



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

Cir No. IRDA/ACTL/CIR/MISC/081/05/2010

13th May, 2010

To
CEOs of all Non-Life Insurance Companies

Sub: Financial Condition Report for Non-Life Insurance Companies.

Enclosed is the format of the Financial Condition Report for Non-life Insurance Companies. This report is to be submitted annually starting from March 2010. For the year ending March 2010, this report shall be submitted on or before September 30, 2010.

Appointed Actuaries have to prepare this report on the basis of data provided and discussions he / she might have with other officials in the company.

If any clarification is required, an email can be sent to 'janita@irda.gov.in' or 'mbvn.murthy@irda.gov.in'.

On the basis of the experience gathered, this format will be reviewed by end January 2011, if required.

(R. Kannan)
Member (Actuary)

Format of Financial Condition Report (FCR) for
General insurance companies

13/5

Financial Condition Report
For the financial year ended: 31st March

Of

(Name of the Non-Life Insurance Company)

By

(Name of the Appointed Actuary)

<u>Section</u>	<u>Topic</u>	<u>Page no</u>
1.	<u>Details of the Insurer & Appointed Actuary</u>	5
2.	<u>Executive summary</u>	6
3.	<u>Business Projections</u>	9
4.	<u>Analysis of business growth</u>	10
5.	<u>Analysis of experience</u>	11
6.	<u>Adequacy of premium</u>	16
7.	<u>Adequacy of reserves</u>	20
8.	<u>Reinsurance</u>	22
9.	<u>Risk management</u>	24
10.	<u>Adequacy of capital</u>	27
11.	<u>Investment and Asset liability management</u>	28
12.	<u>Miscellaneous</u>	29
13.	<u>Current Financial Condition</u>	30
14.	<u>Future Financial Condition</u>	31
	<u>Appointed Actuary's certificate</u>	32

13/5

FCR preparation

I. The Objectives:

The objective is to analyze the current block of business as on valuation date to bring out clearly the risk the insurers carry in terms of meeting solvency requirements, profitability, others risks viz., morbidity, liquidity, credit and expense, investment return, asset-liability mismatch etc.. This exercise will also indicate the insurer's position for the next one year. In this context, this analysis also enables to

- examine and discuss the sensitivity of the future solvency position to potential changes in the economic environment, claims experience and pricing strategy and all other relevant factors;
- build an early warning signal in the long run;
- Company's Board and the Authority to arrive at a comprehensive view on the company.

With a view to meet the above objectives, it is recognized that the FCR structure has to be dynamic and shall thus respond to:

- the changes in the company's risk profile and
- State of the general insurance market.

Any such structure will have limitations needing a review on a continuing basis.

II. Instructions:

The following points need to be observed while preparing FCR:-

- a. The numbers provided in the FCR shall be:
 - i) Reconciled with the financial statements of accounts, wherever applicable.
 - ii) Provided in unit of thousands.
- b. Where possible and meaningful, the reports and analysis shall be both on gross and net of reinsurance basis.
- c. The format and tables suggested in this document shall be used without any alternation and also furnish in the soft form. The tables to be given in the soft form shall be furnished in excel formats. **The fields which are not relevant shall not be left blank, but shall state "not applicable".**
- d. The AA shall analyze each section of this report, wherever relevant, with respect to
 - i) **Direct insurance business;**
 - ii) **Co-insurance;**
 - iii) **Reinsurance ceded within India;**
 - iv) **Reinsurance ceded outside India;**
 - v) **Reinsurance accepted within India;**

vi) Reinsurance accepted outside India;

vii) Retrocession, if any

- e. The AA shall also analyze each section of this report, wherever relevant, for policy period less than or equal to one year and policy period more than one year.
- f. The AA shall discuss the areas of concern under each section for business operations outside India and its impact on the insurer as a whole.

A handwritten signature in black ink, appearing to be 'R. K. 13/5'.

