जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थितिको लेखा जोखा र दायित्वको मूल्याङ्कन सम्बन्धी निर्देशिका-२०६५

बीमा ऐन, २०४९ को दफा ८ (घ२) ले दिएको अधिकार प्रयोग गरी सोही ऐनको दफा ८(ङ) को प्रयोजनका लागि बीमा समितिले देहायको "जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थतिको लेखा जोखा र दायित्वको मूल्याङ्कन सम्बन्धी निर्देशिका-२०६५ जारी गरेको छ ।

१. संक्षिप्त नाम र प्रारम्भ :

(१) यो निर्देशिकाको नाम "जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थितिको लेखा जोखा र दायित्वको मूल्याङ्कन सम्बन्धी निर्देशिका-२०६५ रहेको छ ।

(२) यो निर्देशिका २०६५ साल बैशाख १ गतेदेखि लागू हुनेछ ।

२. निर्देशिका :

यो निर्देशिका नेपालमा जीवन बीमा व्यवसाय गर्ने बीमक तथा बीमा ऐन, २०४९ को दफा २६ बमोजिम बीमकको आर्थिक स्थितिको लेखा जोखा र दायित्वको मूल्यांकन गर्ने बीमाङ्कीको हकमा लागू हुनेछ ।

३ बीमाङ्कीको नियुक्ति :

(१) बीमकले बीमा ऐन, २०४९ को दफा २६ बमोजिम आफ्नो आर्थिक स्थितिको लेखा जोखा र दायित्वको मूल्यांकन गर्नका लागि उपयुक्त ज्ञान, अनुभव र ख्याती भएको बीमाङ्की नियुक्त गर्नुपर्नेछ ।

(२) उप-निर्देशिका (१) बमोजिम नियुक्त गर्ने बीमाङ्कीको योग्यता कम्तिमा बीमा नियमावली, २०४९ को नियम ३५ ले तोकि दिए बमोजिम हुनुपर्नेछ ।

(३) बीमकले बीमा ऐन, २०४९ को दफा २६ बमोजिम प्रत्येक पटक आफ्नो आर्थिक स्थितिको लेखा जोखा र दायित्वको मूल्यांकन गर्नका लाीग उपनिर्देशिका (१) र (२) बमोजिम नियुक्त गर्न चाहेको बीमाङ्कीको व्यक्तिगत विवरण सहित समितिको पूर्व स्वीकृतिको लागि पेश गर्नुपर्नेछ ।

(४) उप-निर्देशिका (३) बमोजिम पेश हुन आएको कागजात छानविन गरी उपयुक्त देखेमा समितिले बीमाङ्की नियुक्तिको लागि पूर्व स्वीकृति दिन सक्नेछ ।

(५) उप-निर्देशिका (४) बमोजिम समितिको पूर्व स्वीकृति नलिई बीमकले आफ्नो आर्थिक स्थितिको लेखा जोखा र दायित्वको मूल्यांकन गर्नका लागि बीमाङ्कीको नियुक्त गर्नु हुँदैन ।

४. बीमाङ्कीको प्रतिवेदन पेश गर्नु पर्ने :

(१) बीमा नियमावली, २०४९ को नियम ३६ बमोजिम समितिमा पेश गर्नुपर्ने बीमाङ्कीको प्रतिवेदन उक्त मूल्यांकन गर्नुपर्ने अवधि समाप्त भएको मितिले बढिमा दश (१०) महिना भित्र पेश गरी सक्नु पर्नेछ ।

(२) बीमा ऐन, २०४९ को दफा २६ बमोजिम गरिएका बीमाङ्कीको मूल्यांकन प्रतिवेदनमा निम्न तथ्यहरु खुलेको/संलग्न रहेको हुनुपर्ने छ ।

(क) बीमाङ्कीको मूल्यांकन प्रतिवेदनमा समावेश गरिएका तथ्याङ्कको शुद्धता तथा पर्याप्तता सम्बन्धमा बीमकको संचालक समितिको उद्घोषण ।

(ख) बीमाङ्कीको प्रतिवेदनले गरेको सिफारिस बमोजिम बीमकले गर्न चाहेको व्यवस्थाहरु (Provisions) सम्बन्धमा बीमकको संचालक समितिको निर्णयको प्रतिलिपि ।

(ग) अन्य आवश्यक विवरण ।

५. समितिको निर्देशन बमोजिम गर्नु पर्ने

(१) निर्देशिका ५ बमोजिम समितिमा पेश हुन आएको बीमाङ्कीको प्रतिवेदनको आधारमा समितिले शेयरधनी कोष (Shareholders Fund) बाट बीमालेख लिनेको कोष (Policyholders Fund) मा रकम सार्न तथा अन्य आवश्यक निर्देशन दिन सक्नेछ ।

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

६. समितिको स्वीकृति बमोजिम गर्नु पर्ने :

