

## INSURANCE COMPANIES

Insurance corporations are financial intermediaries which offer direct insurance or reinsurance services, providing financial protection from possible hazards in the future.

Under an insurance policy, the insurance corporation undertakes to compensate the policyholder for losses caused by a pre-defined event against a fee, or “premium”.

Typically, insurance corporations may cover specific kinds of events.

- In the case of **life insurance policies** the event is usually the death or a deterioration of the health of the insured person. Life insurance contracts are often held to save money over a longer time span and sometimes for retirement.
- **Non-life insurance** policies protect against risks of financial loss. They cover expenses the policyholder incurs from damages to health or property (policies typically offered are medical expenses, or house, motor vehicle and fire insurance), and financial losses like a loss of income.
- A special case of non-life insurance is reinsurance. Under a **reinsurance** contract an insurance corporation agrees to take on the risk related to a policy held by another insurance corporation against a premium. If a payment obligation arises, the reinsurance corporation has to pay.

## Why are they important?

Insurance policies are an important cornerstone of many households’ income and wealth in Europe. Insurance corporations also play an important role in financial markets as institutional investors and investment targets. For these reasons, the ECB collects statistical data on the balance sheets and other financial information of insurance corporations for its analyses of the financial system and household wealth.

## Insurance corporation statistics

Our insurance corporation statistics combine data on insurance corporations in euro area countries in one harmonised set of statistics.

Our statistics show separate information according to the insurance corporations’ operating license. This split results in four reporting sectors: reinsurance, life, non-life and composite insurance. Reinsurance corporations can only engage in (life and non-life) reinsurance business. Composite insurance corporations hold both life and non-life operating licenses.

Data on insurance corporations are divided into three sections:

balance sheet

The balance sheet section presents the assets and liabilities data for reinsurance, life, non-life and composite insurance corporations, as well as more detailed data for the insurance

corporation population as a whole (“total insurance corporations”).

**The asset section** provides information on the holdings of insurance corporations: it shows the investments of the paid premiums and other liabilities, as well as loans provided. It also shows the claims that insurance corporations might have against other parties – for example claims against reinsurance firms resulting from reinsurance contracts.

**The liabilities section** provides information on claims against euro area insurance corporations. These liabilities mainly consist of the funds (“insurance technical reserves”) that insurance corporations have put aside to fulfil their future payment obligations towards policyholders. Liabilities also include insurance corporations’ equity, loans received and other financial obligations.

premiums, claims and acquisition expenses

The premiums, claims and acquisition expenses section presents financial data that is closely related to the insurance policies. Premiums refer to the payments policyholders regularly transfer to the insurance corporation in order to be covered in the event of losses. Claims incurred, or simply claims, are the financial obligations arising from both insurance and reinsurance. Acquisition expenses relate to the costs an insurance corporation incurs when issuing new contracts.

large insurance groups

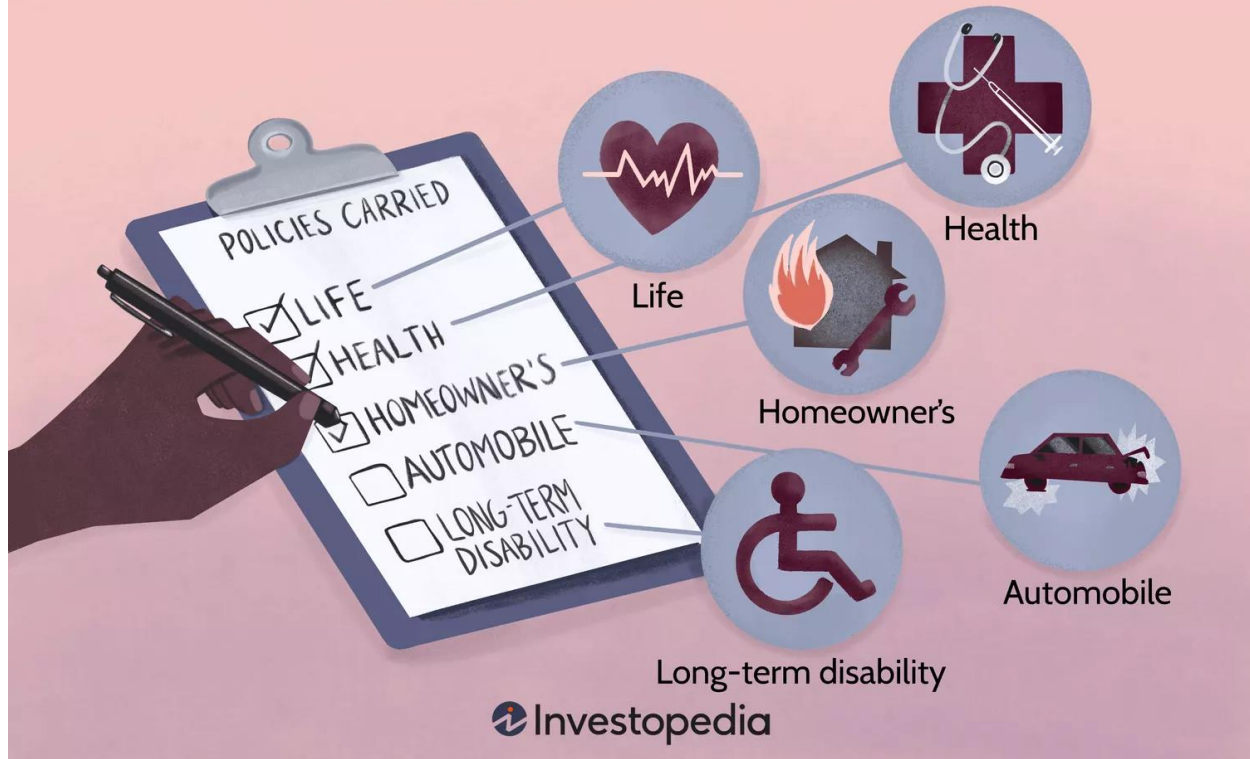
The large insurance groups section contains data collected from approximately 90 insurance groups operating in the European Economic Area (EEA) under the Solvency II regime. These data consist of indicators and growth ratios that the European Systemic Risk Board (ESRB) compiles for the purpose of monitoring financial stability.

