

PARTICULARS	SFIN 1	SFIN 2	SFIN 'n'	Total of All Funds
Opening Balance (Market Value)				
Add: Inflow during the Quarter				
Increase / (Decrease) Value of Inv (Net)				
Less: Outflow during the Quarter				
TOTAL INVESTIBLE FUNDS (MKT VALUE)				

INVESTMENT OF UNIT FUND	SFIN 1		SFIN 2		SFIN 'n'		Total of All Funds	
	Actual Inv.	% Actual	Actual Inv.	% Actual	Actual Inv.	% Actual	Actual Inv.	% Actual
Approved Investments (>=75%)								
Central Govt Securities								
State Government Securities								
Other Approved Securities								
Corporate Bonds								
Infrastructure Bonds								
Equity								
Money Market Investments								
Mutual funds								
Deposit with Banks								
Sub Total (A)								

Current Assets:								
Accrued Interest								
Dividend Receivable								
Bank Balance								
Receivable for Sale of Investments								
Other Current Assets (for Investments)								
Less: Current Liabilities								
Payable for Investments								
Fund Mgmt Charges Payable								
Other Current Liabilities (for Investments)								
Sub Total (B)								

Other Investments (<=25%)								
Corporate Bonds								
Infrastructure Bonds								
Equity								
Mutual funds								
Venture funds								
Others								

Sub Total (C)

Total (A + B + C)

Fund Carried Forward (as per LB 2)

Signature:

Full name:

Chief of Finance

Date :

Note:

- The aggregate of all the above Segregated Unit-Funds should reconcile with Item C of FORM 3A (Part A), for both Par & Non Par Business
- Details of Item 12 of FORM LB 2 which forms part of IRDA (Actuarial Report) Regulation, 2000 shall be reconciled with FORM 3A (Part B).
- Other Investments' are as permitted under Sec 27A(2)

PART - C

FORM - 3A
 (Read with Regulation 10)
 Name of the Insurer:
 Registration Number:
 Link to FORM 3A (Part B)
 Statement for the period:
 Periodicity of Submission: Quarterly
 Statement of NAV of Segregated Funds

No	Fund Name	STIN	Date of Launch	Par/Non Par	Assets Under Management on the above date	NAV as per LB 2	NAV as on the above date*	Previous Qtr NAV	2nd Previous Qtr NAV	3rd Previous Qtr NAV	4th Previous Qtr NAV	Return/Yield	3 Year Rolling CAGR	Highest NAV since inception
1	Segregated Fund 1													
2	Segregated Fund 2													
3	Segregated Fund n													
	Total													

Rs.Crore

CERTIFICATION

Certified that the performance of all segregated funds have been placed and reviewed by the Board. All information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

DATE :
 Note:

1. * NAV should reflect the published NAV on the reporting date

Signature: _____
 Full Name : _____
 Chief of Finance

Technical Guide

FORM - 3A

(Read with Regulation 10)

PART - D

Name of the Insurer:

Registration Number:

[Link to FORM 3A \(Part A\)](#)

Statement as on:

Statement of Accretion of Funds

(Business within India)

Rs Crore

Periodicity of Submission : Quarterly

No	Category of Investments	POI	Opening Balance	% to Total (A)	Net Accretion for the Qtr:	% to Total Accretion	TOTAL	% to Total (1+2)
			(1)		(2)		(1+2)	
A	LIFE FUND							
1	Central Govt. Sec	Not less than 25%						
2	Central Govt Sec, State Govt Sec or Other Approved Securities (incl (i) above)	Not less than 50%						
3	Investment subject to Exposure Norms							
	a. Housing & Infrastructure							
	1. Approved Investments	Not less than 15%						
	2. Other Investments							
	b. (i) Approved Investments	Not exceeding 35%						
	(i) Other Investments (Not to exceed 15%)							
Total (A)								

No	Category of Investments	POI	Opening Balance	% to Total (B)	Net Accretion for the Qtr:	% to Total Accretion	TOTAL	% to Total (1+2)
			(1)		(2)		(1+2)	
B	PENSION & GENERAL ANNUITY AND GROUP BUSINESS							
1	Central Govt. Sec	Not less than 20%						
2	Central Govt Sec, State Govt Sec or Other Approved Securities (incl (i) above)	Not less than 40%						
3	Balance: In Approved investment	Not exceeding 60%						
Total (B)								

No	Category of Investments	POI	Opening Balance	% to Total (C)	Net Accretion for the Qtr:	% to Total Accretion	TOTAL	% to Total (1+2)
			(1)		(2)		(1+2)	
C	LINKED FUNDS							
1	Approved Investment	Not less than 75%						
2	Other Investments	Not more than 25%						
Total (C)								

CERTIFICATION

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Date:

Signature:

Full name: _____

Chief of Finance

FORM - 3A

(Read with Regulation 10)

PART - E

Name of the Insurer:

Registration Number:

Statement as on:

Statement of Investment Details of ULIP Products to Segregated Funds

(Business within India)

Rs.Crore

Periodicity of Submission : Quarterly

INVESTMENT DETAILS OF "ULIP" PRODUCTS [UIN] TO SEGREGATED FUNDS [SFIN]			
Inflow	UIN1	UIN2	UIN n
Premium			
Others (Specify)			
TOTAL (A)			
Outflow			
Commission			
Charges			
Claims			
Others			
TOTAL (B)			
Total C = (A-B)			
Policy Funds at "C" above allotted to			
SFIN 1			
SFIN 2			
SFIN n			
TOTAL (D)			
Difference (if any) E = (C-D)			

CERTIFICATION

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Date:

Signature:

Full name: _____

Chief of Finance

Note:

1. UIN represents the Unique product number as per 'file and use' approved under ULIP products
2. SFIN represents the Segregated Fund Identification Number as approved by the Product Approval Committee

Technical Guide

FORM - 3B

(Read with Regulation 10)

Name of the Insurer:

Registration Number:

Statement as on:

Statement of Investment Assets (General Insurer, Re-insurers)

(Business within India)

Periodicity of Submission: Quarterly

PART - A

Rs.Crore

Section I

No	PARTICULARS	SCH	AMOUNT
1	Investments	8	
2	Loans	9	
3	Fixed Assets	10	
4	Current Assets		
	a. Cash & Bank Balance	11	
	b. Advances & Other Assets	12	
5	Current Liabilities	13	
	a. Current Liabilities		
	b. Provisions	14	
	c. Misc. Exp not Written Off	15	
	d. Debit Balance of P&L A/c		

Application of Funds as per Balance Sheet (A) 0

No	Less: Other Assets	SCH	Amount
1	Loans (if any)	9	
2	Fixed Assets (if any)	10	
3	Cash & Bank Balance (if any)	11	
4	Advances & Other Assets (if any)	12	
5	Current Liabilities	13	
6	Provisions	14	
7	Misc. Exp not Written Off	15	
8	Debit Balance of P&L A/c		

Total (B) TOTAL (B) 0

'Investment Assets' As per FORM 3B (A-B) 0

Section II

No	'Investment' represented as	Reg. %	SH		PH	Book Value (SH + PH)	% Actual	FVC Amount	Total	Market Value (V)
			Balance	FRSM*						
			(a)	(b)						
1	Central Govt. Securities	Not less than 20%				d = (a+b+c)	(e)	(f)	(g)=(d+f)	
2	Central Govt Sec, State Govt Sec or Other Approved Securities (incl (i) above)	Not less than 30%								
3	Investment subject to Exposure Norms									
	a. Housing & Loans to SG for Housing and FFE	Not less than 5%								
	1. Approved Investments									
	2. Other Investments									
	b. Infrastructure Investments	Not less than 10%								
	1. Approved Investments									
	2. Other Investments									
	c. Approved Investments	Not exceeding 55%								
	d. Other Investments									
Investment Assets		100%								

Certification:

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Date:

Signature: _____

Full name: _____

Chief of Finance

Note: 1. (-) FRSM refers 'Funds representing Solvency Margin'

2. Other Investments' are as permitted under 27B(3)

3. Pattern of Investment is applicable to both Shareholders funds representing solvency margin and policyholders funds.

4. Exposure Norms shall apply to Funds held beyond Solvency Margin, held in a separate Custody Account

FORM - 3B

(Read with Regulation 10)

Name of the Insurer:

Registration Number:

Statement as on:

Statement of Accretion of Assets

(Business within India)

Periodicity of Submission : Quarterly

PART - B

Rs. Crore

No	Category of Investments	COI	Opening Balance		% to Opening Balance	Net Accretion for the Qtr.		% to Total Accrual	TOTAL	
			(A)	(B)		(A+B)	% to Total			
1	Central Govt. Securities									
2	Central Govt Sec, State Govt Sec or Other Approved Securities (incl (i) above)									
3	Investment subject to Exposure Norms									
	a. Housing & Loans to SG for Housing and FFE									
	1. Approved Investments									
	2. Other Investments									
	b. Infrastructure Investments									
	1. Approved Investments									
	2. Other Investments									
	c. Approved Investments									
	d. Other Investments (not exceeding 25%)									
	Total									

Certification:

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Date:

Signature:

Note:

Full name:

1. Total (A+B), fund wise should tally with figures shown in Form 3B (Part A)

Chief of Finance

FORM 4
(read with regulation 10)
EXPOSURE /PRUDENTIAL AND OTHER INVESTMENT NORMS – COMPLIANCE CERTIFICATE

PART A

Insurer Name and Code:
 Date: as at:

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
I	Investee Company Exposure	<p>a. Investment in equity, preference shares, convertible debenture:-</p> <p>Exposure at any point of time did not exceed 10% of outstanding equity shares (face value) or 10% of the amount under point Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) considered separately of this Regulation, in the case of Life Insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer whichever is lower.</p> <p>[In case of Infrastructure Co, the limit of 10% shall be read as 20%. Where the investment assets of the insurer is Rs. 250000 Crores or more, the limit of 10% shall be read as 15% of outstanding equity shares (face value) or where the investment assets of the insurer is Rs 50000 Crores but less than Rs 250,000 Crores the limit of 10% shall be read as 12% of outstanding equity shares (face value)]</p> <p>b. Investment in Debt/ loans and any other permitted Investments as per Act / Regulation, other than 'Equity', Preference Shares, Convertible Debentures :-</p> <p>Exposure at any point of time did not exceed 10% of the paid-up share capital, free reserves (except revaluation reserve) and debenture / bonds of the investee company or 10% of amount under point Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) above considered separately of this Regulation, in the case of Life Insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of</p>		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
		<p>General Insurer / Re-insurer whichever is lower.</p> <p>In case of Infrastructure Co, the limit of 10% shall be read as 20%. Where the investment assets of the insurer is Rs. 250000 Crores or more, the limit of 10% shall be read as 15% of paid up share capital, free reserves (excluding revaluation reserve) and debenture / bonds or where the investment assets of the insurer is Rs.50000 Crores but less than Rs. 250,000 Crores the limit of 10% shall be read as 12% paid up share capital, free reserves (excluding revaluation reserve) and debenture / bonds)</p> <p>c. Has the maximum exposure under limit for a single 'investee' company from all investment assets (Equity / Preference Shares / Convertible Debenture / Debentures/ bonds / CPs / loans and any other permitted debt investments as per Act / Regulation), are within the limit prescribed in Regulation 9 (B) (In case of Infrastructure Co, the limit of 10% shall be read as 20%)?</p> <p>d. Has debt investments made in infrastructure SPV have complied with the limits, terms and conditions as mentioned in the Note: 4 of the Investment Regulation 9?</p>		
II	Limit for the entire Group of the Investee Company	<p>Has total investments made in entire "Group of the investee Company" is the lower of:</p> <p>a. amount under point Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) above considered separately) of this Regulation, in the case of Life insurers / an amount under Regulation 9 (A.2) or (A.3) of this Regulation, in the case of General Insurer / Re-insurer (or)</p> <p>b. 15% of investment Assets in all companies belonging to the group (In case of Infrastructure company the limit mentioned in point 'a' above shall be read as 20%)</p>		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
III	Promoter Group Company	<p>Has total investments made in all "Companies falling under Insurer's Promoter Group":</p> <ol style="list-style-type: none"> is not more than 5% in aggregate of its total investments in all companies belonging to the promoters' groups. not made investments in any companies belonging to the promoters' group by way of private placement (equity) not made any investment in unlisted instruments (equity & debt certificate of deposits and fixed deposits (without prejudice to Section 27A (9) and Section 27B (10) of the Act) held in a Scheduled Commercial Bank], except for companies formed by Insurers under Sec.27A (4) or Sec.27B (5) of the Act. 		
IV	Industry sector	<p>Has investment made by the insurer in any industrial sector (except Financial and Insurance Activities sector as per National Industrial Classification (All Economic Activities) - 2008):</p> <ol style="list-style-type: none"> not exceeded the lower of: <ul style="list-style-type: none"> 15% of the amount under Regulation 9 (A.1.(a) or A.1.(b) or A.1.(c) considered separately) of this regulation in the case of life insurer / an amount under Regulation 9 (A.2) or (A.3) of this regulation, in the case of General Insurer / Re-insurer (or) 15% of Investment Asset Has the investment made by the insurer in Financial and Insurance Activities sector as per National Industrial Classification (All Economic Activities) - 2008 (excluding Fixed Deposit, Term Deposit and Certificates of Deposit) not exceeded 25% of its total investment assets? 		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
V	<p>Rating Criteria</p>	<p>3. Is the classification of industrial sectors been done <u>on the lines of National Industrial Classification (All Economic Activities) - 2008 [NIC]</u> for all sectors, <u>except "infrastructure sector"</u>.</p> <p>4. Has exposure been calculated at Division level from A to R of (NIC (All Economic Activities) – 2008) Classification for all sectors other than infrastructure sector?</p> <p>5. Has exposure been calculated for Financial and Insurance Activities sector at Section level (of NIC (All Economic Activities) – 2008)?</p>		
V	<p>Rating Criteria</p>	<p>1. Are investments under 'Approved Investments' made only in rated instruments, if such instruments are capable of being rated?</p> <p>2. At the time of purchase, are Corporate Bonds rated below AA (A+ with the prior approval of the Board of the Insurer) or its equivalent and P1 or equivalent (in case of short term instruments) classified under 'Other Investments'?</p> <p>3. Are instruments downgraded below the minimum rating prescribed under Note 3 & 4 to Regulation 3 to 8 of the IRDA (Investment) Regulation, 2000, as amended from time to time, reclassified under 'Other Investments' <u>through the System</u>?</p> <p>4. Are 'Debt' instruments (including Central Govt, State Govt Securities and Other Approved Securities) - fund wise, in the case life insurer (including ULIP funds at segregated fund level) and Investment Assets in the case of general insurer - have a minimum rating of Sovereign, AAA or equivalent rating for long term and Sovereign, P1+ or equivalent for short term instruments, not less than 75% (Life Insurer) / 65% (General Insurer)?</p>		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
VI	Others	<p>5. Are 'Debt' instruments (including Central Government Securities, State Government Securities and Other approved securities) – fund wise, in the case of life insurer (including ULIP funds at segregated fund level) and Investment Assets in the case of general insurer – have a rating of A or below or equivalent rating for long term, are not more than 5% (8% in the case of Non-Life Insurers)?</p> <p>A. CONFIRMATION ON POLICY / SYSTEMS / PROCEDURE</p> <ol style="list-style-type: none"> Has the software application for Investment Operations, been <u>fully</u> automated <u>without manual intervention</u> in calculating the exposure norms of Investee Company, Group, Promoter Group and Industry Sector, as per the various slabs of 'investment assets' provided under Regulation 9 (B)? Is the Constitution of the Investment Committee of the Insurer in full compliance with the requirements mentioned under Regulation 13 of Investment Regulation? Was none of the functions of the insurer relating to Investment Operations falling under Front / Mid / Back Office, (covering both Shareholders and Policyholders Investments), outsourced (except to the extent permitted under Point 11 and 12 of Annexure II to Circular INV/CIR/08/2008-09 Dt. 22nd Aug, 2008 with respect to Outsourcing of Investment Advice and NAV Calculation)? Is the Audit Committee of the Board, headed by a Chartered Accountant, provided he is a member of the Board of the Insurer? Have periodical Investment Returns to be filed for the Quarter, prepared in full compliance with the "Guidance Note on preparation of Investment Returns" issued by IRDA? 		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
		<p>6. Have amendments to the Investment Policy, been approved by the Board of the Insurer?</p> <p>7. Has the model code of conduct, to prevent insider / personal trading of officers involved in Investment Operations, including front, mid and back office as approved by the Board, implemented? If so:</p> <p>a. Does it cover Officers involved in Investment Operations at various levels?</p> <p>b. Does the code of conduct cover each Officer in such level?</p> <p>c. Has the Board been informed of compliance or otherwise to model code of conduct during the Quarter?</p> <p>d. Has the Concurrent Auditor issued his Audit Report of previous Quarter, without any qualification on aspects of model code of conduct implemented by the Insurer?</p> <p>e. Where breach of model code of conduct, if any, reported during the previous Quarter, been dealt properly and appropriate action as recommended by Audit Committee/ Board been taken?</p> <p>8. Does the segregation of front, mid and back office – are as per Technical Guide on Internal/ Concurrent Audit of Investment functions of Insurance Companies issued by the Institute of Chartered Accountants of India?</p> <p>9. Have all non-compliance reported in the Chartered Accountant's certificate issued (as per the Technical Guide on Investment Risk Management Systems & Process of Insurance Companies, by ICAI) on the 'status' of implementation of Investment Risk Management Systems and Process been implemented as per timelines committed to IRDA?</p> <p>10. Has the Internal / Concurrent audit Report of the previous Quarter with the with comments of Audit Committee of the Board, on 'very</p>		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
		<p>serious', 'serious' points (as per the Technical Guide on Internal / Concurrent Audit of Investment functions of Insurance Companies, issued by the Institute of Chartered Accountants of India) in the report, and status of implementation of Audit committee recommendation been placed before the Board of the Insurer during the current quarter?</p> <p>11. Have the Audit Report of the previous Quarter along with Audit Committees recommendation and its implementation status filed with the Authority along with these returns?</p> <p>12. Have the increase during the quarter, in Shareholders' funds (other than income from shareholders' investments, <u>maintained in a separate custody account</u>) held beyond solvency margin requirement, is supported by surplus calculation certified by the Appointed Actuary: (annex a copy of Appointed Actuary's Certificate <u>to this return</u>)</p> <p>13. Has the Board reviewed (both life and non-life insurers) during the previous quarter the performance of products <u>[at line of business level in the case of General Insurers]?</u></p> <p>14. Has the Board, during the previous Quarter, reviewed (both life and non-life insurers) the performance of investments? <u>[the review in the case of life insurers should cover both Non-Linked and Linked funds (SFIM) level]</u></p> <p>15. Has the life insurer, in the case of ULIP business reconciled, <u>through the system</u>, the premium received (net of charges and benefits paid) under each product (Unique Identification Number – UIN wise) with value of all the segregated fund(s) (Segregated Fund Identification Number – SFIN wise) net of fund management charges, held under a single UIN, on a day to day basis, during the quarter?</p>		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
		<p>16. Has the life insurer disclosed UIN wise reconciliation, on the Insurer's website on the same day?</p> <p>17. Is there a fully automated system to generate, on a day to day basis, Form 3A - Part E (Investment Details of ULIP Products to Segregated Funds)?</p> <p>18. Has the life insurer disclosed the value of policy wise units held by policyholder on the Insurer's policyholder portal?</p> <p>19. Has the life insurer disclosed fund wise NAV (SFIN wise) on the Insurer's website and life council website on the same day?</p> <p>20. Has the Standard Operating Procedure (SOP) approved by the Investment Committee of the Insurer?</p> <p>21. Does the SOP, for each 'category of investment' is same across all fund(s)?</p> <p>22. Does SOP of the Insurer for "each" Category of Investment, (as per Guidelines INV/GLN/001/2003-04, as amended from time to time, issued by the Authority) provide individual activities to be carried out in Front, Mid and Back office?</p> <p>23. Have all investments made (100%) followed the IC approved SOP?</p> <p>24. Does the Investment made during the Quarter, are within the exhaustive 'Categories of Investments' prescribed under Guidelines INV/GLN/001/2003-04, as amended from time to time?</p> <p>25. Has the Insurer during the Quarter taken any Derivative position (including interest rate swap and Credit default swap)? If Yes:</p>		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
	<p>Norms</p>	<p>Exposure / Other Norms as per Regulation</p> <p>a. Has the Derivative Policy been approved by the Board of the Insurer?</p> <p>b. Has the insurer taken prior approval of IRDA for such Derivative policy?</p> <p>c. If so, is there a process to identify the risk to be hedged [fund-wise in the case of Life Insurers]?</p> <p>d. Does such derivative position comply with IRDA Guidelines?</p> <p>e. Has derivative exposure taken, are clearly identified with the portfolio risk to be hedged?</p> <p>f. Has the Insurer filed the regulatory information / returns required under the Guidelines issued?</p> <p>26. Are investment made in immovable property covered under Section 27A (1) (n) of the Act shall not exceed, at the time of investment, within 5% of the Investment Assets [as per FORM 3B (Part A)] in the case of General Insurer / within 5% of Life fund, Pension & General Annuity Fund, [as per FORM 3A (Part A)] in the case of Life Insurer.</p> <p>27. Have NO investments in Immovable Properties been made out of ULIP Funds?</p> <p>28. Are investments in equity shares through IPO, Mutual fund, Venture fund, SEBI approved Alternate Investment Funds, Corporate Bond Reverse Repo, IDF (as per Note 2 to Regulation 9) Perpetual Debt Instruments of Bank's Tier-I Capital and Debt Capital Instruments of Bank's Upper Tier-II Capital, made in compliance with the relevant circulars issued in this regards from time to time?</p> <p>29. Are investments in asset backed securities, PTC, SRs both under Approved and Other investment category, made within 10% of Investment assets in case of Life Companies and 5% of Investment assets in case of Non-life companies</p> <p>30. Are any securitized assets with underlying housing or infrastructure assets, if downgraded below AAA or equivalent reclassified as Other</p>		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
		<p>Investments</p> <p>B. CONFIRMATION ON INVESTMENT OPERATIONS / EXPOSURE</p> <ol style="list-style-type: none"> 1. Has Shareholders funds been split Funds Representing Solvency Margin (FRSM) in FORM 3A (Part A)? 2. If funds are split as per point 1 above, between FRSM and Balance, have the same been maintained in separate custodian account with identified 'scrips' for both Life and General (including Re-insurance) companies and reconciled with FORM 3A (Part A) / FORM 3B? 3. Do each 'Segregated fund' [SFIN] have underlying 'Scripts', identified upto to Custodian level? 4. Do each 'Segregated Fund' [SFIN] have not less than 75% of Approved Investments as defined in the Act? 5. Does all investments in assets or instruments which are capable of being rated (except Fixed Deposits with Scheduled Commercial Banks) are made based on 'instrument' rating and NOT based on Investee 'Company' rating? 6. Have Investments in debt instruments rated AA - (AA minus) or below classified under Other Investments? 7. Are Investments made in a Public Limited Special Purpose Vehicle (SPV) engaged in infrastructure sector is within 20% of the project cost (on amount under Regulation 9 (B) (i), whichever is lower? 8. If answer to point above is 'yes', have all the requirements mentioned under Note 4 to Regulation 9 have been complied? 		