(१) बीमा नियमावली, २०४९ को नियम ३६ बमोजिम समितिबाट स्वीकृत बीमाङ्कीको मूल्यांकन प्रतिवेदन अनुसार “बीमालेख लिनेलाई प्रदान गरिने मुनाफा (Bonus) दर मूल्यांकन अवधिको शुरु मिति देखि नै लागू गर्नुपर्ने छ ।

(२) बीमा समितिबाट अर्को मूनाफा दर स्वीकृत नभएसम्म उप-निर्देशिका (१) बमोजिम बीमकले बीमालेख लिनेलाई प्रदान गर्ने मुनाफा दर बमोजिम अन्तरिम मुनाफा (Interim Bonus) प्रदान गर्नु पर्ने छ ।

(३) बीमा नियमावली, २०४९ को नियम ३६ बमोजिम समितिबाट स्वीकृत व्यवस्थाहरु (Provisions) उक्त स्वीकृति भएको आर्थिक बर्षको हिसाबमा देखाउनु पर्नेछ ।

७. बचत (Surplus) बाँडफाँड :

बीमाङ्कीको मूल्यांकन प्रतिवेदन बमोजिम जीवन बीमा व्यवसायमा भएको बचत (कर्मचारीलाई बोनस छुट्याउनु अगाडी) को घटिमा नब्बे प्रतिशत (९०%) रकम बीमालेख लिनेको कोष (Policy Holders Fund) मा सार्नु पर्नेछ ।

८. बीमाङ्कीको कर्तव्य तथा मूल्यांकन कार्यविधि :

(१) जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थितिको लेखा जोखा तथा दायित्वको मूल्यांकन सम्बन्धमा अवलम्बन गर्नुपर्ने सामान्य सिद्धान्तहरु अनुसूची १ बमोजिम हुनेछ ।

(२) जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थितिको लेखा जोखा तथा दायित्वको मूल्यांकन गर्ने बीमाङ्कीको कर्तव्य अनुसूची २ बमोजिम हुनेछ ।

(३) जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थितिको लेखा जोखा तथा दायित्वको मूल्यांकन गर्दा पालना गर्नुपर्ने व्यवस्थाहरु अनुसूची ३ बमोजिम हुनेछ ।

(४) जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थितिको लेखा जोखा तथा दायित्वको मूल्यांकनबाट हुन आएको बचत बाँडफाँड गर्दा पालना गर्नुपर्ने व्यवस्थाहरु अनुसूची ४ बमोजिम हुनेछ ।

(५) जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थितिको लेखा जोखा तथा दायित्वको मूल्यांकन गरी बीमाङ्कीले पेश गर्नुपर्ने मूल्यांकन प्रतिवेदनको ढाँचा अनुसूची ५ बमोजिम हुनेछ ।

९. **खारेजी र बचाउ** :

(१) जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थितिको लेखा जोखा र दायित्वको मूल्याङ्कन सम्बन्धमा यस पूर्व समितिबाट समय समयमा जारी गरिएका निर्देशनहरु खारेज गरिएको छ ।

(२) यो निर्देशिका लागू हुनु अघि जीवन बीमा व्यवसाय गर्ने बीमकको आर्थिक स्थितिको लेखा जोखा र दायित्वको मूल्याङ्कन सम्बन्धमा यस समितिको निर्देशन बमोजिम भए गरेका काम कारवाहीहरु यसै निर्देशिका बमोजिम भए गरेको मानिनेछ ।

अनुसूची १

(निर्देशिका ८ (१) संग सम्बन्धित)

General

1. This directive should be interpreted in the context of the regulations and practice of Nepal.
2. An Actuary should have the appropriate knowledge and practical experience relevant to the insurer and types of business concerned.
3. An Actuary should be objective in the performance of his or her duties and take reasonable steps to satisfy him or her that he or she is free from bias.
4. An Actuary must pay due regard to generally accepted actuarial best practice. This directive establishes some elements of generally accepted actuarial best practice. An Actuary to whom this directive applies should also consider practices that may be considered generally accepted 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.
5. An Actuary should render actuarial advice to the management of the insurer, in particular in the areas of product design and pricing, insurance contract wording, sales literatures, investments and re-insurance, valuation, and bonus distribution.
6. An Actuary should ensure solvency of the insurer at all times.