Section 1 : Details of Insurer & Appointed Actuary

Sl.No.	Item	Current Year	Last Year
1.	Name of the Insurer		
2.	Address with Phone/fax numbers ; website address, email		
3.	Registration number issued by the IRDA		
4.	Date of registration		
5.	Date of commencement of operations		
6.	Paid up Capital		
7.	Net Worth		
8.	Name of CEO		
9.	Appointed Actuary Details		
a.	<i>Name</i>		
b.	<i>Qualification</i>		
c.	<i>Date of Birth</i>		
d.	<i>Appointment with the insurer</i>		
e.	<i>Appointment as AA</i>		
f.	<i>Date of issue of latest COP from IAI</i>		
g.	<i>Date of expiry of COP</i>		



Section 2 : Executive summary

2.1. This section shall discuss key issues in relation to the factors that influence the performance of non-life insurance business. The context is to help the Board by providing meaningful insights and recommendations considering the overall risk profile, the financial condition and the business profile of the company. The document shall address the strengths and weaknesses of the company and also highlight the areas of concern..

2.2. This section shall give a complete overview of the financial condition of the company without omission of any material facts. This section shall, at the minimum, capture the details about volume of business, growth rates for the past three years, underwriting and insurance profit and key ratios.

2.3. Reasons for any significant variation in the key ratios shall be explained in terms of previous year's projections having regard to:

- Line of business and inherent year to year variations in nature of business- for example loss ratios in crop may be subject to greater year on year variations than in other lines of business
- Tail length of claims in each line of business
- Seasonal variations and any CAT events common to all companies
- Company size and number of years since establishment

2.4 The remedial steps planned to manage the loss ratios and the expense ratios within the expected range and the variations therein shall also be discussed.



Lines of business in the following tables have to be as defined in the IBNR circular no.08 dated 06.05.2005

LOB	Fire	Health	...		WC	Others	Total
Gross written premium-direct business							
Gross earned premium							
Reinsurance premium received							
a. Domestic							
b. Foreign							
Reinsurance premium ceded							
a. Domestic							
b. Foreign							
Net earned premium							
Gross Claims incurred-direct business							
Reinsurance recoveries received							
Reinsurance recoveries paid							
Commission paid –direct business							
Commission paid – reinsurance accepted							
Commission Accepted – reinsurance ceded							
Profit commission-reinsurance ceded							
Profit commission-reinsurance accepted							
Expenses-direct business							
Expenses-reinsurance accepted							
Expenses –reinsurance ceded							
Underwriting profit							
Income from investments							
Insurance profit/loss							



Catastrophic claims incurred, if any							
--------------------------------------	--	--	--	--	--	--	--

LOB	Fire	Health			WC	Others	Total
Loss ratio							
Commission Ratio							
Expense Ratio							
Combined Ratio							
Net retention ratio							
Change in Net written premium							
Increase in gross technical reserves to increase in gross written premium							

Key Ratios	Current year ending 31-Mar-X			previous year ending 31-Mar-X-1			previous year ending 31-Mar-X-2		
	Actual	Expected	A/E	Actual	Expected	A/E	Actual	Expected	A/E
Loss ratio									
Commission Ratio									
Expense Ratio									
Combined Ratio									
Solvency ratio as defined in IRDA regulations									
Net retention ratio									
Change in Net written premium									
Increase in technical reserves to increase in gross written premium									

Section 3 : Business Projections

Business projections indicate the direction that the company intends to move into the future and shall reflect, at the minimum, the core functions of the company. The AA shall capture the details as given below:

S.No	Topic/area	Projections- Next year	Current year		Current year A/E	Reasons for deviation in the current year
			Actual	project ed		
1.	Gross Written Premium					
2.	Number of policies					
3.	Gross earned premium					
4.	Expenses					
5.	Commissions					
6.	Mid-term cancellations -number					
7.	Mid-term cancellations -amount					
8.	Claims incurred-number					
9.	Claims incurred-amount					
10.	Income/loss from investment					
11.	Any others(please specify)					

Note: The above table is to be furnished separately for each line of business having term less than or equal to 1 year and more than one year.

Section 4 : Analysis of business growth

4.1 The AA shall give information of the **new business written and renewal business separately** for each line of business (bifurcated according to the term of the policy) in the below given format

4.2 The AA shall also give the business strategy on the reinsurance accepted/ceded separately for within India & for outside India and co-insurance and furnish the relevant information in the following format.