Section	Norms	Exposure / Other Norms as per Regulation	Are the required Norms complied? (Yes / No)	Remarks
		<p>9. Are investments made in Mortgage Backed Securities (MBS) / Assets Backed Securities (ABS) complied with the requirements of Note 5 to Regulation 9?</p> <p>10. Has each purchase and sale of investments, as mentioned in the Deal Slip, been identified with respect to 'each' fund / 'segregated fund' in respect of ULIP funds?</p> <p>11. Are all thinly traded equity (as per SEBI norms) classified as "Other Investment"?</p> <p>12. Has inter fund transfer, been done as per circular IRDA/FA02/10/2003-04 and any other circular issued from time to time, between ULIP funds during Market Hours, for Equity and Debt at the prevailing price and not based on broker quote?</p> <p>13. With respect to 'each' Segregated Fund (including Discontinued Policy Fund (DPF)) in the case of ULIP business, whether reconciliation of "Units" have been made, between Policy Admin System (PAS) and Investment Accounting Systems through a fully automated system using process integrators to ensure seamless data transfer without manual intervention?</p> <p>14. Does the Primary Data Server of the Computer Application used for Investment Management, maintained within the Country?</p> <p>15. Has the insurer, reconciled investments, fund-wise, with bank and custodian records on 'day-to-day' basis for each segregated fund?</p> <p>16. Has the insurer, reconciled investment accounts, for each fund in the case of Non-ULIP Business and General Insurance Business, with Custodian records?</p> <p>17. Has valuation of investments of 'each' fund (including ULIP), done as</p>		

Section	Norms	Exposure / Other Norms as per Regulation prescribed in IRDA (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002?	Are the required Norms complied? (Yes / No)	Remarks
	<p>18. Is there any shortfall/deficit in meeting the Discontinued Policies Fund (DPF) liabilities?</p> <p>19. If the answer to above point is 'Yes', has the Insurer provided for such shortfall / deficit on a quarterly basis?</p> <p>20. Have all the negative deviations reported in FORM 4A (Part A)?</p> <p>21. Has NAV of each segregated fund [SFIN] been audited before its declaration by Internal / Concurrent Auditor on a day-to-day basis (on T+0 basis)?</p> <p>22. Has the Insurer floated any new fund during the quarter?</p> <p>23. If the answer to point above is 'yes', has the directions in respect of Fund Approval procedure and Guidelines on NAV Process as per Circular IRDA/F&CIR/INV/173/08/2011 Dt. 29th Jul, 2011 complied with?</p> <p>24. Has the insurer, apart from the credit rating evaluated by the rating agencies, carried out their own risk analysis commensurate with the complexity of the product(s) and the materiality of their holding for every investment made?</p>			

CERTIFICATION

Certified that the information given herein is correct and complete to the best of my knowledge and belief and nothing has been concealed or suppressed.

Signature:.....
Chief Executive Officer

Signature:.....
Chief of Finance

Signature:.....
Chief of Investments

Date:

FORM - 4

(Read with Regulation 10)

Name of the Insurer:

Registration Number:

Statement as on:

PART B

INTERNAL / CONCURRENT AUDITOR'S CERTIFICATE ON INVESTMENT RISK MANAGEMENT SYSTEMS - IMPLEMENTATION STATUS

No	Annexure Ref	Audit Objective	Audit Observation	Severity of Non Compliance	Action(s) taken for Compliance	MM/YYYY Committed by the Insurer's Board to IRDA for complying with the requirement	Proof provided (or demonstrated) by the Insurer, to the Auditor to comply with the Requirement	Remarks & Comments of Audit Committee of the Board on non-compliance of 'time frame' communicated to IRDA on implementing Systems & Processes
1	2	3	4	5	6	7	8	9
A ISSUES OF PREVIOUS QUARTER(S)								
B ISSUES TO BE COMPLIED IN CURRENT QUARTER								

CERTIFICATE

We certify that all issues, to be reported to IRDA on implementation of Investment Risk Management Systems and Processes, for the Quarter and pending issues of previous Quarter(s) [as committed to IRDA], and as listed in the Chartered Accountant's Certificate issued, vide Circular INC/IR/008/2008-09 Dt. 22nd Aug. 2008, have been covered in the above table.

Place:

Date:

.....

Chartered Accountants
(Internal / Concurrent Auditor)

Note:

- No. (under Col. 1 in above table) shall be as per the Annexure(s) to the Certificate issued by the Chartered Accountant appointed to certify implementation of Investment Risk Management Systems and Process
- If all the issues have been complied with and no issues to be reported, a NIL statement should be filed

FORM - 4A
(Read with Regulation 10)
PART A

Name of the Insurer:
 Registration Number:
 Statement as on: Total Investment Asset for the quarter as per FORM 3A:

EXPOSURE NORM COMPLIANCE - INVESTEE COMPANY Rs. Crore

No	Investee Company	Whether (Equity/Debt)	Equity & Equity related		Debt + Others		Equity + Debt + Others		Deviation Amount			% of Deviation with respect to Regulation					
			Eligibility Limit as per Regulation 9*	Actual	Eligibility Limit as per Regulation 9*	Actual	Eligibility Limit as per Regulation 9*	Actual	Equity	(Debt + Others)	Equity + Debt + Others	Equity	(Debt + Others)	Equity + Debt + Others			

CERTIFICATION
 Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Date:
 Note: Signature: Chief of Finance
 Full name:

- Above table shall be Compiled separately for Life, Pension & General Annuity and Group Business and Individually for each Segregated Fund (SFIF) AND at Assets under Management Level
- Only (-ve) deviations are to be reported
- Exposure would be on the basis of Book Value for Non-unit linked funds & on Market Value for Unit linked Funds
- Provisions of Section 27A (B) / Section 28B (9) of The Insurance Act, 1938 has been complied with.

Technical Guide

FORM - 4A

(Read with Regulation 10)

PART B

Name of the Insurer:

Registration Number:

Total Investment Asset for the quarter as per FORM 3A:

Statement as on:

Rs. Crore

EXPOSURE NORMS COMPLIANCE- PROMOTER GROUP

No	Name of Group Company	Eligibility limit of group as per Regulation 9	Actual Investments (Cumulative)	Deviation	% of Deviation with respect to regulation
a	b	d	e	f=d-e	g

CERTIFICATION

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Signature:

Date:

Full name:

Chief of Finance

Note:

1. Above table shall be Complied in aggregate of its total investments
2. Exposure would be on the basis of Book Value for Non-unit linked funds & on Market Value for Unit linked Funds

FORM - 4A

(Read with Regulation 10)

Name of the Insurer:

Registration Number:

Statement as on:

PART C

Rs. Crore

Total Investment Asset as per FORM 3A:

EXPOSURE NORMS COMPLIANCE- GROUP

No	Name of Group Company	Eligibility limit of group as per Regulation 9	Actual Investments (Cumulative)	Deviation	% of Deviation with respect to qualification
a	b	c	d	f=c-d	g

CERTIFICATION

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Date:

Signature:

Full name:

Chief of Finance

Note:

1. Above table shall be Compiled separately for Life, Pension & General Annuity and Group Business and Individually for each Segregated Fund (SFNI) AND at Assets under Management Level Its total investment assets
2. Exposure would be on the basis of Book Value for Non-unit linked funds & on Market Value for Unit linked Funds

FORM - 4A

(Read with Regulation 10)

Name of the Insurer:

Registration Number:

Statement as on:

PART D

Rs.Crore

Total Investment Asset as per FORM 3A:

EXPOSURE TO INDUSTRY SECTOR

No	Name of Industry Sector (as per Regulations)	Eligibility limit of Industry as per Regulation 9	Actual Investments (Cumulative)	Deviation	% of Deviation with respect to regulation
a	b	c	d	e=d-c	f

CERTIFICATION

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Date:

Signature:

Full name:

Chief of Finance

Note:

1. Above table shall be Compiled separately for Life, Pension & General Annuity and Group Business and Individually for each Segregated Fund (SFIN) AND at Assets under Management Level its total investment assets
2. Exposure would be on the basis of Book Value for Non-unit linked funds & on Market Value for Unit linked Funds

FORM - 5

(Read with Regulation 10)

Name of the Insurer:

Registration Number:

Statement as on:

Statement of Investment Reconciliation

(Business within India)

Periodicity of Submission: Quarterly

Name of the Fund:

Rs. Crore

No	Category of Investments	COI	Opening Balance		Purchase for the Period		Sale for the Period		Adjustments		Closing Balance		% to Total (1+2+3)
			Face Value	Book Value	Face Value	Book Value	Face Value	Book Value	Face Value	Book Value	Face Value	Book Value	
1	Central Govt. Securities												
2	Central Govt. Sec., State Govt. Sec or Other Approved												
3	Investments subject to Exposure Norms												
	(a) Housing & Loans to State Govt for Housing / FFE												
	1. Approved Investments												
	2. Other Investments												
	(b) Infrastructure Investments												
	1. Approved Investments												
	2. Other Investments												
	(c) Approved Investments												
	(d) Other Investments												
TOTAL													
											Total (3(d))		
											Total (3(b)+3(c)+3(d))		
											Total (1+2+3)		

CERTIFICATION

Certified that the information given herein are correct, complete and nothing has been concealed or suppressed, to the best of my knowledge and belief.

Also, certified that all Cash Market transactions executed on the Stock Exchange are made only on Delivery basis.