अनुसूची २

(निर्देशिका ८ (२) संग सम्बन्धित)

Duties of Actuaries

1. The Actuary should carry out the actuarial investigations specified and report in accordance with the regulations. Where the Actuary believes that the regulatory basis or format materially fails to make the real financial circumstances of insurer clear, the Actuary should draw the attention of the insurer and Beema Samiti to this in a supplementary report.
2. The Actuary should confirm financial soundness of the insurer.
3. All material valuation methods and assumptions should be stated.
4. All material risks to the solvency of the insurer should be identified.
5. If the Actuary considers that the report contains matters of significant concern about the solvency of the insurer, he or she should present a copy of the valuation report to the Beema Samiti.
6. The Actuary should notify the Beema Samiti, when he or she resigns from that role or when his or her appointment in that role is terminated or not renewed.
7. If the insurer also carries out any non-insurance activities, the Actuary should consider that business to the extent to which it might impact on the life insurance business.
8. The Actuary should advise the insurer if he or she believes that it may not currently be meeting liabilities to policyholders as they fall due or might not have done so in the past, or might in reasonably foreseeable circumstances fail to do so, either as a result of insufficient financial resources or otherwise. If the Actuary believes that the insurer is not able to, or may not in the reasonably foreseeable future be able to, meet any minimum solvency margin required by regulation or considered appropriate by the Actuary, this is a sufficient (but not necessary) condition to provide this advice .

9. Liability to policyholders may include obligations arising from regulatory requirements to treat its policyholder fairly, including implicit liabilities created by literature, illustrations or precedent. If so, the Actuary should ensure that the insurer's management is aware of his or her interpretation of its obligations to treat its policyholders fairly which need to be taken into account.

10. If the Actuary considers that the insurer's reinsurance arrangements are inappropriate or inadequate he or she should advise the insurer on the modifications advisable.

11. The Actuary should judge and decide whether the investment policy pursued by the insurer is inappropriate having regard to the nature and term of the insurer's liabilities and to the investments available. If this is the case, the Actuary should advise the insurer of the constraints on investments policy.

12. Keeping into mind the current and likely future economic, investment, regulatory environment and future taxation position of the insurer, The following should be included in valuation report:-

    12.1. The terms on which existing business has been, and current new business is being written, with particular reference to all options and guarantees;

    12.2. The Actuary should be satisfied that the premium rates being charged for new business, and for existing business are adequate, 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.

    12.3. The insurer's policy with regard to the nature and timing of allocations of profits to policyholders and/or shareholders;

    12.4. the nature, extent and availability of the insurer's assets outside the life insurance fund and of capital support from shareholders;

    12.5. The existing investments of the life insurance business assets and the continuing investment policy including the use of derivative instruments;

12.6. The extent to which assets and liabilities cannot be or are not matched by term and by type;

12.7. The exposure to and strength of investment and reinsurance counterparties;

12.8. The systems of control which the insurer has established, especially those relating to operational risk;

12.9. The reinsurance and underwriting arrangements;

12.10. The marketing plans, in particular the expected volumes and costs of sales;

12.11. The current and likely future level of expenses;

12.12. The current and likely future levels of mortality and morbidity;

12.13. The persistency of the business written both in the short and long term, and the terms for discontinuance.

13. The Actuary of an insurer shall furnish valuation report in the format prescribed.

अनुसूची ३
(निर्देशिका ८ (३) संग सम्बन्धित)

The Actuarial Valuation

1. The Actuary should 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 report required should be appropriately qualified.
2. The Actuary should ensure that adequate systems of control are in place and fully documented to enable the appropriate valuation procedures to be correctly carried out and adequately recorded.
3. The statutory valuation at present is done tri-annually. An internal annual valuation should be done to determine solvency and financial condition of the business, and a copy of the annual valuation report should be submitted to Beema Samiti.
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.
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”) or less than the guaranteed surrender value

available (called “guaranteed surrender value deficiency 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, or to the guaranteed surrender values, as the case may be.

9. When a method of valuation other than the Gross Premium Method of valuation is to be adopted; then, other approximations (e.g. retrospective method) may be used. Provided that the amount of calculated reserve is expected to be at least equal to the amount that shall be produced by the application of Gross Premium Method.

10. 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 arising under policies as they arise.

11. The gross premium method of valuation shall discount the following future policy cash flows if any, at an appropriate rate of interest:-

11.1. premiums payable;

11.2. benefits payable under basic benefits and /or rider benefits-

11.2.1.1. on death,

11.2.1.2. on survival,

11.2.1.3. on morbidity,

11.2.1.4. on voluntary termination of contract;

11.3. bonuses that have already been vested as at the valuation date;

11.4. bonuses as a result of the valuation at the valuation date;

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

11.6. policy maintenance expenses, in respect of a policy;

11.7. allocation of profit to shareholders, where there is a specified relationship between profits attributable to shareholders and the bonus rates declared for policyholders, provided that allowance must be made for tax.

12. Additional Requirements for Linked Business:

12.1. Reserves in respect of linked business shall consist of two components, namely, unit reserves and general fund reserves.

12.2. Unit reserves shall be calculated in respect of the units allocated to the policies in force at the valuation date using unit values at the valuation date.

