बीमा समिति
BEEMA SAMITI
Insurance Regulatory Authority of Nepal

जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन सम्बन्धी निर्देशिका, २०७७

भाद्र, २०७७

कुपण्डोल, ललितपुर।

जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन सम्बन्धी निर्देशिका, २०७७

बीमा ऐन, २०४९ को दफा ८ (घ२) ले दिएको अधिकार प्रयोग गरी बीमितको हित रक्षाको निम्ति आवश्यक आधार तर्जुमा गर्ने प्रयोजनका लागि बीमा समितिले देहायको "जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन सम्बन्धी निर्देशिका, २०७७" जारी गरेको छ।

१. **संक्षिप्त नाम र प्रारम्भ** : (१) यस निर्देशिकाको नाम "जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन सम्बन्धी निर्देशिका,२०७७" रहेको छ।

(२) यो निर्देशिका तुरून्त लागु हुनेछ।

२. **परिभाषा** : बिषय वा प्रसङ्गले अन्यथा अर्थ नलागेमा यस निर्देशिकामा –

(१) "बीमक" भन्नाले जीवन बीमा व्यवसाय गर्ने बीमक सम्झनु पर्दछ।

(२) "बीमाङ्की" भन्नाले बीमा नियमावली, २०४९ को नियम ३५ बमोजिमको योग्यता भएको बीमाङ्की सम्झनु पर्दछ।

३. **बीमाङ्कीको नियुक्ति**: (१) बीमकले बीमाङ्कीय मूल्याङ्कन गर्नका लागि बीमा नियमावली, २०४९ को नियम ३५ बमोजिमको योग्यता भएको व्यक्तिलाई बीमाङ्की नियुक्त गर्नुपर्नेछ।

(२) जीवन बीमातर्फ अनुभव भएका बीमाङ्कीलाई मात्र बीमकले बीमाङ्की नियुक्त गर्नु पर्नेछ।

(३) बीमकले आफ्नो बीमाङ्कीय मूल्याङ्कन गर्नका लागि उप-दफा (१) र (२) बमोजिम नियुक्त गर्न चाहेको बीमाङ्कीको शैक्षिक योग्यता खुल्ने प्रमाणपत्र र व्यक्तिगत विवरण सहित समितिको पूर्व स्वीकृतिको लागि पेश गर्नुपर्नेछ।

(४) नेपालमा दर्ता भएको एउटा बीमकको बीमाङ्की भई कार्य गरिरहेको बीमाङ्कीलाई अर्को बीमकको बीमाङ्की नियुक्त गरिने छैन।

(५) बीमाङ्की सम्बन्धी अन्य व्यवस्था अनुसूची -२ बमोजिम हुनेछ।

४. **<u>बीमाङ्कीय मूल्यांकन प्रतिवेदन पेश गर्नुपर्ने</u>**: (१) बीमकले प्रत्येक आर्थिक वर्ष समाप्त भएको पाँच महिना भित्र अनुसूची –६ बमोजिमको ढाँचामा बीमाङ्कीय मूल्यांकन प्रतिवेदन पेश गरी सक्नु पर्नेछ।

(२) बीमाङ्कीय मूल्यांकन गर्दा गणितीय कोष (Mathematical Reserve) निर्धारण कुल बीमाशुल्क बिधि (Gross premium method) प्रयोग गरी गर्नुपर्नेछ।

(३) बीमाङ्कीय मूल्याङ्कन गर्दा वास्तविक बचत (Actual yield) वा ६ प्रतिशत ब्याजदर मध्ये जुन कम हुन्छ, सोहि दरमा गर्नु पर्नेछ।

(४) बीमाङ्कीय मूल्यांकन प्रतिवेदनमा निम्न तथ्यहरु खुलेको/संलग्न रहेको हुनु पर्नेछ:-

(क) बीमाङ्कीय मूल्याङ्कन प्रतिवेदनमा समावेश गरिएका तथ्याङ्कको शुद्धता तथा पर्याप्तता सम्बन्धमा बीमकको संचालक समितिको उद्घोषण सहितकोनिर्णयको प्रतिलिपि।

(ख) बीमाङ्कीको प्रतिवेदनले गरेको सिफारिस बमोजिम बीमकले कायम गर्न चाहेको बोनस दर र अन्य व्यवस्थाहरु सम्बन्धमा बीमकको संचालक समितिको निर्णयको प्रतिलिपि।

(ग) बीमाङ्कीय मूल्याङ्कन प्रतिवेदनमा समावेश गरिएका तथ्याङ्कको शुद्धता तथा पर्याप्तता सम्बन्धमा बीमाङ्कीको उद्घोषण।

५. **<u>बचतको बाँडफाँड</u>**: (१) बीमकले अनुसूची –३ बमोजिम बीमाकोष व्यवस्थापन तथा बचतको हिसाब र बाँडफाँड गर्नु पर्नेछ।

(२) बीमाङ्कीय मूल्यांकन प्रतिवेदन बमोजिम जीवन बीमा व्यवसायमा भएको बचतको घटिमा नब्बे प्रतिशत (९०%) रकम बीमालेख लिनेको कोष (Policyholders' fund) मा सार्नु पर्नेछ।

(३) दफा ४ बमोजिम समितिमा पेश हुन आएको बीमाङ्कीय मूल्यांकन प्रतिवेदनको आधारमा आवश्यक परेमा समितिले शेयरधनीकोष (Shareholders' fund) बाट बीमालेख लिनेको कोष (Policyholders' fund) मा रकम सार्न तथा अन्य आवश्यक निर्देशन दिन सक्नेछ।

(४) उप-दफा (१) बमोजिम बीमालेख लिनेको कोषमा सारिएको रकम शेयरधनी कोषमा फिर्ता लान पाइने छैन।

६. **बोनस सम्बन्धी व्यवस्था**: (१) बीमा नियमावली, २०४९ को नियम ३६ बमोजिम समितिबाट स्वीकृत बीमाङ्कीय मूल्यांकन प्रतिवेदन अनुसार बीमितलाई प्रदान गरिने बोनस दर मूल्याङ्कन अवधिको शुरु मिति देखि नै लागू गर्नुपर्ने छ।

(२) बीमा समितिबाट अर्को बोनस दर स्वीकृत नभएसम्म उप-दफा (१) बमोजिम बीमकले बीमालेख लिनेलाई प्रदान गर्ने बोनस दरलाई नै अन्तरिम बोनस दर (Interim bonus) कायम गर्नु पर्नेछ।

(३) बीमा नियमावली, २०४९ को नियम ३६ बमोजिम समितिबाट स्वीकृत भएको बीमाङ्कीय मूल्याङ्कन प्रतिवेदनका व्यवस्थाहरु (Provisions) सोही आर्थिक वर्षको वित्तिय विवरणमा देखाउनु पर्नेछ।

७. **मूल्याङ्कन कार्यबिधि**: (१) जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन सम्बन्धमा बीमाङ्कीले अवलम्बन गर्नुपर्ने सामान्य नियमहरु अनुसूची (१) बमोजिम हुनेछ।

(२) जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन गर्ने बीमाङ्कीको परिभाषा, काम, कर्तव्य र अधिकार अनुसूची (२) बमोजिम हुनेछ।

(३) जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन गर्दा बीमाकोष व्यवस्थापन सम्बन्धी व्यवस्था अनुसूची (३) बमोजिम हुनेछ।

(४) जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन सम्बन्धी व्यवस्थाहरु अनुसूची (४) बमोजिम हुनेछ।

(५) जीवन बीमा व्यवसाय गर्ने बीमकको सोल्भेन्सी मार्जिन सम्बन्धी व्यवस्था अनुसूची (५) बमोजिम हुनेछ।

(६) जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन गरी बीमाङ्कीले पेश गर्नुपर्ने मूल्यांकन प्रतिवेदनको ढाँचा अनुसूची (६) बमोजिम हुनेछ।

(७) जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन प्रतिवेदनको टिप्पणी तयार गर्ने मार्गदर्शन अनुसूची (७) बमोजिम हुनेछ।

८. **खारेजी र बचाउ**: (१) जीवन बीमा व्यवसाय गर्ने बीमकको बीमाङ्कीय मूल्याङ्कन सम्बन्धी निर्देशिका, २०७६ तथा सोल्भेन्सी मार्जिन निर्देशिका, २०७० खारेज गरिएको छ ।

(२) उपदफा (१) बमोजिम खारेज गरिएका निर्देशिकाहरु बमोजिम भए गरेका काम कारवाही यसै निर्देशिका बमोजिम भए गरेको मानिनेछ।

अनुसूची-१
सामान्य नियम
(निर्देशिकाको दफा ७(१) संग सम्बन्धित)

ANNEXURE I
General Rules

1. Every life insurer shall conduct investigations into its financial affairs at the end of each fiscal year or at any time specified by Beema Samiti, including valuation of its assets and liabilities; and prepare an actuarial valuation report ("Report") in accordance with procedures prescribed in Annexure VI. Such investigations shall be determined by the insurer's Appointed Actuary.