Harmonised euro area insurance corporation (IC) statistics are available as of the third quarter of 2016. They replace the non-harmonised IC statistics that were previously published by the ECB as part of a broader euro area insurance corporation and pension fund (ICPF) statistical dataset. ICPF statistics are available for the reference periods from the first quarter of 2008 to the second quarter of 2016 on the [Statistical Data Warehouse](#).

## Data and reporting

For detailed information on the available insurance corporations data series and the relevant reporting framework, see [Data and reporting](#).

## Insurance Policies You Should Have



### LIFE INSURANCE COMPANIES

Life insurance is an agreement between a person and an insurance company that guarantees the insurance company will pay a death benefit to the life assured's family in the unfortunate event of passing during the policy's term.

You must pick an insurance company you can rely entirely upon before you get a life insurance policy. Therefore, selecting the best insurance provider is crucial before getting a life insurance policy.

With the growing competition, it is crucial to understand and compare Life Insurance Companies in India. A decent life insurance provider is not easy to find. While some companies have modest premiums, others have higher premiums. Some offer long-term care, while others don't. Each Company provides different policies.

The best life insurance company is the one that gives you the most coverage for the lowest cost with a solid track record and provides comprehensive coverage and offers customer service.

# Best Life Insurance Companies in India

	S.No.
<b>Name of the Life Insurance Company</b>	
	1.
Max Life Insurance Company	
	2.
AEGON Life Insurance Company	
	3.
Bharti AXA Life Insurance Company	
	4.
Bajaj Allianz Life Insurance Company	
	5.
HDFC Life Insurance Company	
	6.
Life Insurance Company (LIC)	
	7.
Pramerica Life Insurance Company	
	8.
Exide Life Insurance Company	
	9.
Kotak Mahindra Life Insurance Company	
	10.
Reliance Nippon Life Insurance Company	

# Factors to Consider Before Choosing Life Insurance Companies in India

Choosing an insurance provider involves deciding which company you can trust with your hard-earned income.

In a country with no social security blanket, the insurance company you pick plays a crucial role in safeguarding your and your family's financial future. Therefore, you must choose the right insurer after researching and using good judgment.

Here are some of the crucial factors to consider before picking a life insurance company for you-

## Need-based Investment

The standard thumb rule is that your life cover should be ten times your annual income, so your family is not financially influenced if anything happens to you. When choosing life insurance, you should consider any existing medical conditions or mortgages. Your financial holdings should be based on your needs and be well-balanced.

## The Price Tag

Indeed, you cannot put a price on your life, but you should do some number crunching when deciding on an insurance company.

First, it is wise to compare the rates and the different charges associated with the policy or policies you are interested in using the web aggregators that are readily available today. Then, ensure the insurance provider you select has pricing that fits your financial strategy and is within your budget.

## Claims Settlement Ratio

Claim settlement ratio (CSR) is the ratio of claims settled by an insurance company against total claims received annually. A high CSR indicates that the corporation makes it simple to resolve claims. The claim settlement ratio helps in evaluating the customer-friendliness of life insurance companies.