Date:

NOTE:

- Individual Categories under each of the above Major heads should be listed with Category Code
- FORM-5 shall be prepared in respect of each fund. In case of ULIP Form-5 shall be prepared at Segregiated Fund (SFN) level and also at consolidated level.
- Each sub-item of FORM-5 shall be linked to its corresponding head in PART 'A' of FORM-SAY / FORM-3B.
- Other Investments are as permitted under Sec.2(7A) and 27B(2)
- Guidelines on preparation of FORM-5 should be strictly followed.
- The '% to Total' Column, in the case of Non-Linked funds shall be computed on Book Value and in the Case of Linked Funds it shall be Market Value

Signature
Full Name & Designation
Chief of Finance

FORM - 6

(Read with Regulation 10)

Name of the Insurer: _____

Registration Number: _____

Statement as on: _____

Certificate under Section 28(2A) / 28(2B) / 28B(3) of The Insurance Act, 1938

Periodicity of Submission : Quarterly

Name of the Fund: _____

Rs.Core

No	Investment Particulars	Under the Custody of						Total (RS) SH + PH
		Share Holders	Policy Holders	Share Holders	Policy Holders	Share Holders	Policy Holders	
1	Central Govt. Security							
2	Central Govt. Securities, State Govt Securities or Other Approved Securities							
3	Investment subject to Exposure Norms							
	a. Housing & Loans to State Govt. for Housing & FFE							
	1. Approved Investments							
	2. Other Investments							
	b. Infrastructure Investments							
	1. Approved Investments							
	2. Other Investments							
	c. Approved Investments							
	df. Other Investments							
	TOTAL							

CERTIFICATE

We certify that the above mentioned securities are held free of any encumbrance, charge, hypothecation, or lien as on the above date.

Signature: _____
Full name: _____
Chairman _____

Signature: _____
Full name: _____
Director 1 _____

Signature: _____
Full name: _____
Director 2 _____

Signature: _____
Full name: _____
Principal Officer _____

Note:

1. Custodian should certify that he is not disqualified under SEBI (Custodian of securities) Regulations, 1996 as amended from time to time.
2. Value of the Securities shall be as per Guidelines
3. In the case of Life Insurance Business, FORM-6 shall be prepared in respect of each fund and in aggregate for Segregated Funds
4. The values under certificates should be adjusted for Purchase / Sale of investments purchased and availing settlement.

A reconciliation to this effect should be attached to the Certificate.

FORM 7

(Read with Regulation 10)

Name of the Insurer: _____

Registration No: _____

Name of Fund: _____

Rs.Crore

DETAILS OF NON-PERFORMING ASSETS - QUARTERLY

NO	PARTICULARS	Bonds / Debitures		Loans		Other Debt Instruments		TOTAL	
		YTD (As on date)	Prev. FY (As on 31 Mar)	YTD (As on date)	Prev. FY (As on 31 Mar)	YTD (As on date)	Prev. FY (As on 31 Mar)	YTD (As on date)	Prev. FY (As on 31 Mar)
1	Investments Assets (As per Form 3A/ 3B - Total Fund)								
2	Gross NPA								
3	% of Gross NPA on Investment Assets (2/1)								
4	Provision made on NPA								
5	Provision as a % of NPA (4/2)								
6	Provision on Standard Assets								
7	Net Investment Assets (1-4)								
8	Net NPA (2-4)								
9	% of Net NPA to Net Investment Assets (8/7)								
10	Write off made during the period								

Certification

Certified that the information given herein are correct and complete to the best of my knowledge. Also certified that the various investments made and covered in the return are within the exhaustive categories provided in Investment Guidelines as amended from time to time.

Signature: _____

Full name: _____

Chief of Finance

Note:

- The above statement, in the case of 'Life' Insurers shall be prepared fund-wise: Viz. Life Fund, Pension & General Annuity and Group Business and ULIP Fund
- Investment Assets should reconcile with figures shown in Schedule B, 8A, 8B & 9 of the Balance Sheet
- Gross NPA is investments classified as NPA, before any provisions
- Provision made on the 'Standard Assets' shall be as per Circular: 32/2(F&A/Circulars/ 169)/Jan/2006-07 as amended from time to time.
- Net Investment assets is net of 'provisions'
- Net NPA is gross NPAs less provisions
- Write off as approved by the Board

APPENDIX 'B'

Date: 22rd Aug. 2008

Ref.: INV/CIR/008/2008-09.

The CEOs of all Insurers

Dear Sir/Madam

Sub: IRDA (Investment) (Fourth Amendment) Regulations, 2008 - Reg.

1. As you are aware, a Working Group was set up by the Authority, to review comprehensively the current regulatory and other provisions on Investments of Insurance companies and suggest changes considered necessary in the light of experience gained/ the constraints faced by Insurance Companies, as well as the developments in Financial Markets. The Working Group reviewed the statutory provisions on the pattern of Investment, Operational and Policy issues of Investment Regulations and suggested amendments that would provide flexibility to the Authority in the manner of Regulation on Investment of Life and General Insurance Companies. The Group also looked into the concurrent modifications in the formats of the prescribed Returns to reflect the changes.

2. The recommendations of the Working Group have been examined by the Authority in the light of legal provisions and keeping in view the interests of the stakeholders. The implementation of some of the proposals requires appropriate changes in Regulations and evolution of suitable regulatory framework. It was also observed by the Authority while monitoring compliance with the regulations over a period that some of the extant instructions/guidelines also needed clarity and consistency.

3. Accordingly, the Authority has initiated action to amend the provisions of IRDA Investment Regulations, 2000 in order to implement the recommendations of the Working Group and also to effect such changes that are considered necessary to clarify the existing regulatory requirements. A copy of the Gazette notification on the amended regulations is available at our website www.irdaindia.org. Insurers are advised to peruse the notification to take the modifications on record for further compliance. For the sake of convenience a brief summary of the changes proposed to be effected in the Regulations is furnished in Annexure – I.

Technical Guide

4. Besides the amendment in regulations, it has also been decided to effect some modifications in the extant Guidelines/ Circulars on investment portfolio [Annexure - II] and also introduce certain requirement on the Systems/Process of investment in the context of Risk Management requirements. The proposals in this regard are outlined in Annexure – III.
5. Insurers are advised to place the Circular before the Board at the next meeting in order to apprise the Directors of the important changes brought about in the management of investment portfolio. The Board should also be advised of the specific time bound action taken to comply with the requirements on investment systems and process wherever considered necessary.
6. The changes would be effective from the dates indicated therein.

C. R. MURALIDHARAN

MEMBER

Annexure I

**AMENDMENT TO IRDA (INVESTMENT) REGULATIONS,
2000**

Reg. No.	Regulation	Implication of Amendment
2	<p>DEFINITIONS</p> <p>Investment Assets</p> <p>Group</p> <p>Money Market Instruments</p>	<p>a. Investment Assets of Life and General Insurance Companies have been defined along with valuation methods.</p> <p>b. Group will include Financial Institutions for the purpose of Exposure calculations.</p> <p>c. Money Market Instruments include rated CDs, CPs, TDs, Repo, Reverse Repo, Treasury Bills, Call, Notice, Term Money, CBLO with maturity less than one year.</p>
3.	<p>RENAMING OF OTHER THAN APPROVED INVESTMENTS</p> <p>The Insurance Act,1938 under Sections 27A (2) and 27B (3) refers to investment permitted under these sections as 'Otherwise than in an Approved Investments' and the IRDA (Investment) Regulations, 2000 had interpreted it as 'Other than Approved Investments' .</p>	<p>a. This category of Investments will henceforth be referred to as 'Other Investments'.</p> <p>b. All provisions of the Act, Regulations, Circulars and Guidelines pertaining to investments falling under Sections 27A (2) and 27B (3) of Insurance Act, 1938 shall continue to be applicable as such.</p>
3.	<p>REGULATION OF INVESTMENTS</p> <p>Exposure Norms</p> <p>Infrastructure Investments</p>	<p>a. It is now proposed that the Exposure Norms would be applicable to ULIP Business also.</p> <p>b. Infrastructure facility had been aligned as per the definition of Reserve Bank</p>

	<p>Mortgage Backed Securities (MBS)</p> <p>Approved Investments and Rating Requirement</p>	<p>of India.</p> <p>c. Infrastructure Investments would be subject to Investee, Group Exposure.</p> <p>d. Investment in MBS, rated as per Guidelines, will fall under 'Approved Investments' and will qualify for investment under 'Housing Sector' for the purpose of pattern of Investments.</p> <p>e. MBS will be subject to Industry Sector Exposure Norms.</p> <p>f. It is now proposed to recognize securities complying with the following criteria as 'Approved Investments':</p> <p>i. Bonds/Debentures issued by companies (including All India Financial Institutions, recognized by RBI as such) shall be rated not less than AA or its equivalent and P1 or Equivalent ratings for Short term Bonds/ Debentures/ CDs and CPs.</p> <p>ii. Tier II Bonds of Banks, complying with the above rating criteria, will be classified under Approved Investments.</p> <p>g. Assets / Instruments, downgraded below the minimum rating prescribed above, should <u>automatically</u> be re-classified under 'Other Investments' category for the purpose of</p>
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		<p>pattern of Investments.</p> <p>h. The above approach will be reviewed based on experience after a period of two years.</p> <p>i. Rating should not replace appropriate risk analysis and management on the part of the Insurer. The Insurer should conduct risk analysis commensurate with the complexity of the product(s) and the materiality of their holding, or could also refrain from such investments.</p> <p>j. The modification will be effective from August 1, 2008</p>
<p>5.</p>	<p>COMPLIANCE TO EXPOSURE NORMS IRDA (Investment) Regulations, 2000 requires exposure norms to be calculated based on Controlled Fund and Total Assets in the case of Life and General Insurance Companies respectively. Regulation 3 of IRDA (Investment) Regulations, 2000, in terms of explanation in Section 27A of the Act, had determined that assets relating to Pension Business, Annuity Business and Linked Life Insurance. Business would not form part of Controlled Fund for the purpose of that section.</p>	<p>The Authority, to remove the differential treatment of a.provisions applicable to Public Sector and Private Sector Insurers, had amended the exposure norms as follows:</p> <p>b. 10% of Outstanding Shares (Face Value) or 10% of Fund size, whichever is lower, can be invested in Equity Shares of Investee Company.</p> <p>c. Sum of 10% of Subscribed Share Capital, Free Reserves and Debentures/Bonds of Investee Company or 10% of Fund size, whichever is lower, can be invested in Debt instruments of Investee Company.</p> <p>d. A maximum of 5% of Investments Assets of General Insurers or 5% of Investment Assets of funds</p>

	<p>Treatment of Free Reserves</p>	<p>relating to life funds, pension and general annuity funds in the case of life insurer can be invested in Immovable Property as per Sec. 27A(1)(n) of Insurance Act, 1938.</p> <p>e. A maximum of 25% of Investment Assets can be invested in Banking and Financial Sector instruments.</p> <p>f. Not less than 75% of debt instruments excluding Government and Other approved Securities – fund wise, in the case of life insurer and Investment assets in the case of general insurer – shall have a rating of AAA or equivalent rating for long term and P1+ or equivalent for short term instruments. This shall also apply to Unit linked funds(s).</p> <p>g. FDs, TDs, CDs invested as per Sec. 27A(9) and 27B(10) of the Act and subject to Promoter Group Exposure limits, would not be deemed as Exposure to Banking Sector.</p> <p>h. Free Reserves of the Investee Company, recognized in Regulations 5 of IRDA (Investment) Regulations, 2000 under Investee Company Exposure Norms will be considered under 27A(3), 27A(4), 27B(4) & 27B(5) in addition to the Subscribed Share Capital and Debentures of the Investee Company.</p>
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		<p>i. At any point of time, exposure to a single Investee Company under 27A (3) and 27B (4) shall not exceed 10% of the sum of Subscribed Share Capital, Free Reserves and Debenture/Bonds, taken as per the previous year Balance Sheet of the Investee Company.</p>
6.	<p>RETURNS TO BE FURNISHED Introduction of new periodical returns and amendment to existing returns.</p>	<p>a. All forms have been amended for the various decisions reached.</p> <p>b. All returns are required to be filed on a Quarterly basis. The period of submission has been increased from 21 to 45 days to ensure proper sync with Actuarial returns.</p> <p>c. FORM 3C is no more required to be filed.</p> <p>d. FORM 7A is introduced to capture details of Non-Performing Assets.</p>
9.	<p>CONSTITUTION OF INVESTMENT COMMITTEE AND INVESTMENT POLICY Investment Committee Investment Policy and Investment Department</p>	<p>a. Chief of Investment (CIO) and Chief of Finance (CFO) will be different individuals in the Investment Committee (IC)</p> <p>b. Investment Policy need not be filed with the Authority. But is required to be drawn in respect of each Unit linked fund.</p> <p>c. Investment Policy should address all risks, Scope of Internal and Concurrent Audits including investment Statistics.</p> <p>d. To ensure internal control of Investment function, the Insurer is required to</p>

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		<p>segregate operations and functions between Front, Mid and Back Office. Further, the Front office will report through CIO to the CEO. The Mid and Back Office, headed by separate personnel, will report through CFO to the CEO.</p> <p>e. Issues relating to Internal and Concurrent Audit made clear. Audit is made to cover Investment Operations and System & Process supporting Investment Operations.</p>
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1. NEED FOR INVESTMENT SYSTEMS

IRDA (Registration of Companies) Regulations, 2000 under Regulation 7 (c) of Chapter II requires every Insurer to carry on all functions in respect of the Insurance business including management of investments within its own organization. In the context of the increasing volumes of the Unit linked life Insurance business and consequent market risk being assumed by the policyholders, it is appropriate to specify the minimum requirements for risk management systems within the Insurers, with particular reference to the investment activity (Please see Annexure – III enclosed). The Investment Risk Management Systems & Processes specified, outline the minimum requirement to be in place. While it is likely that some of the Insurers have already put in place adequate systems and processes consistent with the proposals, there may be others who need to modify the systems to achieve compliance. Hence the effective date for adoption of the suggested measures by all insurers shall be not later than December 31, 2008. All Insurance Companies, seeking registration henceforth shall comply with this guideline, as a part of the registration process. The Authority advises that a Chartered Accountants firm, who is not the Statutory or Internal or Concurrent Auditor of the concerned Insurer and having a minimum of three to four years audit experience of IT systems, risk management and process controls of Banks or Mutual Funds or Insurance Companies, shall certify that the Investment Risk Management Systems and Processes envisaged by these guidelines are in place and working effectively. The Insurer shall file with the Authority, the Chartered Accountants certificate not later than the 1st week of January, 2009.

2. RENAMING OF OTHER THAN APPROVED INVESTMENTS AS 'OTHER INVESTMENTS'

The Insurance Act, 1938 under Sections 27A (2) and 27B (3) refers to investment permitted under these sections as 'otherwise than in an approved investment'. IRDA (Investment) Regulations, 2000 refers it as 'other than approved investments'. For simplicity, this category of investment will henceforth be referred to as 'Other Investments'. All provisions of the Act, Regulations, Circulars and Guidelines pertaining to investments falling under Sections 27A (2) and 27B (3) of Insurance Act, 1938 shall continue to be applicable as such.

3. TREATMENT OF FREE RESERVES AND EXPOSURE

The Insurance Act, 1938 under Sections 27A (3), 27A (4), 27B (4) and 27B (5) allows exposure to banking companies, investment companies and other companies based on the least of Capital Employed or the specified percentage of 'controlled fund' in the case of Life insurer and 'assets' in the case of general insurance companies. Further, the Insurance Act, 1938 do not recognize 'free reserves' as a part of capital employed, though the same is recognized in IRDA (Investment) Regulations, 2000 for calculating the investee company exposure norms. It is now clarified that:

- a. In addition to subscribed capital and debentures, 'free Reserves' of the investee company, recognized in Regulations 5 of IRDA (Investment) Regulations, 2000 under investee company exposure norms, shall be considered in calculating the exposure under 27A(3), 27A (4), 27B (4) and 27B (5).
- b. Also, at any point of time, the exposure to Investee Company under Sections 27A(3) and 27B(4) shall not exceed 10% of the sum of paid-up share capital, free reserves and debenture/bonds, taken as per the audited balance sheet not more than one year old of the investee company.
- c. The effective date for adoption of norm by all insurers shall be from August 1, 2008.

4. INVESTMENT IN IPOs

The Authority had issued Circular INV/CIR/046/2004-05 Dt: November 8, 2004 on Investment in Initial Public Offer which was further modified vide Circular INV/CIR/059/2004-05 dated December 28, 2004. As compliance with a few conditions mentioned in the above circular posed operational difficulties, the guidelines have been reviewed to effect the following changes:

- (i) Equity Shares offered through IPO which comply with the criteria listed in the circular INV/CIR/046/2004-05 dated November 8, 2004 for categorization as 'Approved Investments' would henceforth include 'Offer for sale' also.
- (ii) The criterion on minimum size of the IPO including Offer for Sale for investment by Insurers would now stand uniform at Rs. 200 Crores in super session of the instructions at item 2 and 3 of our Circular of November 8, 2004 and that contained in Circular INV/CIR/059/2004-05 dated December 28, 2004.