   The Appointed Actuary shall perform the following duties in respect of such investigations:

   a) **Determination of Reserves:** the reserves so determined by the Appointed Actuary are adequate to meet all liabilities (including contingent) in respect of insurer's policies on its books;
   b) **Determination of Surplus:** the surplus so determined by the Appointed Actuary, shall be distributed to the policyholders and shareholders as prescribed by this Directive.

2. The Report prepared under Rule 1 (including soft copy and excel sheets) shall be submitted to Beema Samiti within five months from the end of each fiscal year. Beema Samiti shall have power to call for any additional information and documents relating to the actuarial valuation.

3. A Valuation Note prepared by the Appointed Actuary as prescribed in Annexure VII and counter-signed by the Principal Officer shall be appended to the Report required by Rule 2.

4. Beema Samiti shall take necessary actions against any insurer that fails to submit the Report under these Rules within the time period referred in Rule 2.

अनुसूची-२

बीमाङ्कीको परिभाषा काम कर्तब्य र अधिकार

(निर्देशिकाको दफा ७(२) संग सम्बन्धित)

ANNEXURE - II

Definition, Rights and Duties of Appointed Actuary

1. Actuary means a fellow member of any of the following actuarial professional bodies: -

   a) Institute and Faculty of Actuaries, UK
   b) Institute of Actuaries of India
   c) Society of Actuaries, USA
   d) Canadian Institute of Actuaries
   e) Institute of Actuaries of Australia
   f) Worldwide recognized other professional bodies of actuaries.

2. Actuary shall submit all of the required documents to Beema Samiti in his/her professional capacity.

3. Actuary shall disclose his/her certificate of membership, Certificate of Practice (COP) / Continuous Professional Development (CPD) credits and a declaration that he/she is not disqualified on the grounds mentioned under (6) below.

4. Appointed Actuary shall carry out the functions of only one insurer in Nepal.

5. Appointed Actuary shall have a post-fellowship experience of at least two years in life insurance business.

6. Disqualifications:

   An actuary shall be disqualified if he/she-

   a) Is held guilty by, or disciplinary action is pending in, any professional body / court / any public authority;
   b) Is above the age of 75 years;
   c) Has not renewed the membership of the concerned professional body;
   d) Is not mentally sound.

7. Key duties of Appointed Actuary for the purpose of actuarial valuation:

a) The Actuary must pay due regard to generally accepted actuarial best practice. Where a materially different practice is adopted from one which is a non-mandatory generally accepted best practice, the Actuary should record the reasons for the practice actually adopted.

b) The Actuary shall ensure that all the requisite records have been made available to him or her for the purpose of conducting actuarial valuation of liabilities and assets of the insurer, and that she/he has carefully examined them.

c) The Actuary shall recommend transfer of share of surplus arising in life fund for the year ended at the valuation date to shareholders only when the insurer has met the requirement of Required Solvency Margin.

d) The Actuary shall carry out the actuarial valuation and any specified actuarial investigations in accordance with this Directive and relevant regulations prescribed by Beema Samiti.

e) The Actuary shall confirm financial soundness of the insurer.

f) The Actuary shall advice and make recommendations to the insurer to improve the financial situation, if he or she believes that the insurer is unable to meet the liabilities to policyholders as they fall due, either as a result of insufficient financial resources or other reasons.

g) The Actuary shall identify, assess, manage and monitor all material risks that can have detrimental impact on the solvency of the insurer.

h) If the Actuary considers that the insurer's reinsurance arrangements are inappropriate or inadequate he or she shall advice the insurer on necessary modifications.

i) The Actuary shall judge and decide whether the investment policies/practices pursued by the insurer is appropriate having regard to the nature and term of the insurer's liabilities, the investment available and the Investment Directive. If this is not the case, the Actuary shall advice the insurer of the constraints on investment policy.

j) The Actuary shall ensure that the premium rates being charged for new business, and for existing business are fair, taking into account the other resources of the insurer. In particular, they should be sufficient to enable the insurer in due course to meet its emerging commitments under the policies.

k) The Actuary shall ensure that the nature and timing of allocations of profits to policyholders and/ or shareholders are in accordance with this Directive.

अनुसूची-३

बीमाकोष व्यवस्थापन

(निर्देशिकाको दफा ७(३) संग सम्बन्धित)

ANNEXURE - III

Maintenance of Funds

1. Maintenance of Fund

A life insurer shall maintain the following funds:

a) **Life fund:** This fund contains the premium received from policyholders, income from investments, and any other permissible income. The payments out of the fund shall consist of payments to policyholders on occurrence of events as specified in the contracts, and other payments for the maintenance of life insurance business including transfer of surplus as per No. 2. The term policyholders' fund shall be used interchangeably with Life fund.

b) **Shareholders' fund:** It consists of share capital, reserve and surplus, catastrophic reserve and compulsory reserve fund. Distribution to shareholders shall be made out of this fund. Further, transfer to compulsory reserve fund shall also be made out of this fund.

c) **Compulsory Reserve fund:** This fund contains the transfers of amount from the shareholders' fund exclusively for maintenance of solvency margin, ex-gratia payments to policyholders. All such payments from this fund shall be subject to approval of Beema Samiti.

2. Payments to policyholders and shareholders out of surplus

a) Life insurers shall maintain the following two separate accounts in respect of its Life fund:

(i) Participating Policies Account

(ii) Non-Participating Policies Account.

b) Life fund shall be maintained separately for each key product line of the insurer's business for the accounts mentioned in 2 (a).

c) The Participating Policies Account shall be in respect of policies which are entitled to a share of surplus in the Account during the period of contract. Non-Participating Policies Account shall be in respect of those policies that shall not belong to the Participating Policies Account.

d) In every fiscal year, the surplus shall be determined at the valuation date by the insurer's Appointed Actuary for participating ('par') and non-participating ('non-par') policies and approved by Beema Samiti. After determination of surplus for par and non-par policies, insurer shall disclose the surplus separately for each key product line.

e) In every fiscal year, a minimum 90% of surplus arising in the valuation year (excluding unallocated surplus b/f) in each key product line of the Participating Policies Account shall be allocated to policyholders' fund for distribution to the policies which are in-force at the valuation date by way of bonus entitlement mentioned in the contracts. The balance of surplus arising in the valuation year may be transferred to the shareholders' fund or some amount may be retained as unallocated surplus in the participating fund.

f) The surplus arising in a key product line shall be used to declare bonus for that product line only. Unallocated surplus of a key product line shall be used for the purpose of bonus declaration under the respective key product line only. Also, if the Appointed Actuary makes use of the unallocated surplus brought forward for declaration of bonus at the valuation date, proper justification shall be provided.

g) In case of insufficient surplus for bonus declaration, fund can be transferred from shareholders' funds.

h) In every fiscal year, the Appointed Actuary shall furnish bonus earning capacity for each key product line for which bonus is declared in a separate statement. Bonus declaration must be consistent with the bonus earning capacity, taking into account of policyholder reasonable expectation (PRE) and treating customers fairly (TCF). In this regard, the Board of the insurer shall formulate a bonus philosophy in consultation with the Appointed Actuary and furnish to Beema Samiti for its records. The Board of the insurer shall adopt the principle of equity among various categories of policyholders.

i) In every fiscal year, 100% of surplus arising in the Non-Participating Policies Account which is determined at the valuation date by the insurer's Appointed Actuary and approved by Beema Samiti may be transferred to the shareholders' fund.

3. Maintenance of Compulsory Reserve Fund

In every fiscal year, the insurer's Appointed Actuary shall determine the amounts transferrable to Compulsory Reserve Fund out of the transferrable surplus to shareholders in Participating Policies Account and Non-Participating Policies Account.