12.3. General fund reserves (non-unit reserves) shall be determined using a prospective valuation method, which shall take into account of the following, namely:-

12.3.1. Premiums, if any, payable in future;

12.3.2. Death benefits, if any, provided by the general fund (over and above the value of units);

12.3.3. Management charges paid to the general fund;

12.3.4. Guarantees, if any, relating to surrender values or minimum death and maturity benefits;

12.3.5. Fund growth rates and management charges.

12.3.6. Negative reserves, if any, shall be dealt with in accordance with directive number twenty-seven.

13. Where a policy provides built-in options, that may be exercised by the policyholder, such as conversion or addition of coverage at future date(s) without any evidence of good health, annuity rate guarantees at maturity of contract, etc., the costs of such options shall be estimated and treated as special cash flows in calculating the mathematical reserves.

14. 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. An Actuary shall take the following into consideration:-

14.1. The value(s) of the parameter 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;

14.2. 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;

14.3. 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;

14.4. Morbidity rates to be used shall be by reference to a suitably modified published table or reinsurer's rates. Beema Samiti may in future prescribe a table, when sufficient data is available;

14.5. 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. All expenses shall be increased in future years for inflation; the rate of inflation assumed should be consistent with the valuation rate of interest.

15. Valuation rates of interest, to be used by Actuary-

15.1. shall not be higher than the rates of interest, for the calculation of the present value of policy cash flows, determined from prudent assessment of the yields from existing assets attributable to blocks of life insurance business, and the yields which the insurer is expected to obtain from the sums invested in the future, and such assessment shall take into account -

15.1.1. the composition of assets supporting the liabilities, expected cash flows from the investments on hand, the cash flows from the block of policies to be valued, the likely future investment conditions and the reinvestment and disinvestment strategy to be employed in dealing with the future net cash flows;

15.1.2. the risks associated with investment in regard to receipt of income on such investment or repayment of principal;

15.1.3. the expenses associated with the investment functions of the insurer;

15.2. shall not be higher than, for the calculation of present value of policy cash flows in respect of a particular category of contracts, the yields on assets maintained for the purpose of such category of contracts;

15.3. in respect of non-participating business, shall recognize the risk of decline in the future interest rates;

15.4. in respect of participating business, the scale of future bonuses used in the valuation should be consistent with the valuation method and the valuation rate of interest;

15.5. In respect of single premium business, shall take into account the effect of changes in the risk-free interest rates.

16. 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.

17. The Actuary and the insurer shall be responsible for the value to be placed on the assets as per regulations if any. The Actuary should, respectively, either ensure or take reasonable steps to verify that adequate systems of control 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 reserves, if necessary, in respect of the risk of over-valuation.

18. Where assets are valued at current market value, as prescribed by the accounting standards of Nepal (if revised) the deterministic or stochastic discount factors used should be consistent with those market values. Where assets are valued on a different basis, the rates of discount should be determined consistently with that basis. In addition, due allowance should be made for the current and future taxation position of the insurer. Any such allowance should be consistent with any allowance made for tax relief on expenses.

19. The Actuary will need to ensure that allowance has been made for the effect or possible effect of derivatives and other financial instruments when choosing the valuation basis. The appropriate valuation interest rates should allow for the return on the assets held as adjusted to reflect economic exposure under futures contracts and contracts for differences. Consideration should also be given to the treatment of, and allowance for, financial options, particularly when close to an option date.

20. As regards the business ceded by insurers, this guideline shall be applicable to the net sums at risk retained by the insurer**.** Reinsurance arrangement with an element of borrowing in the form of deposit or credit of any kind from insurer or reinsurer (s) without the prior approval of Beema Samiti shall not be treated as credit for reinsurance for the purpose of determination of required solvency margin.

21. The Actuary shall make aggregate provisions in respect of the following, where it is not possible to calculate mathematical reserves for each policy, in the determination of mathematical reserves:-

    21.1. Policies in respect of which extra premiums have been charged on account of underwriting of under-average lives that are subject to extra risks such as occupation hazard, over-weight, under-weight, smoking history, health, climatic or geographical conditions;

21.2. Lapsed policies not included in the valuation but under which a liability exists or may arise;

21.3. Options available under individual and group insurance policies;

21.4. Guarantees available to individual and group insurance policies;

21.5. The rates of exchange at which benefits in respect of policies issued in foreign currencies have been converted into Nepalese Currency and what provision has been made for possible increase of mathematical reserves arising from future variations in rates of exchange;

21.6. Others (if any).

22. The Actuary should take account of the insurer's reinsurance arrangements in the valuation, including any implicit financing provision and the possibility that reinsurance contracts may lapse or prove unenforceable in certain circumstances.

23. The Actuary should have regard to the possibility of failure of or dispute with a reinsurance, investment or financial instrument counterparty to which the insurer has material exposure, taking into account factors such as the financial strength and regulatory environment of the counterparty.

24. The Actuary should ensure that adequate margins are included in the valuation assumptions or methods, including in the credit taken for any reinsurance, having regard to the Actuary's own assessment of the risks inherent in the nature and conduct of the insurer's business and the financial strength and regulatory environment of material counterparties.

