

Finance & Accounts – GIPSA Promotion Exam

Sachin Kumar



Topic-Wise Distribution

Total Questions: 30 (Finance & Accounts: 26–27, IT: 3–4)

F&A Topic Breakup:

- Preparation of Financial Statements— **6-7 Questions**
- Accounting Standards / Ind AS – **3-4 Questions**
- Investment Regulations & Practice – **5-6 Questions**
- Accounting Ratios & Concepts – **1-2 Questions**
- Depreciation – **1 Question**
- Income Tax & GST – **3-4 Questions**
- Reinsurance Accounts, BRS and Others – **2-3 Questions**
- Abbreviations – **3-4 Questions**



Preparation of Financial Statements



Preparation of Financial Statements

Governing Regulations:

- IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024
- Master Circular on Finance Functions – May 2024
- Companies Act, 2013
- Insurance Act, 1938
- **The finance function is primarily governed by Schedule II of the 2024 Regulations.**
- **Mandatory Reports & Prescribed Forms (General Insurers):**
 - Revenue Account: **Form B-RA** (to be prepared separately for Fire, Marine, and Miscellaneous segments, with further sub-segmentation for Miscellaneous business like Motor, Health, Engineering, etc.).
 - Profit & Loss Account: **Form B-PL**.
 - Balance Sheet: **Form B-BS**.
 - Receipts and Payments Account: Must be prepared separately using the **Direct Method** as prescribed by AS 3
 - Segment-wise Revenue & Claims Details
 - Notes to Accounts
 - 5-year financial summary

Form B-RA – Revenue Account

**Note: Separate form
per segment – Fire,
Marine, Miscellaneous**

- Premiums Earned (Net)
- Profit/Loss on Sale of Investments
- Interest, Dividend & Rent – Gross
- Other Income
- Contribution from Shareholders' A/c
- **Total Income (A)**
- Claims Incurred (Net)
- Commission
- Operating Expenses
- Premium Deficiency
- **Total Expenditure (B)**
- Operating Profit/(Loss) = A - B
- Appropriations:
 - Transfer to Shareholders' A/c
 - Catastrophe Reserve
 - Other Reserves

Form B-PL – Profit and Loss Account

- Operating Profit/Loss (Fire, Marine, Misc.)
- Investment Income
 - Interest, Dividend, Rent (Gross)
 - Profit/Loss on Sale
 - Amortization of Premium/Discount
- Other Income
- **Total Income (A)**
- Provisions:
 - Diminution of Investments
 - Doubtful Debts
 - Others
- Other Expenses:
 - Non-Insurance Business Expenses
 - CSR, Penalties, Subordinated Debt
 - Contributions to Policyholders' A/c
- **Total Expenses (B)**
- Profit Before Tax = A - B
- Provision for Taxation
- Profit After Tax
- Appropriations:
 - Dividend, Reserves, etc.

FORM B-BS- Balance Sheet

| Particulars | Schedule Ref. | Current Year | Previous Year |
|---|---------------|--------------|---------------|
| Sources of Funds | | | |
| Share Capital | 5 & 5A | | |
| Share Application Money Pending Allotment | | | |
| Reserves and Surplus | 6 | | |
| Head Office Account | 6A | | |
| Fair Value Change Account – Shareholders’ Funds | | | |
| Fair Value Change Account – Policyholders’ Funds | | | |
| Borrowings | 7 | | |
| TOTAL | | | |
| Application of Funds | | | |
| Investments – Shareholders | 8 | | |
| Investments – Policyholders | 8A | | |
| Loans | 9 | | |
| Fixed Assets | 10 | | |
| Deferred Tax Asset (Net) | | | |
| Current Assets | | | |
| Cash and Bank Balances | 11 | | |
| Advances and Other Assets | 12 | | |
| Sub-Total (A) | | | |
| Less: | | | |
| Deferred Tax Liability (Net) | | | |
| Current Liabilities | 13 | | |
| Provisions | 14 | | |
| Sub-Total (B) | | | |
| Net Current Assets (C) = (A - B) | | | |
| Miscellaneous Expenditure (to the extent not written off or adjusted) | 15 | | |
| Debit Balance in Profit and Loss Account | | | |
| TOTAL | | | |



Contingent Liabilities

- Partly paid-up investments
- Underwriting commitments outstanding
- Claims not acknowledged as debts (Disputed)
- Guarantees given by or on behalf of the company
- Statutory demands/liabilities in dispute (not provided for)
- Reinsurance obligations not provided for
- Others (to be specified)

Segmental Reporting (IRDAI Master Circular 2024)

Segments:

- **Fire**
- **Marine Cargo, Marine Others**
- **Miscellaneous, subdivided into:**
 - **Motor (OD + TP)**
 - **Engineering**
 - **WC**
 - **Aviation**
 - **Public/Product Liability**
 - **Personal Accident**
 - **Health**
 - **Others**
- **Overseas Business – Separate disclosure**
- **Any segment >10% of total premium must be shown separately.**

Schedules

SCHEDULE – 1 : PREMIUM EARNED [NET]

SCHEDULE – 2 : CLAIMS INCURRED [NET]

SCHEDULE- 3 : COMMISSION

SCHEDULE – 4 : OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

SCHEDULE – 5 : SHARE CAPITAL

SCHEDULE – 6 : RESERVES AND SURPLUS

SCHEDULE – 7 : BORROWINGS

SCHEDULE- 8 : INVESTMENTS

SCHEDULE – 9 : LOANS

SCHEDULE – 10 : FIXED ASSETS

SCHEDULE- 11 : CASH AND BANK BALANCES

SCHEDULE – 12 : ADVANCES AND OTHER ASSETS

SCHEDULE – 13: CURRENT LIABILITIES

SCHEDULE – 14: PROVISIONS

SCHEDULE – 15 : MISCELLANEOUS EXPENDITURE

Accounting Principles & Disclosures

- **Premium Recognition:** Recognized as income over the contract or risk period. "Premium received in advance" and "Unallocated premium" are shown under current liabilities.
- **Unearned Premium Reserve (UPR):** Computed as 100% of Net Written Premium for **Marine Hull** and 50% for other segments (or based on unexpired period proportion). Any change in method requires IRDAI approval.
- **Premium Deficiency Reserve (PDR):** Recognized at the insurer level if expected claim costs, expenses, and maintenance costs exceed the UPR. PDR must be calculated and certified by an Appointed Actuary.
- **Acquisition Costs:** Expensed in the period incurred.
- **Claims:** Components include policy benefit amount and specific settlement costs. Liability for outstanding claims (including IBNR/IBNER) must be accounted for. Claims where payment period exceeds four years must be recognized on an actuarial basis, certified by an Appointed Actuary.
- **Long-Term Products Accounting:** Premium for long-term policies (over 12 months) is recognized annually ($1/n$ of total premium). Commission is paid only on the recognized premium for the year.

Accounting Principles & Disclosures Contd...

