



बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY

Circular to all life insurers

Circular No. IRDA/ActI/LR/Ver 1.0/Jan 02

dated 1.3.2002

1. **Application.**-- This circular is applicable to all life insurers registered in India, in accordance with section 3 of the Insurance Act, 1938, who are required to comply with IRDA (Life Insurance – Reinsurance) Regulations, 2000.
2. **Statistics.**-- A life insurer shall furnish the statistics mentioned in the Forms in accordance with Schedule attached to this circular.
3. **Time limit.**—A life insurer shall furnish the Forms specified in the Schedule within 45 days from the date specified therein.
4. **Procedure to be followed in case of changes in terms and conditions of the treaty (including termination of the treaty).**—A life insurer shall file such changes, within 45 days of such changes.

All life insurers are required to acknowledge the receipt of this circular by fax as well as in writing to the Authority within 7 days of the receipt of this circular.

N. Rangachary,
Chairman.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY.

SCHEDULE

(See para 2 of the Circular No. IRDA/Act/LR/Ver 1.0/Jan 02

dated 1.2.02)

1. Reinsurance, being a very important part of the activity of a life insurance office, must be carried on in efficient, business like and professional manner. Reinsurance operations must be conducted so as to bring maximum advantage to the policyholder and the ceding company. An insurer shall carefully, in selecting a reinsurer while the advantages of risk management and import of knowledge and know-how must be kept in mind, examine the terms of reinsurance which should be at arm's length basis and having regard to terms offered by competitors, particularly in regard to:
 - a. Retention limit;
 - b. Reinsurance risk rates both first year and renewal;
(first year rate may be about 50% of renewal as a reflection of heavy initial expenses and impact of initial selection.)
 - c. Basis of retention whether fixed amount or percentage; (usually, it should be on fixed amount basis.)
 - d. The terms, if coinsurance should be resorted to;
 - e. Other administrative decisions like reinsurance commission, profit commission, etc.
 - f. Details in respect of excess of loss/catastrophe Treaty.
 - g. In particular, treaties involving financial reinsurance have to be carefully managed i.e. where reinsurer keeps deposits/reserves with ceding company. (Please note that in such cases, the provisions mentioned in the Regulations on Assets, Liability and Solvency Margin of Insurers must be taken into account)
2. An insurer should also draw attention to the provisions of, in particular to sections 34 F and Section 101 (c) of the Insurance Act, 1938.
3. An insurer shall furnish the information periodically as per the Forms annexed to this Schedule, which should be signed by the Appointed Actuary and countersigned by the principal officer of the insurer.
4. Please comply with the following notes when furnishing the Forms:
 - (i) Insurer should furnish 'NA' against any item that is Not Applicable.
 - (ii) Where any reinsurance arrangement cannot be covered by the forms enclosed, separately furnish details.

- (iii) Basis of retention can be on fixed amount or fixed percentage, for example:

Policy year	Sum at risk	Retention	Surplus
<i>Fixed amount (Rs. In Lakhs):</i>			
1	30	18	12
4	27	18	9
10	20	18	2
<i>Fixed percentage:</i>			
1	30	18 (60%)	12 (40%)
4	27	16.2 (60%)	10.8 (40%)
10	20	12.0 (60%)	8.0 (40%)

Keeping in mind need to retain maximum premium in the country, insurers shall enter into arrangement for '**fixed amount**' retention.

- (iv) Corridor: (Minimum amount per cession)

e.g. corridor is fixed at say Rs.50,000/- and retention say Rs.20.00 Lakhs.

Sum at risk	Retention	Surplus cession
20.30 Lakhs	20.00 Lakhs	Nil
20.70 Lakhs	20.00 Lakhs	0.70 Lakhs

- (v) Schedules of risk rates should be attached as applicable to reinsurance cessions, along with Forms LR-2, LR-4 and LR-6.
- (vi) Item 'Reserves/Deposit' may be filled in only if applicable. This is particularly important where new business financing is involved.

We certify that the above information is true and correct, as per our records.

PARTICULARS OF SURPLUS TREATY FOR THE YEAR ENDED 31.3.