25. Where there is any mismatching of assets and liabilities, the Actuary should ensure that there is adequate explicit or implicit provision for reasonably foreseeable adverse movements in asset values or yields.

अनुसूची ४

(निर्देशिका ८ (४) संग सम्बन्धित)

Recommendations on Allocation of Profits

1. The Actuary should determine, in accordance with applicable regulations, the excess of the assets available for its participating life insurance business over its liabilities attributable to that business. If rights of any life insurance policyholders to participate in profits relate only to a part of the business, the Actuary should also identify separately any excess which relates to that part.
2. The Actuary should advise the insurer, in accordance with Beema Samiti's Directives and or other applicable regulations, of the extent to which it would be appropriate to transfer any excesses to shareholders or, in the case of with profits business, distribute it between policyholders and shareholders, and, where required to do so, should make recommendations for its specific allocation.
3. In making recommendations in respect of any proposed allocation of profits, the Actuary should carry out appropriate financial investigations including an appraisal of the relevant past experience.
4. In the report that includes the recommendations, the Actuary should include sufficient information and discussion about each factor and about the results of any financial investigations to justify, and enable the insurer to judge, the appropriateness of the recommendations and for the insurer to understand their implications for the future course of the insurer's business. In particular, the Actuary should state his or her:-

   4.1. Conclusions from the appraisal of the relevant experience;

   4.2. Understanding of the insurer's financial and business objectives; and

   4.3. Assessment of the insurer's ability to meet any minimum required solvency margin following the recommended allocation.

4.4. In addition, for with- profits business, the Actuary should state his or her:-

4.4.1. Method of use of asset share or other techniques, if any, including the way in which the recommendations are derived from those techniques;

4.4.2. Interpretation of any legal advice given to the insurer constraining or potentially constraining the insurer's discretion when allocating surplus and how this has been reflected in the recommendations;

4.4.3. Interpretation of any requirements to treat policyholders fairly;

4.4.4. Opinion of the extent to which it is appropriate to distinguish between groups of participating policies having regard inter alias to the nature of the policies, their duration and their relevant pooled experience;

4.4.5. Opinion of how the recommendations maintain fairness between different categories of policy or policyholders and between policyholders and the insurer and or shareholder.

5. If the recommendations anticipate the results of a determination of surplus, the Actuary should include in the report the estimated results of the determination and show how the recommendations can be financed.

6. The Actuary should discuss the relationship between the recommended allocation and recent and expected future experience (economic, demographic, etc.) In the case of with-profits business, the report should address bonus prospects, in different future investment scenarios. If the recommended allocation is excessive relative to the recent and expected experience (apart from any non-recurrent elements) and if the continuation of this relationship in future years could result in a material deterioration in the insurer's financial position, the report should indicate whether and how this could appropriately be avoided, taking any requirement to treat policyholders fairly into account.

7. Where, in the opinion of the Actuary, there is uncertainty regarding the extent to which the insurer can exercise its discretion when allocating surplus to

policyholders, he or she should state in the report the nature of the uncertainty, the assumptions made with regard to the uncertainty when making the recommendations and the consequences where the uncertainty is to be resolved differently.

अनुसूची ५ निर्देशिका ८ (५) संग सम्बन्धित)

Format of Valuation Report of Life Insurer

1. **Details of Insurer:**
   - Name of Insurer:
   - Particulars of head office:
   - Address:
   - Tel no:
   - Fax no:
   - Website address:
   - Registration no
   - Date of registration:
   - Date of commencement of operations:

2. **Location and Staffing of Offices:**

Place	No of offices	Employees	
		Regular	outsourced

3. **Paid up Capital**
   - Paid up capital at registration date:
   - Paid up capital on valuation date:
   - Promoters with their share of capital:

4. **Particulars of Principal Officer:**
   - Name:
   - Date of employment:
   - Educational qualifications:
   - Prior business experience:

5. **Details of Actuary**:
   - Name:
   - Date of appointment(attach a copy of appointment letter):
   - Educational qualifications:
   - Prior business experience:

- Business office:
- Address:
- Phone no:
- E-mail address:
- Particulars of CPD programs attended last year:
- Particulars of other assignments (Including actuarial consultancy) done since last valuation:

6. **Brief Overview of Business Operations**:
   - Insurer's operational structure:
   - Places of operations:
   - Market share:
   - Nature of business activity of promoters:
   - Major events during the inter valuation period, relevant to operations of the Insurer or promoter company (e.g. mergers, acquisitions, a new business activity, significant financial loss, changes in company structure etc).
   - Financial highlights of the promoter companies from latest published financial statements:

7. **Lines of Business**

8. **New Products with Full Details:**
   - Brand name:
   - Design of product:
   - Benefit:
   - Participating or non participating:
   - Actuarial basis (mortality, morbidity, interest, and expenses):
   - Minimum and maximum face value:
   - Surrender benefit:
   - Surrender basis:
   - Riders:
   - Options:
   - Guarantees:
   - Specimen premium rates for ages 20, 25, 30, 35, 40, 45, 50, 55, 60 and terms 10, 15, 20, 25:

