

CIRCULAR

IRDA/F&A/014/2005-06

9th June, 2005

**To,
The Chairman/ Chief Executive Officer of life insurance companies**

**Re.: Accounting of the policies in force as on 31st March
in the post Balance Sheet period**

During the course of finalization of their accounts for the year 2004-05 some insurers have sought clarification as to whether policies which have lapsed between 31st March and the date of finalization of accounts could be considered to be covered under Accounting Standard 4 (AS - 4).

It is hereby clarified that as per the terms under which life insurance policies are issued, the policyholder has a grace period within which the premium is to be deposited as per the terms of the policy. This policy is followed through out the accounting period, as also at the year end. Thus, premium on any policy which is in force as on 31st March, would be accrued if due and also within the specified grace period.

Further, Section 13 of the Insurance Act, 1938 lays down the requirement for preparation of Actuarial Report and Abstract. The Regulations on Assets, Liabilities and Solvency Margin further provide for valuation of liabilities as on the valuation date, i.e., 31st March.

In view of the above, and as matter of regulatory prudence, it is reiterated that all insurers should finalize the financial statement for the year to which they pertain, taking into account the policies which are in force as on 31st March to ensure compliance with the requirements of the Act and the regulations framed there under.

Yours faithfully,

(C. R. Murlidharan)

Member