- (iii) It has now been decided that the details of investments in Equity Shares through IPOs required to be filed with IRDA vide Circular dated November 8, 2004 need not be filed with the Authority with effect from August 1, 2008
- (iv) It has also been decided to prescribe the following limits for investments in IPOs by insurers:

LIMIT FOR INVESTMENT IN 'IPO'

In the case of Life Insurance Company, the maximum bid amount (and not Margin Money) to be invested in IPO shall be the lesser of the following:

- (a) 10% of Subscribed Capital (Face Value) of the Investee Company (including the proposed Equity issue through IPO) or
- (b) 10% of the 'Fund'.

In the case of General Insurance Company, the maximum bid amount (and not Margin Money) to be invested in IPO shall be the lesser of the following:

- (a) 10% of Subscribed Capital (Face Value) of the Investee Company (including the proposed Equity issue through IPO) or
- (b) 10% on the Investment Assets.

Note: 'Fund' shall refer to all investment funds under management put together.

5. INVESTMENT IN MUTUAL FUNDS

As Gilt, G Sec and Liquid Mutual Funds, predominantly invest in Government Securities and Money Market instruments, the Authority has decided to revise the existing guidelines on investment in Mutual Funds. These investments in Gilt, G Sec and Liquid Mutual Funds would form part of 'Approved Investment' under IRDA (Investment) (Fourth Amendment) Regulations, 2008 as per guidelines listed below. However, these investments should not be used as long-term investments instead of investing directly in Government Securities. This Guideline shall be effective from August 1, 2008.

Any Investment made in other categories of Mutual Funds, including those which partly invest in Government Securities and Money Market instruments, will fall under 'Other Investments', which in turn shall be subject to the limits prescribed in the guidelines issued under IRDA (Investment) Regulations, 2000 along with the norms mentioned below.

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A. NORMS FOR MUTUAL FUND INVESTMENTS

The investment shall be restricted to schemes of Mutual Funds comprising of Liquid, Gilt, G Sec or Debt/Income funds and subject to the following conditions:

- i. The Mutual Fund should be registered with SEBI and be governed by SEBI (Mutual Funds) Regulations, 1996.
- ii. Gilt, G Sec, Liquid MFs, Debt/Income shall have the same meaning as under SEBI Regulations.
- iii. The insurer shall ensure proper diversification among various Mutual Funds to minimize risk.
- iv. The Investment Committee of the Insurer shall lay down proper Guidelines for selection of Mutual Funds and schemes permissible including exposure norms to a Single Mutual Fund and to each Scheme of Mutual Fund to avoid concentration.
- v. Where the schemes of mutual funds in which such investment is made by an Insurer, is managed by an Investment Manager who is under the direct or indirect management or control of the Insurer or its promoter, the same shall not exceed 3% of Life Fund and 5% of Unit Linked Fund/Investment Assets.

B. OVERALL INVESTMENT/EXPOSURE LIMIT

- i. The investment in Gilt, G Sec, Liquid Mutual Funds at any point of time, under the Approved Investment category shall be as under:

Fund size	Limit
Above Rs.50000 Crores in the case of Life Company and above Rs.2000 Crores in the case of General Insurance Company.	1.5 % of the Fund in the case of Life Company and 1.5% of Investment Assets in the case of General Insurance Company
Upto Rs.50000 Crores in the case of Life Company and up to Rs.2000 Crores in the case of General Insurance Company.	5% of the Fund in the case of Life Company and 5% of Investment Assets in the case of General Insurance Company.

- ii. In addition to the above, the maximum investments in Mutual Funds falling under 'Other Investments' Category, shall be as follows:

Nature of Business	Private Sector		Public Sector	
	Life Fund	ULIP	Life Fund	ULIP
Life	7.5%	12.5%	3%	5%
Non Life	12.5%		5%	

The percentage in the above table refers to in the case of:

Life Companies - to individual Fund Size

General Insurance Companies - to Investment Assets.

- iii. Investment in Gilt, G Sec, Liquid Mutual Funds beyond the percentage mentioned in the table under point B(i), will automatically fall under the 'Other Investments' category in calculating pattern of investment.

C. VALUATION OF MUTUAL FUND INVESTMENTS

- i. The purchase and sale of units shall be calculated at Weighted Average Cost. Also, the insurer shall report the aggregate Market Value of such Mutual Funds in FORM 5 and FORM 5A of IRDA (Investment) Regulations, 2000,
- ii. A separate Fair Value Change Account for Mutual Fund Investments shall be maintained.
- iii. The unrealized gains/losses arising due to changes in fair value of the Mutual Funds shall be taken to 'Fair Value Change – Mutual Fund' account. The Profit/Loss on sale of Mutual Fund units, shall include accumulated changes in the Fair value previously recognized in Mutual Funds under the heading "Fair Value Change – Mutual Fund" in respect of a particular Mutual Fund and being recycled to Revenue/Profit and Loss Account on actual sale of Mutual Fund units.
- iv. The Insurer shall assess, on each Balance Sheet date, whether any diminution in the value has occurred to the Investment. A diminution in the value of investments shall be recognized as an expense in Revenue/Profit and Loss Account to the extent of the difference between the remeasured fair value of the Investment and its Cost as reduced by any previous diminution in value of investments is recognized as expenses in Revenue/ Profit and Loss Account. Any reversal of diminution in value of investments earlier recognized in Revenue/Profit and Loss

Account shall be recognized in Revenue/Profit and Loss Account.

- v. In the case of Unit Linked Business, Mutual Fund units shall be valued at NAV.

6. INVESTMENT IN ASSET BACKED SECURITIES, PTCs & SRs

The extant Guidelines INV/GLN/001/2004-05 dated January 1, 2004 allow investment in Pass through Certificates (PTC) under Approved Sectors, namely 'Infrastructure/Social Sector'. The Authority, after considering the request of Insurers, the significant growth of this market and the suitability of these instruments to match the long-term liabilities of insurers has decided to reckon them as 'Approved Investments' subject to the following conditions. Hence, Asset Backed Securities, but only with underlying Housing loans and infrastructure assets would be reckoned to be part of Approved Investments subject to exposure norms, under Housing, Infrastructure Sector Investments for the purpose of Regulation 3 and 4 of IRDA (Investment) Regulations, 2000 as modified now. This Guideline shall be effective from August 1, 2008.

The investment in Asset Backed Securities with underlying Housing and/or Infrastructure assets [as defined under Regulation 2(h) of IRDA (Registration of Indian Insurance Companies) Regulation, 2000] may be deemed as a part of "Approved Investments" and Pass Through Certificates (PTCs), Asset backed Securities (ABS) and Security Receipts (SRs) may be deemed as part of "Other Investments" for the purpose of Regulation 3 and 4 of IRDA (Investment) Regulations, 2000 subject to following exposure and prudential norms:

1. The securitized assets must be rated and shall have highest rating by a reputed Credit Rating Agency, registered under SEBI (Credit Rating Agencies) Regulations, 1999.
2. The investment in Asset Backed Securities with underlying Housing and/or Infrastructure assets shall at 'all times' not exceed 10% of respective fund(s) in the case of Life Insurance Companies and not more than 5% of Investment Assets in the case of General Insurance Companies.
3. If the Asset Backed Securities with underlying Housing and/or Infrastructure assets are downgraded below AAA, or the highest rating, such investment shall be re-classified as 'Other Investments'.
4. In case the cash-flows from such instrument are not received on due dates, the investment in such assets are to be re-classified as "Other

Investments" from such date for reporting to the Authority through FORM 3A (Part A) of IRDA (Investment) Regulations, 2000.

5. The investments in securitized assets, both under Approved and Other Investments, taken together shall not exceed 10% of fund size in the case of Life Companies and not more than 5% of Investment Assets in the case of General Insurers.
6. The Insurer shall lay down internal guidelines for investment in securitized assets (ABS, PTCs and SRs) to avoid concentration with regards to issuer, tenor and type of underlying and any other criteria to achieve diversification.
7. All guidelines of Classification, Income Recognition and Valuation of Assets issued by the Authority shall be applicable to such investments.

7. INVESTMENTS IN PERPETUAL DEBT INSTRUMENTS

In terms of the Circular IRDA/INV/CIR/005/2006-07 Dt. April 28, 2006 on 'Investment in Innovative Perpetual Debt Instrument of Bank Tier 1 Capital and Debt Capital of Banks Upper Tier 2 Capital' within certain limits are considered under 'Approved Investment'. As it is represented that the current ceiling on maximum investment in the bonds is restrictive, IRDA has reexamined the issue and has decided to delete the maximum permissible limit for such instruments by Life and General Insurers prescribed in paras 3 and 4 of the above Circular dated April 28, 2006. The revision will be effective from August 1, 2008.

8. INVESTMENT IN VENTURE FUNDS

The Authority vide Circular INV/CIR/007/2003-04 dated: December 15, 2003 had listed the conditions and maximum investment that can be made in Venture Funds. While investment in Venture Funds would continue to be categorised under 'Other Investments' as per IRDA (Investment) Regulations, 2000 as amended from time to time, the following special guidelines may be kept in view in respect of Venture Funds:-

1. The decision to invest in the Venture Fund shall remain with the Investment Committee of the Insurer, and within the approved Investment Policy of the Insurer, subject to appropriate prudential and exposure norms and complying with the provisions of IRDA Regulations concerned.
2. The Venture Fund would invest in Infrastructure Projects as defined under IRDA (Registration of Indian Companies) Regulations, 2000 as amended from time to time. [Refer latest amendment to 'infrastructure

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facility' under Regulation 2 (h) of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) (Second Amendment) Regulations, 2008 vide GO Gazette notification dated February 11, 2008.]

- Investments in Venture Fund(s) shall be subject to the following exposure norms:

Particulars	Overall exposure limits
Limits for Investment in 'Venture Fund'	Life Insurance Company 3% of respective Fund (or) 10% of Venture Fund' s Size, whichever is lower. General Insurance Company 5% of Investment Assets (or) 10% of Venture Fund' s Size, whichever is lower.

The above conditions supersede those issued in the Circular INV/CIR/007/2003-04 dated: December 15, 2003. The new Guidelines will be effective from August 1, 2008.

9. APPOINTMENT OF CUSTODIAN

Section 28B(3) of The insurance Act, 1938 requires every insurer to submit, along with the returns referred to in Sections 28B(1) and 28B(2), a statement, where any part of the assets are in the custody of a Banking Company, from that company, and in any other case, from the Chairman, two directors and the Principal Officer, of the company specifying the assets, which are subject to a charge and certifying that the other assets are held free of encumbrance, charge, hypothecation or lien. The Authority, has also prescribed FORM 6 in the IRDA (Investment) Regulations, 2000 for the certification. Currently the custodian appointed by the Insurer (which could be either belonging to the Insurer' s promoter group or otherwise) issues a certificate to the above effect and the Insurer, as required under the Act, certifies that the Assets held are free from encumbrance, charge, hypothecation or lien.

Considering the implications of the certification by the Custodian belonging to the Insurers Promoter Group of the Insurer, it is decided that all insurers should comply with the following norms:

A. Appointment of Custodian

- (i) The Board of the Insurance Company shall be responsible for the appointment of Custodian to carry out the custodial service for its Investments.
- (ii) No custodian in which the promoter or its associates hold 50% or more of the voting rights of the Share Capital of the custodian or where 50% or more of the Directors of the Custodian represent the interest of the promoter or its associates shall act as Custodian for the Insurance Company constituted by the same promoter or any of its associates or subsidiary company.

B. Agreement with Custodian

- (i) The Insurer shall enter into a custodial agreement with the Custodian, which shall contain the clauses, which are necessary for the efficient and orderly conduct of the affairs of the Custodian.
- (ii) The agreement, the services contract, terms and appointment of the Custodian shall be entered into with the prior approval of the Board.

Insurers who are not compliant currently with the above conditions shall take immediate steps to achieve compliance not later than December 31, 2008, under intimation to the Authority.

10. SEGREGATION OF SHAREHOLDERS & POLICYHOLDERS FUNDS

The Insurance Act, 1938 under Section 11 (1B) requires 'Every insurer to keep separate accounts relating to funds of shareholders and policyholders'. Taking note of representations of general insurance companies, as a measure of practical application, the provisions of Section 11(1B) would be deemed to have been complied with, in the case of General Insurance Company, if Investments are 'allocated' to the policyholders' funds to the extent of the Technical reserves in respect of general insurance business and the specific liabilities of general insurance business and the balance shown as Shareholders' funds. However, a Life Insurer should continue to maintain strict segregation of Investments between Shareholders and Policyholders funds at 'Scrip' level for every individual fund under any class of business without making arbitrary transfer of investments from one fund to another. Further, both Life and General insurers should make necessary arrangements (through a separate Custody Account) to facilitate

identification of investment out of Shareholders funds that do not support Solvency Margin and which is not covered by the prescribed pattern of Investments. This Guideline shall be effective from December 31, 2008.

11. OUTSOURCING OF INVESTMENT ADVICE

The Authority, considering the cost involved in setting up Research and advisory divisions would permit outsourcing of Investment advice only at the initial stages and till the insurers attain a Fund Size of Rs.500/- Crores Assets under Management (AUM) or two years from the commencement of business, whichever is earlier, subject to the following conditions:

- a. The Investment decisions are made within the Company with proper documentation within the delegated power as provided in the Investment Policy.
- b. Deal placement and execution are done by the Front Office personnel.
- c. Periodic reports to Management and Authority are drawn by the Company (in-house).
- d. The advisory fee to be paid to the Service Provider is on a case-to-case basis and not on Net Asset Value.

The advisory fee shall:

- a. not form part of NAV calculations in the case of ULIP business
- b. be paid out of Shareholders funds not representing Solvency Margin.

The Authority may, on an application made to it by an existing insurer, for valid reasons, grant a further period of time of not more than one year to comply with the above direction.

12. OUTSOURCING OF 'NAV' CALCULATION

The permission to outsource Computation of NAV would be available only up to attainment of Fund Size of Rs.500/- Crores (Assets under Management) or two years from the commencement of business, whichever is earlier. Also, the fees paid to the service provider shall not form part of NAV calculations.

The Authority may, on an application made to it by an existing insurer, for valid reasons, grant a further period of time of not more than one year to comply with the above direction.

INVESTMENT RISK MANAGEMENT SYSTEMS & PROCESSES

A. GENERAL

1. FRONT & BACK OFFICE OPERATIONS

- a. Insurer having Assets under Management (AUM) in excess of Rs.500 Crores shall ensure separate personnel acting as fund manager and dealer.
- b. The Investment System should have separate modules for Front and Back Office.
- c. Transfer of data from Front Office to Back Office should be electronic without Manual intervention (Real time basis) i.e., without re-entering data at Back Office.
- d. The Insurer may have multiple Data Entry Systems, but all such Systems should be seamlessly integrated without manual intervention.
- e. The Front Office shall report through the Chief Investment Officer (CIO) to the Chief Executive Officer (CEO). The Mid Office and Back Office, to be headed by separate personnel, shall be under the overall responsibility of Chief Financial Officer (CFO) who shall independently report to the CEO.

2. EMPLOYEE DEALING GUIDELINES

- a. The Standard Operating Procedure followed by the Insurer shall clearly specify the Guidelines to be adhered by the Dealer i.e., the Insurer shall clearly specify the Trading guidelines for Personal Investments of the dealer. The compliance of this requirement shall be commented upon by the Internal/Concurrent Auditor.

3. MAKER CHECKER PROCESS

- a. Insurer should have the procedure of Maker/Checker mapped in their Standard Operating Procedure/ Operations Manual of Investment Operations. The Internal/Concurrent Auditor shall comment on such practice in his report.

4. AUDIT TRAIL AT DATA ENTRY POINTS

- a. The Audit trail should be available for all data entry points including at the Checker/Authorizer level.

5. BUSINESS CONTINUITY PROCESS

- a. To ensure Business continuity, the Insurer should have a clear Off-site Back-up of Data in a City falling under a different Seismic Zone, either on his own or through a Service Provider. Further, the Insurer/service provider (if outsourced) is required to have the necessary infrastructure for Mission Critical Systems to address at least the following:
 1. Calculation of daily NAV (Fund wise)
 2. Redemption processing.

B. FRONT OFFICE

1. SEGREGATION OF FUND MANAGER/DEALER

- a. Investment Department should have documented the segregation of Fund Managers and Dealers through Authority Matrix as a part of its 'Standard Operating Procedure'.
- b. The Insurer should have documented the Access Controls and Authorization process for Orders and Deal execution.
- c. The Dealing Room should have a Voice Recorder and procedure for maintaining the recorded conversation and their disposal including procedure like no mobile phone usage in dealing rooms and other best practices.