9. **Details of all Existing Products:**
   - Brand name:
   - Design of product:

- Benefit:
- Participating or non participating:
- Actuarial basis (mortality, morbidity, interest, and expenses):
- Minimum and maximum face value:
- Surrender benefit:
- Surrender basis:
- Riders:
- Options:
- Guarantees:
- Specimen premium rates for ages 20, 25, 30, 35, 40, 45, 50, 55, 60 and terms 10, 15, 20, 25:

10. <u>Changes to Existing Products with Details:</u>

11. <u>Withdrawal of any Product:</u>

12. <u>In Force Business Volumes as at End of Each FY:</u>

(a) Individual

Description of Product	Number of contracts	Sum Assured	Annualized Premium (Including Single Premium)
Total			

(b) Group

Description of Product	Number of Schemes	Annualized Premium	Number of Lives

13. <u>No of Policies</u> *(Please make separate table for individual and group for each FY):*

Line of Business	Opening SP	Opening AP	Additions SP	Additions AP	Deletions SP	Deletions AP	Closing SP	Closing AP

Note; SP= Single Premium, AP= Annual Premium (Includes Hly, Qly, Mthly Modes)

14. **<u>Benefit Amount</u>** *(Please make separate table for individual and group for each FY):*

(In Lakh)

Line of Business	Opening SP	Opening AP	Additions SP	Additions AP	Deletions SP	Deletions AP	Closing SP	Closing AP

Note; SP= Single Premium, AP= Annual Premium (Includes Hly, Qly, Mthly Modes)

15. **<u>Premium Amount</u>** *(Please make separate table for individual and group for each FY):*

(In Lakh)

Line of Business	Opening SP	Opening AP	Additions SP	Additions AP	Deletions SP	Deletions AP	Closing SP	Closing AP

Note; SP= Single Premium, AP= Annual Premium (Includes Hly, Qly, Mthly Modes)

16. **<u>Net Lapse Ratios (%)</u>** *(Please make three tables for end of each FY):*

Particular	Net Lapse Ratio in Same FY		Net Lapse Ratio in Previous FY	
	Based on Benefit Amount	Based on Number of Policies	Based on Benefit Amount	Based on Number of Policies
Policies Issued in Same FY				
Policies Issued in One Year Before				
Policies Issued in Two Years Before				
Policies Issued in Three Years Before				

17. Movement Statistics:

Table A

NEW BUSINESS of FY………

(One table as at end of each FY)

Name of Insurance Product	Average SA Per Contract	Average Premium Per 1000 SA	No of Death Claims Per 1000 Policy	No of Pure Lapses Per 1000 Policy	No of Surrenders Per 1000 Policy

Table B

ALL IN FORCE BUSINESS of FY………

(One table as at end of each FY)

Name of Insurance Product	Average SA Per Contract	Average Premium Per 1000 SA	No of Death Claims Per 1000 Policy	No of Pure Lapses Per 1000 Policy	No of Surrenders Per 1000 Policy

Table C

Premium Income by Percent

NEW BUSINESS of FY………

(One table as at end of each FY)

Name of Insurance Product	SP	Yly	Hly	Qly	Mly

Note; All columns add upto 100%

SP=Single premium, Yly=yearly, Hly=Half yearly, Qly=quarterly, Mly=Monthly

Table D
Premium Income by Percent
ALL IN FORCE BUSINESS of FY………
(One table as at end of each FY)

Name of Insurance Product	SP	Yly	Hly	Qly	Mly

Note; All columns add up to 100%

18.Marketing Sales Force *(Three tables as at end of each FY):*

Particular	At Beginning of Year	Additions During Year	Deletions	At the End of Year
Agents				
Corporate Agents				
Others				
Total				

19.Productivity of Sales Force

a. Average premium income per agent in each FY:
b. No of agents who have sold at least 25 policies in each FY:

20. Underwriting Practices :

a. Non medical limits:
b. Brief description of underwriting policy for individual lives and for group, viz a vis selection of standard lives, treatment of sub standard, declinature etc.