- **Valuation of Investments:**
 - **Investment Property (Real Estate):** Valued at historical cost, subject to revaluation at least every three years. Gains/losses go to Revaluation Reserve. Impairment losses are recognized immediately.
 - **Debt Securities:** "Held to maturity" and measured at historical cost subject to amortization.
 - **Listed Equity & Derivatives:** Measured at fair value (last quoted closing price on NSE/BSE). Unrealized gains/losses go to "Fair Value Change Account" in equity.
 - **Unlisted & Thinly Traded Equity/Derivatives:** Measured at historical cost with provisions for diminution.
- **Segregation of Policyholders' & Shareholders' Funds:** Mandatory bifurcation of funds at the "fund level" (at least notionally) at each quarter-end. Investments made from these funds must be shown separately. Any deficit in policyholders' investments must be recouped by transferring securities from shareholders' investments on a half-yearly basis.
- **Accounting for Premium/Claims/Expenses on Estimation Basis (for Reinsurers/FRBs):** For the fourth quarter ending March 31, if actual statements are not received, premium, losses, and expenses may be accounted for on an estimation basis. A consistent methodology must be followed, and estimates must be trued up. Disclosures on actual vs. estimated figures and variations (especially >10%) are required in the annual report.

Audit Provisions

- Appointment of Statutory Auditor : Sec 619(2) of Companies Act, 2013
- CAG audit of Govt. Companies is carried out as per provisions Sec 619 of the Companies Act, 2013
- Types of Audit :-
 - Statutory Audit
 - CAG Audit
 - Internal Audit
 - Concurrent Audit

Actuarial Methods for Claims Reserving (IBNR/IBNER)

| Method | Description | Suitable For |
|-----------------------------|--|-------------------------------|
| Chain Ladder Method | Projects future claims using historical development patterns | Stable, large claim data |
| Bornhuetter-Ferguson Method | Blends expected loss ratios with actual data | New products, volatile claims |
| Expected Loss Ratio Method | Uses expected claim ratio times earned premium | Start-up lines or poor data |
| Mack's Model | Stochastic version of Chain Ladder with confidence intervals | Solvency estimation |
| Cape Cod Method | Hybrid between Chain Ladder and ELR | Adjusts for exposure changes |

Accounting Standards & Ind AS



Accounting Standards (AS) Specific to General Insurance

Financial statements must conform to the Accounting Standards (AS) as notified under the Companies Act, 2013.

- **AS 3 (Cash Flow Statements):** Must be prepared only using the **Direct Method**.
- **AS 17 (Segment Reporting):** Applies to all insurers, irrespective of whether their securities are publicly traded or not.
- **AS 13 (Accounting for Investments):** Explicitly stated as NOT APPLICABLE to General Insurers.
- AS 1 – Disclosure of Accounting Policies
- AS 4 – Contingencies and Events Occurring After the Balance Sheet Date
- AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
- AS 9 – Revenue Recognition
- AS 10 – Fixed Asset
- AS 15 – Employee Benefits
- AS 18 – Related Party Disclosures
- AS 22 – Accounting for Taxes on Income
- AS 29 – Provisions, Contingent Liabilities and Contingent Assets

Ind AS (Indian Accounting Standards)

Status of Implementation

- Not yet mandatory for general insurers
- IRDAI proposes phase-wise implementation, starting with:
 - Voluntary preparation of Ind AS-compliant pro forma financial statements by 2024-25.
 - Full implementation expected within 2–3 years, in alignment with IFRS 17-like framework.

Relevant Ind AS for General Insurance

- **Ind AS 104 – Insurance Contracts** (Current applicable standard (transitional))
 - Based on IFRS 4, to be replaced by Ind AS equivalent of IFRS 17 in future.
 - Allows insurers to continue using existing accounting policies for insurance contracts.
- **Ind AS 117 – Insurance Contracts** (*Yet to be notified in India*)
 - IFRS 17 equivalent; introduces uniform measurement and presentation of insurance liabilities.
 - Expected to be implemented once notified by ICAI and IRDAI.
 - Will replace Ind AS 104 eventually.

Ind AS 104 vs Ind AS 117 – Comparative Chart

| Aspect | Ind AS 104 (Current) | Ind AS 117 (Future Standard) |
|----------------------------|--|--|
| Basis | Based on IFRS 4 (interim standard) | Based on IFRS 17 (comprehensive standard) |
| Objective | Allows continuation of existing accounting practices for insurance contracts | Introduces a uniform, principle-based approach to measurement and presentation of insurance contracts |
| Scope | Insurance contracts (broadly defined); allows embedded derivatives, financial guarantees | Applies to all insurance and reinsurance contracts, both issued and held |
| Measurement Approach | Continuation of existing practices (e.g. unearned premium, incurred claims) | Uses Current Fulfilment Value model with 3 measurement approaches:1. General Measurement Model (GMM)2. Premium Allocation Approach (PAA) (for short-duration contracts like General Insurance)3. Variable Fee Approach (VFA) (for participating contracts) |
| Revenue Recognition | Premiums recognized as revenue over contract period | Revenue = consideration for services provided during period (based on services rendered) |
| Discounting | Not mandatory; usually not discounted | Required for future cash flows (unless PAA exemption applies) |
| Risk Adjustment | Not required explicitly | Requires separate Risk Adjustment for Non-Financial Risk (RANFR) |
| Contract Boundaries | Not clearly defined | Clear contract boundary definition for future cash flows inclusion |
| Loss Recognition | Liability adequacy test (LAT) is required | Onerous contracts must be identified upfront and loss recognized immediately |
| Reinsurance Accounting | Basic disclosures; reinsurance assets mirror gross liabilities | Requires separate measurement and presentation for reinsurance held; includes expected credit losses |
| Disclosure Requirements | Limited disclosures; continues existing | Extensive disclosures about cash flows, assumptions, sensitivity, reconciliation of balances |
| Presentation in Financials | Premium, claims, and commission-based presentation (traditional) | Insurance Revenue, Insurance Service Expenses, and Insurance Finance Income/Expenses |
| Profit Emergence | Based on net premium minus claims & expenses | Contractual Service Margin (CSM) recognized over the coverage period as services are provided |
| Transition Requirement | Continue previous GAAP | Full retrospective or modified retrospective approach; simplified transition possible |

Other Ind AS Applicable to General Insurance

| Ind AS | Name | Relevance |
|------------|---|--|
| Ind AS 1 | Presentation of Financial Statements | Format of B/S, P&L, OCI, Notes |
| Ind AS 7 | Statement of Cash Flows | Classification of premiums, claims, investment cash flows |
| Ind AS 16 | Property, Plant & Equipment | Asset capitalization, depreciation |
| Ind AS 19 | Employee Benefits | Gratuity, leave encashment provisioning |
| Ind AS 23 | Borrowing Costs | Capitalization rules if insurer has infrastructure investments |
| Ind AS 24 | Related Party Disclosures | Holding co., subsidiaries, key management personnel (KMP) |
| Ind AS 32 | Financial Instruments: Presentation | Equity vs liability classification |
| Ind AS 33 | Earnings Per Share | Disclosure if listed |
| Ind AS 34 | Interim Financial Reporting | Quarterly results reporting |
| Ind AS 36 | Impairment of Assets | Impairment testing of assets including goodwill |
| Ind AS 37 | Provisions, Contingent Liabilities | Provisions for claim liabilities under uncertainty |
| Ind AS 38 | Intangible Assets | Software capitalization, amortization |
| Ind AS 109 | Financial Instruments | Recognition, classification, valuation of investments, receivables, reinsurance assets |
| Ind AS 110 | Consolidated Financial Statements | Applicable if insurer has subsidiaries |
| Ind AS 112 | Disclosure of Interests in Other Entities | Structured entities, subsidiaries |
| Ind AS 115 | Revenue from Contracts with Customers | Non-insurance revenue (e.g., service fee income) |

Special Notes for General Insurance

- **Premium and Claim Accounting**

- Under Ind AS, unearned premium reserve (UPR) and claims outstanding need to comply with measurement under Ind AS 37 and 104.
- Discounting of claim liabilities may be required for long-term policies.