2. INVESTMENT IN INVESTEE/GROUP COMPANY/INDUSTRY SECTOR

- a. System based checks should be in place for investments in an Investee Company, Group and Industry Sector. The system should signal when the Internal/Regulatory limits are nearly reached PRIOR to taking such exposure and making actual investment.

3. INTER FUND TRANSFER

- a. The System should handle Inter Fund transfer as per Circular IRDA-FA-02-10-2003-04. The Investment Committee may fix the Cut Off time as per Market practice, for such transfer within the fund. (The inter fund transfer should be like any other Market deal and the same needs to be carried out within the Market hours only.)

C. MID OFFICE

1. MARKET RISK

- a. The system should be capable of computing various portfolio returns.
- b. Regular limits monitoring and Exception Reporting. Also reporting on movement of prices.

2. LIQUIDITY RISK

- a. The Insurer should have a Cash Management System to provide the funds available for Investment considering the settlement obligations and subscription and redemption of units etc., to preempt any leveraged position or liquidity risk.
- b. The System should be validated not to accept any commitment beyond availability of funds.

3. CREDIT RISK

- a. The Investment System should capture Instrument Ratings to enable it to automatically generate FORM 2 (Statement of Downgraded Investments) through the System.
- b. System should automatically monitor various Regulatory limits on Exposure & Rating.
- c. The System should have the ability to track changes in ratings over a period and generate appropriate alerts, along with ability to classify investment between Approved and Other Investments.
- d. The Insurer should conduct periodic credit reviews for all companies in the portfolio. The periodicity should be clearly mentioned in the Investment Policy.

- e. The Insurer is required to keep a track of movement of Securities between Approved and Other Investments Status, as a part of Audit trail, at individual security level.

4. TRACKING OF REGULATORY LIMITS

- a. The System should have key limits preset for ensuring compliance with all Regulatory requirements and should be supported by workflow through the System, (Real time basis) for such approval, if Regulatory limit is close to be breached.
- b. The System should have capability of generating Exception reports for Audit by Internal/Concurrent Auditor.

5. REVIEW, MONITORING AND REPORTING

- a. System should automatically track and report all internal limits breaches. All such breaches should be audited by Internal/Concurrent Auditor.
- b. Implementation and Review of Asset & Liability Matching and other Investment Policy Guidelines.

D. BACK OFFICE

1. DATA INPUT ERROR

- a. The system should be validated in such a way, that the Deal can only be rejected by the Back Office and not edited.

2. SETTLEMENT RISK

- a. The System should be validated to restrict Short Sales at the time of placing the order.

3. COMPUTATION OF 'NAV'

- a. The System should be capable of computing NAV and compare it with the NAV computed by the Service provider, if outsourced.
- b. The Insurer should maintain NAV history (Fund wise) in his Public Domain from the Start of the Fund to Current Date.
- c. 'NAV' error – Computation & Compensation

1. All expenses and incomes accrued up to the Valuation date shall be considered for computation of NAV. For this purpose, while major expenses like management fees and other periodic expenses should be accrued on a day to day basis, other minor expenses and income can be accrued on a weekly basis, provided the non-accrual does not affect the NAV calculations by more than 1%.
2. Any changes in Securities and in the number of Units should be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible, the recording may be delayed upto a period of seven days following the date of the transaction. Provided, the non-recording does not affect the NAV calculations by more than 1%.
3. In case the NAV of a Plan differs by more than 1% due to non-recording of the transactions or any other errors/mistakes, the investors or fund(s) as the case may be, shall be paid the difference in amount as follows:-
 - (i) If the investors are allotted units at a price higher than NAV or are given a price lower than NAV at the time of sale of their Units, they shall be paid the difference in amount by the plan.
 - (ii) If the investors are charged lower NAV at the time of purchase of their units or are given higher NAV at the time of sale of their units, the Insurer shall pay the difference in amount to the Plan and shall be compensated from Shareholders portfolio that does not support Solvency Margin.
 - (iii) The Internal/ Concurrent Auditor shall look into the above issues and specifically report on it and comment on the Systems in place to take care of such issues on an ongoing basis.
 - (iv) A log of NAV errors shall be maintained in the System and be forwarded to Internal/Concurrent Auditors.

4. ERRORS DURING BROKER EXECUTION LEG

- a. All Equity deals should be through STP gateway for all broker transactions.

5. UPLOADING OF VALUATION PRICE FILES

- a. System to have capability to upload Corporate Actions such as Stock Splits, Dividend, Rights Issue, Buy Back, Bonus issues etc., for computation of NAV/Portfolio valuation.

6. RECONCILIATION

- a. Fund wise, in the case of Life Insurers, reconciliation with Investment Accounts, Bank, and Custodian records should be done on day-to-day basis for all types of products. In the case of ULIP products, Units reconciliation with Policy Admin Systems should be ensured on a day to day basis.
- b. In the case of General Insurer/Re-insurer reconciliation with Investment Accounts, Bank and Custodian records should be done on a **day-to-day** basis.

E. INTERNAL/CONCURRENT AUDIT

- a. An Insurer having Assets under Management (AUM) not more than Rs.1000 Crores shall conduct a Quarterly Internal Audit to cover both Transactions and related Systems. Insurers having AUM above Rs.1000 Crores should appoint a Chartered Accountant firm for Concurrent Audit, to have the transactions and related Systems audited.
- b. The Audit Report shall clearly state the observation at transaction level and its impact, if any at System level. The Audit Report shall be based on Exception Reporting.
- c. The Auditor shall clearly state that the Insurer had done the reconciliations as required under point D.6.a. and D.6.b.
- d. Segregation of 'Shareholders & Policyholders' funds
 1. In the case of a Life Insurer, each individual fund, both falling under 'Shareholder/Policyholders', under any class of business, has 'scrip' level investments to comply with the provisions of Section 11(1B) of Insurance Act, 1938

2. Furthermore the Shareholders funds beyond Solvency Margin, to which the pattern of Investment will not apply, shall have a separate custody account with identified scrips for both Life and General Insurance Companies.
- e. The Insurer is required to place the Audit Report before the Audit Committee and implement all its recommendations.
- f. The Insurer shall, along with Quarterly Investment Returns to be filed with the Authority, shall confirm in FORM 4, that the Internal/ Concurrent Audit observations, up to the Quarter preceding the Quarter to which the Returns are filed, were placed before the Audit Committee for its recommendation and action taken.

Note: Points A (5.a.1) and D (3) are specific to ULIP Business.

Appendix 'C'

Date: 1st April, 2013

REF: IRDA/F&I/CIR/INV/067/04/2013

The CEOs of all Insurers

Dear Sir / Madam,

Sub: IRDA (Investment) (Fifth Amendment) Regulations, 2013 – Reg.

As you are aware, based on the experience gained from the earlier amendments, feedback received through internal/Concurrent Audit report and periodical returns filed with the Authority, various issues were discussed with Working Group of professionals drawn from Industry, experts from SEBI and Department of Financial Service, MoF, Life Insurance Council, General Insurance Council in evaluating the need for introducing new instruments/amending existing regulatory framework to enable Insurers deploy funds more prudently without sacrificing safety, disclosure and governance requirements, very specific to Insurance Industry.

The recommendations were analysed for legal and regulatory consistency, as well as the developments in Financial Markets including Unit Linked Insurance Policies as one of the product portfolios of life insurers. Also, the Authority during Investment Inspection observed that few regulations required clarifications. Thus the Authority initiated the process for amending the Investment Regulations to address the need of the Industry. The copy of the Gazette Notification on the amended regulation is placed at www.irda.gov.in Insurers may take note of the same for compliance. For the convenience of the Insurers, the brief details of the important changes brought in the 5th Amendment and clarification required are provided in Annexure-I. **The regulations shall be effective from 1st April, 2013** and where ever the regulations demand departure from the effective date, the same are mentioned therein.

The Insurers are hereby informed to place the Regulations, Circulars and Guidelines issued before their Board in their next meeting to apprise their Board of the important changes that have been brought in the 5th Amendments to IRDA (Investment) Regulations, 2000

R K NAIR

Member (F&I)

KEY CHANGES IN IRDA (INVESTMENT) REGULATIONS, 2000 AS AMENDED BY IRDA (INVESTMENT) (5TH AMENDMENT) REGULATIONS, 2013

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
2(f)	<p>“Group” means: two or more individuals, association of individuals, firms, trusts, trustees or bodies corporate, or any combination thereof, which exercises, or is established to be in a position to exercise, significant influence and / or control, use of common brand names, directly or indirectly, over any associate as defined in AS 23, body corporate, firm or trust, or (ii) Associated persons, as may be stipulated by the Authority, from time to time, by issuance of guidelines under these regulations</p>	<p>Use of common brand names shall be looked in conjunction with other parameters of significant influence and / or control, whether direct or indirect.</p>
2(g)	<p>“Investment Assets” mean all investments made out of:</p> <p>(1) in the case of a Life Insurer</p> <p>(i) shareholders’ funds representing solvency margin, non-unit reserves of unit linked insurance business, participating and non-participating funds of policyholders at their carrying value</p> <p>(ii) policyholders’ funds</p>	<p>Pattern of Investment will not be applicable for Shareholders’ funds held in business beyond required solvency margin. But such excess shall be:</p> <p>i. made only after fully complying with mandatory investment in Central Government Securities, State Government and Other Approved Securities and in Housing & Infrastructure Investments from funds</p>

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
	<p>of Pension, Annuity business and Group business at their carrying value</p> <p>(iii) policyholders' unit reserves of unit linked insurance business at their market value as per guidelines issued under these regulations, from time to time</p> <p>(2) in the case of a General Insurer</p> <p>(i) shareholders' funds representing solvency margin and policyholders funds at their carrying value</p> <p>as shown in its balance sheet drawn as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2000, but excluding items under the head 'Miscellaneous Expenditure</p>	<p>representing solvency margin.</p> <p>ii. such excess of Shareholder's funds, held beyond Solvency Margin requirement, shall be held in a separate custody account with identified scrips</p> <p>iii. such excess funds shall be determined only after Actuarial Valuation, certified by Appointed Actuary and such valuation is filed with the Authority.</p> <p>iv. such transfer made between quarters, shall be certified by the Concurrent Auditor to have complied with the above mentioned requirement</p> <p>Exposure Norms of 'investee company', 'group', 'promoter group' and 'industry sector' shall be applicable to both funds representing solvency margin [FRSM] and funds held in excess of required solvency margin.</p>
4	<p>Pattern of Investment:</p> <p>In the case of Life Insurers, the Regulations require total Investment in housing and infrastructure (i.e.) investment in categories (i), (ii), (iii) and (iv) of Regulation 4, taken together</p>	<p>Any investment made in Central Government Securities, State Government Securities, Other Approved Securities, (provided the respective government issues such a security specifically to</p>

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
	shall not be less than 15% of the fund under Regulation 3(a)"	<p>meet the needs of any of the sectors specified as 'infrastructure facility') along with Approved Investments and Other Investments will qualify for the mandatory requirement of not less than 15% to be investment in Housing and Infrastructure Investments. But in any combination the total investment falling under Other Investments cannot exceed 15% of fund under Regulation 3(a)</p> <p>Exposure Norms of 'Investee Company', 'Group', and 'Promoter Group' shall apply to investments made in housing and infrastructure. Any investment made in housing and infrastructure as per earlier regulations which are in excess of the limits specified as per Regulation 9, as at 31st March, 2013, Investee company, Group, Promoter Group wise, as certified by the Internal / Concurrent Auditor shall be filed with IRDA. No further exposure shall be made in such companies.</p> <p>The Insurer shall make all efforts to re-align the exposure to be in line with regulations. In compliance to this direction, the Insurer shall commit the time required to the Authority.</p>

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
6	<p>Unit Linked Insurance Business:-</p> <p>Every insurer shall invest and at all times keep invested his segregated fund(s) under Regulation 3(c) (with underlying securities at custodian level) of Unit linked business as per pattern of investment offered to and approved by the policy-holders where the units are linked to categories of assets which are both marketable and easily realizable. However the investment in Approved Investments shall not be less than 75% of such fund(s) in each such segregated fund”</p>	<p>The insurer shall invest only in such investments for which the day-to-day Valuations are available. No investment can be made in any Funds of Fund or a fund for which NAV is not available on a day-to-day basis.</p>
7	<p>Pattern of Investment:</p> <p>In the case of General Insurer, the Regulations require Total Investment in housing (i.e.) investment in categories (i), (ii), (iii) and (iv) of Regulation 7 taken together shall not be less than 5% of the Investment Assets; and</p> <p>Total Investment in Infrastructure (i.e.) investment in categories (i), (ii), (iii) and (iv) of Regulation 7 taken together shall not be less than 10% of the Investment Assets.</p>	<p>Any investment made in Central Government Securities, State Government Securities, Other Approved Securities, (provided the respective government issues such a security specifically to meet the needs of any of the sectors specified as ‘housing’ or ‘infrastructure facility’) along with Approved Investments and Other Investments will qualify for the mandatory requirement of not less than 5% and 10% to be investment in ‘Housing’ and ‘Infrastructure’ Investments respectively. But in any combination, the total investment falling under Other Investments cannot exceed</p>

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
		<p>25% of Investment Assets Exposure Norms of 'Investee Company', 'Group', and 'Promoter Group' shall apply to investments made in housing and infrastructure. Any investment made in housing and infrastructure as per earlier regulations which are in excess of the limits specified as per Regulation 9, as at 31st March, 2013, Investee company, Group, Promoter Group wise, as certified by the Internal / Concurrent Auditor shall be filed with IRDA. No further exposure shall be made in such companies.</p> <p>The Insurer shall make all efforts to re-align the exposure to be in line with regulations. In compliance to this direction, the Insurer shall commit the time required to the Authority.</p>
3 to 8	<p>Note 7 (a) for the purpose of Regulation 3 to 8</p> <p>Not less than 75% of investment in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case life insurer and not less than 65% of investment in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case</p>	<p>In calculating the 75% and 65% of investment in 'Debt' instruments in the case of Life and General insurers respectively, the following shall not be taken either in the numerator or denominator:</p> <ol style="list-style-type: none"> 1. Reverse Repo with corporate bond underlying 2. Fixed Deposit 3. Investment in Promoter Group Mutual Fund(s)

Technical Guide

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
	of general insurer - shall be in sovereign debt, AAA or equivalent rating for long term and sovereign debt, P1+ or equivalent for short term instruments. This shall apply at segregated fund(s) in case of Unit linked business	and un-rated Mutual funds
9	<p>Exposure Norms compliance:</p> <ul style="list-style-type: none"> a. Investee Company Exposure b. Group Company Exposure c. Promoter Group exposure d. Industry Sector exposure 	<p>In compliance of Regulation 9, the Insurer shall file a statement, as at 31st March, 2013, with the Authority, certified by Internal / Concurrent Auditor, both at fund level and at Investment Assets level [as per Regulation 2(g)(1) and 2(g)(2)] providing:</p> <ul style="list-style-type: none"> (a) In the case of 'Investee Company', the exposure details of individual company exposure which is in excess of the prescribed limits (b) In the case of 'Group Company', the exposure in respect of 'each group', which are in excess of prescribed limits (c) In respect of 'Promoter Group' the details of investment in Equity, Debt, FDs, MFs or any other Investments made in Promoter Group entities, which are in excess of the prescribed

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
		<p>limits.</p> <p>(d) In respect of 'Industry Sector', the exposure in respect of 'each' sector (as per National Industrial Classification (All Economic Activities) - 2008 [NIC]) exposure which is in excess of the prescribed limits.</p> <p>The above information shall be filed with IRDA on or before 15th April, 2013. Where ever exposure is in excess of limits mandated under Regulation 9 of IRDA (Investment) (5th Amendment) Regulations, 2013 no further or additional exposure shall be made. The Insurer shall make all efforts to re-align the exposure to be in line with regulations. In compliance to this direction, the Insurer shall commit the time required to the Authority.</p>
9	<p>Fixed Deposit under section 27A(9) of Insurance Act, 1938 and Certificate of Deposit</p>	<p>a. No investment shall be made in FDs and CDs in financial institutions falling under Promoter Group.</p> <p>b. Investment in FDs and CDs taken together shall comply with the provisions of Section 27A(9)</p> <p>c. Section 27A (9) shall be</p>