The objective of maintaining Compulsory Reserve Fund is to maintain solvency margins prescribed by Beema Samiti. Moreover, this can also be used to create and maintain any other reserve where the Appointed Actuary feels necessary to keep aside or where Beema Samiti directs to do so.

अनुसूची-४

बीमाङ्कीय मूल्याङ्कन सम्बन्धी मार्गदशन

(निर्देशिकाको दफा ७(४) संग सम्बन्धित)

ANNEXURE - IV

Guidelines on Actuarial Valuation

1. The statutory valuation needs to be conducted at least on an annual basis.
2. The Actuary shall take all reasonable steps to ensure that the data is accurate. If the Actuary has any doubts about the accuracy of the data, reserves should be established for the risk that the actual value of the liabilities will be greater than that derived from the available data. If the potential inaccuracy is material, data quality report shall be provided to Beema Samiti.
3. The Actuary shall ensure that adequate systems of controls are in place and fully documented to enable appropriate valuation procedures to be correctly carried out and adequately recorded.
4. Mathematical Reserve shall be determined separately for each contract by a prospective method of valuation, called the Gross Premium Method.
5. The valuation method shall take into account all prospective contingencies under which any premiums or benefits may be payable under the policy, as determined by the policy conditions. The level of benefits shall take into account the reasonable expectations of policyholders (with regard to bonuses) and any established practices of an insurer for payment of benefits. Future bonuses shall be projected at least at the new bonus rates.
6. The valuation method shall take into account the cost of any options that may be available to the policyholder under the terms of the contract.
7. The determination of the amount of liability under each policy shall be based on prudent assumptions of all relevant parameters.
8. The amount of mathematical reserve in respect of a policy may be negative (called "negative reserves") at the valuation date. The Actuary shall, for the purpose of the valuation set the amount of mathematical reserve to zero, in case of negative reserve of a policy if any.
9. The determination of the amount of mathematical reserves shall take into account the nature and term of the assets representing those liabilities and the value placed upon them and shall include prudent provision against the effects of possible future changes in the value of assets on the ability of the insurer to meet its obligations under policies as they arise.
10. The gross premium method of valuation shall discount the following future policy cash flows if any, at an interest rate as prescribed by this Directive:
    a) premiums payable;
    b) benefits payable under the contract;
    c) bonuses that have already been vested as at the immediately preceding the valuation date;

d) New bonuses for the inter-valuation period as a result of the valuation at the valuation date;

e) future bonuses (one year after valuation date);

f) commission and remuneration payable, if any, in respect of a policy to the insurance intermediaries (this shall be based on the current practice of the insurer);

g) management expenses.

11. The valuation parameters shall constitute the bases on which the future policy cash flows shall be computed and discounted. Each parameter shall have to be appropriate to the block of business to be valued. Appointed Actuary shall take the following into consideration:-

a) The value(s) of the parameter for demographic assumptions shall be based on the insurer's experience study, where available. If reliable experience study is not available, the value(s) can be based on the industry study, if available and appropriate. If neither is available, the values may be based on a published table appropriately modified to Nepalese lives, or on the bases used for pricing the product. In establishing the expected level of any parameter, any likely deterioration in the experience shall be taken into account;

b) The expected level shall be adjusted by an appropriate Margin for Adverse Deviations (MAD). Values used for the various valuation parameters should be consistent among themselves;

c) Mortality rates to be used shall be with reference to a published table, as prescribed by Beema Samiti, provided further that such rates shall not be less than hundred percent, unless the Actuary can justify a lower percentage;

d) Policy maintenance expenses may be divided into fixed and variable expenses. The variable expenses shall be related to sum assured and/or premiums and/or benefits and/or per policy expenses. The value(s) of the parameter shall be based on the insurer's experience study, where available. All expenses shall be increased in future years for inflation; the rate of inflation assumed should be consistent with the valuation rate of interest.

13. Valuation rates of interest shall be the minimum of 6% and actual yield on life fund.

14. The Actuary may take other parameters into account, depending on the type of policy. In establishing the values of such parameters, the considerations set out in this Directive shall be taken into account.

15. The Actuary and the insurer shall be responsible for the value to be placed on the assets as per regulations if any. The Actuary shall, respectively, either ensure or take reasonable steps to verify that adequate systems of controls are in place to ensure that appropriate values are placed on the assets and that any limits on exposure to individual investments, classes of investment or counterparties imposed by the regulations are properly applied. If it is difficult to determine an accurate value for a material proportion of the assets, the Actuary should establish additional reserves, if necessary, in respect of the risk of overvaluation.

अनुसूची-५
सोल्भेन्सी मार्जिन निर्धारण
(निर्देशिकाको दफा ७(५) संग सम्बन्धित)

ANNEXURE - V
Determination of Solvency Margin

1. **Solvency Margin**

   Every life insurer shall prepare a Statement of Solvency, Statement of Required Solvency Margin and Statement of Available Solvency Margin in accordance with the Forms 10, 10A and 10B respectively of Annexure VI of this Directive.

   a) **Required Solvency Margin** (RSM) is calculated as the maximum of (Adjusted Mathematical Reserves x 3.0% + Sum At Risk x 0.2%, and 50% of minimum licensing capital). At present the minimum licensing capital is NRs. 2 billion.

   b) **Available Solvency Margin** (ASM) is calculated as the excess of the Total Admissible Assets over the Total Liability (net of reinsurance) and Other Liabilities, in respect of total life fund.

   c) **Solvency Ratio** means the ratio of the amount of Available Solvency Margin to the amount of Required Solvency Margin.

2. **Solvency Control Levels**

   The following Solvency Control Levels have been put in place to act as an early warning mechanism to enable Beema Samiti take a proactive approach in order to deal with emerging deterioration of solvency position of the insurers.

   The Solvency Control Levels and their consequent corrective actions are as follows:

Level	Solvency Ratio	Corrective Action
Green	1.5 or over	Routine Action
Amber	1 – 1.5	Greater supervision with On-Site Intervention.
Red	< 1	Regulatory Intervention: Enforcement Action/ Capital Injection

The Solvency Ratio is the ratio as calculated in the Form 10, Line 3 of Annexure VI. These levels should also act as trigger points for the insurers to start considering the necessary measures that need to be taken to improve the solvency position.

If the Solvency Control Level falls under 'Amber' at the valuation date, the insurer shall formally provide a Capital Plan along with the valuation report, approved and signed by the Board of the insurer, to Beema Samiti. The Capital Plan shall set out the recommendation of potential management actions, including the appropriateness and timing of executing those actions to re-establish the Solvency Ratio above 1.5 within time period of three months.

Otherwise, the insurer shall be kept under 'Red' and Beema Samiti shall take appropriate actions.

If the Solvency Control Level falls under 'Red', the Board of the insurer shall furnish the Recovery Plan within three months to Beema Samiti and implement those actions within six months of submitting the Recovery Plan to re-establish the Solvency Ratio above 1.5. During this period, Beema Samiti shall take necessary actions against the insurer to improve the solvency position.

3. Statement of Required Solvency Margin

Required Solvency Margin (RSM) consists of two parts: RSM-1 and RSM-2 and takes the maximum value of the two parts.

a) RSM-1 is calculated as the Adjusted Mathematical Reserves x 3.0% + Sum At Risk x 0.2%.

b) RSM-2 is 50% of minimum licensing capital.

c) The value of the Adjusted Mathematical Reserves shall be equal to:

i. Mathematical Reserves after Reinsurance (Form 5, Line 23), if the Retention Ratio is less or equal to 85%, or,

ii. Mathematical Reserves before Reinsurance (Form 5, Line 24) multiplied by 85%, if the Retention Ratio is greater than 85%

The Retention Ratio shall be calculated as: Mathematical Reserves after Reinsurance divided by Mathematical Reserves before Reinsurance.

d) The value of the Sum At Risk is the sum at risk assumed by the insurer (i.e. sum at risk after reinsurance) calculated for each life product at the valuation date.

e) Statement of Required Solvency Margin shall be completed in accordance with the Form 10A of Annexure VI of this Directive.

4. Valuation of Assets

a) Every life insurer shall prepare a Statement of Admissible Assets in accordance with Form 11 of Annexure VI of this Directive. Total Admissible Assets determined under Form 11 shall not exceed the amount of admissible assets determined as per the Investment Directive issued by Beema Samiti. The factor under Form 11 shall be as per investment guidelines.