- **Reinsurance**

- Reinsurance assets and liabilities must follow Ind AS 109.
- Recoveries from reinsurers must be assessed for impairment separately

- **Commissions:** Must be amortized in line with the policy period

- **Transition Considerations**

- Need to reclassify assets/liabilities, especially for long-term policies.
- Use of actuarial models for measurement of liabilities under future Ind AS 117

Investment Regulations & Practice



IRDAI Investment Regulations (2024)

Governing Regulations:

- IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024
- Master Circular on Investment Functions – May 2024

• Key Concepts (Specific to General Insurers):

- **Investment Assets:** Includes Shareholders' Funds (capital + reserves excluding revaluation) + Policyholders' Funds
- **Policyholders' Funds :**
 - Estimated liability for Outstanding Claims (including IBNR & IBNER)
 - Unexpired Risk Reserve (URR).
 - Catastrophe Reserve.
 - Premium Deficiency Reserve (PDR)
 - Other liabilities net of Other Assets.
 - Examples of "Other Liabilities": Premium received in advance, unallocated premium, balances due to other insurance companies/pools, sundry creditors (due to policyholders).
 - Examples of "Other Assets": Outstanding premium, receivables from other insurance entities/reinsurers, balances with insurance pools.

Key Concepts (Specific to General Insurers): Contd.

- **Shareholders' Funds:** Comprise Share Capital plus all Reserves and Surplus (excluding Revaluation Reserve and Fair Value Change Account) net of accumulated losses and miscellaneous expenditure to the extent not written off as at the Balance Sheet date. These funds are represented by investments held in business beyond the solvency margin.
- **Money Market Instruments:** These are short-term investments with a maturity not exceeding one year, including rated Certificate of Deposits, rated Commercial Papers, Reverse Repo, Treasury Bills (including Cash Management Bills), Call, Notice, Term Money, and Tri-party Repos (TREPs).
- **Approved Investments:** A broad category encompassing various debt instruments (e.g., government securities, corporate bonds), equity shares, immovable property, loans against policies, fixed deposits, and newer instruments like Asset-Backed Securities (ABS) and Pass-Through Certificates (PTCs), provided they meet specific criteria outlined in Schedule III, Part II, Clause 2(1) and 2(2) of the 2024 Regulations.

Regulation of Investments (Percentage Allocations for General Insurers)

| Investment Category | Minimum / Maximum Limit (of Investment Assets) |
|--|--|
| Central Government Securities | Not less than 20% |
| Central Government Securities, State Government Securities or Other Approved Securities (including Central Govt. Sec.) | Not less than 30% |
| Approved Investments (including Other Investments specified in Section 27A(2) of Insurance Act, 1938) | Not exceeding 70% |
| Other investments (Section 27A(2) of Insurance Act, 1938) | Not more than 15% |
| Total Investment in Housing and Infrastructure (comprising investments from all above categories) | Not less than 15% |

Rating of Investments

- **Mandatory Rating:** All assets or instruments capable of being rated, as per market practice, must be rated by a SEBI-registered credit rating agency. Unrated instruments, if capable of being rated, are not considered approved.
- **Minimum Rating for Approved Investments:** Generally, a minimum of 'AA' or its equivalent rating is required. In specific cases, 'A+' or equivalent may be accepted with prior Board approval if 'AA' rated investments are unavailable.
- **Downgrades:** Approved Investments that are downgraded below the minimum prescribed rating are automatically re-classified as 'Other Investments'.
- **Debt Instrument Specifics (General Insurers):**
 - Not less than **65%** of investment in debt instruments must be in sovereign debt, AAA, or A1+ (for short-term) equivalent rated instruments.
 - Not more than **8%** of investment in debt instruments can have a rating of 'A' or below (for long-term) or equivalent.
- **Infrastructure Investments:** Infrastructure investments rated not less than 'A' along with an Expected Loss (EL) rating of 'EL1' are considered approved.

Exposure/Prudential Norms

- **Single Investee Company:** The maximum exposure (combining equity, debt, and other investments) from all investment assets (across life, general, reinsurance, and health business) must not exceed the lower of 10% of the insurer's total investment assets or a specific calculated aggregate amount based on the investee company's capital and reserves.
- **Promoter Group:** Aggregate investments in all companies belonging to the insurer's promoter group are capped at 5% of the insurer's total investment assets.
- **Industry Sector:** Investment in any single industrial sector (excluding "infrastructure facility" and "housing sector" which have specific rules) must not exceed 15% of investment assets. For the "Financial and Insurance Activities" sector (as per National Industrial Classification - NIC 2008), the limit is 30% of investment assets.
- **Partly Paid-up Shares:** For calculating exposure, the uncalled liability on partly paid-up shares must be added to the amount already invested.
- **Fixed Deposits (FDs) and Certificate of Deposits (CDs):** For General Insurers, investment in FDs and CDs must not exceed 15% of their total Investment Assets.
- **Additional Tier 1 (AT1) Bonds:** Insurers can invest in AT1 Bonds (Basel III Compliant Perpetual Bonds) provided they are rated not less than 'AA' at the time of investment. Specific limits apply (e.g., aggregate value held in a particular bank not exceeding 10% of that bank's total outstanding AT1 Bonds).
- **Sovereign Green Bonds (SGrBs):** Investments in SGrBs are explicitly classified as "Investment in Infrastructure."
- **Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs):**
 - **Units:** Investment limits (e.g., for general insurers, not exceeding 5% of Investment Assets), single REIT/InvIT limits (not exceeding 5% of units issued by a single trust), minimum 'AA' rating for approved status, and valuation rules (market value or latest NAV) apply. Investment is prohibited if the sponsor is from the insurer's promoter group.
 - **Debt Securities:** Specific rating ('AAA' for approved) and exposure limits (e.g., not exceeding 20% of outstanding debt instruments of a single trust) apply.

Investment Management & Governance

- **Investment Committee:** Mandatory constitution including a minimum of two non-executive directors, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief of Investment division, and the Appointed Actuary.
- **Investment Policy:** Each insurer must have a Board-approved Investment Policy. This policy must include a model code of conduct to prevent insider/personal trading by officers involved in investment operations, in compliance with SEBI regulations.
- **Investment Operations:** Strict segregation of Front, Mid, and Back Office functions is mandated, with no outsourcing of any core investment function. The primary data server for investment management must remain within India. Insurers must appoint a Custodian (who should not be an entity under its promoter group unless specifically permitted by IRDAI).
- **Risk Management Systems:** Implementation of IRDAI-mandated Investment Risk Management Systems and Processes is compulsory. This implementation must be certified by a Chartered Accountant (CA) firm, with a review conducted at least once every two financial years.
- **Audit and Reporting:** Internal/Concurrent Auditors are required to audit investment transactions covering both shareholders' and policyholders' funds on a quarterly basis, adhering to ICAI guidance notes. Their reports must be submitted to the Board's Audit Committee.