Line of Business:

New Business/ renewal business

Term of the policy		1 year	>1-2 years	>2 to 5 years	>5 years	Total
Written premium	CY*					
	PY*					
Total number of policies	CY					
	PY					
Total amount of sum insured	CY					
	PY					
Percentage of premium written to total written premium	CY					
	PY					
Growth rate-premium	CY					
	PY					
Growth rate-number	CY					
	PY					
Average sum insured per policy	CY					
	PY					
Average premium per policy	CY					
	PY					

*CY: Current year; PY: Previous year

Section 5 : Analysis of Experience

Persistency Analysis

5.1 It is important for the insurer to monitor its persistency ratio in a competitive environment where the policyholders are likely to shop around. Continuous effort to analyze the persistency ratios along with the loss making business would enable the insurer to identify the areas of concern and to take appropriate policy measures. In this context, the AA shall discuss the persistency ratios with respect to each line of business and where required for each product (where persistency ratio is very low) and also examine and discuss these ratios in the light of the respective loss ratios.

5.2 The AA shall also discuss similarly the mid-term cancellations.

5.3. Persistency of products with premium paying term more than one year:

Persistency as a % has to be shown by Number of policies and annualized premium in the format given below, for each LOB having term more than one year.

Persistency Month	Current year ending 31-Mar-X		previous year ending 31-Mar-X-1		previous year ending 31-Mar-X-2	
	Number	Premium	Number	Premium	Number	Premium
12						
24						
36						
48						
60						

5.4 Renewal of One Year Renewable products/ products with term more than a year with renewability option

Persistency Month	Current year ending 31-Mar-X			previous year ending 31-Mar-X-1			previous year ending 31-Mar-X-2		
	Number of policies due for renewals	Number of policies renewed	Renewal rate	Number of policies due for renewals	Number of policies renewed	Renewal rate	Number of policies due for renewals	Number of policies renewed	Renewal rate
12									
24									
36									
48									
60									

Analysis of Free-look policies with policy period more than one year:

5.5 Percentage of Free Looks shall be provided as per table below. The definition of % of free looks during a period is A/B , where B is the new business written during the period and where the option to exercise free look ended during the period, and A is the free looks exercised out of B.

5.6 The information, expressed as % of policies and as % of new business annualized premium, shall be provided for Health business.

Line of Business	Issue year 01-April-(X-1) to 31-March-X		Issue year 01-April-(X-2) to 31-March-(X-1)	
	Number	Premium	Number	Premium
Health				
....				
.....				

(Please note that this data shall be provided for other lines of the business also wherever the free look option is given to the policyholder)

Expense Analysis:

5.7 Expense analysis is an important tool in the financial planning of an insurer. Expenses can be a very significant portion of the total outgo, in particular, if the persistency rates are low. The AA shall discuss the method of allocation of expenses to different lines of business and comment on the past performance in terms of each line of business and also comment on the relevance to the persistency of the business. This exercise shall analyse expense allocation with respect to

- a. acquisition costs;
- b. Operating costs;
- c. claims handling costs;
- d. investment costs;
- e. different types of inflations applicable;

5.8 The AA shall also discuss the expenses relating to reinsurance arrangements and furnish the quantitative information in a suitable table.

5.9 The following information is to be provided separately for products with term less than one year and for products with term more than one year:

Line of Business :

Description	Current year ending 31- Mar-X	previous year ending 31-Mar-X-1	previous year ending 31-Mar-X-2	previous year ending 31-Mar-X-3
Commission (% of premium)				
Fixed Per policy				
Expenses as a % of premium				
% of Sum insured				
Other expenses, if any, please specify				
Claims handling expenses				
Expenses related to different types of inflations (please give separately)				
Investment expenses				
Total Expenses				

5.10 This section shall discuss the trends in expense ratio (**LOB wise**) and future projected expense ratios based on business plans along with the previous two years experience. The AA shall give the information in the following table:

LO B	Expense Ratios											
	Year X-2			Year X-1			Year X			Year X+1		
	Act ual	Expec ted	A/E	Act ual	Expec ted	A/E	Act ual	Expec ted	A/E	Expec ted	A/E	
Fire												
Hea lth												
...												
...												

