Bangladesh   Gazette

Extra Copy

Published by the Authority

Wednesday, October 23, 2024

[Notices and Advertisements published by Private Individuals and Corporations in exchange of money]

Insurance Development and Regulatory Authority
37/A Dilkusha Commercial Area
Dhaka-1000

Notification

Date: 08 Ashwin, 1431Bongabdo / 23 September 2024 AD

S.R.O No. 316-Act / 2024: In exercise of the powers conferred under Section 148 of the Insurance Act, 2010 (Act No. 13 of 2010), to be read with Section 43, the Government, hereby make the following rules, namely: ---

1. **Short Title and introduction**:

   (1) These rules shall be called Life Insurer's Solvency Margin Regulations, 2024.

   (2) They shall come into force immediately.

2. **Definition:**

   (1) In these Regulations, unless the context requires otherwise, -----

   (A)   "**Act**" means the Insurance Act, 2010 (Act No. 13 of 2010);

   (B)   "**Schedule**" means any schedule of these regulations;

   (C)   "**Insurer**" means an insurer as defined in Clause (25) under Section 2 of the Finance Act; and

   (D)   "**Solvency Margin**" means solvency margin as defined in Clause (37) under Section 2 of the Finance Act.

(2) All the words or expressions used herein and not defined herein but defined in the Insurance Act, 2010 (Act No. 13 of 2010) or in the Insurance Development and Regulatory Authority Act, 2010 (Act No. 12 of 2010) or in any Rules or Regulations made thereunder, shall have the meanings respectively assigned to them in those Acts, Rules or Regulations.

3. **Valuation of Assets:**

Every life Insurer shall prepare a Statement for Valuation of their Assets using FORM VALUE OF ASSETS (VA) in accordance with Schedule – 1.

4. **Determination of Amount of Liabilities:**

Every life Insurer shall prepare a Statement of the Amount of Liabilities using FORM VALUE OF LIABILITIES (VL) in accordance with Schedule 2.

5. **Determination of Solvency Margin:**

Every life Insurer shall prepare a Statement of Required Solvency Margin using FORM REQUIRED SOLVENCY MARGIN (RSM) and a Statement of Available Solvency Margin using FORM AVAILALBE SOLVENCY MARGIN (ASM) in accordance with Schedule 3.

6. **Solvency Ratio:**

The Solvency Ratio of any life Insurer mentioned in Schedule–3 shall be as follows –

DATE	MINIMUM SOLVENCY RATIO
(1)	(2)
31-12-2025	1.0
31-12-2027	1.2
31-12-2030	1.5
31-12-2032	2.0

SCHEDULE 1

(See Regulation 3)

(A) VALUATION OF ASSETS

The following assets will be calculated at Zero (0) value ----

a) All bad debts;

b) All un-collectible advances;

c) Furniture, installed instruments, dead-stock, software and stationaries;

d) Prepaid expenses;

e) Balance of adjusted profit and loss account;

f) Unrealized balance from re-insurers that is older than 6 months;

g) Preliminary expenses for company formation;

h) Intangible assets;

i) Unpaid premium which have not be collected within 3 months or has not been return-signed by an Auditor as per Section 32 of the Act, whichever occurs earlier; and

j) Agents' balances and outstanding premiums that is overdue for more than 3 months or has not been return-signed by an Auditor as per Section 32 of the Act, whichever occurs earlier.

(B) STATEMENT OF VALUATION OF ASSETS

FORM – VALUE OF ASSETS (VA)

STATEMENT OF ASSETS AS AT 31ˢᵗ DECEMBER_____

Name of the Life Insurer_____

Registration Number_____ Date of Registration_____

Serial No.	Category of Assets	Amount in Taka '000s		Total (3)+(4)
		Policyholders' Fund	Shareholders' Fund	
(1)	(2)	(3)	(4)	(5)
1.	Cash and Cash Equivalents			
2.	Government Securities (Lower of 'Market Price' or 'Fair Value')			
3.	Fixed Deposits (Whichever amount is collectible)			
4.	Investment in equities and shares (Lower of 'Market Price' or 'Fair Value')			
5.	Mutual Fund (Lowest of the 'Market Price' or 'Net Asset Value' or 'Fair Value')			
6.	Debentures/Bonds (Lower of 'Market Price' or 'Fair Value')			
7.	Investment in other securities (Lower of 'Market Price' or 'Fair Value')			
8.	Investment in Property/Real Estate (Lower of 'Purchase Price' or 'Fair Value')			
9.	Other Tangible Assets (Lowest of the 'Purchase Price', or 'Discounted Price' or 'Fair Value')			
10.	Policy Loan			
11.	TOTAL Assets			

SCHEDULE 2

(See Regulation 4)

(A)VALUATION OF LIABILITIES

(A) In this Schedule –

   (1) '**Date of Actuarial Valuation**' means the date of the concerned Financial Statement; and

   (2) '**Actuarial Reserve**' means the 'minimum actuarial reserve' against liabilities as stated under Sub-clause (7) of Clause 30 of the Finance Act.