Reporting Norms

| Form No. | Title | Part(s) | Purpose / Contents | Frequency | Due Date |
|----------|---|-----------------|--|-----------|---------------------------------|
| Form 1 | Statement of Investment and Income on Investment | - | - Category-wise investment details- Book value, market value- Income earned (accrued & realized)- Annualized yield | Quarterly | Within 45 days from quarter end |
| Form 2 | Statement of Downgraded Investments & Rated Instruments | Part A, B, C | - Part A: Downgraded instruments with rating change details- Part B: Rated instruments' values- Part C: Industry-wise exposure | Quarterly | Same as above |
| Form 3B | Statement of Investment Assets (General Insurer) | Part A, B | - Part A: Investment classification (Approved/Other)- Part B: Allocation between policyholders' & shareholders' funds | Quarterly | Same as above |
| Form 4 | Exposure Norm Compliance Certificate & Internal Auditor's IRMS Status | Part A, B | - Part A: Self-certification of compliance with IRDAI investment exposure limits- Part B: Auditor's review of IRMS implementation status | Quarterly | Same as above |
| Form 4A | Statement of Investment Subject to Exposure Norms | Part A, B, C, D | - Part A: Exposure to single investee- Part B: Group exposure- Part C: Promoter group exposure- Part D: Industry-wise exposure | Quarterly | Same as above |
| Form 5 | Statement of Investment Reconciliation | - | Reconciliation among:- Books of account- Custodian records- Internal investment system | Quarterly | Same as above |
| Form 6 | Certificate under Section 27A(5) of Insurance Act, 1938 | - | Officer's certification on:- Investment pattern compliance- Prudential norms adherence | Quarterly | Same as above |
| Form 7 | Statement of Non-Performing Assets | - | - Details of overdue securities- Provisioning done- Action taken for recovery | Quarterly | Same as above |

For March quarter:

- **Provisional returns** are filed within **45 days**.
- **Audited returns** must be submitted within **15 days** of Board adoption of accounts.

Rating Agencies

- **Indian**

- CRISIL (Credit Rating Information Services of India Limited)
- ICRA Limited (formerly Investment Information and Credit Rating Agency of India)
- CARE Ratings (Credit Analysis and Research Limited)
- India Ratings and Research
- Infomerics Valuation and Rating Pvt. Ltd.

- **Global (Foreign)**

- S&P Global Ratings (Standard & Poor's)
- Moody's Investors Service
- Fitch Ratings
- DBRS Morningstar
- Scope Ratings

A blue pen with a silver-colored tip is positioned diagonally across the upper left portion of the image. The pen is resting on a document that features a bar chart with several blue bars of varying heights. The background is a light blue grid. A small orange rectangular mark is visible in the top left corner. A thin white horizontal line is located just above the text.

Accounting Ratios & Solvency

For Non-Life Insurers

Refer Annexure III(b) of the Master Circular 2024

- **Gross Direct Premium Growth Rate:** $(GDPI_CY - GDPI_PY) / GDPI_PY$ (in %)
- **Gross Direct Premium to Net Worth Ratio:** $GDPI / \text{Net Worth}$ (in times)
- **Net Retention Ratio:** $\text{Net Premium} / (\text{Gross Direct Premium Income} + \text{Reinsurance Accepted})$ (in %)
- **Net Commission Ratio:** $\text{Net Commission} / \text{Net Written Premium}$ (in %)
- **Expense of Management to Gross Direct Premium Ratio:** $(\text{Direct Commission} + \text{Operating Expenses}) / GDPI$ (in %)
- **Net Incurred Claims to Net Earned Premium:** $\text{Net Incurred Claims} / \text{Net Earned Premium}$ (in %)
- **Combined Ratio:** $(\text{Net Incurred Claims} + \text{Expenses of Management} + \text{Net Commission}) / \text{Net Written Premium}$ (in %)
- **Underwriting Balance Ratio:** $(\text{Underwriting Profit/Loss}) / \text{Net Earned Premium}$ (in times)
- **Operating Profit Ratio:** $(\text{Underwriting Profit/Loss} + \text{Investment Income}) / \text{Net Premium}$ (in %)
- **Liquid Assets to Liabilities Ratio:** $(\text{Cash \& Bank Balances} + \text{Short-term Investments \& Loans}) / \text{Policyholders Liabilities}$ (in times)
- **Net Earning Ratio:** $\text{Profit After Tax} / \text{Net Premium}$ (in %)
- **Return on Net Worth:** $PAT / \text{Net Worth}$ (in %)
- **Solvency Ratio:** $\text{Available Solvency Margin (ASM)} / \text{Required Solvency Margin (RSM)}$ (in times)

Solvency Margin

- **Solvency Ratio=Available Solvency Margin (ASM)/ Required Solvency Margin (RSM)**
- An insurer must maintain a control level of solvency margin, which is set at **150%** of the Required Solvency Margin. This means the solvency ratio must be at least **1.5** at all times
- **Available Solvency Margin (ASM) :**
 - **Excess in Policyholders' Funds:** This is calculated as the Available Assets minus current liabilities, provisions, and other liabilities.
 - **Excess in Shareholders' Funds:** This is calculated as the Available Assets in the Shareholders' Fund minus its other liabilities.
 - **Total ASM** is the sum of the excess in the Policyholders' funds and the excess in the Shareholders' funds.
- **Required Solvency Margin (RSM) :**
higher of two separate calculations:
 - **RSM based on Net Premiums (RSM 1):** This is calculated as 20% of the higher of Gross Premiums (multiplied by Factor A) and Net Written Premiums.
 - **RSM based on Net Incurred Claims (RSM 2):** This is calculated as 30% of the higher of Gross Incurred Claims (multiplied by Factor B) and Net Incurred Claims.

***The values for Factor A and Factor B are specified in the FORM IRDAI-GI-SM, Table IA of the regulations**

Valuation of Assets for Solvency Margin

The following assets are to be valued at zero:

- **Agents' and intermediaries' balances and outstanding premiums in India not realized within 30 days .**
- **Premium receivables from government-sponsored schemes not realized within 365 days .**
- **Unrealisable agents' and intermediaries' balances and outstanding premiums from outside India .**
- **Unrealisable sundry debts .**
- **Advances and receivables of an unrealisable nature .**
- **Loans and advances as specified in Schedule IV of the regulations .**
- **Furniture, fixtures, dead stock, and stationery .**
- **Deferred expenses .**
- **Any fictitious assets (excluding pre-paid expenses) and the debit balance of the Profit and Loss Appropriation Account .**
- **Co-insurer's balances outstanding for more than 90 days .**
- **Balances from Indian Reinsurers and Foreign Reinsurers with branches in India that are outstanding for more than 365 days**
- **Other reinsurer balances outstanding for more than 180 days .**
- **Leasehold improvements .**
- **Unutilized Goods and Services Tax (GST) credit outstanding for more than 120 days .**
- **75% of the 'Deferred Tax Asset', unless it arises from "Accumulated losses" .**
- **'Deferred Tax Asset' that arises from "Accumulated losses" .**
- **Investments representing unclaimed amounts and any income accrued or earned on them**

Treatment of Assets for Available Solvency Margin (ASM)

1. Depreciation on IT / Computer Software

- **Method:** Straight Line Basis
- **Rate:** Minimum 1/12 of Gross Value per quarter
- **Starts from:** Quarter of addition to Gross Block

2. Treatment of Hypothecated / Encumbered Assets

- If corresponding **liability is recognized** in books: Full value of asset & liability included in ASM
- If **liability not recognized**: Entire value of asset is **inadmissible** in ASM

3. Intangible Assets: Trademark / Trade Logo: Always **inadmissible** for solvency computation

4. Co-Insurance Receivable Balances: Unreconciled or Uncertified balances are **Not admissible** in ASM. Only reconciled and certified balances are allowed



Depreciation



Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. It represents the **reduction in value** of a tangible fixed asset due to wear and tear, obsolescence, passage of time, or usage.