5.11 Give the details of any expense control initiatives and their impacts.

Claims Analysis

5.12 The AA shall discuss the claims analysis for each line of business and for the entire company separately for direct insurance business, coinsurance, reinsurance ceded and accepted. The discussion shall also include, wherever relevant, the incidence and impact on the insurer- of the following:

- a. changing frequency and severity of reported and settled claims;
- b. large claims;
- c. catastrophic claims;
- d. risk of accumulation and concentration;
- e. recoveries from/to reinsurers;
- f. salvage on gross claims;
- g. nil, partial and full settlements;
- h. closed and reopened claims;
- i. any new or latent claims emerged;
- j. any court awards setting precedence in claims settlements;
- k. any abnormal experience;
- l. any other relevant factor;

5.13 The AA shall provide the lowest and highest loss ratio in each line of business and the reason for variation shall be explained.

5.14 The AA shall furnish details about large claims and catastrophic losses separately for each line of the business in a suitable form. The impact of these claims on incurred claims ratio and IBNR proportions shall be explained.

5.15 the AA shall furnish the analysis of claims incurred with respect to all the reinsurance arrangements, in a suitable form.

5.16 The AA shall provide the information separately for **number of claims and for the amount of claims** in the table below with respect to the current year and the past two years. The information for amount of claims shall be split by size of claims as appropriate to the line of business.

Current year X/year X-1/year X-2

L O B	No of claims incurred	Total no of Claims paid fully	Total number of claims paid partially	Total number of claims with nil settlements	Total number of IBNR claims	Average Frequency of claims*		Average Severity of claims*	
						Actua l	expecte d	Actua l	expecte d
Fir e									
...									
...									

*Average Frequency of claim: total number of claims/total number of policies

*Average Severity of claims: total amount of claims/total number of claims

5.17 Details about the closed claims and reopened claims for each line of the business is to be provided in the following format:

Line of Business	Year X-2		Year X-1		Year X	
	Closed claims(*)	Reopened claims(*)	Closed claims(*)	Reopened claims(*)	Closed claims(*)	Reopened claims(*)
Fire						
Health						
Motor OD						
Motor TP						
Engineering						
Marine Hull						
Marine Cargo						
Public Liability						
WC						
Misc						
Personal Accident						

* Both Number and amount shall be provided in separate tables.

5.18 Month wise claims data line of business wise shall be provided for last three years, as per the table below:

	Current year ending 31-Mar-X			previous year ending 31-Mar-X-1			previous year ending 31-Mar-X-2		
	Claims reported	claims incurred	Claims settled	Claims reported	claims incurred	Claims settled	Claims reported	claims incurred	Claims settled
January									
....									
....									
....									

Note: Both number and Amount of claims incurred, reported and settled shall be furnished

Section 6 : Adequacy of premium

6.1 The AA shall discuss the following separately for direct insurance business and reinsurance accepted/ceded: (more clarity on the following)

- a) pricing strategy/methodology including profit testing;
- b) selection of data and parameters;
- c) claims which form the major portion of the losses;
- d) large claims, risk accumulations and catastrophes;
- e) inflation and trends;
- f) expenses including commission;
- g) currency risk;
- h) investment risk and default risk;
- i) reinsurance arrangements;
- j) external environment;
- k) court awards;
- l) new and latent claims, if any;
- m) Any other relevant factor;

6.2 The AA shall discuss about the volatility of loss ratios for the last three years for each lines of business. Reasons for changes also have also to be provided like changes in the underwriting processes or guidelines. Any change from the past Loss Ratios shall be explained by attribution, if possible to (a) underwriting changes, (b) claim control processes, (c) change in population/ risk profile and (d) secular trends, (e) any other reason (to be specified)

6.3 This section shall discuss details of any rating analysis performed and then analyze the pure risk rating by various rating factors. If no such study has been done, the reason thereof shall be mentioned and a plan for the next round of study shall be mentioned.

6.4 This section shall discuss about the need for premium deficiency Reserves, deviation from the premium approved by the Authority such as any discounts in detail for each line of the business. If discounts allowed are within the range filed with IRDA, an analysis of the impact of discounts on loss ratios and underwriting profits sub divided by smaller ranges actually used in practice has to be provided.