## Solvency margins

The reputation and fiscal strength of the promoters of the insurance company are essential to understand how prudently they manage the policyholder's fund and can it respect its commitment.

In addition, understanding the solvency margin is necessary to gauge the insurer's fiscal viability. Solvency margin is a metric used to assess a company's ability to satisfy its debt obligations, claims obligations, and other financial commitments.

The higher the solvency margin, the more competent are the insurance companies in settling the claims. According to IRDAI, insurers should keep a 150% minimum solvency margin. The yearly report of IRDAI publishes the solvency margin of each Company.

### Service Quality

It is a crucial factor when picking an insurance company. You must decide who might become customers based on the insurance company's behaviour towards people like you. For example, can they address your queries over the phone or in person? Are they patient in their approach, or do they appear to be too busy to listen to your financial needs before making a pitch? Before you make a decision, you should consider these factors.

### Reviews and Ratings

Ratings and reviews of insurance companies can be extremely helpful in selecting the best insurance company. Although some of it may be fake and produced by competitors in the market, a volley of complaints of a similar nature against a company is an indicator of client satisfaction.

You may also want to know the [Best Life Insurance Policy in India](#)

## Top 10 Insurance Companies in India - Overview

Here is an overview of some of the **best life insurance company in India** -

### 1) Max Life Insurance Company

Established in 2000, Max Life Insurance Company is one of the **top 10 life insurance companies**. This life insurance company's primary goal is to give its subscribers appropriate financial stability. As a result, the insurance company has several life insurance policies, including child insurance, long-term savings, protection, investment, and other group solutions.

All these insurance plans offered by Max Life are full of gains and numerous essential features per individual needs.

### 2) AEGON Life Insurance Company

AEGON Life Insurance Company is a service-oriented business with innovative and effective working professionals. Established in 2008, the Company uses a multi-channel marketing approach to serve people in making better life decisions.

The company has introduced a range of services that concentrate on offering plans to customers to satisfy their financial goals. Online term plans, endowment plans, group plans, ULIP plans, retirement funds, protection plans, saving plans, child plans, and ruler plans are among the plans the Company offers.

### 3) Bharti AXA Life Insurance Company

Bharti AXA life insurance is a collaboration between Bharti Enterprises, one of India's leading business conglomerates, and the AXA Group, headquartered in Paris.

It is often found in the **list of life insurance companies in India**. It is a prominent business institution in India having interests in financial services, agriculture, and telecommunications. The Bharti AXA Life Insurance Company offers various insurance policies, including saving plans, children's education plans, term insurance plans and ULIP plans. In addition, Bharti AXA Life Insurance provides long-term value for its customers.

### 4) Bajaj Allianz Life Insurance Company

Bajaj Allianz Life Insurance Company is one of the leading Indian private life insurance companies. It is a joint project of Bajaj Finserv Limited, owned by Bajaj Group of India, and Allianz SE, an European Financial Services company.

With its customers' changing needs and demands in mind, Bajaj Allianz Life Insurance Company Limited has introduced cutting-edge insurance products. As a result, the Bajaj Allianz Life Insurance Company offers a broad range of life insurance products to meet the needs of different social categories.

### 5) HDFC Life Insurance Company

HDFC Life Insurance Company is a partnership between Standard Life Aberdeen PLC and Housing Development Finance Corporation Limited. It began operating in 2000 and has its headquarters in Mumbai, Maharashtra.

This one of the best **life insurance companies in India** provides different types of life insurance plans to its customers, such as protection plans, pension schemes, women's plans, child plans and health plans.

This life insurance provider offers numerous insurance policies designed exclusively for women and children. To improve coverage, a policyholder can add more riders to the insurance. In addition, the HDFC Life insurance firm promises to settle claims in a single day while considering numerous terms and conditions to streamline the claim settlement procedure for the less privileged.

### 6) LIC Life Insurance Company

Life Insurance Corporation of India (LIC) is the most comprehensive government life insurance and Investment Corporation for insurance coverage needs. It is often considered one of the **best insurance company in India**. LIC's primary role is to invest in global financial markets and various government securities after amassing funds from people through life insurance policies.

Most of the life insurance market in India is dominated by LIC, with private life insurance firms holding the leftover market share. There are roughly 25 private life insurance players vying for customers in India, but LIC is the country's oldest and only government-run life insurance company. The purpose of LIC life insurance is to offer appropriate life insurance to those in rural areas, as well as to the less fortunate and the poor.

### 7) Pramerica Life Insurance Company

Pramerica Life insurance company was founded as a byproduct of joint efforts between Prudential International Insurance Holdings Limited and Dewan Housing Finance Corporation Limited.