- **Governing Frameworks:**
 - Companies Act, 2013 – Schedule II
 - Income Tax Act, 1961
 - AS 10 (Revised) / Ind AS 16
- **Methods of Depreciation:**

| Method | Description | Suitable For |
|--------------------------|------------------------------------|-----------------------------|
| Straight Line (SLM) | Equal charge every year | Assets with uniform utility |
| Written Down Value (WDV) | Higher depreciation in early years | Tech, Machinery |
| Units of Production | Based on usage | Mines, vehicles, machines |

➤ **Depreciation as per Companies Act, 2013 (Schedule II of Companies Act)**

- > Companies are required to compute depreciation based on useful life of assets.
- > Rates are not specified, but useful lives of different asset classes are.
- > Two methods allowed:

Straight Line Method (SLM)

Written Down Value Method (WDV)

- > Residual value shall not exceed 5% of the original cost.
- > E.g.: For Plant and Machinery, useful life = 15 years (unless company justifies otherwise).

➤ **Depreciation as per Income Tax Act, 1961**

- > Based on block of assets concept (grouped by nature and rate)
- > WDV method is mandatory
- > Rates are predefined, e.g.: Buildings (general): 10%, Plant & Machinery: 15%,
Computers: 40%
- > Additional depreciation (20%) available for new plant & machinery in certain cases.

➤ **Accounting Standard AS 10 (Revised) – Property, Plant and Equipment**

- > Applicable to companies not following Ind AS
- > Depreciation is charged on the depreciable amount (Cost – Residual Value)
- > Requires:
 - # Selection of depreciation method
 - # Regular review of residual value and useful life
 - # Disclosure in financial statements

➤ **Ind AS 16 – Property, Plant and Equipment**

- > Applicable for companies adopting **Ind AS**
- > Requires component accounting (significant parts depreciated separately)
- > Methods allowed:
 - # SLM
 - # WDV
 - # Units of Production Method
- > Requires:
 - # Reassessment of useful life and residual value **annually**
 - # Asset revaluation (if opted)

Taxation



Income Tax

- **Taxation Basis**

- General Insurance companies are governed by **Section 44** of the Income Tax Act, 1961
- Income is computed in accordance with **Rule 5 of the First Schedule** to the Income Tax Act. [Excludes sections like 28 to 43B (normal PGBP provisions) except as provided]

- **Computation of Taxable Income**

- Profit computation : Based on **IRDAI prescribed accounts** (Revenue Account & P&L)

First Schedule - Rule 5 (Key Clauses)

| Clause | Provision |
|--------|--|
| (a) | No deduction allowed for reserves (except for claims admitted but not paid) |
| (b) | Add back amounts carried to any reserve fund |
| (c) | Profits from sale of investments to be included in total income |
| (d) | Unrealised gains not taxable until realised |
| (e) | Depreciation not allowed (instead capital expenditure adjustments as per IRDA norms) |

Key Deductions/Disallowances

| Provision | Treatment |
|--------------------|---|
| Section 14A | Disallowance of expenditure related to exempt income |
| Section 40(a)(ia) | Disallowance of 30% of expenditure where TDS not deducted or paid |
| Section 37(1) | General deductions not allowed for general insurers |
| Section 43B | Not applicable unless allowed by Rule 5 |
| Section 36(1)(vii) | Bad debts write-off not deductible under general provisions |

Other Relevant Sections/Concepts

- **Section 145:** Method of accounting to be **mercantile**, but insurers follow IRDAI prescribed formats
 - **Section 2(24):** Income includes premiums received
 - **Section 10(15):** Exempt interest (e.g., on tax-free bonds)
 - **Section 10(23AAB):** Not applicable to general insurance; applies to pension funds by LIC etc.
 - **Section 197:** Lower / NIL TDS certificates for reinsurance/Brokers/surveyor etc.
- **Return Filing : Form ITR-6** required for companies (non-life insurance companies).
- **MAT (Minimum Alternate Tax) (Section 115JB)**
- For General Insurance Companies, MAT is **not applicable**, as per:
 - CBDT Circular No. 10/2016
 - Income is computed under special provisions (Section 44)

TDS Rates (As per Income Tax Act, 1961)

| Nature of Payment | Rate | Threshold Limit | Remarks |
|---|--|---|---|
| Interest (other than on securities) | 10% | ₹5,000 p.a. (₹50,000 for MACT claims) | u/s 194A |
| Contractors / Sub-contractors | 1% (Individual/HUF) 2% (Others) | ₹30,000 (single) or ₹1,00,000 (aggregate) | u/s 194C. Exempt: Transporters with ≤10 goods vehicles & valid PAN |
| Insurance Commission | 5% (Individual/HUF) 10% (Others) | ₹15,000 | u/s 194D |
| Commission or Brokerage | 5% | ₹15,000 | u/s 194H |
| Rent – Land & Building / Furniture | 10% | ₹2,40,000 | u/s 194I(a) |
| Rent – Plant & Machinery | 2% | ₹2,40,000 | u/s 194I(b) |
| Professional / Technical Services / Royalty | 2% (Tech. Services, Royalty for film) 10% (Others) | ₹30,000 | u/s 194J |
| Compensation on Acquisition of Immovable Property | 10% | ₹2,50,000 | u/s 194LA |
| Transfer of Immovable Property (Non-Agricultural) | 1% | ₹50,00,000 | u/s 194IA |
| E-commerce Operator to Seller | 1% | ₹5,00,000 | u/s 194O. No TDS if seller is Individual/HUF with turnover < ₹5 crore |
| Other Income – Non-resident | 31.2% (including cess) | N.A. | Includes surcharge + cess |

TDS: Important Provisions & Notes



No surcharge or education cess is added while deducting TDS (only basic rate applicable).



Section 206AA: If deductee does not furnish PAN, TDS is to be deducted @20% or applicable higher rate.



Section 206AB (TDS) & 206CCA (TCS) – Applicable from 01-Jul-2021:

Higher rate of TDS/TCS for **Specified Persons** (i.e., those who have not filed ITRs for the past year & aggregate TDS/TCS \geq ₹50,000).

Major Income tax disputes for general insurance companies

- **Disallowance of Incurred But Not Reported (IBNR) Claims:**

- **Issue:** IBNR is an actuarial estimate of claims incurred but not yet reported; claimed as deduction.
- **Dispute:** IT authorities treat it as unascertained liability and disallow under Section 37 or 43B.
- **Industry Stand:** IBNR is a scientific estimate and recognized under IRDAI norms.
- **Status:** Partially settled by courts in favour of insurers [e.g., M/s Cholamandalam MS General Insurance Co Ltd v. DCIT (Madras High Court), CIT v. Oriental Insurance Co. Ltd. (Delhi High Court)]

- **Taxation of Reinsurance Premiums Paid to Non-Residents:**

- **Issue:** Whether payments to foreign reinsurers attract withholding tax (TDS) under Section 195.
- **Dispute:** AO demands TDS on gross premium paid, treating it as income accrued in India.
- **Industry Stand:** If reinsurer has no PE in India, no tax is deductible under DTAA.
- **Status:** Partially settled by courts in favour of insurers [e.g., ACIT, Chennai v. M/s. United India Insurance Co. Ltd., Chennai (ITAT Chennai)]

- **Disallowance under Section 14A (Expenditure relating to exempt income):**

- **Issue:** General insurers invest in tax-free bonds or exempt securities.
- **Dispute:** AO disallows part of admin/interest expenses under Section 14A read with Rule 8D.
- **Industry Stand:** Business model requires investments to back liabilities. Section 44 overrides Section 14A in insurance cases.
- **Status:** Partially settled by courts in favour of insurers (e.g., United India Insurance Co. Ltd. vs. ACIT).