Technical Guide

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
		monitored at a Controlled Fund level [Investment Assets as per Regulation 2(g)(1) level]
10	<p>Filing of Forms</p> <p>Regulation 10 requires all insurers to file within 30 days from the end of the Quarter the various periodical returns prescribed. Also, the Authority to standardise the data filed, had issued the "Guidance Note on preparation of Investment Returns".</p>	<p>In filing returns, the Insurer shall:</p> <ul style="list-style-type: none"> a. Confirm to procedure mentioned in "Guidance Note on preparation of Investment Returns" for each of the form b. As the Insurer will be required to amend the Systems for preparing Investment Returns, the returns as per Regulation 10 shall be filed with effect from the Quarter ending 30th September, 2013 c. All returns of Unit Linked fund(s), prepared based on "Segregated Fund Identification Number" [SFIN], shall be filed at a consolidated level. But, Insurer shall maintain the data at SFIN level in their system and may
13 B (4)	Quarterly review of Product and Fund performance	<p>A Life Insurer shall report to its Board, the following minimum, in respect of each product:</p> <ul style="list-style-type: none"> a. New business scale planned versus actual at the end of the period 1 to maturity b. Expenses projected versus actual c. Persistency / renewal

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
		<p>premium streams projected versus actual</p> <p>d. Claims - projected versus actual</p> <p>e. Actual Yield versus projected yield or returns</p> <p>f. Action plan and follow up status</p> <p>In respect of General Insurers, the reporting as mentioned above, to the Board shall be with respect to each 'line of business'</p>
13 D (4)	<p>Daily disclosure of Unique Identification Number (UIN) wise reconciliation of Product and Fund information in insurer's website</p> <p>Disclosure of value of 'policy' wise 'units' held by 'policyholder' on the insurers customer portal</p>	<p>The Insurer shall, with effect from 1st October, 2013 disclose the reconciliation as per Annexure II, in the Insurer's website on a day-to-day basis.</p> <p>Till the above reconciliation is automated, the Insurer shall disclose such reconciliation, in their website on a monthly basis, with effect from April, 2013. The Internal / Concurrent Auditor shall confirm such disclosure in his report to the Audit Committee of the Board.</p> <p>The Insurer shall in his customer portal disclose the information provided in Annexure III. The customer portal of the insurer shall be enabled for 'every' policyholder to login and know the details as per the format in Annexure III on any given</p>

Technical Guide

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
	Disclosure of SFIN wise NAV on both the insurers' and Life Insurance Council website	<p>date</p> <p>The Insurer shall provide the details in their customer portal from 1st October, 2013</p> <p>The Insurer shall disclose, the day-to-day, SFIN wise NAV in both the Insurers' and Life Insurance Council's website.</p>
13 D (6)	For allotment of units, the applicable NAV shall be as per the date of commencement of policy for new policy contracts and date of receipt of premium for renewals.	
13 E	Risk Management Systems and Review	<p>a. The Board shall implement the Investment Risk Management Systems and Process as per the "Technical Guide on Review and Certification of Investment Risk Management Systems and Process of Insurance Companies", issued by the Institute of Chartered Accountant of India.</p> <p>b. Insurers, who have either implemented for the 1st time or have reviewed their Investment Risk Management Systems and Process, during the year 2012 shall have the review done from the quarter April, 2014 and file the Audit Certificate</p>

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
		<p>issued by the Chartered Accountant with status of implementation of recommendations of Audit Committee of the Board, on issues of 'very serious' and 'serious' nature, as per the Technical Guide referred in point 'a' above.</p> <p>c. Where the Insurers have not done the review of Investment Risk Management Systems and Process, during the year 2012, shall have such review done during the quarter April, 2013 of the financial year 2013-14, and with the implementation status of recommendations of the Audit Committee, on issues of 'very serious' and 'serious' nature, as per the Technical Guide referred in point 'a' above, file with the returns of June, 2013.</p> <p>d. Subsequent reviews shall follow Regulations 13 E.</p>
18 (b)	<p>IRDA (Linked Insurance Products) Regulations, 2013 Chapter V – Discontinuance terms</p> <p>In the case of Unit Linked Products, the discontinued</p>	<p>1. As the insurer is required to pay a minimum</p>

Technical Guide

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
	<p>policy fund shall be a unit fund with the following asset categories:</p> <p>i) Money Market Instruments: 0% to 40%</p> <p>ii) Government Securities: 60% to 100%</p>	<p>guaranteed interest rate of 4% per annum for the discontinued policy, and Insurers represented that the asset allocation for Money Market Instruments should not be restricted to 40%, the Authority had considered the submissions made and hereby permits upto 100% to be invested in Money Market instruments [as defined in Regulation 2 (h) of IRDA (Investment) (5th Amendment) Regulations, 2013</p>
<p>19 (a)</p>	<p>Minimum Guaranteed Interest Rate:</p> <p>The Minimum guaranteed interest rate applicable to the discontinued fund/ discontinued policy account shall be at a rate of 4% per annum.</p>	<p>2. As the discontinued policy premium, along with 4% interest requires to be paid back to the Policyholder, the Insurer's Policy Admin System (PAS) shall be 'automated' for tracking 'policy-wise', information of discontinued policies along with the information of the particular ULIP fund to which the same pertains.</p> <p>3. The Insurer shall implement the above mentioned system requirement, and the Internal / Concurrent</p>

Appendix 'C'

Reg. No	REGULATION	IMPLICATION OF AMENDMENT
		Auditor shall confirm the same in their report to Audit Committee of the Board, to avail the dispensation provided in point 1 above.

Technical Guide

Annexure II

Name of the Insurer:

Report Date

Registration No:

DAILY RECONCILIATION OF ULIP PORTFOLIO

Unique Identity Number (UIN)	Name of the Product	Segregated Fund Identification Number (SFIN)	Name of the Fund	Life / Group Policy Admin System					
				Opening Unit Capital (as at the start of the day) (Amount in Rs)	Opening Units (as of the start of the day) (Number of Units)	Net Amount collected or redeemed (net of charges) for the day (Amount in Rs)	Net units allotted or redeemed for the day (Number of Units)	Closing unit capital (as at the end of the day) (Amount in Rs)	Closing units (as at the end of the day) (Number of Units)
				(a)	(b)	(c)	(d)	(e) = (a) + (c)	(f) = (b) + (d)
X	A	XYZ	Fund Name 1						
Y	B								
Z	C								
			Sub total						
L	D	ABC	Fund Name 'n'						
M	E								
					Sub total				

Investment Management System										
SFIN	Name of the Fund	Opening fund Value (as at the start of the day)	Opening units (as at the start of the day) (Number of Units)	Additional fund Value created or redeemed for the day	Additional Units created or redeemed for the day	Investment income for the day (including unrealised gain/loss)	FMC charges deducted for the day	Closing fund Value (as at the end of the day)	Closing Units (as at the end of the day) (Number of units)	NAV per Unit declared
		(g)	(h)	(i)	(j)	(k)	(l)	(m) = (g) + (i) + (k) - (l)	(n) = (h) + (j)	(o) = (m) / (n)
	Fund 1									
	Fund 2									
	Fund 'n'									

Notes:

1. Opening units as per Life / Group Policy Admin System of previous NAV day [refer (b)] shall reconcile with Opening Units as per Investment Management System [refer (h)]
2. Additional fund or Units created or redeemed for the day in Investment Management System [refer (i) and (j)] shall reconcile with Net Amount or Units collected or redeemed as per Life / Group Policy Admin System [refer (c) and (d)]
3. Closing units as per Life / Group Policy Admin System of previous NAV day [refer (f)] shall reconcile with Closing Units as per Investment Management System [refer (n)]
4. NAV per unit declared [refer (O)] must reconcile with NAV per unit uploaded on Life Insurance council's website
5. The unit movements of day "T" in Life/Group Admin System shall flow into Investment Management System with a maximum time lag of 1 working day i.e T+1.

Annexure III

Insurer Name XYZ Insurance Company Limited

Registration No:

Policyholder ID _____

Login Dt

DD/MM/YYYY Y

Name of Policyholder _____

Address:

PART - A

Product	UIN	Premium (Rs)	Premium Allocation Charge (Rs)	Funds Allocated (Rs)	Units as per Policy Admin System (PAS)	Value per Unit (Rs)	Product Value (Rs)
ZXY Premium Plus							

[A]

PART – B

Rs.

Particulars	SFIN...	SFIN...	Σ SFIN
Name of the Fund	Fund X	Fund Y	Total
Units (as per Investment Management System)			
Percentage of Allocation (as on Login Dt)	%	%	%
Funds Allocated			
Switch In			
Switch Out			
Withdrawals			
Charges			
Commission			
Switch charge			
Policy Administration charge			
Mortality charges			
Other charges (specify)			
Service Tax			
Total amount invested in Segregated funds			
Current NAV			
Fund value as on Login Dt:			

[B]

PART - C (Product Statistics)

Insurance Cover over the interim reporting period from dd/mm/yyyy to dd/mm/yyyy	_____
Total Premium Paid from inception	_____
Total Risk premium from inception, for insurance cover	_____
Total Charges and deductions other than Mortality including Allocation charges till Login Dt. (including Service Charges)	_____
Difference between (B) (C) (unrealised Gain / Loss)	_____
Portfolio value on Net Investment as per Benefit Illustration at the lower rate as prescribed in the regulations	_____
Portfolio value on Net Investment as per Benefit Illustration at the upper rate prescribed in the regulations	_____

Note:

1. *Product Portfolio value would be aggregate of all fund values in a product.*
2. *Product value per unit would be arrived at post dividing aggregate fund value by initial units*
3. *Consolidated Product Value would be a derived by aggregating the product values and dividing the same by consolidated initial units*
4. *Product Value would be in addition to all the existing disclosures and calculations*
5. *Current prescribed practices shall continue.*

AUDIT OF INVESTMENT RISK MANAGEMENT SYSTEMS & PROCESS, INTERNAL / CONCURRENT AUDIT

[Vide Circular INV/CIR/023/2009-10 Dt. 4th Aug, 2009]

The Authority vide notification F.No.IRDA/Reg./16/74/2013 dated 16th Feb, 2013 notified **IRDA (Investment) (5th Amendment) Regulations, 2013**. Regulation 13 (E) prescribes as under:

1. The Board shall implement the Investment Risk Management Systems and Process, mandated by the Authority. The implementation shall be certified by a Chartered Accountant firm, as per the procedure laid down in the "Technical Guide on Review and Certification of Investment Risk Management Systems and Process of Insurance Companies", issued by the Institute of Chartered Accountants of India, as amended from time to time.
2. The Investment Risk Management Systems and Process shall be reviewed at the beginning of every second financial year or such shorter frequency as decided by the Board of the Insurer, by a Chartered Accountant firm and file the certificate issued by such Chartered Accountant, with the Authority along with the first quarter returns.
3. The appointment of Chartered Accountant firm to certify implementation and review of Investment Risk Management Systems and Process shall be as per the circular issued under these regulations.

Thus, all Insurer shall have their Investment transactions and related Systems of Investment functions audited on a Quarterly basis through Internal Audit (either through internal resources or through firms of Chartered Accountants) and Insurer with AUM of over Rs.1000 Crores shall necessarily appoint a firm of Chartered Accountants as Concurrent Auditor to have its Investment transactions and related Systems audited on a concurrent basis.

Where a firm of Chartered Accountant is appointed either as Internal / Concurrent Auditor, the Audit team engaged for Internal / Concurrent Audit shall be headed by an Finance professional, preferably a Chartered Accountant, with a minimum experience of 3 to 5 years in a Senior position handling Investment Operations, Audit, Accounts of an Insurance Company or have been engaged by the Authority in Audit of Investment Operations / Investment Risk Management Systems and Process of the Insurers and is

fully conversant with IRDA's Accounting and Investment Regulations and Circulars and Guidelines issued there under.

A. AUDIT OF INVESTMENT RISK MANAGEMENT SYSTEMS AND PROCESS

- i. As per Regulation 13 (E) of IRDA (Investment) (5th Amendment) Regulations, 2013 a Chartered Accountants firm, which is not the Statutory or Internal or Concurrent Auditor of the concerned Insurer shall certify that the Investment Risk Management Systems and Processes as per the "Technical Guide on Review and Certification of Investment Risk Management Systems and Process of Insurance Companies" issued by the Institute of Chartered Accountants of India (ICAI), in consultation with IRDA, had been implemented.
- ii. All companies seeking IRDA registration shall file a certificate issued by a Chartered Accountant firm, to confirm that the Insurer had complied with the systems related requirements, as given in the "Technical Guide on Review and Certification of Investment Risk Management Systems and Process of Insurance Companies", when the Insurer seeks registration under R3 of IRDA (Indian Insurance Companies Registration) Regulations, 2000. It should also indicate the actions further required to be taken

B. INTERNAL / CONCURRENT AUDIT OF TRANSACTIONS

1. The minimum Scope of Audit for Internal or Concurrent Audit shall be as detailed in the "Technical Guides on Internal / Concurrent Audit of Investment Functions of Insurance Companies" issued by ICAI (in consultation with IRDA), for both Life and Non-Life Insurers. The Insurer could include additional scope depending upon their need for control systems. The Internal / Concurrent Audit is expected to cover 100% of transactions of all fund(s) as per the periodicity prescribed.
2. Where the Internal Audit is carried in house, the internal audit report shall be signed by the Head of Internal Audit.
3. An insurer who gets covered under AUM clause of over Rs. 1000 Crores for the 1st time, for the purpose of applicability of Internal / Concurrent Audit, will continue to have the Investment functions concurrently audited, even if the AUM falls below Rs.1000 Crores, subsequently.

C. APPOINTMENT OF AUDITORS

i. COMMON FOR BOTH “INVESTMENT RISK MANAGEMENT SYSTEMS & PROCESS”, “INTERNAL / CONCURRENT AUDIT”

1. The Chartered Accountant firm shall be a firm, registered with the Institute of Chartered Accountants of India.
2. The Audit firm should have experience, for at least four years, in conducting reviews of Risk Management Systems and Process of either Banks or Mutual Funds or Insurance Companies or have, on behalf of IRDA conducted Investment Inspection of Insurance Companies.
3. On the date of appointment as an Auditor for certifying Investment Risk Management Systems and Process, the Auditor must not hold more than two audits of Internal, Concurrent and Risk Management Systems Audit, all taken together. Hence, the Audit firm, can at the maximum hold not more than three Audits (i.e., Investment Risk Management Systems and Process Audit, Internal Audit, Concurrent Audit – all taken together), apart from Statutory Audits at any point of time. For this purpose, at the time of appointment, the insurer shall obtain a declaration to this effect from the firm of Chartered Accountants. The Insurer shall, file with IRDA, the confirmation obtained from the **Chartered Accountant firm**, within 7 days of such appointment. Also, it is clarified that Investment Risk Management Systems & Process Auditor, shall not be the Internal / Concurrent Auditor.
4. The Auditor should not have been prohibited/debarred by any regulating agency including IRDA, RBI, SEBI, ICAI etc.
5. Every **Insurer**, upon appointing the firm of Chartered Accountants as Internal or Concurrent or Risk Management Systems Auditor shall send a communication to IRDA within seven days of such appointment, confirming such appointment as per format provided below under **point (iv)**

ii. AUDIT OF “INVESTMENT RISK MANAGEMENT SYSTEMS & PROCESS”

1. The Auditor appointed for certifying the Investment Risk Management Systems and Process, should not have conducted the following assignments for the same Insurer

proposing to be appointed as Systems Auditor, for a period of two years immediately preceding his appointment.

- i. Statutory Audit
- ii. Any Internal Audit
- iii. Any Concurrent Audit
- iv. Any consulting assignment, whether or not related to Audit functions

iii. AUDIT OF "INTERNAL / CONCURRENT AUDIT OF TRANSACTIONS"

1. The Internal/Concurrent audit term shall be for the financial year and where the appointment is made during the course of the financial year, it shall be up to the end of that financial year.
2. The Internal / Concurrent Auditor shall be appointed by the Audit Committee of the Insurer's Board and the Auditor shall directly report to the Audit Committee of the Insurer's Board. Any change in Auditor during the middle of the term, shall be communicated to IRDA with the reasons for such change. The new Auditor, for the remaining term, shall be appointed only with the prior approval of IRDA.
3. The Internal / Concurrent Auditor shall not be eligible for re-appointment, with the same Insurer after serving three consecutive years or three years during the preceding five years.
4. The Internal / Concurrent Auditor appointed for the first time should not have conducted the following assignments for the same Insurer proposing to be appointed as Internal or Concurrent Auditor for Investment functions during a period of two years immediately preceding his appointment as Internal or Concurrent auditor.
 - i. Statutory Audit
 - ii. Any Internal Audit
 - iii. Any Concurrent Audit
 - iv. Any consulting assignment, whether or not related to Audit functions
 - v. Reviews or Certification of Investment Risk Management Systems and Process

**iv. CONFIRMATION OF APPOINTMENT OF AUDITOR
IN THE LETTER HEAD OF THE INSURER**

Date:.....