Form Code: [][][][][]-[][][][][]
Insurer Code:[][][][]
Business Code:[] - 1 for Within India, 2 for Total
Link Code:[] - 1 for Non-linked, 2 for Linked

Number of Treaties:

1. Name of Treaty:
2. Treaty year:
3. Life insurance products covered:
4. Risk excluded:
5. Net retention:
 - (a) Normal risks:
 - (b) Sub-standard risks:
6. Basis of retention: Fixed amount/percentage
7. Basis of reinsurance: Risk Premium/Coinsurance
8. Surplus treaty limit
 - (a) Normal risks:
 - (b) Sub-standard risks:
 - (c) Corridor:
9. Rates of reinsurance premium:
 - (a) Death and disablement risks (Please attach schedule)
 - (b) Riders;
10. Reinsurance Commission
11. Profit Commission
 - (a) Percentage:
 - (b) Deduction for management expense:
 - (c) Loss carried forward provision:
 - (d) Minimum number of lives:
12. Reserves/Deposit:
 - (a) Basis of retention and percentage:
 - (b) Method of release:
 - (c) Interest payable:
13. Termination:
 - (a) Notice required:
 - (b) Restriction on termination:
 - (c) Penalty on early termination:
14. List of reinsurers

Name of reinsurer	Location	Share in treaty	Name of broker, if any :

Signature : _____

Date _____ APPOINTED ACTUARY _____ PRINCIPAL OFFICER _____

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY.

FORM LR-3

RESULTS OF SURPLUS TREATY FOR THE YEAR ENDED 31ST MARCH, _____.

Form Code: [] [] [] [] [] [] [] [] [] []

Name of Life Insurance Company:
Business: Within India/ Total

Insurer Code: [] [] [] [] []
Business Code: [] - 1 for Within India, 2 for Total

Year	No. of Lives		Sum Reinsured		Reinsurance Premiums		R/I Commission, if any	Claims Incurred	Profit Commission	Balance
	New Lives	Renewals	New lives	Renewals	New lives	Renewals				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
4 th year Preceding										
Current Year										
3 rd year Preceding										
Current Year										
2 nd year Preceding										
Current Year										
1 st year Preceding										
Current Year										
Current Year										

We certify that the above information is true and correct, as per our records.

Signature : _____

Name : _____
APPOINTED ACTUARY PRINCIPAL OFFICER

Date : _____

* Gross underwriting limit upto which ceding company can underwrite without reference to reinsurer.
 \$ Here state proportion of risk cover between ceding company and reinsurer.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY.

FORM LR-5

RESULTS OF QUOTA SURPLUS TREATY FOR THE YEAR ENDED 31ST
MARCH, _____.

Form Code: [][][][][]-[][][][][]

Name of Life Insurance Company:
Business: Within India/ Total

Insurer Code:[][][][][]
Business Code:[] - 1 for Within India, 2 for Total

[illegible]

We certify that the above information is true and correct, as per our records.

Signature: _____

Name : _____

APPOINTED ACTUARY _____ PRINCIPAL OFFICER _____

Date : _____

FORM LR-6

Form Code: [][][][][][]-[][][][][][]

Insurer Code: [][][][][]

Business Code: [] - 1 for Within India, 2 for Total

9. List of reinsurers:

Name of reinsurer	Location	Share in XL cover	Name of broker, if any

Signature : _____

Name : _____

APPOINTED ACTUARY _____

PRINCIPAL OFFICER _____

Date: _____

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY.

FORM LR-8

REINSURANCE ACCOUNTS FOR THE QUARTER ENDED 31ST MARCH/30TH
JUNE/30TH SEPT./31ST DECEMBER, _____.

Form Code: [][][][][]-[][][][][]

Name of Life Insurance Company:

Insurer Code:[][][][][]

Business: Within India/ Total

Business Code:[] - 1 for Within India, 2 for Total

A: Ceded Business:

1. Opening Balance of the Account:
2. Deduct:
Gross Reinsurance Premiums Paid
Any other payment to reinsurers, specify:
3. Add:
Commission received from reinsurers;
Claim amount paid by reinsurers;
Any other payment from reinsurers, specify
4. Closing Balance of the Account:
5. Total premium receipt during the quarter:
6. Total Claim payment during the quarter:

B: Accepted Business:

1. Opening Balance of the Account:
2. Add:
Gross Reinsurance Premiums Paid by ceding companies
Any other payment from ceding companies, specify:
3. Add:
Commission paid to ceding companies;
Claim amount paid to ceding companies;
Any other payment to ceding companies, specify
4. Closing Balance of the Account:

Notes: If the original payments/receipts are not Indian currencies, all the figures must be converted into Indian currencies, mentioning the exchange rate used to convert and name of foreign currency.
We certify that the above information is true and correct, as per our records.

Signature : _____

Name : _____
APPOINTED ACTUARY PRINCIPAL OFFICER

Date : _____