Goods & Services Tax (GST)

- GST Act passed: **29 March 2017**, implemented from **1 July 2017**
- Replaced major indirect taxes: Excise, VAT, **Service Tax**
- Destination-based, multi-stage, value-added tax
- **Dual GST model** – Shared by Centre & States
- Tax Structure under GST:
 - Intra-State - CGST + SGST
 - Inter-State – IGST (IGST apportioned to destination State)

Taxes Subsumed in GST

| Central Taxes | State Taxes |
|---|-------------------|
| Central Excise Duty | VAT / Sales Tax |
| Service Tax | Luxury Tax |
| CVD, SAD | Entertainment Tax |
| Central surcharges & cesses (on goods/services) | Purchase Tax |

➤ **Taxes Outside GST:** Basic Customs Duty, Alcohol, Real Estate, Electricity

GST : Concepts

- **Supply** = all forms: sale, lease, Transfer, barter, license, disposal
- **Composite Supply**: Naturally bundled, taxed as Principal Supply (**E.g.** - Flight with baggage, Hotel stay + breakfast, Rent + maintenance charges)
- **Mixed Supply**: Artificial bundle, taxed at highest rate (**E.g.** - Diwali gift box of chocolates (18%), dry fruits (12%), juice (5%))
 - Entire supply taxed at highest rate – 18%
- **Zero-Rated Supplies**:
 - Section 16, IGST Act
 - Export of Service
 - Policies issued to SEZ

GST Rates for General Insurance

- For all general insurance policies/products – 18%
- Except:

| GST Rate | Item |
|-------------------|---|
| 5% | TP Premium of Goods Carrying Commercial Vehicle |
| 0% (Zero Rated) | Policy issued to SEZ Unit/Developer, Export of Service (Foreign Inward Reinsurance) |
| Exempted from GST | Policies mentioned in S.No 3, 35 and 36D of Notification 12/2017 of Central Tax. E.g. - Individual Health Insurance, Individual PA Insurance, Hut Insurance, Crop Insurance (PMFBY), JPA, Student Safety, Agricultural Pump Set, Cattle Insurance (Scheme), PMSBY. Policies issued to Central/State Govt., Local Authorities. |

GST Liability (General insurance specific)

- **Forward Charge Mechanism (FCM):** Supplier of goods or services is liable to collect and pay GST to the government. E.g.
 - Insurance Premium
 - Transfer/Duplicate Fee
 - Rent received
 - Sale of Scrap
- **Reverse Charge Mechanism (RCM):** Recipient of goods or services is liable to pay GST directly to the government instead of the supplier. E.g.
 - Individual agent commission
 - Legal fees paid to advocate (For TP Claims and others)
 - Fee paid to Overseas settling agents (For Marine claims)
 - Rent paid (company lease)

GST Liability Contd.

- **Tax Invoice:** A Tax Invoice is a document issued by a registered supplier to the recipient when making a taxable supply of goods or services. E.g.- Invoice issued with policy/renewal document.
- **Debit Note (Section 34(3)):** When the taxable value or GST charged **increases** after issuing the original tax invoice. E.g.- Endorsement for addition of members in GMC/GPA, Endorsement for Increase in sum insured, Endorsement for extension of policy period.
- **Credit Note (Section 34(1)):** When Goods/services **returned** or Taxable value/GST is **reduced**. E.g.- Policy cancellation, Endorsement for deletion of members in GMC/GPA, Endorsement for reduction in sum insured, Endorsement for refund of unutilized sum insured (Fire/Marine)

GST : Input Tax Credit (ITC)

- **Section 16 (Conditions for ITC):** Tax must be paid, invoice in company name, supplier must file returns.
- **Major Input Heads in General Insurance:** Reinsurance premium paid, Motor OD Claims, Brokerage, TPA Charges (Group Policies), Survey Fees.

GST TDS (Section 51), CGST Act

- GST Tax Deducted at Source (TDS) means deduction of tax at the time of making payment to a supplier, by certain notified recipients.
- **Deductor:** Notified Government Departments, PSUs, Local Authorities, Boards, etc.
- **Deductee:** Any supplier (registered under GST) except deductor.
- **Threshold:** Contract value exceeds ₹2.5 lakhs (excluding GST)
- **Rate:** IGST (2%), CGST(1%)/SGST(1%)

Major GST Returns (PSGIC Specific)

| Return | Filed By | Purpose | Due Date |
|----------------|---|--|---|
| GSTR-1 | All regular registered persons | Outward supplies (sales) of goods/services | 11th of next month |
| GSTR-2B | Auto-generated for recipient | Static ITC Statement (used for claiming ITC) | View only (no filing) After 14th of next month |
| GSTR-3B | All regular registered persons | Summary return: sales, ITC, tax liability & payment | 20th of next month |
| GSTR-6 | All ISD registered persons | Input Service Distribution (Head Office Expenses) | 13th of next month |
| GSTR-7 | TDS deductors (e.g., PSU, Govt Depts) | Statement of TDS deducted | 10th of next month |
| GSTR-9 | Regular taxpayers (annual turnover > ₹2 Cr) | Annual return – summary of all transactions | 31st December of next FY |

Input Service Distributor (ISD) – Section 20, CGST Act

- **Definition:** An Input Service Distributor (ISD) is an office of the supplier of goods or services which receives invoices for input services and distributes the input tax credit (ITC) to its branches or units having the same PAN.
- **When is ISD Used:**
 - **Head Office (HO)** receives common input service invoices (e.g. reinsurance premium ceded, audit fees, software license)
 - These services benefit multiple branches or offices.
 - The HO cannot utilize ITC directly, but distributes it to the appropriate branches using the ISD mechanism
- **Legal Provisions:**
 - Company must Have a separate ISD GSTIN (Even if already registered under GST as a normal taxpayer)
 - Distribute only input services - No distribution of ITC on goods or capital goods
 - Issue ISD Invoice- For distribution of ITC
 - File Return – GSTR-6- Monthly, by 13th of the next month

Important GST Council Decision (General Insurance)

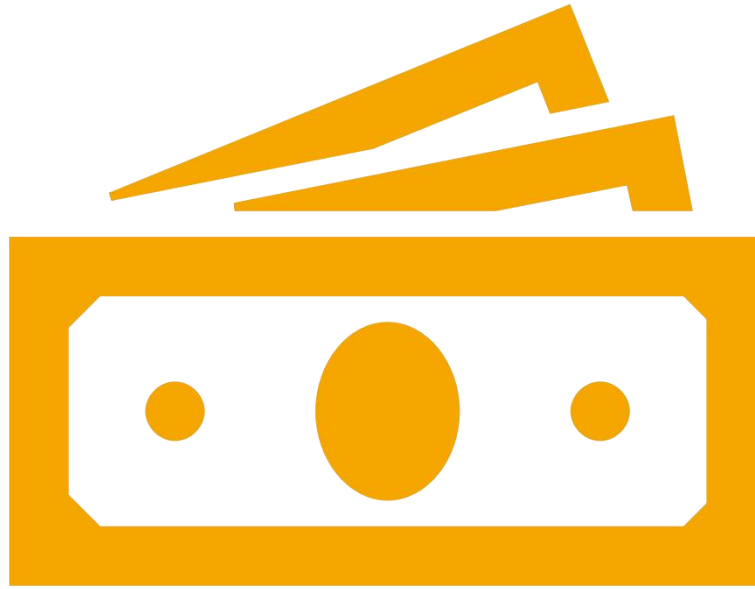
53rd GST Council Meeting (22 June 2024) : GST Circular No. 244/01/2025-GST (28 Jan 2025) Issued under Section 168(1) of CGST Act