6.5 The AA shall furnish for each Line of Business, the profitability of the business as per tables given below:

Line of Business	Earned Premium		Incurred Claims		Expenses		Gross U/W profit	Net U/W profit	Loss ratio	Combined ratio
	Net	Gross	Net	Gross						
Fire										
.....										

LOB	Year X-2			Year X-1			Year X		
	Paid Loss Ratio (%)	Incurred Loss ratio (%)	Combined ratio * (%)	Paid Loss Ratio (%)	Incurred Loss ratio (%)	Combined ratio* (%)	Paid Loss Ratio (%)	Incurred Loss ratio (%)	Combined ratio * (%)
Fire									
Health									
.....									

- Combined ratio = loss ratio + expense ratio

6.6 Cash flow statement:

LOB	Fire	Health	Motor AD					
<u>Cash Inflow:</u>								
Gross written premium								
Reinsurance premium accepted								
Income from investments								
Commission received-reinsurance								
Profit commission from reinsurance								
Recoveries from reinsurers								
Recoveries from coinsurers								
Other inflow (Pl. specify)								
a.								
b.								
c.								
Total Cash Inflow (A)								
<u>Cash Outflow:</u>								
Reinsurance Premium paid								
Loss from investments								
Claim outgo including claim handling expenses-for direct business								
Claim outgo including claim handling expenses-for reinsurance business								
Commission paid-direct business								
Commission paid-reinsurance business								
Profit commission from reinsurance								
Recoveries to coinsurers								
Increase in reserves								
Tax								
Cost of Solvency								

margin								
Other outflows (Pl. specify)								
a.								
b.								
c.								
Total Cash Outflow (B)								



Section 7 : Adequacy of Reserves

7.1 The AA shall discuss the following issues separately for direct insurance business, reinsurance accepted/ceded:

- i) methods used
- ii) data and system constraints;
- iii) level of heterogeneity of the exposure;
- iv) reporting process involved and the reporting delays, in particular, for reinsurance arrangements;
- v) possibility of upward movement of claims;
- vi) Availability of relevant information of different types of inflation.
 - reserving methodology adopted for short tailed and long tailed business;
 - reserving methodology adopted for one year term products and more than one year products;
 - IBNR , UPR/URR and premium deficiency reserve;
 - catastrophes and large claims;
 - reinsurance recoveries and reinsurance premium;
 - any other relevant factors;

7.2 The AA shall discuss the margins imbibed, discounting, changes in methodology, material uncertainties and reliance on industry patterns, if any.

7.3 The AA shall state whether point-estimates or stochastic methods are used. In case of stochastic reserving, the percentile at which the final reserve is estimated for each LOB shall be mentioned and the rationale shall be explained.

7.4 The AA shall give the details of method used in the IBNR calculation for each line of business..

7.5 The AA shall furnish the details of the mechanism used by the insurer to monitor the actual loss development compared to the expected development based on the past reserving analysis.

7.6 The AA shall discuss the degree of accuracy of the ultimate loss projections based on the past reserving analysis. Any changes in claim processes and their consequence on improvements in speed of settlement as well as ultimate loss ratios may be outlined.



7.7 the AA shall furnish the following information

	Reserve at the beginning of the year for			Total claim paid during the year (E)	Reserve at the end of the year for		
	O/S reported claims (A)	IBNR (B)	Other Reserve (Please specify)		O/S reported claim (F)	IBNR (G)	Other Reserve (Please specify)
Fire							
Health							
Motor OD							
Motor TP							
....							
....							
....							
....							

Reserve for unexpired policies

LOB	Unearned Premium Reserve	Unexpired Risk Reserve	Premium Deficiency Reserve	Catastrophic Reserve	Any other Reserve, please specify
Fire					
Health					
Motor OD					
Motor TP					
Engineering					
...					
....					
....					
....					