They first began operating in the life insurance sector in 2013. The insurance provider has 138 offices spread out across the country. It offers several life insurance products for both groups and individuals. The needs of the policyholders, such as retirement planning, securing the children's future, wealth creation, and savings, are the focus of each of these insurance products.

### 8) Exide Life Insurance Company

Exide Life Insurance is one of the top life insurance companies in India. It was formerly known as ING Vysya Life Insurance Company. With its headquarters in Bengaluru, it is a non-governmental, private life insurance company.

Exide Industries Limited owns the Exide Insurance Company, which has more than 15 lakh customers. The Company has a solid traditional product line with an established bonus track record in the insurance industry and is committed to providing long-term protection and savings solution programmes.

In addition, the business goes above and beyond traditional life insurance by offering need-based life insurance options.

### 9) Kotak Mahindra Life Insurance Company

Kotak Mahindra Life insurance company limited is one of India's leading and fastest-growing life insurance companies in India. It is one of the **top insurance companies in India**.

It is a joint venture between Old Mutual Limited, a pan-African investing, savings insurance, and banking firm, and Kotak Mahindra Bank Limited.

It offers a range of financial solutions to satisfy corporate and individual investors' demands. Kotak life insurance protects your future and guarantees that your investments will generate positive returns. In addition, Kotak Life Insurance Company provides all kinds of affordably priced Life Insurance Policies.



## 10) Reliance Nippon Life Insurance Company

Reliance Nippon life insurance company was formed as a joint venture of Reliance Capital and Nippon Life. It started operating in 2001 and is well-known among customers of insurance policies as one of the top life insurance companies. They have provided insurance plans to over 10 million customers.

It is said to be among the largest non-bank-supported life insurance companies among private insurance companies. The insurance company deals primarily with five different insurance segments, i.e. retirement, protection, child, health, financing and saving for both individuals and corporate or group entities.

## Conclusion

Life is unexpected and full of uncertainty. To handle unfavourable situations, one can only act proactively. Hence, the concept of 'insurance' came to minimize the risk and offer protection.

Insurance is the fundamental way of dealing with life risks. Choose a good life insurance company for yourself and your family. Consider the list mentioned above of **life insurance companies in India** and pick the one that fits your criteria perfectly.

## Preparation on revenue account

## Revenue Accounts Definition

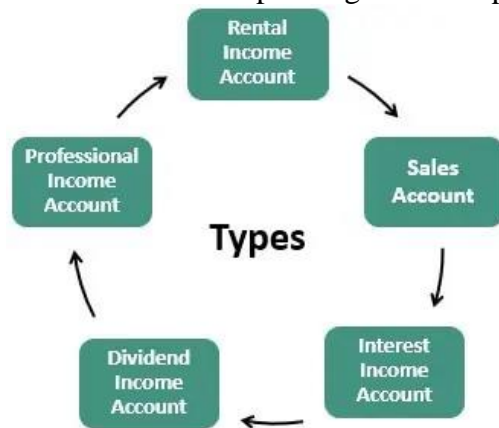
Revenue Accounts are those accounts that report the income of the business and therefore have credit balances. Examples include Revenue from Sales, Revenue from Rental incomes, Revenue from Interest income, etc.

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## Types of Revenue Accounts

There are various Operating & Non-Operating accounts such as:-



1. Sales Account
2. Interest Income Account
3. Rent Income Account
4. Dividend Income Account
5. Professional Income Account

Now let us discuss these accounts in details:-

### ***#1 - Sales Account***

Under this account, the Income from main activities known as [Operating Activities](#), is recorded. The various ratios such as [Turnover ratio](#), [Gross profit ratio](#), and Net profit ratio is calculated, taking the figure of this account as the base amount for all the ratio calculations of any entity.

### ***#2 - Rental Income Account***

If a company has the main object of its business as renting activities, this rental income account would be called an [Operating Income](#) Account/ Sales account. But if renting is not the primary activity of the business, then it would fall under the Non-Operating Revenue Accounts. Under this account, all the debits and credits only relate to income from rental activities.

### ***#3 – Interest Income Account***

Interest in Capital. Under this account, the Revenue earned by the entities from interest is recorded, such as Interest on Fixed Deposits, Interest on Income Tax Refund. These incomes are earned from the saving activities performed or undertaken by the entities during the year.

### ***#4 – Dividend Income Account***

This is another Non-Operating Revenue account, under which income earned from [dividends](#) is recorded. These are generally incomes earned on Investments in Indian Companies or Foreign Companies by the entities.

### ***#5 – Professional Income Account***

Under this, the Income from professional activities such as Commission Income, and Service Fees for Services provided, are recorded. This is also the Income from the main operations of the entity and is recorded under this head, therefore known as [Operating Revenue](#) Account.