- **Co-Insurance Premium Apportionment – Not a Supply**
 - Sharing of co-insurance premium by lead insurer to co-insurers is NOT treated as supply (of goods or services) under GST provided that the lead insurer pays GST on the entire premium amount collected from the insured.
 - This clarification is now added to Schedule III of CGST Act *"Activities neither a supply of goods nor a supply of services."*
 - **Impact:** No need for GST invoice between Insured and follower company. GST already paid once by lead insurer covers entire transaction. Simplifies compliance for co-insurance arrangements.
- **Reinsurance Commission received – Not a Supply**
 - The ceding commission deducted by insurer from reinsurance premium is not a supply, provided that the reinsurer pays GST on the gross reinsurance premium, inclusive of the commission amount.
 - **Impact:** No separate GST required on commission retained by insurer. Reduces double taxation and clarifies credit eligibility.
- **Regularization for Past Periods (01.07.2017 to 31.10.2024)**
 - Any GST already paid or not paid on these transactions is now regularized on an "as-is-where-is" basis
 - No further demand or refund adjustment required for the transitional period

Important GST Council Decision (General Insurance)

56th GST Council Meeting (3rd Sept 2025) : Notification No. 16 /2025-Central Tax (Rate) (17 Sept 2025)

- **Individual Health and Individual PA Insurance Policies: – Exempted**
 - Complete exemption of the Goods and Services Tax (GST) on all individual health and individual PA insurance policies from **September 22, 2025**. The GST exemption also extends to the reinsurance of these individual health policies. GST of 18% was levied on individual health insurance premiums.
 - **Impact:** Lower premium payments for individuals and families, thereby encouraging more people to seek insurance coverage.
- **Goods Carrying Commercial Vehicles – Reduced to 5% from 12%**



Reinsurance Accounts



Key Accounts Involved

| Account Name | Nature | Details |
|------------------------------------|-----------|-----------------------------------|
| Reinsurance Ceded | Expense | Premium paid to reinsurer |
| Reinsurance Accepted | Income | Premium received as reinsurer |
| Commission on Reinsurance Ceded | Income | Commission Income from reinsurer |
| Commission on Reinsurance Accepted | Expense | Commission paid to ceding insurer |
| Claims Recoverable from Reinsurers | Asset | Amount recoverable from reinsurer |
| Premium Payable to reinsures | Liability | Amount payable to reinsurer |

Commissions

| Type | Formula | Purpose |
|------------------------------|---|--|
| Ceding Commission | $= \% \text{ (as per treaty)} \times \text{Reinsurance Premium Ceded}$ | To cover acquisition expenses by the ceding company. |
| Profit Commission | $= \% \text{ (as per treaty)} \times \text{Profit}$ $*\text{Profit} = \text{Premium} - \text{Claims} - \text{Ceding Commission}$ | Additional commission if reinsurer earns profit on the business. |
| Overriding Commission | | Extra incentive to ceding company (sometimes for fronting). |

Bank Reconciliation Statement (BRS)

It is a document prepared by company to reconcile the difference between the bank balance shown in the cash book (company's records) and the balance shown in the bank Statement (bank's records) on a given date

- **Common Reasons for Differences:**

- Cheques issued but not yet presented
- Cheques deposited but not yet cleared
- Bank charges not recorded in cash book
- Interest credited by bank not recorded in cash book
- Direct deposits by customers into bank
- Errors in cash book or statement

- **Importance of BRS:**

- Detects errors and frauds
- Ensures accurate cash and bank records
- Helps maintain internal financial control
- Mandatory for audit and compliance

The background of the slide features a dark, textured surface with large, colorful numbers 1 through 9 and 0 scattered across it. Each number has a distinct color and a fine, grid-like texture. The numbers are arranged in a non-linear fashion, with some overlapping. A solid orange horizontal bar is positioned at the bottom of the slide.

General Abbreviations

| Abbreviation | Full Form |
|---------------------|--|
| IRDAI | Insurance Regulatory and Development Authority of India |
| IBNR | Incurred But Not Reported |
| IBNER | Incurred But Not Enough Reported |
| PDR | Premium Deficiency Reserve |
| URR | Unexpired Risk Reserve |
| ASM | Available Solvency Margin |
| RSM | Required Solvency Margin |
| FVTPL | Fair Value Through P&L |
| FVOCI | Fair Value Through Other Comprehensive Income |
| SEBI | Securities and Exchange Board of India |
| NEFT | National Electronic Fund Transfer |
| RTGS | Real Time Gross Settlement |
| AUM | Assets Under Management |
| NAV | Net Asset Value |
| MBS | Mortgage-Backed Securities |

| Abbreviation | Full Form |
|---------------------|---|
| ABS | Asset-Backed Securities |
| IFRS | International Financial Reporting Standards |
| GAAP | Generally Accepted Accounting Principles |
| IASB | International Accounting Standards Board |
| YTM | Yield to Maturity |
| ALM | Asset Liability Management |
| FRB | Foreign Reinsurance Branch |
| D-SII | Domestic Systemically Important Insurer |
| ROI | Return on Investment |
| DDT | Dividend Distribution Tax |
| EBITDA | Earnings Before Interest, Taxes, Depreciation and Amortization |
| HSN | Harmonized System of Nomenclature |
| SAC | Services Accounting Code |
| DTAA | Double Taxation Avoidance Agreement |
| ICAI | Institute of Chartered Accountants of India |

| Abbreviation | Full Form |
|---------------------|---|
| FDI | Foreign Direct Investment |
| FCRA | Foreign Contribution Regulation Act |
| KYC | Know Your Customer |
| UPI | Unified Payments Interface |
| ECS | Electronic Clearing Service |
| IFSC | Indian Financial System Code |
| MICR | Magnetic Ink Character Recognition |
| UIN | Unique Identification Number |
| TAT | Turnaround Time |
| RCM | Reverse Charge Mechanism |
| FATCA | Foreign Account Tax Compliance Act |
| NBFC | Non-Banking Financial Company |
| SARFAESI | Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act |
| MIS | Management Information System |
| API | Application Programming Interface |



Sample Questions (MCQs)



1. Which schedule of the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024 governs the finance function for general insurers?