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Section 8 : Reinsurance

8.1 The AA shall discuss the following:

- i) Complete Reinsurance strategy in terms of reinsurance accepted within & outside India and reinsurance ceded/retroceded within and outside India
- ii) Appointed Actuary's opinion about the Company's Reinsurance Programme submitted to the Authority
- iii) A summary of reinsurance treaties in place for various LOBs .
- iv) For each treaty the share of reinsurers in the treaty along with the reinsurers' rating by three major rating agencies.
- v) Significant risk concentrations shall be disclosed.
- vi) Whether the reinsurance arrangements of the Company are in line with their reinsurance programme.
- vii) Details of how facultative reinsurance arrangements are made
- viii) Multilateral reinsurance arrangement such as motor pool
- ix) Analysis showing how decision on reinsurance renewals are taken
- x) Reinsurance recoveries and reinsurance disputes, if any
- xi) Methodology to arrive at maximum retention of the company
- xii) Profitability of each treaty for the last three years
- xiii) Any risk transfer concerns (Explain the difficulties with respect to consortium reinsurance/ difficulty in getting reinsurance for any LOB/ any other)

8.2 The AA shall furnish, in a suitable form, the concentration risk and the net retentions for each line of business in terms of business ceded and accepted within and outside India.

8.3 The AA shall give the details about the inward reinsurance and outward reinsurance in the following tabular format.

8.4 Inward Reinsurance

Details below are to be provided on a financial year basis

Line of Business	Reinsurance premium received	Any other payment received from ceding company, please specify	Reinsurance Commission paid	Expenses for inward reinsurance	Any other payment paid to ceding company, please specify	Reinsurance claim paid	Reinsurance balances
Fire							
Health							

...							
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8.5 Outward Reinsurance

Details below are to be provided on a financial year basis

Line of Business	Reinsurance premium paid	Any other payment paid to reinsurer, please specify	Expense for outward reinsurance	Reinsurance commission received from the reinsurer	Any other payment received from reinsurers, please specify	Reinsurance recoveries received	reinsurance balances
Fire							
Health							
Motor OD							
...							
...							

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Section 9 : Risk Management

9.1 Management and assessment of Risk is a major role of any insurance company. IRDA's 'Corporate Governance Guidelines for Insurance Companies' places stress on this aspect. This section mainly deals with identification, estimation and management of significant risks specific to the insurer.

9.2 Much of the information requested in this section is qualitative rather than quantitative. In narrating the following risks reference could be drawn to the respective explanations which are given in various sections.

9.3 Company overview

This section shall provide following information:

- Company strategy on risk management
- The material lines of business written
- Key risk exposures
- Risk mitigation in place
- Risk concentration: Region wise, product wise, line of business wise, business allocation wise etc.,(distribution channel wise)
- Key trends or factors that have or may have an impact on the business (in particular pressures arising out of discounts and pricing competition)

The purpose of this section is to provide an overview of the company's business and the environment it exists in.

9.4 Risk management system

The Appointed Actuary shall provide an overview of the company's risk management system. This shall include a description of:

- Risk strategy
- Risk management roles and responsibilities
- Risk monitoring procedures



- Approaches/tools used to identify and assess risks, including details of key risk indicators and metrics used
- Approach to identifying emerging risks
- The internal controls framework
- Risk reporting, including scope and frequency
- The review process and feedback loop

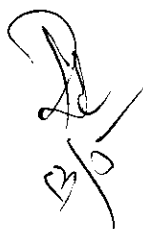
Any risks that are not considered within the company's risk management system shall also be clearly highlighted, along with an explanation of why they are not included.

The Appointed Actuary shall provide his/her view on the appropriateness of the risk management system, given the nature, scale and complexity of the business.

9.5 Risk exposure

Details of:

- Nature and extent of the risk exposure, and how this has developed
- Products and investments that give rise to the risk, including for investment risk, details of the investment strategy
- Qualitative and quantitative measures used to assess the risk
- The level of risk the company is prepared to take, or the company's tolerance for the risk
- Controls in place to manage the level of risk
- View on whether the current level of risk is acceptable or not
- Description of how experience compares with pricing assumptions
- Description of the controls in place to prevent these limits being breached



9.6 Mitigation

An explanation of appropriateness of reinsurance and other risk mitigation tools to reduce risk exposures.

