

ALL INSURERS

NO:IRD/CIR/F&A/079/Feb-05

25th February, 2005

RE.: TRANSFER OF INVESTMENTS (ASSETS)

The Authority, vide its Circular dated 29th April, 2003, had in respect of 'Transfer of securities to the Policyholders Account' clarified as under:

“All securities are required to be transferred to the Policyholders' A/c at market price or cost price, whichever is lower.
In respect of debt securities, the transfers are to be carried out at the net amortized cost”.

This was further reiterated vide Circular No.IRDA/FA/02/10/2003-04 dated 29th October, 2003 issued to life insurers.

It is now clarified that in case of transfer of underlying investments (assets) from the Shareholders' A/c to the Policyholders' A/c, where such transfers are made with the objective of meeting the deficit in the latter Account, all debt securities are required to be transferred at the lower of the market price and the net amortized cost.

On transfer, the accounting treatment of the debt securities shall be based on the same accounting principles as provided for in the IRDA (Preparation of Financial Statements) Regulations, 2002.

While the principles underlying valuation of debt securities at the net amortized cost was that the same were required to be held to maturity, it has been observed that insurers were/are opting for disinvestment of this segment of the portfolio for different objectives. The clarification is thus issued in the context of the changes witnessed in the debt markets and insurers opting for sale of securities.

All insurers are requested to take note of the changes in the instructions and comply with the same in their accounts for the financial year 2004-05.

(C.S. Rao)
Chairman