(B) Method for determining actuarial reserve – The method for determining the Actuarial Reserve will be as follows -

1. Actuarial reserve has to be calculated by each insurer for each policy / plan separately;
2. Valuation has to be done based on Gross Premium Valuation method;
3. Gross premium needs to be adequate for disbursing the benefits included in a policy -

    However, bonus, office expenses and other fees will not be included in the aforementioned premium amount;

4. Large preliminary expenditure can be adjusted from the gross premium utilizing actuarial principles;
5. Liability valuation for each policy has to be a reasonable estimate taking all relevant issues into consideration;
6. If the actuarial reserve turns out to be negative (less than zero) after valuation, the Appointed Actuary will set it at zero (0);
7. If the actuarial valuation of liabilities against a policy is less than the "specified guaranteed surrender value", the actuary will consider the "specified guaranteed surrender value" as actuarial reserve;
8. There will not be any exceptions other than the ones mentioned in (6) and (7) above in terms of determining actuarial reserve;
9. Methods and assumptions of Liabilities Valuation may be changed, if needed, from one year to another;
10. The Appointed Actuary may perform valuations based on alternative method/s other than Gross Premium Method.

    Provided that s/he is satisfied that the amount of reserves will not be less than the amount calculated under gross premium method; and

11. The Appointed Actuary has to explain the reasons behind using a particular valuation method in her/his report.

(C) Policy Option - Liabilities arising from options given by policyholders have to be considered while determining actuarial reserves.

(D) Basis of Valuation – The basis for valuation of liabilities will be as follows –

    (1) Actuarial reserve has to be calculated according to actuarial basis and appropriate rate / degree of valuation has to be determined separately for each policy;

    (2) IDRA approved 'Mortality Table' and 'Morbidity Table' have to be used for valuation; and

    (3) Interest rates for liability valuation may be proposed separately for Participating and Non-participating policies as may be approved by the Authority.

(E) Reinsurance –

    (1) This regulation will be applicable for reinsurers as well; and

    (2) This regulation will also be applicable for Ceded Reinsurance. However, only the amount up to "Net sum at risk retained" will be considered for this purpose.

(F) Additional conditions for Linked Business – For linked businesses, the additional conditions will be as follows -

    (1) Reserve for linked businesses consist of two components – Unit Reserves and Non-Unit Reserves;

    (2) Unit Reserves have to be calculated at Unit Rates on the Date of Valuation and using Assigned Unit for the In-force Policies; and

    (3) The following issues have to be considered while performing valuation of Non-Unit Reserves -

        a. Death benefits (if applicable), whose value is higher than each unit within the general reserves / Non-Unit Reserves;

        b. Management expenses from Non-unit Reserves;

        c. Assurance / Guarantee (if applicable), which is equivalent to the Surrender Value or Death Benefit or Maturity Benefit.

(G) Islami Life Insurance Business – For Islami Life Insurance Business, the following will have to be considered -

    (1) Two types of reserves (i.e., risk reserve and investment reserve) have to be calculated for Islami Life Insurance

    (2) Risk reserve has to be calculated based on 2nd paragraph within Schedule 2

    (3) Investment reserve will consist of the value of assets within the participating policy reserve / fund, and it will be considered as the reserve against components / instruments of investments.

(H) Other Insurance businesses - For other types of life insurance businesses, not defined under this Regulations, the Appointed Actuary will utilize the generally / commonly applicable principles for determining reserves.

(I) Conditions for Provisions - Where it is not possible to calculate reserves separately for each policy, the Actuary will calculate reserves collectively for the following –

(1) Additional premium collected while underwriting various risks of sub-standard life e.g., professional risks, overweight, underweight, smoking related risks, health risks, weather / climate risks etc.;

(2) Lapsed policies which have not been included in valuation but may present existing or future risks;

(3) Guarantees and options related to Individual and Group insurance policies;

(4) Exchange rate variations of policies issued in foreign currency; and

(5) Probable future expenditure against paid up policies.

(J) Other Liabilities – Other liabilities will be as follows –

1. Reserves against Bad and Doubtful Debts;

2. Reserves against Declared/Recommended Dividend and Fully Unpaid Dividends;

3. Reserves against Taxes;

4. Miscellaneous Dues to various Creditors;

5. Other liabilities;

6. Premium Accumulations;

7. Reserves against unforeseen losses;

8. Loans from Banks and Financial Institutions and unsettled Interest against the loans;

9. Amount due to other insurers against on-going insurance business;

10. Net Unpaid Claims; and

11. Any other liabilities as may be determined by the Authority.

(K) Statement of Liabilities - Every insurer will prepare a Statement of Liabilities according to FORM – VALUE OF LIABILITIES (VL).