Details of any risk mitigation tools currently in place and the processes for monitoring their effectiveness.

Risk mitigation methodologies used. The Appointed Actuary is required to give his/her view of the appropriateness of any risk mitigation tools in place.

9.7 Sensitivity

Information on the sensitivity of the business to the key risk exposures, including a sensitivity analysis for each of the key risks, for example, interest rate risk, to which the company is currently exposed. The report shall include details of the methods and assumptions used to assess the sensitivities. Elements with greater impact on results have to be discussed in detail.

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Section 10 : Capital Adequacy

10.1 In this section the appointed actuary shall comment on the following:

- i) Current and Future capital adequacy status of the company
- ii) Business level solvency margins
- iii) Company's approach to capital management
- iv) Probability of ruin
- v) Details of any scenario testing being done
- vi) Solvency ratio
- vii) Business plans for the current year (line of business wise)



Section 11 : Investments and Asset Liability Management

11.1 The AA shall, having regard to the insurer's liability profile and liquidity needs, discuss the insurer's investment strategy, approach/framework to asset liability management, any issues arising from the use of such approach,. In particular, the details shall contain:

- Investment philosophy of the company including the mix and quality of investment assets-
- Methods of
 - projecting investment proceeds;
 - projecting future liability profile
 - Matching of cash-flows, duration etc.
- Any changes in the asset allocation, investment strategy etc based on the ALM analysis and discussions about the method to be followed in the next year shall be provided.
- Views on whether assets and liabilities are matched and if not, reasons and implications.
- Duration of Assets & duration of liabilities
- Currency of assets and currency of liabilities;
- Currency risk;
- Liquidity risk;
- Market risk;
- Credit risk;

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Section 12 : Miscellaneous

I. Complaints

12.1 This section shall cover the analysis, intensity of complaints and time taken by the company to settle them.

Number of complaints (line of business wise) and claim amount from the policyholder having financial impact to the company:

- a) Pending at the start of the year :
- b) Received during the year:
- c) No. of past complaints resolved during the year :
- d) No. of new complaints resolved during the year :
- e) Pending at the end of the year :

12.2 Analysis of complaints at the end of the year regarding non-settlement of:

- a) Indemnity payments
- b) Benefit Payments
- c) Cancellations
- d) Any other


B/S

Section 13 : Current Financial Condition

13.1 This chapter shall provide a view of the AA on the current financial condition of the Company. This view shall be based on the analysis and information in previous sections of this report, the AA's own understanding of the business and the AA's view on adequacy of reserves. The AA shall also provide insights into profitability (i.e surplus / deficit) of the company including trends based on previous years and the company's future plans.

13.2 The AA shall also

- a) Comment on the solvency position, including stating quarterly solvency ratios during the current year under review.
- b) Comment on adequacy of premium under each line of business and for major products
- c) List any changes in reserving methodology from the previous year, and explain reasons for the changes. Also, the effect of each of such changes shall be furnished.

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Section 14 : FUTURE FINANCIAL CONDITION

- 14.1 The objective of this chapter is to capture the company's assessment of its future financial condition and a 'time zero' stress test. This chapter shall cover:
- 14.2 The AA shall provide the company's projected financial statements and solvency position for following three years, allowing for expected future new business. This shall also be stress tested for two plausible adverse scenarios (i.e. events that could have a negative impact on solvency position) with a description of possible management actions to ensure maintenance of regulatory solvency.
- 14.3 Whilst a three year forecast is recommended, the AA shall submit, at the minimum, the forecast for one year. For the first year on introduction of FCR, it may be one year only but for subsequent years it could be for 3 years.
- 14.4 Two adverse scenarios must be selected by the company as felt appropriate for the company's business based on judgment of the likelihood of events or combination of events in each of the 2 scenarios.



Appointed Actuary's Certificate

This is to certify that I have considered the data and information provided by the Company in the preparation of this Financial Condition Report. Reasonable steps have been taken to ensure the accuracy and completeness of the data.

(Appointed Actuary)

Countersigned by: **(MD / CEO)**

Company Seal:

Date:

A handwritten signature in black ink, appearing to be 'BP' with a large loop at the top.