5. Statement of Available Solvency Margin

a) The Available Solvency Margin shall be calculated as:

= Total Admissible Assets [furnished in Form 11, Line 15)

– Total liability (net of reinsurance) [furnished in Form 5: Line 23]

– Other Liabilities [taken from the Balance Sheet]

b) Statement of Available Solvency Margin shall be completed in accordance with the Form 10B of Annexure VI of this Directive.

अनुसूची-६
बीमाङ्कीय मूल्याङ्कन प्रतिवेदनको ढाँचा
(निर्देशिकाको दफा ७(६) संग सम्बन्धित)

ANNEXURE - VI
Format of Actuarial Report of Life Insurer

Form No. 1
Executive Summary

Name of Insurer:
Reg. Number:
Date of Registration:
Actuarial Report as at
Valuation Date:
I, on behalf of the insurer, state the following:

1. On the basis of the investigation made by our Appointed Actuary: (Name) at the date mentioned above into the financial condition of our insurance business, and herewith enclose the following forms, in accordance with provisions of Section 26 of the Insurance Act and Direction no. 4 (1) of this Directive.

Description	Form	No. of pages
Abstract of Actuarial Report	**Form 2**	
Moment Statistics (Statement of Additions and Deletions)	**Form 3**	
Lapse Statistics	**Form 4**	
Valuation Results	**Form 5**	
Valuation Balance Sheet	**Form 6**	
Statement of Surplus Allocation	**Form 7**	
Specimen Policy Values	**Form 8**	
Bonus Rates Declared	**Form 9**	
Solvency Statement	**Form 10**	
Required Solvency Margin	**Form 10A**	
Available Solvency Margin	**Form 10B**	
Admissible Assets	**Form 11**	
Sensitivity Analysis	**Form 12**	
Cash Flow Statement	**Form 13**	
Insurance Policy Statistics	**Form 14**	
Total number of Forms enclosed:-------------------------		

2. I certify that full and accurate particulars, of every policy under which there is a liability either actual or contingent, have been furnished to the Appointed Actuary for the purposes of the above.

3. Executive Summary

Item	Current Year	Immediately Preceding Year	Year Preceding to Year under Col 3.	Line	Remarks
1	2	3	4	5	6
Total Written Premium Income before Reinsurance				1	Premiums collected in respect of new policies issued during the year ended valuation date
Total Net Premium Income after Reinsurance				2	Premium retained in the company out of that in Line 1
Total Mathematical Reserves before Reinsurance				3	Line 24 of Form 5
Total Mathematical Reserves after Reinsurance				4	Line 23 of Form 5
Solvency Ratio				5	Line 3 of Form 10
Ratio of Management Expenses to Total Premium collected				6	Self-explanatory
New Business Persistency Ratio				7	Ratio of number of new policies inforce at the valuation date to the total number of new policies issued during the year ended valuation date
NPA ratio (Ratio of Non-Performing Assets to total Assets)				8	Self-explanatory
Mortality Ratio (A/E)				9	Ratio of actual number of death claims to the expected number of death claims as per the Appointed Actuary.
Agency Turnover ratio				10	1- Ratio of total number of agents at the valuation date to the total number of agents during the year ended valuation date

Overall Lapse Ratio				11	Ratio of total number of policies lapsed without acquiring any value during the year ended valuation date to the total number of policies at the start of that period.
Average rate of return earned on policyholders' funds				12	See item 9 of Form 2 regarding method of calculation
Capital Employed [Equity + Reserves]				13	Self-explanatory
Surplus arising in current year				14	Form 6 Line 8
Market Share				15	Ratio of New Business premium income collected by the insurer to the total new business premium income in the market for all insurers.
Market Price per one ordinary share				16	Price on the last transaction date prior to the valuation date
NB Growth rate				17	Self-explanatory

4. The Appointed Actuary has recommended the following amounts for transfer to the shareholders:

5. The Appointed Actuary has recommended the following amounts for bonuses to the policyholders:

6. The Appointed Actuary has made the following observations which we are examining and taking suitable action: [Please provide comments]

Name and Signature of Principal Officer

Place

Date

Company Seal

Form No. 2

Abstract Of Actuarial Report

S.No	Item	Particulars
1	Name and Address of Insurer with phone/fax numbers & Email:	
2	Date of Registration:	
3	Date of commencement of business: [the date of issuance of the first insurance contract]	
4	Name and address of Appointed Actuary:	
4.1	Name of the professional body in which the actuary is a fellow	
	Membership No. Date of Admission as fellow COP No. [Certificate of Practice number if issued by the actuarial Professional body or relevant documentary evidence]	
5	Valuation Date of the Actuarial Report:	
6	Brief description of the products of the insurer included in the Actuarial Report. (The Appointed Actuary shall mention the salient features of the products, furnishing the names of the new products introduced during the inter-valuation period).	
7	Any events that occurred during the fiscal year which the Appointed Actuary considers necessary to report in this abstract. He/she shall report specifically the deviations from the business plan furnished to the Regulator; underwriting policy, reinsurance policy, investment policy, etc.	
8	Valuation Assumptions	

Table 8.1 : Valuation Assumptions: the table of mortality, the rate of interest and the valuation basis assumed in the valuation for the current year's valuation date as well as for the previous year;

S No	Name of Product	Interest rate(s)		Mortality Rates		Morbidity Rates		Remarks
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	
		1	2	3	4	5	6	
1								
2								

Table 8.2: Please provide justification for the appropriateness of the level of assumptions used. The justification should include high-level explanation on the derivation of the key assumptions (e.g. mortality, expenses etc.) including the following information:

S No	**Items**	**Particulars**
a)	How much of the derivation of best estimate assumptions is based on insurer's recent experience? Insurer's recent experience on mortality and expense should be based on detailed and credible analyses. Please state when was the last experience analyses performed?	
b)	If the insurer has recently performed experience analyses, please provide high level detail of the analyses. (E.g. period of investigation, number of claims, Actual versus Expected Results).	
c)	If the insurer hasn't carried out any experience analyses, please provide explanation for not conducting the analyses. When does the insurer intend to carry out the analyses?	
d)	What factors have influenced the level of acceptable margin about the best estimate assumptions?	
e)	If the assumptions have changed from the last valuation, what is the impact on valuation results of using the proposed assumptions?	

9.	The average rate of interest yielded in the inter-valuation period by the assets constituting the following funds and for this purpose the interest of the year shall be taken to be the whole of the interest credited to the respective fund during the year after deduction of income tax charged thereon (any refund of income tax in respect of expenses of management made during the year being taken into account); the yield calculation shall be determined using the following formula:	
	yield = 2 I / (A + B – I); where A is the fund at the start of the year, B is the fund at the end of the year; I is the interest and other investment income received/receivable during the year.)	

Table showing the average rate of interest yielded

S.N.	Details	Average rate of interest Yielded (%p.a.)	
		Current Year	**Previous Year**
1	Participating Business		
2	Non-Participating Business		
3	Total Business		

10.	I enclose the following forms for this purpose:- [please furnish as Annexure]	
11.	Brief description of method of valuation: [The Appointed Actuary shall use the gross premium method of valuation. She/he shall also describe the methods adopted for valuing guarantees, options, extra premiums, riders, etc. for which provisions have been created by her/him. The Appointed Actuary shall create any other provision (to be specified) mentioned in the Form 5, which could be for ‘deaths due to epidemics/nature’s vagaries/catastrophe risks’, premium deficiency, data deficiency, with justifications. Beema Samiti may instruct the insurer to have peer reviewer actuary for reviewing the valuation work of the Appointed Actuary, before submission of the report to the Board of Insurer, and later to Beema Samiti.]	
12	CERTIFICATE OF APPOINTED ACTUARY OF THE INSURER I, (the name of actuary), being the Appointed Actuary to the insurer (name of insurer), being the fellow of ___________, with membership number: and COP No.: to the best of my knowledge certify the following: (a) that I have included each and every policy for which	

there is a policy liability in conducting the valuation of liabilities for the statutory purposes. I enclose the certificate issued by the Principal Officer of the insurer.

(b) that I have taken all reasonable steps to ensure the accuracy and completeness of the policies mentioned in item (a) above;

(c) that I have complied with the provisions of the Insurance Act and directives of Beema Samiti;

(d) that I have complied with provisions of the Solvency Margin as prescribed under Annexure V;

(e) that the reserves of the insurer are adequate to meet all liabilities (including contingent) of its policyholders;

(f) that the net liability so determined by me is adequate to meet the insurer’s future commitments under the insurance contracts, and the policyholders’ reasonable expectations;

(g) that I have determined the surplus which is Rs….. in respect of participating policies, and Rs……… in respect of non-participating policies;

(h) that my recommendation regarding transfer to the shareholders of the insurer is as under (specify):……….