### **Examples of Revenue Accounts**

#### ***Example #1***

Amit owns a shop that deals in the trading of goods. He also provides repair service for a few of the goods he deals in. He also has income from Fixed Deposits made by him in the banks. The income of Amit from various activities he is involved in are Turnover from the trading activity of \$ 450,000/-; [Interest Income](#) of \$ 8,000/-; Service Receipts of \$ 150,000/-.

Prepare Revenue Account for the above question and draft a Profit

Sales Revenue Account					
Date	Particular	Amount(\$)	Date	Particular	Amount(\$)
			XX/XX/20XX	By Bank/Debtors A/c	450,000
31/03/20XX	To Profit & Loss A/c	450,000			
		<b>450,000</b>			<b>450,000</b>
Interest Revenue Account					
Date	Particular	Amount(\$)	Date	Particular	Amount(\$)
			XX/XX/20XX	By Bank A/c	8,000
31/03/20XX	To Profit & Loss A/c	8,000			
		<b>8,000</b>			<b>8,000</b>
Service Receipts Account					
Date	Particular	Amount(\$)	Date	Particular	Amount(\$)
			XX/XX/20XX	By Bank/Debtors A/c	150,000
31/03/20XX	To Profit & Loss A/c	150,000			
		<b>150,000</b>			<b>150,000</b>
Draft Profit & Loss Account					
Date	Particular	Amount(\$)	Date	Particular	Amount(\$)
			31/03/20XX	By Sales Revenue Account	450,000
			31/03/20XX	By Interest Revenue Account	8,000
			31/03/20XX	By Service Revenue Account	150,000
31/03/20XX	Net Profit	608,000			
		<b>608,000</b>			<b>608,000</b>

### Example 2

XYZ Inc. is a US Company. It has earned Revenues in FY 2018-19 from various sources which are as follows:

1. Income from Sale of Television Sets \$ 490,000
2. Income from Sale of Music Systems \$ 384,000
3. Income from Sale of Mobile Phones \$ 1,598,000

4. Income from Interest on Fixed Deposits \$ 64,000
5. Income from Service of Repairs \$ 506,000
6. Income from Income-Tax Refunds \$ 45,550
7. Income from Sale of Old Furniture \$ 850
8. Income from Sale of Capital Assets \$ 757,000
9. Income from Sale of Investments \$ 315,650
10. Income from Dividend \$ 167,850

You are required to prepare Revenue Accounts for all of the above Incomes earned by XYZ Inc.

Sales Revenue Account					
Date	Particular	Amount(\$)	Date	Particular	Amount(\$)
			XX/XX/20XX	By Bank/Debtors A/c (Television)	490,000
			XX/XX/20XX	By Bank/Debtors A/c (Music System)	384,000
31/03/20XX	To Profit & Loss A/c	2,472,000	XX/XX/20XX	By Bank/Debtors A/c (Mobile Phones)	1,598,000
		<b>2,472,000</b>			<b>2,472,000</b>

Interest Revenue Account					
Date	Particular	Amount(\$)	Date	Particular	Amount(\$)
			XX/XX/20XX	By Bank A/c (Fixed Deposit)	64,000
			XX/XX/20XX	By Bank A/c (Income Tax Refund)	45,550
31/03/20XX	To Profit & Loss A/c	109,550			
		<b>109,550</b>			<b>109,550</b>

Revenue from Sale of Fixed Assets Account					
Date	Particular	Amount(\$)	Date	Particular	Amount(\$)
			XX/XX/20XX	By Bank/Debtors A/c (Old Furniture)	850
			XX/XX/20XX	By Bank/Debtors A/c (Capital Assets)	757,000
			XX/XX/20XX	By Bank/Debtors A/c (Investments)	315,650
31/03/20XX	To Profit & Loss A/c	1,073,500			
		-			<b>1,073,500</b>

Dividend Revenue Account					
Date	Particular	Amount(\$)	Date	Particular	Amount(\$)
			XX/XX/20XX	By Bank A/c	167,850
31/03/20XX	To Profit & Loss A/c	167,850			
		<b>167,850</b>			<b>167,850</b>

### Important Points

Various points must be kept in mind to pass entries in a Revenue Account. The main points are discussed below:-

- It is the income earned by a business from Operating & Non-Operating Activities.
- It is also termed as Sales, Turnover, and Receipts, etc.
- Revenue is the income received from a business in [cash or cash equivalent](#).

- They are [General Ledger](#) accounts that are prepared periodically for any business.
- Revenue account names describe the type of revenue. There are many accounts out of which a few important are explained above.
- Donations, Voluntary Contribution, is also part of these accounts, mainly in Non-profit organizations.