21.Analysis of Business *(One table as at end of each FY):*

Particular		No of Policies	Benefit Amount (In Millions)	Premium amount (In Lakhs)
Non-Medical	Ordinary			
	Special			
	Total			
Medical	Standard			
	Sub-Standard			
	Total			
Postponed				
Declined				

22. Analysis of Early Death Claims:

(a) Individual Business

Early Death Claims		First policy Year Ending in Same FY		First Policy Year Ending in One Year Before		First Policy Year Ending in Two Years Before	
		No	Benefit Amount	No	Benefit Amount	No	Benefit Amount
Non Medical	Ordinary						
	Special						
	Total						
Medical	Standard						
	Sub Standard						
	Total						
Grand Total							

(b) Group Business

Early Death Claims		First policy Year Ending in Same FY		First Policy Year Ending in One Year Before		First Policy Year Ending in Two Years Before	
		No	Benefit Amount	No	Benefit Amount	No	Benefit Amount
Non Medical	Ordinary						
	Special						
	Total						
Medical	Standard						
	Sub Standard						
	Total						
Grand Total							

23. New Business For the Year

(a) Individual Business

New Business		First policy Year Ending in Same FY		First Policy Year Ending in One Year Before		First Policy Year Ending in Two Years Before	
		No	Benefit Amount	No	Benefit Amount	No	Benefit Amount
Non Medical	Ordinary						
	Special						
	Total						
Medical	Standard						
	Sub Standard						
	Total						
Grand Total							

(b) Group Business

New Business		First policy Year Ending in Same FY		First Policy Year Ending in One Year Before		First Policy Year Ending in Two Years Before	
		No	Benefit Amount	No	Benefit Amount	No	Benefit Amount
Non Medical	Ordinary						
	Special						
	Total						
Medical	Standard						
	Sub Standard						
	Total						
Grand Total							

24. <u>Ratio of Early death claims to New Business</u>

(a) Individual Business

Particulars		Ratio					
		First policy Year Ending in Same FY		First Policy Year Ending in One Year Before		First Policy Year Ending in Two Years Before	
		No	Benefit Amount	No	Benefit Amount	No	Benefit Amount
Non Medical	Ordinary						
	Special						
	Total						
Medical	Standard						
	Sub Standard						
	Total						
Grand Total							

(b) Group Business

Particulars		Ratio					
		First policy Year Ending in Same FY		First Policy Year Ending in One Year Before		First Policy Year Ending in Two Years Before	
		No	Benefit Amount	No	Benefit Amount	No	Benefit Amount
Non Medical	Ordinary						
	Special						
	Total						
Medical	Standard						
	Sub Standard						
	Total						
Grand Total							

25. **Reinsurance:**

- Retention limits:
    - For individual (Plan wise):
    - For group (Plan wise):
- Brief description of reinsurance arrangements:
- Catastrophic cover:
- Name of reinsures:
- Rating of reinsures:
- Nature of advice, if any, given by reinsures for product design and pricing:

26. **Reinsurance Premium Statistics:**

(a) Individual Business

	Particular	Same FY		One Year Before		Two Year Before	
		New Business	Total Business	New Business	Total Business	New Business	Total Business
Gross Premium (In Rs. Lakhs)	Basic						
	Riders						
	Total						
RI Premium (In Rs. Lakhs)	Basic						
	Riders						
	Total						
Ratio of RI Premium to Gross Premium	Basic						
	Riders						
	Total						

(b) Group Business

	Particular	Same FY		One Year Before		Two Year Before	
		New Business	Total Business	New Business	Total Business	New Business	Total Business
Gross Premium (In Rs. Lakhs)	Basic						
	Riders						
	Total						
RI Premium (In Rs. Lakhs)	Basic						
	Riders						
	Total						
Ratio of RI Premium to Gross Premium	Basic						
	Riders						
	Total						

27. <u>Analysis of Expenses</u> *(Please make one table for each FY):*

(I*n Rs' 000)*

Particular	Detail	Individual	Group	Total
Premium Income	First Year(FY)			
	Renewal			
	Total			
First year Agent Commission	Total FY Commissions			
	Commission as % of FY Premiums			
Renewal Agent Commissions	Total Commissions			
	Commission as % of Renewal Premiums			

<table>
<tr><th>Particular</th><th colspan="2">Detail</th><th>Individual</th><th>Group</th><th>Total</th></tr>
<tr><td rowspan="20">First Year Administrative Expenses</td><td colspan="2">Medical</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Underwriting</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Policy issue</td><td></td><td></td><td></td></tr>
<tr><td rowspan="15">Others (Describe Categories)</td><td>Salary</td><td></td><td></td><td></td></tr>
<tr><td>Travel</td><td></td><td></td><td></td></tr>
<tr><td>Training</td><td></td><td></td><td></td></tr>
<tr><td>Rent</td><td></td><td></td><td></td></tr>
<tr><td>Repairs</td><td></td><td></td><td></td></tr>
<tr><td>Water</td><td></td><td></td><td></td></tr>
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<tr><td>Legal /Auditors fee</td><td></td><td></td><td></td></tr>
<tr><td>Sales promotion / Publicity</td><td></td><td></td><td></td></tr>
<tr><td>Interest/ Bank charges</td><td></td><td></td><td></td></tr>
<tr><td>IT and call centre</td><td></td><td></td><td></td></tr>
<tr><td>Agents training /Recruitment</td><td></td><td></td><td></td></tr>
<tr><td>Depreciation</td><td></td><td></td><td></td></tr>
<tr><td>Miscellaneous</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Total FY Administrative Expenses</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Total FY Adm. Exp. as % of FY Premiums</td><td></td><td></td><td></td></tr>
<tr><td>dministrat</td><td colspan="2">Premium Collection</td><td></td><td></td><td></td></tr>
</table>