(i) that the insurer has/ has not maintained the required Solvency Ratio;

(j) that my observations are as under (specify, if any):…………………..

(k) I also declare that ---

(1) I have not been held guilty of professional misconduct by my professional body or court or any other body;

(2) I do not hold the position of Appointed Actuary of any other insurer in Nepal.

(3) I do not have any conflict of interest while performing the valuation exercise of the insurer; and

(4) I have not furnished any false information in any statement furnished to Beema Samiti;

[Please note that Beema Samiti shall have the right to take necessary action on the insurer in case any false information is furnished in the actuarial report submitted to Beema Samiti.]

Form No. 3
Moment Statistics

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Additions and Deletions
TYPE OF BUSINESS: PARTICIPATING /NON-PARTICIPATING/TOTAL
Furnish this form separately for the participating and non-participating businesses.

Item	**Individual Business—other than annuity business**			**Group Business –other than annuity business**			**Annuity Business**		**Line No.**
	No. of Policy	**Sums Assured**	**Vested Bonuses**	**No. of Policy**	**Sums Assured**	**Vested Bonuses**	**No. of Policy**	**Annuity p.a.**	
1	2	3	4	5	6	7	8	9	
Total Existing at beginning of year									1
New Policies issued									2
Old lapsed policies revived									3
Old Paid up Policies reinstated									4
Old policies changed and increased									5
Bonus Additions allotted									6
Total of Lines 1 to 6									7
Discontinued during the year									8
By Death									9
By survival or occurrence of the contingencies insured against other than death (Including Maturity)									10
By expiry of term under temporary insurance									11
By Surrender of policy									12
By Lapse									13
By Paid up									14
By Change and decrease									15
By being not taken up									16
Total Discontinued									17
Total Existing at the end of year									18

Note 1: Insurer has issued the following riders and the details at the valuation date are furnished hereunder:

Name of Riders	Number	Face Benefit Amount	Single Premium	Annualized Premium

Note 2:

Insurer has issued the following linked long-term contracts (permitted by Beema Samiti) and the details are furnished hereunder:

Name of contract	Number	Net Asset Value	Single Premium	Annualized Premium

Note: Please read the instructions for filling up the form carefully.

1. Form 3 shall not include information in respect of riders, and also the linked benefit (which is net asset value and not known in advance), for which the information has to be furnished under tables mentioned in the Form 3.
2. Columns 2 to 4 represent the data in respect of the Individual policies issued by the insurer; Columns 5 to 7 in respect of group business, and columns 8 to 9 in respect of Annuity Business. The data in respect of Individual and Group Businesses should be exclusive of annuity business. Pension business should be included under annuity business.
3. Columns 2, 5, and 8 represent the number of insurance contracts issued, in case of Individual Business, the number of policies, in case of group business, the number of master policies (or group contracts), in case of annuity business, the number of insurance contracts which could be individual or group insurance contracts.
4. Columns 3 and 6 represent the Sums Assured. In case of Individual/Group Business, the face amount of the insurance contract—basic sums assured.
5. Column 9 represents the amounts of annuity p.a. indicated in the insurance contracts. This is required to be furnished for the immediate annuity contracts as well as deferred annuity contracts.
6. Columns 4 and 7 represent the Vested Bonuses—the bonuses so far vested and attached to the policy, and shall not include the annual bonuses allotted as per the actuarial valuation at the valuation date immediately prior to the current valuation date which gets reflected under item Line 6-Bonus additions allotted. This must not include the bonuses which have already been paid or payable in cash to the policyholders, as the same got reflected in the insurer's revenue account. These columns represent the amounts which are definitely payable at a future date along with the sums assured.
7. Line 1 represents the carry forward of the last year's figures, and thus become the opening figures for the current year. Line 18 represent the closing figures at the valuation date, and means that the insurer has the policy records for which there exist a policy liability as at the valuation date. Line 2 represents the new contracts issued during the year. Please note that there will not be any bonuses vested to these contracts.
8. Line 3 represents the revivals of those policies which have been issued before the valuation date but lapsed on account of policy conditions under which there are no liability on the part of insurer in case of lapse. Please note on revival, the policy gets the status of a new policy

with the Sum Assured, and Bonuses vested if any, therefore furnish the columns 2, 3, 4, if required, 5, 6, 7 if required, 8 and 9.

9. Line 4 represents the reinstatements of those policies which have become paid-up on account of policy conditions under which there is some liability on the part of insurer in case of paid-up status. On reinstatement, the balance sum assured which the insurer was not liable before reinstatement gets revived after the revival as per policy conditions. Columns 2, 5, and 8 (the number) are not required to be furnished, as these policies are already on the books of the insurer. Columns 3, 4 if required, 6, 7 if required, 9 are required to be furnished. This means that a paid-up policy was included in the Line 1 but for a reduced sum assured, and on reinstatement of this policy, the balance sum assured gets reinstated and gets reflected in Line 4, so that this policy comes into force with the original sum assured.
10. Line 5 represents for the policies shown in Line 1, there was an increase in Sum Assured (and/or Vested Bonuses) which is required to be added as per policy conditions. For instance, a policy shown in Line 1 has a sum assured of Rs.10000, and as per policy conditions, this policy gets its sum assured cover increased to Rs. 15000, by Rs. 5000, then there is an increase of Rs. 5000 which is required to be shown in Line 5. Columns 2, 5, 8 are not required to be furnished. Columns 3, 4, if required, 6, 7 if required, 9 are required to be furnished.
11. Line 6 represents the 'Bonus Additions' for those policies which were included in Line 1 and which are required to be allotted the bonus declared at the previous valuation date and which was not so far attached to the policy in the Line 1. For instance, a policy was eligible for a bonus addition of Rs. 500 as a result of previous valuation, and this amount was not attached at the previous valuation date (this bonus liability arises only in the current year) and for the purpose of the current valuation date, the liability of Rs. 500 should be taken into account as at the valuation date. Columns 2, 3, 5, 6, 8 are not required to be furnished. Only Columns 4, 7, and 9 are required to be furnished for those policies which are entitled for bonus additions in the current valuation year.
12. Line 9 to Line 16 represents the information in respect of policies which are going out of the records of the insurer during the valuation year.
13. Line 9 represents the 'death claims' as result of which the numbers and amounts are going out of the records of the insurer.
14. Line 10 represents the maturities or survival benefits as a result of which the numbers and amounts are going out of the records of the insurer.
15. Line 11 represents the details of the term insurance contracts which are going out of records.
16. Line 12 represents the information in respect of policies which have been surrendered during the valuation year, and as a result of surrender, the benefits attached to the policies are going out of the records of the insurer.
17. Line 13 represents the information in respect of policies which have been lapsed during the current valuation year on accounts of policy conditions and have gone out of the records of the insurer. As a result, the basic sum assured, and the vested bonuses, if any, shall go out of the records of the insurer, in his register of policies.
18. Line 14 represents the information in respect of policies that have become paid-up during the current valuation year on account of policy conditions, and these policies would not go out of the records of the insurer, since the insurer is liable for reduced benefits under the policy as per policy conditions. Only the sum assured portion for which the insurer is not liable will get discontinued during the valuation year. Columns 2, 5, 8 must not be furnished. Columns

3, 6, 9 are required to be furnished. However, please see the instruction number 9 too for more understanding.