### Regulations for the Preparation of Balance Sheet:

**Regulations are given in Part I to the First Schedule to the Insurance Act, 1938. These are as follows:**

1. The balance-sheet required to be prepared in respect of every class of business carried on by an insurer is in the form in which it is set out in Part II of this schedule (Form A), appropriate to a case where the insurer maintains a separate fund in respect of the insurance business.
2. The balance-sheet of life insurance business shall be prepared as a separate document. The balance-sheet of any class of business may be prepared as a separate document instead of being incorporated by the addition of columns and headings in the general balance-sheet, but the totals of each such separate balance-sheet (showing the total assets of the class of business, the balance at the credit of the life insurance fund or other separate fund or account, the amount of shareholders' undivided profits, and outstanding liabilities must in any case be incorporated in the general balance-sheet.
3. If any combined balance-sheet is for any purpose issued by an insurer. It shall be in accordance with the Form set out in this Schedule, and there shall not be included among the assets shown in any such combined balance-sheet any amount in respect of any holding in or advance to any insurer whose assets and liabilities have been incorporated therein.

Every combined balance-sheet must show clearly on the face thereof that it is a combined balance-sheet and must set out fully the name of every insurer whose assets and liabilities have been incorporated therein; if the assets and liabilities of any person not being an insurer are included in a combined balance-sheet the fact must be stated therein.

4. Where any guarantee has been given by an insurer (otherwise than in the ordinary course of reinsurance business) in respect of the policies of any other insurer, the balance-sheet of the insurer by whom the guarantee was given must show clearly the name of every insurer whose policies have been so guaranteed and the extent of the guarantee: Provided that this regulation shall not apply where a combined balance-sheet is issued incorporating the assets and liabilities of the insurer whose policies are guaranteed.

Where any part of the assets of an insurer is deposited in any place outside India as security for the owners of policies issued in that place, the balance-sheet shall state that part of the assets has been so deposited, and, if any such part forms part of the life insurance fund, shall show the amount thereof and the place where it is deposited. Where any combined balance-sheet is issued by an insurer for any purpose, the information required by this regulation shall be shown in the



aggregate in respect of all the insurers whose assets and liabilities have been incorporated in the balance-sheet.

6. There shall be appended to the balance-sheet a statement in Form AA as set out in Part II of this Schedule showing the market value and book value of the assets in India.

7. Every balance-sheet shall contain the following certificates, namely:

(a) A certificate signed by the same persons as are required by this Act to sign the balance-sheet explaining how the values as shown in the balance-sheet of the investments in stocks and shares have been arrived at and how the market value thereof has been ascertained for the purpose of comparison with the values so shown.

b) A certificate signed by the same persons as are required by this Act to sign the balance-sheet and signed also, so far as respects the value of any items shown in the balance-sheet under the heading of "Reversions and Life Interests", by an actuary, certifying that the values of all assets have been reviewed as at the date of the balance-sheet, and that in their belief the assets set forth in the balance-sheet are shown in the aggregate at amounts not exceeding their realizable or market value under the several headings—"Loans", "Reversions and Life Interest, "Investments" "Agent's Balances".

"Outstanding Premiums", "Interest, Dividends and Rents Outstanding". "Interest, Dividends and Rents" accruing but not due", "Amounts due from other Persons or Bodies carrying on Insurance Business", "Sundry Debtors", "Bills Receivable", "Cash" and the several items specified under "Other Accounts" ? Provided that if the persons signing the certificate are unable to certify that the assets set forth in the balance-sheet are so shown as aforesaid, a fully explanation of the bases upon which the values shown in the balance-sheet have been assessed shall be given in the certificate;

(c) Where the balance-sheet relates either wholly or in part of life insurance business, a certificate signed by the same persons are required by this Act to sign the balance-sheet and by the auditor certifying that no part of the assets of the life insurance fund has been directly or indirectly applied in contravention of the provisions of this Act relating to the application and investment of life insurance funds; and

(d) Certificates signed by the auditor (which shall be in addition to any other certificate or report which he is required by law to give with respect to the balance-sheet) certifying

(i) That he has verified the cash balances and the securities relating to the insurer's loans, reversions and life interests, and investments;

(ii) To what extent, if any, he has verified the investments and transactions relating to any trusts undertaken by the insurer as trustee; and

(iii) In the case of a combined balance-sheet, that he has audited the balance-sheet and accounts of every insurer whose assets and liabilities are incorporated therein, or that any such balance-

sheet and accounts which have not audited by him, have been certified by independent auditors. The said certificate shall contain a reference to such reservations, if any, as may have been made by any auditor upon any report of certificate given by him with respect to the balance-sheet and accounts of any insurer whose assets and liabilities are incorporated in the combined balance-sheet.