<table>
<tr><th>Particular</th><th colspan="2">Detail</th><th>Individual</th><th>Group</th><th>Total</th></tr>
<tr><td rowspan="20"></td><td colspan="2">Policy Maintenance</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Expenses for Claims and Benefit Payments</td><td></td><td></td><td></td></tr>
<tr><td rowspan="16">Others(Describe Categories)</td><td>Salary</td><td></td><td></td><td></td></tr>
<tr><td>Travel</td><td></td><td></td><td></td></tr>
<tr><td>Training</td><td></td><td></td><td></td></tr>
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<tr><td colspan="2">Total Renewal Expenses</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Total Renewal Adm. Exp. as % of Renewal Premiums</td><td></td><td></td><td></td></tr>
<tr><td colspan="3">Total of Commission and Administrative Expenses</td><td></td><td></td><td></td></tr>
<tr><td colspan="3">Total Expenses (Adm. Exp. & Comm.)as % of Total Premium</td><td></td><td></td><td></td></tr>
</table>

Notes: Administrative expenses to be allocated in a systematic manner to FY and renewal expenses, and manner of allocation described.

28. Investments *(Provide brief information on the following):*

A. Investment policy:

B. Investment expenses:

C. Details of investment held with book value and market value at end of each of the three FY.

D. Mean yield on the funds for each of the three FY.

E. Describe method for calculation of yield.

F. Details of assets defaults, non performing assets.

29. Reserves and Valuation:

A. Reserve Summary as at End of Each FY

(In Rs. Lakhs)

Particular	Gross	Ceded	Net
Individual Life			
Group Life			
Total			

B Negative and deficiency reserves for individual life, group life, and total may be indicated net of reinsurance.

C Valuation systems:

Provide details of the valuation systems in use covering the following aspects:

- How the policy data is accessed.
- How valuation bases are supplied to the system.
- General approach in computing and reporting reserves.
- Various accuracy and reconciliation checks.

D Valuation methods and bases:

For each line of business describe the following aspects of the valuation

- Valuation method used. (And approximations used if any).
- Various parameters used
  - Mortality basis. (Please give the full table of rates used and justification for using this basis for Nepalese lives).
  - Interest Basis with justification for rate used.
  - Morbidity basis with justification for rates used.
  - Expense basis.

- Provisions made for:
  - IBNR.
  - Revivals.
  - Immediate payment of claims.
  - Contingency reserves.
  - Provisions for adverse deviations.
  - Catastrophic reserves.
  - Others.

- New business strain may be indicated for individual life, group life, and total.
- Analysis of surplus(profits/strain)for individual life, group life, and total may be given by source viz:

  - Mortality.
  - Lapses/surrenders.
  - Interest.
  - Expenses.
  - New business.
  - Change of basis.
  - Others.
  - Total.

- Valuation abstracts showing class wise and product wise the details of valuation, viz:

  - No of contracts.
  - Value of sum assured.
  - Value of premiums.

- Value of vested bonus if any.
- The mathematical reserve.
- Provisions.
- Valuation balance sheet.
- Others.

- New business ***(Please give information on):***
  - Pricing policy
  - Adequacy of pricing
  - New business strain.

E. Appropriation of surplus as per table:

Particular		Same Valuation	Previous Valuation
Amount of Surplus (In Lakhs)	Unallocated Surplus at Beginning		
	Valuation Surplus		
	Total Surplus		
Appropriation to Par Policyholders	Amount		
	% to Total		
Appropriation to Shareholders	Amount		
	% to Total		
Unallocated Surplus at End			

30. <u>Growth of Policyholders Fund</u>

(In Rs. Lakhs)

Particular	Same FY			One Year Before			Two Year Before		
	Par	Non par	Total	Par	Non par	Total	Par	Non par	Total
At Beginning									
Increase During Year									
At End of Year									

31. <u>Controls by the Actuary:</u>

The Actuary is responsible for the accuracy of the reserves shown in financial statements.

The following checks are to have been done:

- All policies valued and valued once only.
- Policy master file is accurate in respect of all contracts.
- Valuation systems pick up accurate policy data.

- Valuation bases are based on appropriate studies and are appropriate for business to be valued.
- Accurate valuation reserves are included in the financial statements.

The Actuary may kindly comment and certify that these have been done.

Any areas of concern regarding the business and the valuation including inter valuation experience, Investments, operations may be stated.

Please clarify specifically with respect to valuation:

- The proposed bonus scales to policyholders.
- The cost of bonus.
- The proposed appropriations of surplus to the policyholders, shareholders and the unappropriated surplus carried forward.

Date………………………   ……………………
Signature of Actuary