19. Line 15 represents those policies for which the basic sum assured stands reduced in the current valuation year on account of policy conditions. This means that for a policy included in Line 1, the insurer is obliged to pay for reduced benefits. For instance, a policy included in Line 1 is with a basic sum assured of Rs. 10000, and as per policy conditions, the basic sum assured stands reduced to Rs. 8000 as per policy conditions, and the insurer is liable for this policy for basic sum assured of Rs. 8000 from the date of change, and as a result the amount of Rs. 2000 is going out of the records of the insurer. Columns 2, 5, and 8 must not be furnished. Columns 3, 4 if required, 6, 7 if required, and 9 should be furnished. In the example of this policy, column 3 is Rs. 2000, and as a result, as at the end of the year, this policy stands in force for a sum assured of Rs. 8000.
20. Line 16 represents those policies which have been taken either at the start of the year or during the year (which might be in Line 1 or Line 2), but going out of the records before the valuation date, on account of policy conditions. For instance, a policy which was issued on account of receipt of premium cheque is not taken up during the valuation year, since the cheque was dishonored and the premium had not been paid at all during the year. There could be instances where the policyholder wants the insurer to cancel the policy, and these could get reflected in Line 16 if these have been included in Line 1 or Line 2.
21. Columns 2, 5, 8 must be furnished in units. Columns 3,4,6,7 and 9 must be furnished in NPR.
22. This form is for the business transacted in Nepal. In case, the insurer transacts the business outside Nepal, this form has to be furnished, as far as possible, converting the currencies into NPR. for the business done by the insurer outside Nepal.
23. Insurer might have issued riders providing additional benefits in addition to the basic sum assured mentioned in the insurance contract; and in respect of the riders, the insurer must furnish the data as specified in the Note to enable the Appointed Actuary to determine the net liability.
24. In case of ‘linked long term’ contracts, insurer may furnish the ‘death benefit which is payable to the policyholders under the columns 3 and 6 (Sum Assured), and information must also be furnished in a separate table in the Form 3 giving the number of linked long term contracts, the net asset value payable, and premiums under the underlying contracts.

Name and Signature of Principal Officer:

Place

Date

Company Seal

Form No. 4
Lapsed Policy Statistics

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Lapse Policy
TYPE OF BUSINESS: INDIVIDUAL / GROUP / ANNUITY BUSINESS
LAPSES/PAID UPS/REVIVALS/REINSTATEMENTS

Fiscal year in which the policies were issued	Lapses/ Paid ups in Year t (Valuation Year)			Revivals / Reinstatements in Year t (Valuation Year)			Line No
	No.	Sum Assured/Annuity p.a.	Vested Bonuses	No.	Sum Assured/Annuity p.a.	Vested Bonuses	
1	2	3	4	5	6	7	8
t							1
t-1							2
t-2							3
t-3							4
t-4							5
t-5							6
t-6							7
t-7							8
t-8							9
Total							10

Note: Please mention the reference year in column 1. If col (1) were to start from year 2074.75 (2017/18) under Line 1, then Line 2 becomes Year 2073.74 (2016/17), and so on.

1. This Form 4 enables the Appointed Actuary to determine any additional reserves for lapses that may be revived in future, and enables the insurer to calculate the net lapse ratio, and thus have the knowledge of level of conservation of business.
2. Insurer is required to produce 6 (3 x 2) forms—as indicated under caption: TYPE OF BUSINESS: INDIVIDUAL / GROUP / ANNUITY BUSINESS, and under each Type of Business, one for lapses, and another for paid-ups. Thus, there will be total 6 Forms.
    - Type of Business: Individual Business – Lapses
    - Type of Business: Individual Business – Paid-up
    - Type of Business: Group Business – Lapses
    - Type of Business: Group Business – Paid-up
    - Type of Business: Annuity Business – Lapses
    - Type of Business: Annuity Business – Paid-up
3. This form gives the information in respect of the policies, that have gone out of the records in columns 2 to 4, and also that have been written back to the records in columns 5 to 7 of the

insurer during the fiscal year t, which have been issued in a particular fiscal year t-1, t-2, & … so on.).

4. Line 1 represents the information in respect of the policies issued during the current fiscal year. Line 2— Previous fiscal year, and so on.
5. If the insurer states as a policy condition, that a policy does not acquire any paid up value unless at least 2 years premiums have been paid, then a policy is said to be 'lapsed' if the insurer has not received at least 2 years' premiums. Otherwise the policy is to be eligible for reduced benefits under 'paid-up' status.
    - In case of Lapses, we can expect the information under columns 2 to 4, in respect of Lines 1 to 3 only, but not under Lines 4 to 9, since the policies issued in the years mentioned under these lines must have paid less than 2 years' premiums to insurers.
    - In case of Paid-up, we can expect the information under columns 2 to 4, in respect of Lines 4 to 9 only, since the policies issued in the years mentioned under these lines must have paid at least 2 years' premium, but definitely not under the Lines 1 to 3.
6. There should be a consistency between the Form 3 and the Form 4. Line 10 should get reflected in Form 3 under Line 13 (for lapses) and Line 3 (for revivals of lapses); under Line 14 (for paid-up) and Line 4 (for revival of paid-up).
7. It should be noted that under columns 2 to 4, the amounts going out of the records of the insurer are mentioned, and under columns 5 to 7, the amounts written back to the records of the insurer are mentioned.
8. Columns 2 and 5 shall be mentioned in unit numbers. Columns 3, 4, 6, and 7 in NPR.
9. The information in respect of riders is not reflected in this form. If the Appointed Actuary wants the information, the same has to be furnished to him.

Name and Signature of Principal Officer:

Place

Date

Company Seal

बीमा समिति
BEEMA SAMITI
Insurance Regulatory Authority of Nepal

Form No. 5
Valuation Results

Date of Registration:
Valuation Date:
Statement of Valuation Results

TYPE OF BUSINESS: PARTICIPATING BUSINESS / NON-PARTICIPATING BUSINESS / TOTAL

Item	No.	Sum Assured/ Annuity p.a	Vested Bonuses	Office Premium	Value of Sum Assured/ Annuity p.a	Value of Vested Bonuses	Value of Office Premium	Value of Expenses	Value of Future Bonuses	Cost of bonus for the inter-valuation period	Cost of Terminal Bonus, Final Bonus, Special Bonus, etc.	Net Liabilities before elimination of negative reserves	Net Liabilities after elimination of negative reserves, but before reinsurance.	Line No
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Life insurance														1
Endowment														
Anticipated														
Endowment Cum Whole life														
Expat Policy														
Whole life														
Special Term														
Others														
Linked long term														2
Annuities														3
Riders (Specify)														4
Health& CI Riders														5
Pension policies														6
Capital Redemption Contracts														7
Total--before Reinsurance														8
Reinsurance [including reinsurance on riders]														9

Total — Net of Reinsurances [that is after reinsurance]:Line 8 minus Line 9)														10
Adjustments, if any:-														11
Reserve for Immediate Payment of claims														12
Reserve for future expenses and bonuses in case of limited payment and paid up policies														13
Reserve for lapsed policies not included in the valuation and for which liability may arise in future														14
Reserve for disability benefits in payment														15
Reserve for in force policies under which premiums have been waived														16
Reserve for benefits upon occurrence of life assureds' disability or waiver of premiums in future														17
Reserve for policies which are high risks on account of sub-standard life or occupation														18
Reserve for contingent liabilities—specify														19
Reserve for adverse deviations in experience														20
Reserve for other items, if any, please specify [other items--specify separately]														21
Total Adjustments [sum of Line 12 to Line21]														22
Total Net of Reinsurances [total net liability]:Line 22+Line 10														23
Total Mathematical Reserves before Reinsurance :Line 23+Line 9														24

Please read instructions carefully before the form is furnished to Beema Samiti.

1. This form must be furnished for each of the sub-classes of long term insurance business. The Line 4 is for the business of contracts on disability and multiple indemnity, accident and sickness benefits other than that for Lines 1 to 3, and 5 to 7. The Appointed Actuary shall ensure that the data is made available to her/ him by the insurer as the Form requires. The rest are self-explanatory.
2. This form must be furnished for (1) participating, (2) non-participating, and (3) total businesses separately.
3. For each Line of Lines 1 to 7, which represent each of the sub-classes mentioned in the said Act, furnish the columns 2 to 10, for each product and riders issued in each sub-class.
4. For Line 2, the Sum Assured, the column 3 should represent the Net Asset Value – the benefit payable under the policy.
5. For Lines 3 and 7, the annuity p.a. must be furnished under column 3. For Deferred Annuity Contracts too, annuity p.a. (which is mentioned in the contract) must be furnished.
6. Columns 2 to 5 must be the original data supplied by the insurer to the Appointed Actuary. Columns 6 to 10 must be determined by the Appointed Actuary.
7. Line 9 should indicate the reinsurance for the Lines 1 to 7. In Line 9, Col (2) shall be the number of reinsured policies, Col (3) shall be the amount of risk sum reinsured, and Col (5) shall be the gross premium portion in respect of the number of policies mentioned under Col (2); Cols (6) to (9) may be kept blank.
8. Col (13) = Col (6) + Col (7) + Col (9) + Col (10) – Col (8).
9. Col (14) = Col (13) + Absolute amount of Negative Reserves.
10. Please note that cols (11) and (12) will get reflected in Form No. 7 as allocations, suitably.