8. If the values shown in the balance-sheet in respect of “Holdings in Subsidiary Companies” or “House property’ (i) in India, (ii) out of India” have been increased since the last previous balance-sheet, the certificate required by paragraph (6) of the last foregoing regulation shall state the amount of every increase not solely due to the cost of subsequent additions or, as respects holdings in controlled companies, to increased profits, and shall contain an explanation of the reason thereof.

9. For the purpose of this Schedule, the following expressions have the meanings hereby respectively assigned to them, namely:

(a) “Combined balance-sheet” includes any combined statement made by an insurer of assets and liabilities in the form of a balance-sheet which includes the assets and liabilities of any other insurer, and

(b) “Market value” means as respects any assets the market value thereof as ascertained from published market quotations or, if there be no such value, its fair value as between a willing and a willing seller.

**PART II OF THE FIRST SCHEDULE**  
**FORM A**  
**Balance Sheet of ..... as on ..... 20 ...**

	<i>Life and annuity business</i> (1) ₹ P	<i>Other class of business</i> (2) ₹ P	<i>Total</i> ₹ P.		<i>Life and annuity business</i> (1) ₹ P	<i>Other class of business</i> (2) ₹ P	<i>Total</i> ₹ P.
Shareholders' capital (each class to be stated separately)				Loans			
Authorised :				On mortgages of property within India			
...shares of ₹ ...each : ₹				On mortgages of property outside India			
Subscribed:				On security of municipal and other public rates called up :			
...shares of ₹...each ₹				On Insurer's policies within their surrender value			
...shares of ₹...each ₹				On personal security			
Less : unpaid calls : ₹				To Subsidiary Companies (other than Reversionary (f))			
Reserve or Contingency Account(a)				Reversions and Life Interest purchased			
Investment Reserve Account				Loans on Reversions and Life Interests			
Profit and Loss				Debentures and Debenture stocks of Subsidiary Reversionary Companies (f)			
Appropriation Account				Ordinary stocks and shares of Subsidiary Reversionary Companies (f)			
Balance				Loans to Subsidiary Reversionary Companies (f)			
Balance of Funds and Accounts				Investment :			
Life Insurance Fund :				Deposit with Reserve Bank of India			
(i) Business in India				Securities to be specified			
(ii) Business outside India				India Government Securities			
Fire Insurance Business Account				State Government Securities			
Marine Insurance Business A/c				British, British Colonial and British Dominion Government Securities			
Miscellaneous Insurance Business Account (m)				Foreign Government Securities			
Other accounts if any (to be specified (l))				Indian Municipal Securities			
Pension or Superannuation A/c (b)				British and Colonial Securities			
Debenture Stock per cent				Foreign Securities			
Loans and Advances (c)				Bonds, Debenture, Stocks and other securities whereon interest is guaranteed by the India Government or a State Government			
Bills payable (c)				Bonds, Debentures, Stocks and other securities whereon interest is			
Estimated Liability in respect of outstanding claims, whether due or intimated (d)							
Annuities due and unpaid							
Outstanding Dividends							
Amounts due to other persons or bodies carrying on Insurance business (c)							
Sundry creditors (including outstanding and accruing expenses and taxes (c))							
Other sums owing by the insurer (particulars to be given (c))							

**Notes:**

(a) The Reserve or Contingency Accounts must be separately stated.

(b) If the insurer has not full and unrestricted control of the assets constituting the Pension or Superannuation Accounts, either those accounts and the assets and liabilities relating thereto must be omitted from the balance-sheet or the assets of which the insurer has not such control must be clearly indicated on the face of the balance-sheet.

(c) If the insurer has deposited security as cover in respect of any of these items, the amount and nature of the securities so deposited must be clearly indicated on the balance-sheet.