- a) Schedule I**
- b) Schedule II**
- c) Schedule III**
- d) Schedule IV**

2. Which form is used to present the Revenue Account of a general insurer?

- a) Form B-PL**
- b) Form B-BS**
- c) Form B-RA**
- d) Form B-FA**

3. Receipts and Payments Account must be prepared using which method as per AS 3?

- a) Indirect Method**
- b) Adjusted Method**
- c) Accrual Method**
- d) Direct Method**

4. Premium for long-term insurance products is recognized as:

- a) Lump sum in the first year**
- b) $1/n$ of total premium annually**
- c) Entire premium in the last year**
- d) Based on risk coverage only**

5. Unearned Premium Reserve (UPR) for Marine Hull is calculated as:

- a) 50% of Net Written Premium**
- b) 100% of Net Written Premium**
- c) Based on expired risk period**
- d) 25% of Gross Premium**

6. Which AS is *not applicable* to general insurance companies?

- a) AS 3**
- b) AS 13**
- c) AS 17**
- d) AS 10**

7. Ind AS 117, once notified, will replace which standard?

- a) Ind AS 104**
- b) AS 1**
- c) AS 10**
- d) Ind AS 18**

8. Under Ind AS, discounting of claim liabilities is required for:

- a) All policies**
- b) Short-term policies**
- c) Long-term policies**
- d) Marine Hull only**

9. Which accounting standard deals with segment reporting?

- a) AS 5**
- b) AS 3**
- c) AS 17**
- d) AS 9**

10. Investments in promoter group companies are capped at:

- a) 10%**
- b) 7%**
- c) 5%**
- d) 15%**

11. Sovereign Green Bonds (SGrBs) are categorized under:

- a) Real Estate**
- b) Infrastructure**
- c) Corporate Debt**
- d) Short-term**

12. Who audits the investment functions on a quarterly basis?

- a) IRDAI team**
- b) Statutory Auditor**
- c) Internal/Concurrent Auditor**
- d) RBI**

13. Solvency ratio must be at least:

- a) 1.0**
- b) 1.25**
- c) 1.5**
- d) 2.0**

14. What is the depreciation rate for IT software per quarter?

- a) 1/10**
- b) 1/8**
- c) 1/12**
- d) 1/6**

15. Combined ratio formula includes all except:

- a) Net commission**
- b) Net incurred claims**
- c) Operating profit**
- d) Management expenses**

16. Net Retention Ratio is calculated using:

- a) Net Claims / Net Premium**
- b) Net Premium / (GDPI + Reinsurance Accepted)**
- c) GDPI / Net Worth**
- d) PAT / Net Worth**



17. General insurance companies are taxed under:

- a) Section 43B
- b) Section 10(23C)
- c) Section 44
- d) Section 115JB



18. Which section disallows expenditure related to exempt income?

- a) Section 14A
- b) Section 44
- c) Section 145
- d) Section 197



19. Which tax form is applicable to general insurers for return filing?

- a) ITR-2
- b) ITR-4
- c) ITR-6
- d) ITR-5



20. Disputes under Section 37/43B are related to:

- a) Investment tax
- b) IBNR claim provisioning
- c) GST ITC
- d) Audit



21. WDV method of Depreciation is mandatory under which Act?

- a) Companies Act
- b) GST Act
- c) Income Tax Act
- d) IRDAI Regulations



22. Residual value as per Companies Act cannot exceed:

- a) 10%
- b) 15%
- c) 5%
- d) 25%



23. Depreciation is charged on:

- a) Market Value
- b) Original Cost
- c) Depreciable amount (Cost – Residual Value)
- d) Written Down Value only



24. Which of the following is a mixed supply?

- a) Flight ticket with meal
- b) Diwali gift box of chocolates and dry fruits
- c) Hotel room with breakfast
- d) SEZ Policy



25. Who pays GST for TP legal fees?

- a) Client
- b) Insurance company
- c) Advocate
- d) Surveyor



26. Reinsurance Commission retained by insurer is treated as:

- a) Supply
- b) Rebate
- c) Not a supply
- d) Export



27. What is the GST TDS rate under Section 51?

- a) 5%
- b) 2%
- c) 18%
- d) 12%



28. For BRS, a common reconciling item is:

- a) Depreciation
- b) ITC mismatch
- c) Cheque issued but not presented
- d) Tax under DTAA

29. What is the role of Input Service Distributor (ISD)?

- a) Manage reinsurance**
- b) Issue audit reports**
- c) Distribute common ITC**
- d) File GSTR-1**

30. ISD return (GSTR-6) must be filed by:

- a) 10th of Next Month**
- b) 13th of Next Month**
- c) 15th of Next Month**
- d) 20th of Next Month**

31. Who certifies the solvency margin estimation basis?

- a) CFO**
- b) Appointed Actuary**
- c) Auditor**
- d) IRDAI**

32. Main objective of Bank Reconciliation Statement (BRS):

- a) Assess profitability**
- b) Match physical stock**
- c) Reconcile bank and cashbook balance**
- d) Record investments**



33. Unrealized gain on equity is credited to:

- a) Revaluation Reserve
- b) Fair Value Change Account
- c) Revenue Account
- d) P&L Account



34. Investment in REITs for general insurers is capped at:

- a) 2%
- b) 10%
- c) 5%
- d) No limit



35. Which of the following is not classified as Investment Asset?

- a) Revaluation Reserve
- b) Share Capital
- c) Policyholders' Fund
- d) Reserves



36. Credit rating agency not from India:

- a) CRISIL
- b) ICRA
- c) Moody's
- d) CARE

37. PDR in insurance is related to:

- a) Premium Due Receivable**
- b) Premium Deficiency Reserve**
- c) Personal Damage Reserve**
- d) Pre-Deducted Revenue**

38. FVOCI is used in financial statements to denote:

- a) Financial Value of Operational Cost Inputs**
- b) Fair Value Through Other Comprehensive Income**
- c) Final Value on Cash Investments**
- d) Fair Value of Overdue Claims Insurance**

39. NEFT stands for:

- a) National Electronic Financial Tracking**
- b) National Electronic Fund Transfer**
- c) Net Electronic Fund Transfer**
- d) Non-Equity Financial Transaction**

40. IFRS are issued by:

- a) RBI**
- b) ICAI**
- c) IASB**
- d) IRDAI**

Answer Key

| | | | |
|-------------------------------------|--|--|--|
| 1. b) Schedule II | 11. b) Infrastructure | 21. c) Income Tax Act | 31. b) Appointed Actuary |
| 2. c) Form B-RA | 12. c) Internal/Concurrent Auditor | 22. c) 5% | 32. c) Reconcile bank and cashbook balance |
| 3. d) Direct Method | 13. c) 1.5 | 23. c) Depreciable amount (Cost – Residual Value) | 33. b) Fair Value Change Account |
| 4. b) 1/n of total premium annually | 14. c) 1/12 | 24. b) Diwali gift box of chocolate and dry fruits | 34. c) 5% |
| 5. b) 100% of Net Written Premium | 15. c) Operating profit | 25. b) Insurance Company | 35. a) Revaluation Reserve |
| 6. b) AS 13 | 16. b) Net Premium / (GDPI + Reinsurance Accepted) | 26. c) Not a supply | 36. c) Moody's |
| 7. a) Ind AS 104 | 17. c) Section 44 | 27. b) 2% | 37. b) Premium Deficiency Reserve |
| 8. c) Long-term policies | 18. a) Section 14A | 28. c) Cheque issued but not presented | 38. b) Fair Value Through Other Comprehensive Income |
| 9. c) AS 17 | 19. c) ITR-6 | 29. c) Distribute common ITC | 39. b) National Electronic Fund Transfer |
| 10. c) 5% | 20. b) IBNR claim provisioning | 30. b) 13th | 40. c) IASB |



Thank You

sachink@uiic.co.in

+91-9894296350