Information in respect of negative reserves:				
Type of Business:	**Number**	**Negative reserve other than Surrender Deficiency Reserve**	**Surrender Deficiency Reserves**	**Office Premium**
1. Participating Business				
2. Non-participating business				
3. Total				

Names and Signatures:

Place

Date

Company Seal

Signature:

Name of Actuary:

Fellow of:

Membership No.:

COP NO.:

Signature

Name of Principal Officer:

Appointment date in the Company:

Form No. 6
Valuation Balance Sheet

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Valuation Balance Sheet

Item	Participating Business				Non-Participating Business			Total Business (5+8)	Line No.	Ref.
	Key Product Line1	Key Product Line 2	Key Product Line 3	Total	Key Product Line1	Key Product Line 2	Total			Form No. - Line No.
1	2	3	4	5	6	7	8	9	10	11
Assets:										
Life fund as shown in the Balance Sheet									1	
Transfer of Current year's surplus to shareholders shown in the P&L Account, if any									2	
Balance of fund for the purposes of Valuation Balance Sheet: Sum of lines 1 and 2									3	
Deficiency (Negative Surplus), if any									4	
Total									5	
Liabilities:										
Net Liability									6	F5- L23
Surplus, if any (A+B)									7	
Surplus arising in the current year (A)									8	
Unallocated surplus, if any (B)									9	
Total									10	Sum of Line 6 & 7

Please read the instructions carefully before filling up the form.

1. This form must be furnished for each key product line of participating and non-participating businesses besides the total business of the insurer, to determine the surplus/deficiency of each key product line and total business.
2. Columns 2 to 9 against Line 1 must be the amounts as shown in the balance sheet.
3. Line 2 shows the amount of transfer of surplus (arising in the current year) to shareholders' funds in the Statement of Income of the Life Insurance Fund, if any.
4. Line 3 shows the amount of Life Insurance Fund which is used by the Appointed Actuary to determine the total surplus as required under this Directive.

<u>Names and Signatures:</u>

Place:

Date:

Company Seal

Signature:

Name of Actuary:

Fellow of:

Membership No.:

COP NO.:

Signature:

Name of Principal Officer:

Appointment date in the Company:

Form No. 7
Statement of Surplus Allocation

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Surplus Allocation

Item	Participating Business				Non-Participating Business			Total Business (5+8)	Line No.	Ref.
	Key Product Line1	Key Product Line 2	Key Product Line 3	Total	Key Product Line1	Key Product Line 2	Total			Form No - Line No
1	2	3	4	5	6	7	8	9	10	11
Sources										
Valuation Surplus /(Deficiency)									1	F6-8
Unallocated Surplus brought forward from previous year, if any									2	F6-9
Interim Bonuses Paid during the financial year									3	
Total Surplus (sum of lines 1 to 3)									4	
Uses										
Surplus allocated to policyholders for distribution of bonus									5	
Surplus allocated to shareholders									6	
Interim bonuses paid during the financial year									7	
Unallocated Surplus carried forward									8	
Total									9	

Please read the instructions carefully before filling up the form.

1. This form must be furnished for each key product line of participating and non-participating businesses besides the total business of the insurer, to determine the surplus allocation for each key product line, each business and the total business.
2. Line 5: Column 2, 3, 4 and 5 shall be at least 90% of respective column under Line 1.
3. Unallocated surplus of a key product line of participating business shall be used only for distribution of bonus to policyholders in respective key product line only.

<u>Names and Signatures:</u>

Place:	Signature:	Signature:
Date:	Name of Actuary:	Name of Principal Officer:
Company Seal	Fellow of:	Appointment date in the Company:
	Membership No.:	
	COP NO.:	

बीमा समिति
BEEMA SAMITI
Insurance Regulatory Authority of Nepal

Form No. 8
Specimen Policy Values

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Specimen Policy Values

No. of Premiums Paid		Endowment Assurances						Endowment Cum Whole Life Assurances					
		X=35; T=25		X=45; T=15		X=55; T=05		Entry Age: 35		Entry Age:45		Entry Age:55	
	Line No.	Reserve Value	MSV	Reserve Value	MSV	Reserve Value	MSV	RV	MSV	RV	MSV	RV	MSV
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	1												
2	2												
3	3												
4	4												
5	5												
6	6												
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24	24												
25	25												

Notes: RV: Reserve Value; MSV: Minimum Surrender Value; X= Entry Age; T=Policy Term

Names and Signatures:

Place
Date
Company Seal

Signature:

Name of Actuary:
Fellow of:
Membership No.:
COP NO.:

Signature:

Name of Principal Officer:

Appointment date in the Company:

Form No. 9

Bonus Rates

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Bonus Rates declared

Name of the product	Bonus per Rs. 1000 Sum Assured	Remarks, if any
1	2	3

Names and Signatures:

Place

Date

Company Seal

Signature:

Name of Actuary:

Fellow of:

Membership No.:

COP NO.:

Signature:

Name of Principal Officer:

Appointment date in the Company:

Form No. 10
Solvency

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Solvency

Item	Current Year	Previous Year	Line No.	Ref. Form No-Line No.
Available Solvency Margin			1	F 10B-L4
Required Solvency Margin (RSM)			2	F 10A-L8
Solvency Ratio (ASM divided by RSM)			3	

Names and Signatures:

Place

Date

Company Seal

Signature:

Name of Actuary:

Fellow of:

Membership No.:

COP NO.:

Signature:

Name of Principal Officer:

Appointment date in the Company:

Form No. 10A
Required Solvency Margin

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Required Solvency Margin

Item	Amount	Factor	RSM	Line No.	Ref. Form No - Line No
1	2	3	4 = 2x3	5	6
Mathematical Reserves before Reinsurance				1	F5-L24
Mathematical Reserves after Reinsurance				2	F5-L23
Ratio of Line 2 to Line 1				3	
Adjusted Mathematical Reserves		0.03		4	
Sum At Risk		0.002		5	
RSM-1 (Line 4 +Line 5)				6	
RSM-2 (50% of licensing capital)				7	
Higher of Line 6 and Line 7				8	

Note: Under Col (2), Line 4 = Line 2 if Line 3<=0.85, else Line 4= 0.85*Line 1

Names and Signatures:

Place

Date

Company Seal

Signature:

Name of Actuary:

Fellow of:

Membership No.:

COP NO.:

Signature

Name of Principal Officer:

Appointment date in the Company:

Form No. 10B
Available Solvency Margin

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Available Solvency Margin

Item	Amount	Line No.	Ref.
1	2	3	Form No - Line No
Admissible Assets		1	F11-L15
Mathematical Reserves after Reinsurance		2	F5-L23
Other Liabilities		3	B/sheet
Available Solvency Margin		4	

Note: Line 4 = Line 1 - Line 2 - Line 3

Names and Signatures:

Place

Date

Company Seal

Signature:

Name of Actuary:

Fellow of:

Membership No.:

COP NO.:

Signature:

Name of Principal Officer:

Appointment date in the Company:

Form No. 11
Admissible Assets

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Admissible Assets

Item	Balance sheet value at valuation date	Market Value or Realizable Value at valuation date	Higher/Lower of (2) & (3)	Factor	Admissible Value	Line No.
1	2	3	4	5	6	7
Investments (A)						
Government Securities						1
Fixed Deposit in Commercial Banks						2
Fixed Deposit in Development Banks						3
Fixed Deposit in Finance Company						4
Investment in Mutual Fund						5
Investment in Real Estate						6
Preference Shares Secure Debentures and Other Debentures of Commercial Banks, Development Banks & Finance Companies						7
Ordinary Shares of Public Limited Company						8
Other Investments (specify if any)						9
Fixed Assets (B)						
Freehold Land						10
Building						11
Other Assets (C)						
Cash and Bank Balance						12
Policyholders' Loan						13
Others (specify in a separate table)						14
Total Admissible Assets (A+B+C)						15

Please read the instructions carefully before filling up the form.