To

The Insurance Regulatory and Development Authority
Parisram Bhavan, 3rd Floor, Basheerbagh
Hyderabad – 500 004

Sir

In pursuant of IRDA Circular INV/CIR/008/2008-09 Dt. 22nd Aug, 2008 and related provisions of IRDA (Investment) (5th Amendment) Regulations, 2013 in respect of Internal (or) Concurrent Audit of Investment functions, we have appointed the following firm(s) as our Internal / Concurrent Auditor(s) for the Investment functions for the period starting from:..... to

We have taken necessary confirmations in writing from the Chartered Accountant firm(s)

Yours faithfully

Chief Executive Officer
<Name of the Insurance Company>

Appendix 'D'

Guidance note on Preparation of Investment Returns (Version – 01)

Issued by:
**Insurance Regulatory and Development
Authority in May, 2013**

INTRODUCTION

The Authority issued the Investment Regulations, for the first time, in 2000 and had since then amended it from time to time, (the latest having been notified on 16th Feb, 2013) to keep pace with the changing market and to have a hold on policyholders funds. The Assets under Management that were around Rs. 2.91 Lakh Crores in 2000 are around Rs. 17.83 lakh Crores in 2013. When funds grow in such volumes, the Systems and Processes too should keep pace. Such systems and processes put in place should enable the Regulator to watch growth and channelize the same to the needy sectors without compromising on the safety aspect.

Such information, to benefit of all stakeholders, including the Regulator, requires to be taken in the electronic form. In this effort of collating huge volume of information, it is essential that the information / data is 'standardized' to facilitate proper consolidation and meaningful comparability within and among Insurers.

In order to ensure compliance with regulations, all Insurers are expected to put in place a proper system for the preparation of periodical returns to be filed with the Authority. To help such preparation and to enable the Investment Committee of the Insurer ensure that the periodical returns are prepared in compliance with the procedures laid down, the Authority is coming out with this guidance note. Even though the periodical returns are signed by the respective officer named in the form, the Chairman of the Insurer, Chief Executive Officer, Chief Investment Officer, Chief Financial Officer and Chief Risk Officer of the Insurer, as the case may be, the Officers shall be collectively responsible for the authenticity of information / data submitted, filed either in electronic as well as hard copy.

All periodical returns are required to be filed with the Authority within 30 days from the end of the Quarter. In relation to **Quarter ending on the Balance Sheet date**, the return shall first be filed based on 'Provisional figures' and shall again be re-filed with Audited figures in addition to other Returns. On each return the Insurer shall clearly mark '**Provisional**' if submitted based on provisional figures. The final returns, based on Audited figures, shall be clearly marked as '**Audited figures**'. All figures shall be reported in Crores, corrected to two decimals.

The Authority, soon after amending the Regulations had worked with the Industry in bringing out this "**Guidance Note on preparation of Investment Returns**". While due care had been taken to prepare the material, users can point out through **Life Insurance Council** or **General Insurance Council** any inconsistency. The Authority will look into such issues and will address the same in the subsequent versions.

FORM 1 – STATEMENT OF INVESTMENT AND INCOME ON INVESTMENT

OBJECTIVE

In order to ascertain the return on the investment assets, all insurers are required to file FORM-1 listing category of Investment wise (as per the Guidelines INV/GLN/001/2003-04 - Guidelines – Category of Investments Dt. 1st Jan 2004 as amended from time to time) income and the yield on such investment at gross and net basis. The Form should be prepared in respect of each fund. In case of ULIP FORM 1 shall be prepared at Segregated Fund (SFIN) level and also at consolidated level. The Income on Investments shown in FORM1 should reconcile with Revenue and Profit & Loss Account figures.

A. METHOD OF PREPARATION

a. COI (Category of Investments)

Category of investment shall be as per the IRDA Guidelines INV/GLN/001/2003-04 - Guidelines – Category of Investments Dt. 1st Jan 2004 as amended from time to time.

b. Cat Code (Category Code)

Category code shall be stated as prescribed in Guidelines as amended from time to time.

DETAILS PERTAINING TO THE CURRENT QUARTER

c. Investments

The insurer shall state the simple average of investments for (Non-ULIP and General Insurance Business) the quarter at their Balance Sheet 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 should 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 insurers, Income on Investments will include the 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.

e. Gross yield

The gross yield (absolute) 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 Balance Sheet Value 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.

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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). In this regard, the unrated loans having security as prescribed by Insurance Act shall be classified as approved investment. Unrated & unsecured loans and unrated and in adequately secured as prescribed in Insurance act shall be classified as Other Investment.
 - c. Reverse Repo with underlying corporate bond, Investment in Mutual Funds including the Promoter Group Mutual Fund, Bank FDs, CBLO, Net investment current assets, Venture funds, Derivative instruments, immovable property and any other non-debt investments as permitted under the regulations, shall be shown under "Equity or Equity Related Instruments and other Instruments". No investment shall be made in "Equity related instruments" unless the same is specifically permitted by IRDA.
 - d. In case of Reverse Repo with underlying Government securities the same shall be classified under 'AAA' or Equivalent

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- e. Non-Performing investments assets will be shown separately irrespective of rating
3. Balance sheet values 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 Insurers by dividing the Balance Sheet value of investments in various rating class by the total Balance Sheet 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.

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. This form needs to be linked to FORM 3A / 3B.

A. METHOD OF PREPARATION

1. FORM – 2C shall be prepared in respect of life fund only and general insurer including reinsurers.
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 3A / Form 3B

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”

(i) 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 IRDA (Investment) Regulations 2000 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.

(i) 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.

(ii) % as per Regulation

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

(iii) 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.**

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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

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 the lower of BSE / NSE prices.

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, Section 7 deposits by way of investment assets 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. *Non investment assets of the Linked portfolios are also 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 IRDA.

a. 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.

(i) 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).

(ii) Inflow during the quarter

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

(iii) Outflow During the quarter

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

(iv) 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

(v) 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 the lower of BSE / NSE prices.

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 Sec 27A(2) and 27B(3)*
- (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.

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 IRDA
- b. Premium
 - a. It represents premium income (including first year premium, renewal premium, Top up premium and Single premium) received during the quarter for each UIN
 - b. Others – need to specify type of inflow, other than premium income, which flows into policy fund.
- c. Outflow
 - a. 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.
- d. The above information will flow from policy admin system at UIN level
- e. Policy funds
 - a. 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
- f. Difference between net inflows/outflows as per UIN level and Net inflows/outflows as per SFIN level must be "nil"

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 IRDA (Investment) Regulations 2000 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 IRDA (Investment) Regulation, 2000 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. FORMs 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 IRDA (Investment) Regulations, 2000 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 IRDA (Investment) Regulations, 2000 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 IRDA (Investment) Regulations, 2000 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. 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

b. Eligible limit of the Promoter Group as per Regulation 9

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.

c. Actual Investments

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

d. 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'.

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e. % deviation

The insurer shall show the deviation as a % to investment assets.

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 9

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

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.

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 IRDA (Investment) Regulation 2000 as amended from time to time.

Further investments in fixed deposits, term deposit and certificate of deposits would not be deemed as exposure to Financial and Insurance Activities sector. However, such exposure to the promoter group is subject to Industrial exposure norms.

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] with FORM-3A (Part A) / FORM-3B filed for each Quarter this report is presented. Listing of various investments made based as per Guidelines INV/GLN/001/2003-04 - Guidelines – Category of Investments Dt. 1st Jan 2004 as amended from time to time.

A. METHOD OF PREPARATION

The statement shall be prepared as per **major categories** mentioned under IRDA (Investment) Regulations, 2000 amended from time to time and as applicable to Life Insurers, General Insurers 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 Guidelines INV/GLN/001/2003-04 - Guidelines – Category of Investments Dt. 1st Jan 2004 as amended from time to time.

a. Category Listing Method

The list should follow the category code as prescribed in the Annexure – 1 of IRDA/Reg./5/47/2008 as amended from time to time.

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 Non-Life 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. *Circular No. 32/2/F&A/Circulars/169/Jan/2006-07 Dt. 24th Jan, 2007 on "Prudential norms for Income Recognition, Asset Classification and Provisioning and Other related matters" should strictly be complied with.*
2. *Refer Annexure – 1 of this Guidelines for "Category of Investments for Life, Linked and General 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 IRDA/INV/CIR/062/Jan 2005 on transaction on stock market to be on cash basis.*

FORM 5A – STATEMENT OF INVESTMENT IN MUTUAL FUNDS

OBJECTIVE

The details of investments in made by the Insurer in Mutual Funds, within the limits permitted under the Regulations, shall be captured in this Form. The sum of such investments made in Mutual Funds, as shown in FORM 5A shall be linked to FORM 5 under respective head.

A. METHOD OF PREPARATION

The statement shall be prepared with regard to Approved Investments and Other Investments.

a. Category Listing Method

The list should follow the category code as prescribed in the Annexure – 1 of IRDA/Reg./5/47/2008 as amended from time to time.

In respect of Mutual Fund Investments, the Opening Balance shall be the acquisition cost of the Mutual Fund.

b. Purchases For The Quarter

All purchases in respect of Mutual Fund made during the period shall be shown at the number of Units purchased and the Weighted Average Value of NAV of all purchase made during the quarter for each of the Mutual Fund.

c. Sales For The Quarter

All sales in respect of Mutual Fund during the period shall be shown at the number of Units sold and the Weighted Average Cost of all sales made during the quarter for each of the Mutual Fund.

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, which shall be listed sub-category wise. The closing balance, thus arrived at each sub-category level should be grossed at each category level. This shall be the investment in mutual fund that will be carried forward to the next period.

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e. Market Value

Market value for the units held in respect to Mutual Funds shall be shown in this column.

f. % To Total

Percentage of Investment in Mutual Funds to the book value of Fund (as per FORM 3A/3B) of the respective fund shall be provided in this column.

The Mutual Funds shown in "Approved Investments" shall be moved to "Other Investments" category in case of exceeding the limit as provided in the Circular INV/CIR/008/2008-09 as amended from time to time.

FORM 6 – CERTIFICATE UNDER SECTION 28 OF INSURANCE ACT, 1938

OBJECTIVE

This is a certificate requires under Section 28 (2A) / (2B) of Insurance Act, 1938. 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.
 - (i) The custodian should certify in the disclosure that he is not disqualified by SEBI (Custodian of securities) Regulation every time on annual basis.
 - (ii) The value should be adjusted for Purchase/Sale of investments purchased and awaiting settlement. Reconciliation to this effect should be attached to the certificate.
 - (iii) If the custodian belongs to promoter group, the norms of the promoter group as in the mentioned in INV/CIR/008/2008-09 dated 22nd Aug, 2008 (Annexure II), point 9 shall be complied with.

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5. Investment current assets of linked business to be presented under the custody of self. CBLO 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. Section 7 deposit shall be shown under 'Banks if the same is kept with a Bank

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. Investments assets are excluding Central Government Securities and State Government Securities (SDL), Other Approved securities and any other equity or equity related instruments. 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 Insurers.
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 Circular: 32/2/F&A/Circulars/169/Jan/2006-07 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.**

ANNEXURE-1**CATEGORY OF INVESTMENTS FOR LIFE, LINKED, GENERAL INSURANCE BUSINESS**

The Authority vide Notification F. No. IRDA/Reg./5/47/2008 dated 30th Jul, 2008 published the 4th Amendment of Investment Regulations on 22nd Aug, 2008. With a view of reflecting the specific changes brought about in respect of Insurers investment in various Categories, had issued Guidelines: INV/GLN/001/2003-04 dated 1st Jan, 2004, the same had been amended suitably as under. These are the Category of Investments that are permissible for Life, Pension and General Annuity, Linked Insurance Business and General Insurance (including Re Insurance) Business. These are the exhaustive categories as per the Insurance Regulatory and Development Authority.

No	INVESTMENT CATEGORY HEADS	CAT CODE
A	GOVERNMENT SECURITIES	
A01	Central Government Bonds	CGSB
A02	Special Deposits	CSPD
A03	Deposit under Section 7 of Insurance Act, 1938	CDSS
A04	Treasury Bills	CTRB
B	GOVERNMENT SECURITIES / OTHER APPROVED SECURITIES	
B01	Central Government Guaranteed Loans / Bonds	CGSL
B02	State Government Bonds	SGGB
B03	State Government Guaranteed Loans	SGGL
B04	Other Approved Securities (excluding Infrastructure Investments)	SGOA
B05	Guaranteed Equity	SGGE
C	HOUSING & LOANS TO STATE GOVT. FOR HOUSING AND FIRE FIGHTING EQUIPMENT	
C01	Loans to State Government for Housing	HLSH
C02	Loans to State Government for Fire Fighting Equipments	HLSF
C03	Term Loan - HUDCO / NHB / Institutions accredited by NHB	HTLH
C04	Commercial Papers - NHB / Institutions accredited by NHB	HTLN
C05	Housing - Securitised Assets	HMBS
C06	Debentures / Bonds / CPs / Loans - (Promoter Group)	HDPG
	<u>TAXABLE BONDS</u>	
C07	Bonds / Debentures issued by HUDCO	HTHD
C08	Bonds / Debentures issued by NHB / Institutions accredited by NHB	HTDN

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C09	Bonds / Debentures issued by Authority constituted under any Housing / Building Scheme approved by Central / State / any Authority or Body constituted by Central / State Act	HTDA
	<u>TAX FREE BONDS</u>	
C10	Bonds / Debentures issued by HUDCO	HFHD
C11	Bonds / Debentures issued by NHB / Institutions accredited by NHB	HFDN
C12	Bonds / Debentures issued by Authority constituted under any Housing / Building Scheme approved by Central / State / any Authority or Body constituted by Central / State Act	HFDA
	<u>OTHER INVESTMENTS</u>	
C13	Debentures / Bonds / CPs / Loans	HODS
C14	Housing - Securitised Assets	HOMB
C15	Debentures / Bonds / CPs / Loans - (Promoter Group)	HOPG
D	INFRASTRUCTURE INVESTMENTS	
D01	Infrastructure - Other Approved Securities	ISAS
D02	Infrastructure - PSU - Equity shares - Quoted	ITPE
D03	Infrastructure - Corporate Securities - Equity shares-Quoted	ITCE
D04	Infrastructure - Equity (Promoter Group)	IEPG
D05	Infrastructure - Securitised Assets	IESA
D06	Infrastructure - Debentures / Bonds / CPs / loans - (Promoter Group)	IDPG
D07	Infrastructure - Infrastructure Development Fund (IDF)	IDDF
	<u>TAXABLE BONDS</u>	
D08	Infrastructure - PSU - Debentures / Bonds	IPTD
D09	Infrastructure - PSU – CPs	IPCP
D10	Infrastructure - Other Corporate Securities - Debentures/ Bonds	ICTD
D11	Infrastructure - Other Corporate Securities - CPs	ICCP
D12	Infrastructure - Term Loans (with Charge)	ILWC
	<u>TAX FREE BONDS</u>	
D13	Infrastructure - PSU - Debentures / Bonds	IPFD
D14	Infrastructure - Other Corporate Securities - Debentures/ Bonds	ICFD
	<u>OTHER INVESTMENTS</u>	
D15	Infrastructure - Equity (including unlisted)	IOEQ
D16	Infrastructure - Debentures / Bonds / CPs / loans	IODS
D17	Infrastructure - Securitised Assets	IOSA
D18	Infrastructure - Equity (Promoter Group)	IOPE
D19	Infrastructure - Debentures / Bonds / CPs / loans - (Promoter Group)	IOPD
E	APPROVED INVESTMENT SUBJECT TO EXPOSURE NORMS	

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E01	PSU - Equity shares – Quoted	EAEQ
E02	Corporate Securities - Equity shares (Ordinary)- Quoted	EACE
E03	Equity Shares - Companies incorporated outside India (invested prior to IRDA Regulations)	EFES
E04	Equity Shares - Promoter Group	EEPG
E05	Corporate Securities - Bonds - (Taxable)	EPBT
E06	Corporate Securities - Bonds - (Tax Free)	EPBF
E07	Corporate Securities - Preference Shares	EPNQ
E08	Corporate Securities - Investment in Subsidiaries	ECIS
E09	Corporate Securities - Debentures	ECOS
E10	Corporate Securities - Debentures / Bonds/ CPs /Loan - (Promoter Group)	EDPG
E11	Corporate Securities - Derivative Instruments	ECDI
E12	Municipal Bonds – Rated	EMUN
E13	Investment properties - Immovable	EINP
E14	Loans - Policy Loans	ELPL
E15	Loans - Secured Loans - Mortgage of Property in India (Term Loan)	ELMI
E16	Loans - Secured Loans - Mortgage of Property outside India (Term Loan)	ELMO
E17	Deposits - Deposit with Scheduled Banks, FIs (incl. Bank Balance awaiting Investment), CCIL, RBI	ECDB
E18	Deposits - CDs with Scheduled Banks	EDCD
E19	Deposits - Repo / Reverse Repo - Govt Securities	ECMR
E20	Deposits - Repo / Reverse Repo - Corporate Securities	ECCR
E21	Deposit with Primary Dealers duly recognised by Reserve Bank of India	EDPD
E22	CCIL – CBLO	ECBO
E23	Commercial Papers	ECCP
E24	Application Money	ECAM
E25	Perpetual Debt Instruments of Tier I & II Capital issued by PSU Banks	EUPD
E26	Perpetual Debt Instruments of Tier I & II Capital issued by Non-PSU Banks	EPPD
E27	Perpetual Non-Cum. P.Shares & Redeemable Cumulative P.Shares of Tier 1 & 2 Capital issued by PSU Banks	EUPS
E28	Perpetual Non-Cum. P.Shares & Redeemable Cumulative P.Shares of Tier 1 & 2 Capital issued by Non-PSU Banks	EPPS
E29	Foreign Debt Securities (invested prior to IRDA Regulations)	EFDS
E30	Mutual Funds - Gilt / G Sec / Liquid Schemes	EGMF
E31	Mutual Funds - (under Insurer's Promoter Group)	EMPG
E32	Net Current Assets (Only in respect of ULIP Business)	ENCA
F	OTHER INVESTMENTS	

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F01	Bonds - PSU – Taxable	OBPT
F02	Bonds - PSU - Tax Free	OBPF
F03	Equity Shares (incl Co-op Societies)	OESH
F04	Equity Shares (PSUs & Unlisted)	OEPU
F05	Equity Shares - Promoter Group	OEPG
F06	Debentures	OLDB
F07	Debentures / Bonds/ CPs / Loans etc. - (Promoter Group)	ODPG
F08	Municipal Bonds	OMUN
F09	Commercial Papers	OACP
F10	Preference Shares	OPSH
F11	Venture Fund / SEBI approved Alternate Investment Fund (Category I)	OVNF
F12	Short term Loans (Unsecured Deposits)	OSLU
F13	Term Loans (without Charge)	OTLW
F14	Mutual Funds - Debt / Income / Serial Plans / Liquid Secemes	OMGS
F15	Mutual Funds - (under Insurer's Promoter Group)	OMPG
F16	Derivative Instruments	OCDI
F17	Securitized Assets	OPSA
F18	Investment properties - Immovable	OIPI

Note: F. 'Other Investments' shall not be applicable to Pension and General Annuity Funds of Life Insurers.