(B) STATEMENT OF LIABILITY VALUATION

FORM – VALUE OF LIABILITIES (VL)

STATEMENT OF LIABILITIES AS AT 31st DECEMBER_____

Name of the Life Insurer_____

Registration Number_____ Date of Registration_____

In Crore Taka

Description	Actuarial Reserves (including bonuses, where allocated)
(1)	**(2)**
1-Conventional Life Insurance (A) Individual Insurance (B) Group and Health Insurance (C) Others (if any)	
Subtotal: 1	
2-Islami Life Insurance (_____ Model)* 2.1-Liabilities in case of Risks - (A) Individual Insurance (B) Group and Health Insurance (C) Others (if any) 2.2-Liabilities in case of Investments	
Subtotal: 2	
3-Linked Business (A) Unit Reserve (B) Non-Unit Reserve	
Subtotal: 3	
Grand Total: (1+2+3)	

* In case of Islami Life Insurance, if multiple models are used by the insurer, the amount will have to be shown separately as per Serial # 2 under Column (1)

SCHEDULE 3
(See Regulation 5)

(A) DETERMINING LIFE INSURERS' SOLVENCY MARGIN

1. Under this Schedule –

   a) 'Available Solvency Margin' refers to the difference (Assets per Form VA – Liabilities per Form VL) between Valuation of Life Insurance Assets (FORM - VA) and Valuation of Liabilities (FORM - VL), and whatever remains after deducting liabilities in Shareholders' Fund from Policyholder's Fund; and

   b) 'Solvency Ratio' means the ratio between Available Solvency Margin (ASM) and Required Solvency Margin (RSM).

2. Each insurer will determine Required Solvency Margin based on FORM – REQUIRED SOLVENCY MARGIN (RSM).

(B) FORM - REQUIRED SOLVENCY MARGIN (RSM)

Name of the Life Insurer_____

Registration Number_____ Date of Registration_____

In Crore Taka

Description	Actuarial Reserves (including bonus where allocated)	Factor	Required Solvency Margin (RSM) (2) × (3)
(1)	(2)	(3)	(4)
1-Conventional Life Insurance		4%	
(A) Individual Insurance		3%	
(B) Group and Health Insurance		2%	
(C) Others (if any)			
Subtotal: 1			
2-Islami Life Insurance (_____ Model)*		4%	
2.1-Liabilities in case of Risks -		3%	
(A) Individual Insurance		2%	
(B) Group and Health Insurance		4%	
(C) Others (if any)			
2.2-Liabilities in case of Investments			
Subtotal: 2			
3-Linked Business		4%	
(A) Unit Reserve		4%	
(B) Non-Unit Reserve			
Subtotal: 3			
Grand Total: (1+2+3)			

* In case of Islami Life Insurance, if multiple models are used by the insurer, the amount will have to be shown separately as per Serial # 2 under Column (1)

(C) FORM – AVAILABLE SOLVENCY MARGIN (RSM)

Name of the Insurer_____

Registration Number_____ Date of Registration_____

Sl. No.	Description	Amount
(1)	(2)	(3)
1.	Adjusted Total Assets in the Policyholders' Fund	
2.	Actuarial Reserves	
3.	Other Liabilities of the Policyholders' Fund	
4.	Excess in the Policyholders' Fund (1 – 2 – 3)	
5.	Adjusted Total Assets in the Shareholders' Fund	
6.	Other Liabilities in the Shareholders' Fund	
7.	Excess in the Shareholders' Fund (5 – 6)	
8.	Available Solvency Margin (ASM) (4 + 7)	
9.	Required Solvency Margin (RSM)	
10.	Solvency Ratio (8 / 9 or ASM / RSM)	

Notes:

(1) Value of Adjusted Assets will be determined per Policyholders' Fund in FORM – VA;
(2) Total Liabilities will be as shown in FORM – VL;
(3) Other Liabilities in the Policyholders' Fund will be derived from Liabilities of Policyholders' Fund mentioned in the Financial Statement; and
(4) Other Liabilities in the Shareholders' Fund will be derived from Liabilities of Shareholders' Fund mentioned in the Financial Statement prepared as per Section 32 of the Act.

-------------------------------- --- --------------------------------
Signature of Actuary   Signature of Managing Director/ Signature of Auditor
                           Chief Executive Officer

By order of the Authority

Dr. M Aslam Alam
Chairman
Insurance Development and Regulatory Authority