1. Factor (Col 5) shall be 1 for all assets.

2. Investment in negotiable instruments which is listed according to prevailing laws shall be valued at market price.
3. Investment assets shall be considered admissible which meets the admissibility criteria as mentioned in section (4) of Insurer's Investment Directive, 2075.
4. Fixed assets and investment in real estate shall be accounted in accordance with historical cost concept after deduction of depreciation on cost price. Revaluation, if any, of fixed assets and investment in real estate shall be ignored.
5. Furniture, fixtures, software and leasehold premises shall not be considered admissible.
6. Sundry debts, Advances and receivables which are overdue for more than 180 days shall not be considered admissible.
7. Dead stock and stationery items shall not be considered admissible.
8. Intangible assets, like goodwill, patents, trademarks, deferred tax and others shall not be considered as admissible.
9. Preliminary expenses, deferred expenses, profit and loss appropriation account debit balance and any fictitious assets other than pre-paid expenses shall not be considered as admissible.
10. Agents' loans shall not be considered admissible for solvency purpose.
11. Reinsurer's balances outstanding for more than 180 days' and Co-insurer's balances outstanding for more than 90 days shall not be considered as admissible.
12. In case of reinsurer premiums receivables to the extent they are not realized within a period of 90 days shall not be considered admissible.

Names and Signatures:

Place

Date

Company Seal

Signature:

Name of Actuary

Fellow of

Membership No.

COP NO.

Signature:

Name of Principal Officer:

Appointment date in the Company

Certificate from Company's Auditor.

The contents of the Form 11: Admissible Assets give true and fair view of the company's Admissible Assets and in line with the Investment Directive.

Signature:

Name of Auditor:

Fellow of:

Membership No.:

COP No.:

Appointed from:

Form No. 12
Sensitivity Analysis

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Sensitivity Analysis

Item	Total Net of Reinsurances [total net liability]--Line 22+Line 10	Ratio	Line No.	Ref.
1	2	3	4	Form No - Line No
Discount rate--Base			1	F5-L23
Discount rate--Base +1%			2	
Discount rate--Base -1%			3	
Solvency Ratio - based on discount rate - base			4	
Solvency Ratio - based on discount rate - base + 1%			5	
Solvency Ratio - based on discount rate - base - 1%			6	
Mortality rate-Base			7	F5-L23
Mortality rate-150% of Base			8	
Mortality rate-50% of Base			9	
Solvency Ratio-Mortality rate-Base			10	
Solvency Ratio-Mortality rate-150% of Base			11	
Solvency Ratio-Mortality rate-50% of Base			12	

Names and Signatures:

Place

Date

Company Seal

Signature:

Name of Actuary:

Fellow of:

Membership No.:

COP NO.:

Signature:

Name of Principal Officer:

Appointment date in the Company:

Form No. 13

Cash Flow Statement

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:
Statement of Cash Flow

Item	Expected Fund	Investment Income	Other Income	Total Fund	Outgo				Increase in Liability	Management Expenses	Surplus/ (Deficiency)
At the end of year t from the Valuation date					Death Claims	Surrenders	Maturities	Others			
1											
2											
3											
4											
5											

Names and Signatures:

Place

Date

Company Seal

Signature:

Name of Actuary:

Fellow of:

Membership No.:

COP NO.:

Signature:

Name of Principal Officer:

Appointment date in the Company:

Form No. 14
Insurance Policy Statistics

Name of Insurer:
Reg. Number:
Date of Registration:
Valuation Date:

Statement of Insurance policy statistics

	With-Profit Business					Without-Profit Business			
Age at valuation date	**No. of policies**	**Sums Assured**	**Vested Bonuses**	**Annualized Premium**	**Single Premium**	**No. of policies**	**Sums Assured**	**Annualized Premium**	**Single Premium**
0									
1									
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100 and above									

<u>Names and Signatures:</u>

Place

Date

Company Seal

Signature:

Name of Actuary:

Fellow of:

Membership No.:

COP NO.:

Signature:

Name of Principal Officer:

Appointment date in the Company:

अनुसूची-७

बीमाङ्कीय मूल्याङ्कन प्रतिवेदनको टिप्पणी तयार गर्ने मार्गदर्शन

(निर्देशिकाको दफा ७(७) संग सम्बन्धित)

ANNEXURE - VII

Guidelines on Preparation of Valuation Note

1. The Appointed Actuary shall follow the guidance provided in this Annexure in preparing the Valuation Note. A combined note shall be produced for both participating and non-participating businesses.
2. The purpose of the note is for the Appointed Actuary to report on the insurer's current statutory solvency status as at the valuation date and draw attention to any material risks that might pose as a threat to the solvency, while highlighting the summary of recommendations to manage or mitigate those risks. This note also requires the certification from the Board of the insurer on the financial soundness of the business.
3. While compiling the Valuation Note, the Appointed Actuary shall consider items highlighted under each section in Table 1 (below). However, the details set out in each section should not be viewed as an exhaustive list of issues that need to be addressed in the note.

Table 1

Section	Section Heading	Items to be addressed
1	Executive Summary	• Statement by the Appointed Actuary commenting on the financial soundness of the insurer • Summary of Valuation Balance Sheet by key product lines, shown separately for par and non-par businesses • Summary of Solvency Margin. If Solvency Ratio is less than 1.5, a summary of Capital Plan • Summary of bonus declaration on participating business • Summary of surplus transferred to/from the shareholders' fund
2	Compliance with the regulations	• Statement by the Appointed Actuary on how the insurer has complied with relevant regulations/ directives/ guidelines for the purpose of completing the actuarial valuation

		• Statement by the Appointed Actuary on his/her professional capacity and obligations • Appointed Actuary to raise material concerns in relation to the valuation and provide recommendations to remedy the situation
3	Data – Summary of assessment of data quality	• Summary of the data used in the valuation • Comment on whether extraction and validation of valuation data have been carried out in line with the data policy. In absence of data policy, please provide recommendations on the necessary steps that the insurer needs to take to improve the process • High level comments on the checks that have been carried out on the data as at valuation date • Additionally, the summary of the reconciliation of data movements from the previous valuation date to be provided. If the starting data for the current valuation year is not consistent with the end data from the previous valuation date, the discrepancies need to be explained. • Comment on how the Appointed Actuary has gained comfort on ensuring the completeness and accuracy of the data • Highlight any material data issues and limitations and their impact on the amount of reserves
4	Internal Process and Controls	• Comment on the types of appropriate checks and controls that have been carried out in order to calculate the valuation reserves, including whether these checks and controls are in line with the Internal Process and Controls document
5	Valuation Methodologies	• Describe the valuation methods used for key product lines • Explain if the valuation methodology has changed from the previous valuation and the impact of the change on the reserves
6	Valuation Assumptions	• Describe and comment on the assumptions used for key product lines including the appropriateness of assumptions and how they were derived • Provide reasons for any changes in assumptions from the

		previous valuation year • Comment on the adequacy of margins included in the actuarial assumptions • Provide table of new bonus declaration • Provide table of bonus rates used in the determination of the value of future bonuses.
7	Valuation Results	• Summary of the valuation results by key product lines • Provide a reconciliation of changes in surplus over the valuation year • Comment on key risks, uncertainties and limitations associated with the calculation of valuation results
8	Surplus Allocation	• Summary of surplus emerging over the valuation year by key product lines • Summary of the results of bonus earning capacity exercise • Comment on how the bonus declarations for participating policies are consistent with the bonus earning capacity; in line with the insurer's bonus philosophy; and takes into account the policyholder reasonable expectation (PRE) and treating customers fairly (TCF) • Summary of surplus allocation by each key product lines • Explanation of use or retention of unallocated surplus • Summary of surplus allocation to/from the shareholders' fund
9	Solvency Margin	• Summary of Solvency Margin including the Solvency Ratio • If the Solvency Ratio falls under 'Amber' zone, provide details of Capital Plan
10	Certification by the Board of the insurer	The Board of the insurer to provide a formal approval and sign off on the following: 1. the valuation methodologies adopted are appropriate for the lines of business and in line with Beema Samiti regulations 2. the valuation assumptions used are appropriate for the lines of business and the insurer ensures they are updated as necessary

		3. the insurer has followed proper valuation process and controls, ▪ including reasonable steps have been taken to ensure the accuracy and completeness of the data ▪ proper checks and controls have been carried out in calculating the valuation reserves 4. the insurer has performed adequate analyses to understand the movement in the valuation reserves and surplus from previous year 5. bonus declarations for participating policies are consistent with the bonus earning capacity, in line with the insurer's bonus philosophy and takes into account the policyholder reasonable expectation (PRE) and treating customers fairly (TCF)