MARKET VALUE - BASIS FOR FORM-3A / FORM-3B

The Authority vide Notification F. No. IRDA/Reg./5/47/2008 dated 30th Jul, 2008 published the 4th Amendment of Investment Regulations on 22nd Aug, 2008. With a view of reflecting the specific changes brought about in respect of Market Value of Investments for the purpose of FORM 3A, FORM 3B, the Authority issued Guidelines INV/GLN/003/2003-04 dated 1st Jan, 2004 and the same has been amended suitably as under. The following shall, without prejudice to Section 27A, 27B of the Insurance Act, 1938 be the basis for arriving at the "Market Value" of Investment to be furnished in FORM-3A and FORM-3B.

S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
A	Government Securities		
A01	Central Government Bonds	CGSB	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
A02	Special Deposits	CSPD	At Cost
A03	Deposit under Section 7 of Insurance Act, 1938	CDSS	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
A04	Treasury Bills	CTRB	Valued as per FIMMDA.
B	Government Securities / Other Approved Securities		
B01	Central Government Guaranteed Loans / Bonds	CGSL	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
B02	State Government Bonds	SGGB	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
B03	State Government Guaranteed Loans	SGGL	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
B04	Other Approved Securities (excluding Infrastructure Investments)	SGOA	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
B05	Guaranteed Equity	SGGE	Book Value.

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S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
C	Housing & Loans to State Govt. for Housing and Fire Fighting Equipment		
C01	Loans to State Government for Housing	HLSH	At Cost Less Provisions
C02	Loans to State Government for Fire Fighting Equipments	HLSF	At Cost Less Provisions
C03	Term Loan - HUDCO / NHB / Institutions accredited by NHB	HTLH	At Cost Less Provisions
C04	Commercial Papers - NHB / Institutions accredited by NHB	HTLN	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
C05	Housing - Securitised Assets	HMBS	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
C06	Bonds/Debentures/CPs/Loans - Promoter Group	HDPG	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
	<u>TAXABLE BONDS OF</u>		
C07	Bonds / Debentures issued by HUDCO	HTHD	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
C08	Bonds / Debentures issued by NHB / Institution accredited by NHB	HTDN	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
C09	Bonds / Debentures issued by Authority constituted under any Housing / Building Scheme approved by Central / State / any Authority or Body constituted by Central / State Act	HTDA	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
-	<u>TAX FREE BONDS</u>		
C10	Bonds / Debentures issued by HUDCO	HFHD	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
C11	Bonds / Debentures issued by NHB / Institution accredited by NHB	HFDN	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency

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S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
C12	Bonds / Debentures issued by Authority constituted under any Housing / Building Scheme approved by Central / State / any Authority or Body constituted by Central / State Act	HFDA	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
	<u>OTHER INVESTMENTS</u>		
C12	Debentures / Bonds / CPs / Loans	HODS	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
C13	Housing - Securitised Assets	HOMB	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
C14	Debentures / Bonds / CPs / Loans - (Promoter Group)	HOPG	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
D	INFRASTRUCTURE INVESTMENTS		
D01	Infrastructure - Other Approved Securities	ISAS	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
D02	Infrastructure - PSU - Equity shares – Quoted	ITPE	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
D03	Infrastructure - Corporate Securities - Equity shares- Quoted	ITCE	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). If unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share

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S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
			at the beginning of the year, the same shall be reduced from the Book Value)
D04	Infrastructure - Equity (Promoter Group)	IEPG	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). If unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
D05	Infrastructure - Securitised Assets	IESA	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
D06	Infrastructure - Debentures / Bonds / CPs / loans - Promoter Group	IDPG	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency and in case of loans at cost
D07	Infrastructure - Infrastructure Development Fund (IDF)	IDDF	At NAV (if available) or at cost less Provision for diminution
	<u>TAXABLE BONDS OF</u>		
D08	Infrastructure - PSU - Debentures / Bonds	IPTD	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
D09	Infrastructure - PSU – CPs	IPCP	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
D10	Infrastructure - Other Corporate Securities - Debentures/ Bonds	ICTD	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
D11	Infrastructure - Other Corporate Securities – CPs	ICCP	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
D12	Infrastructure - Term Loans (with Charge)	ILWC	At Cost less opening Provisions
	<u>TAX FREE BONDS</u>		

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S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
D13	Infrastructure - PSU - Debentures / Bonds	IPFD	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
D14	Infrastructure - Other Corporate Securities - Debentures/ Bonds	ICFD	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
	<i>OTHER INVESTMENTS</i>		
D15	Infrastructure - Equity (including unlisted)	IOEQ	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
D16	Infrastructure - Debentures / Bonds / CPs / loans	IODS	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency and in case of loans at cost
D17	Infrastructure - Securitised Assets	IOSA	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency and in case of loans at cost
D18	Infrastructure - Equity (Promoter Group)	IOPE	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
D19	Infrastructure - Debentures / Bonds / CPs / loans - (Promoter Group)	IOPD	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency and in

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S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
			case of loans at cost
E	APPROVED INVESTMENT SUBJECT TO EXPOSURE NORMS		
E01	PSU - Equity shares - quoted	EAEQ	Market Value
E02	Corporate Securities - Equity shares (Ordinary)-quoted	EACE	Market Value
E03	Equity Share - Companies incorporated outside India (invested prior to IRDA Regulations)	EFES	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
E04	Equity Shares - Promoter Group	EEPG	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
E05	Corporate Securities - Bonds - (Taxable)	EPBT	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
E06	Corporate Securities - Bonds - (Tax Free)	EPBF	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
E07	Corporate Securities - Preference Shares	EPNQ	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly

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S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
			Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
E08	Corporate Securities - Investment in Subsidiaries	ECIS	At Cost less Provision for diminution
E09	Corporate Securities - Debentures	ECOS	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
E10	Corporate Securities - Debentures / Bonds/ CPs /Loan - Promoter Group	EDPG	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency and in case of loans at cost
E11	Corporate Securities - Derivative Instruments	ECDI	Marked to Market
E12	Municipal Bonds - Rated	EMUN	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency and in case of loans at cost
E13	Investment properties - Immovable	EINP	At Cost
E14	Loans - Policy Loans	ELPL	At Cost
E15	Loans - Secured Loans - Mortgage of Property in India (Term Loan)	ELMI	At Cost Less Provisions
E16	Loans - Secured Loans - Mortgage of Property outside India (Term Loan)	ELMO	At Cost Less Provisions
E17	Deposits - Deposit with Scheduled Banks, FIs (incl. Bank Balance awaiting Investment), CCIL, RBI	ECDB	At Carrying Cost
E18	Deposits - CDs with Scheduled Banks	EDCD	At Carrying Cost
E19	Deposits - Repo / Reverse Repo- Govt Securities	ECMR	At Cost
E20	Deposits - Repo / Reverse Repo- Corporate Securities	ECCR	At Cost
E21	Deposit with Primary Dealers duly recognised by Reserve Bank of India	EDPD	At Cost

Appendix 'D'

S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
E22	CCIL – CBLO	ECBO	At Carrying Cost
E23	Commercial Papers	ECCP	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
E24	Application Money	ECAM	At Cost
E25	Perpetual Debt Instruments of Tier I & II Capital issued by PSU Banks	EUPD	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
E26	Perpetual Debt Instruments of Tier I & II Capital issued by Non-PSU Banks	EPPD	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
E27	Perpetual Non-Cum. P.Shares & Redeemable Cumulative P.Shares of Tier 1 & 2 Capital issued by PSU Banks	EUPS	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
E28	Perpetual Non-Cum. P.Shares & Redeemable Cumulative P.Shares of Tier 1 & 2 Capital issued by Non-PSU Banks	EPPS	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
E29	Foreign Debt Securities (invested prior to IRDA Regulations)	EFDS	At Carrying Cost
E30	Mutual Funds - Gilt / G Sec / Liquid Schemes	EGMF	At NAV as on the reporting date
E31	Mutual Funds - (under Insurer's Promoter Group)	EMPG	At NAV as on the reporting date
E32	Net Current Assets (Only in respect of ULIP Business)	ENCA	At book value
F	OTHER INVESTMENTS		
F01	Bonds - PSU – Taxable	OBPT	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
F02	Bonds - PSU - Tax Free	OBPF	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
F03	Equity Shares (incl Co-op Societies)	OESH	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be

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S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
			made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
F04	Equity Shares (PSUs & Unlisted)	OEPU	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
F05	Equity Shares - Promoter Group	OEPG	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
F06	Debentures	OLDB	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency
F07	Debentures / Bonds/ CPs / Loans etc. - Promoter Group	ODPG	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency and in case of loans at cost
F08	Municipal Bonds	OMUN	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency and in case of loans at cost
F09	Commercial Papers	OACP	Value as per FIMMDA if rated. If not, valued at applicable Market

Appendix 'D'

S.No	Particulars	Cat code	Market value – basis for Form-3A, Form-3B
			Yield rates published as per reputed Rating Agency
F10	Preference Shares	OPSH	If quoted, valued at Market Value (last Quoted price should not be later than 30 days). In unquoted, Book Value Less Provisions (Provisions shall be made at the end of the Year. For the purpose of Quarterly Returns, if there exist any Provision for any Equity Share at the beginning of the year, the same shall be reduced from the Book Value)
F11	Venture Fund / SEBI approved Alternate Investment Fund (Category I)	OVNF	At NAV (if available) or at cost less Provision for diminution
F12	Short term Loans (Unsecured Deposits)	OSLU	At Cost Less Provisions
F13	Term Loans (without Charge)	OTLW	At Cost Less Provisions
F14	Mutual Funds - Debt / Income / Serial Plans	OMGS	At NAV as on the reporting date
F15	Mutual Funds (under Insurer's Promoter Group)	OMPG	At NAV as on the reporting date
F16	Derivative Instruments	OCDI	Marked to Market
F17	Securitised Assets	OPSA	Value as per FIMMDA if rated. If not, valued at applicable Market Yield rates published as per reputed Rating Agency. If NAV is available, at applicable NAV.
F18	Investment properties – Immovable	OIPI	At Cost

Appendix 'E'

Format of Engagement Letter to be sent to the Appointing Authority of the Insurance Company for Internal/Concurrent Audit of Investment Functions

To the Board of Directors (or the appropriate representative of senior management).

[The objective and the scope of the audit]

This has reference to your letter No. dated whereby you have offered us to carry out the Internal /Concurrent Audit of the Investment transactions covering investment of both shareholders and policyholders funds for the period from toas stipulated in Regulation 13 (F) of IRDA (Investment) (Fifth Amendment) Regulations, 2013 notified by the Insurance Regulatory and Development Authority (IRDA) and issue a report thereon.

[The responsibility of the Auditor]

We are pleased to confirm our acceptance for the aforementioned assignment through the letter of acceptance attached herewith subject to the following:

1. We shall conduct our Internal/Concurrent audit as per the "Technical Guide on Internal/Concurrent Audit of Investment Functions of Insurance Companies" issued by the Institute of Chartered Accountants of India("ICAI"), as amended from time to time.
2. We are neither related to the officials of the insurer nor have any interest in the management of the insurer.
3. An Internal/Concurrent audit of the investment transactions includes examining evidence supporting the management's compliance during the period from to with the Regulations, Guidelines and Circulars of IRDA and also evaluating whether Investment Policy, Standard Operating Procedures and Investment Risk Management Systems and Processes provide effective control over the investment functions of the Insurer. The procedures selected for examination depend on our judgment. We shall take into cognizance of the internal control relevant to the compliance of regulations issued by IRDA on Investment Policy, Standard Operating Procedures and Investment and Risk Management Systems and Processes in order to obtain evidence that is appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's overall internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the compliance of conditions of Investment Functions.

[The responsibility of Management]

Our assignment will be conducted on the basis that the management and, where appropriate, those charged with governance acknowledge and understand that they have responsibility:

- For design, implementation and maintenance of the Investment Policy, Standard Operating Procedures (SOPs) and Investment Risk Management Systems and Processes in accordance with the IRDA Regulations, Guidelines, Circulars and other applicable Laws and Regulations and compliance
- For making judgments and estimates those are reasonable and prudent for compliance of IRDA regulations and guidelines on Investment Policy, Standard operating Procedures and Investment Risk Management System and Processes; and

To provide us with:

- (i) Access, at all times, to all information, including the books of accounts, vouchers and other records and documentation relevant for the Investment Policy, Standard operating Procedures and Investment Risk Management System and Processes.
- (ii) Additional information that we may request from the Chief Executive Officer/ Chief Investment Officer/ Chief Technology Officer/ Chief Information Officer /Other Officers of the company for the purpose of internal/concurrent audit; and
- (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence for examination. This includes our entitlement to require from the officers of the branch or head officesuch information and explanations as we may think necessary for the purpose of Internal/Concurrent Audit Report on Investment Functions.

As part of our assignment, we will request from themanagement and where appropriate, those in charge of governance, written confirmation concerning representations made to us in connection with Investment Policy, Standard operating Procedures and Investment Risk Management System and Processes as may be considered necessary by us for the purpose of our assignment.

It may also be noted that non provision of any information/ confirmation requested by us from the management and where appropriate, those in charge of governance, may result in limitation on the scope of our

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assignment.

We also wish to invite your attention to the fact that our examination is subject to 'peer review' under The Chartered Accountants Act, 1949 to be conducted by an Independent reviewer. The reviewer may inspect, examine or take abstract of our working papers during the course of the peer review, as required The Chartered Accountants Act, 1949 as amended from time to time and the same need not be construed as breach of confidentiality agreement entered with you.

We look forward to full cooperation from your staff during our examination.

[Other relevant information]

[Insert other information, such as fee arrangement, billings and other specific terms as appropriate.]

[Reporting]

[Insert appropriate reference to the expected form and content of report]

The form and content of our report may need to be amended in the light of findings of our examination.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangement for our aforementioned assignment/s including our respective responsibilities. Kindly also mark a copy of such acknowledgement to the concerned official/s of the respective managements.

XYZ & Co.
Chartered Accountants
.....
(Signature)

Date : (Name of the Member)

Place : (Designation¹)

Acknowledged on behalf of Insurance Company by

.....

(Signature)

Name and Designation

Date

Attached: Letter of Acceptance duly signed by us.

¹ Partner or proprietor, as the case may be.