- (d) These items are or have been included in the corresponding items in the Revenue of Profit and Loss Account. Outstanding and accruing interest, dividends and rents must be shown after deduction of Income-tax or the Income-tax must be provided for amongst the liabilities on the other side of the balance-sheet.
- (e) Such items as amount of liability in respect of discounted, uncalled capital of subsidiary companies, uncalled capital of other investments etc., must either be shown in their several categories under the heading “Contingent Liabilities” or the appropriate items on these sets side must be set out in such details as will clearly indicate the amount of the uncalled capital.
- (f) As respects life and annuity business full particulars of holdings in and loans to subsidiary companies must be stated, giving the name of each company, the number and description of each class of shares held, the amount paid-up thereon, and the value at which the holdings in each company stand in the balance- sheet.
- (g) Either this item must be shown net or the commission must be provided for amongst the liabilities on the other-side of the balance-sheet.
- (h) The aggregate amount owing by a subsidiary company or subsidiary companies is to be shown separately from all other assets and the aggregate amount owing to a subsidiary company or subsidiary companies is to be shown separately from all other liabilities.
- (i) Amounts due from directors and officers must be shown separately.
- (j) No amounts must be entered under this heading unless fully secured. If not fully secured, the amounts must be included under the heading “Sundry Debtors”.
- (k) Under this heading must be included such items as the following, which must be shown under separate headings suitably described : Office furniture, goodwill, preliminary formation and organisation expenses, development expenditure account, discount on debentures issued, other expenditure carried forward to be written off in future years, balance being loss on Profit and Loss Appropriation Account, etc. The amounts included in the Balance-sheet must not be in excess of cost.
- (l) Under the head “Other accounts, if any (to be specified)” on left hand side, fines realized from the staff and their contribution towards the provident fund, if any, should be shown under separate sub-heads.
- (m) Where the insurer is required to maintain a separate account in respect of any sub-class of miscellaneous insurance business this heading is to be split accordingly.

### **Classified Summary of Fixed Assets:**

**Insurance companies are required to furnish classified summary of fixed assets in India in Form AA which is given below:**

**FORM AA**  
**Classified Summary of the Assets in India of the.....company on.... 20.....**

Class of Assets	Book values per (a)below	Market values per (d)below	Remarks as per (c) below
(1)	(2)	(3)	(4)
		₹	
(1) Government of India Securities			
(2) Indian State Government Securities			
(3) Indian Municipal, Port and Improvement Trust Securities including Debentures			
(4) Debentures of Indian Railways			
(5) Guaranteed and Preference Shares of Indian Railways			
(6) Annuities of Indian Railways			
(7) Ordinary Shares of Railways in India			
(8) Other Debentures of concerns in India			
(9) Other Guaranteed and Preference Shares of concerns in India			
(10) Other Ordinary Shares of concerns in India			
(11) Loans on the Company's policies effected in India and within their surrender value			
(12) Loans on mortgage of property in India			
(13) Loans on Personal Security of persons domiciled and resident in India			
(14) Other loans granted in India (particulars to be stated)			
(15) Land and House Property in India			
(16) Cash on deposit in banks in India			
(17) Cash in hand and on current account in banks in India			
(18) Agents balances and outstanding premiums			
(19) Interest, dividends and rents either outstanding or accrued but not due			
(20) Others assets in India (to be specified)			

**The statements shall show:**

- (a) The value for which credit is taken in the balance-sheet for each of the above-mentioned classes of assets;
- (b) The market value of such of the above-mentioned classes of assets as has been ascertained from published quotations after deduction of accrued interest included in market prices in those cases where accrued interest is included elsewhere in the balance-sheet.
- (c) How the value of such of the above-mentioned classes of assets as has been ascertained from published quotations has been arrived at; and
- (d) The rates of exchange at which the values of the assets of other than in rupee currency have been converted into rupees.

The market value need not be shown separately where they are not less than the book values and a certificate to the effect is appended to the statement.

No amounts on account of any of the following items may be entered in the statement: Goodwill.

Preliminary expenses, formation, organisation, or development expenses.

Commission or discount on shares or debenture issued.

Committed commission.

Expenditure carried forward to be written off in future years.

### Regulations and Forms for the Preparation of Profit and Loss Accounts:

#### Regulations:

#### Regulations are given at Part of the Second Schedule to the Insurance Act:

The items on the income side of the Profit and Loss Account and Profit and Loss Appropriation Account must relate to income whether actually received or not, and the items on the expenditure side must relate to expenditure whether actually paid or not.

2. Deductions from Interest, Dividends and Rents to be shown in respect of income-tax must include all amounts in respect of Indian (Central) Income-tax whether or not it has been or is to be deducted at source or paid direct.

3. The Interest, Dividends and Rents less Income-tax thereon shown in the Revenue Accounts for any classes of business other than life insurance business, including annuity business may, if the insurer so desires, be included within the corresponding items in the Profit and Loss Account.

#### Form of Profit and Loss Account:

Part of the Second Schedule to the Insurance Act gives form of Profit and Loss Account. Form B is meant for Profit and Loss Account and Form C is meant for Profit and Loss Appropriation Account.

FORM B			
Form of Profit and Loss Account			
Profit and Loss Account of .... for the year ended....20....			
	₹ P.		₹ P.
Indian Central Taxes on the Interest Insurer's Profits (not applicable to many particular fund or account)		Interest, Dividends and Rents (not applicable to any particular fund account) ₹	
Expenses of management (not app		Less : Income-tax thereon ₹	

liable to any particular fund or account) Loss on Realisation of Investments (not charged to reserves or any particular fund or account) Depreciation of Investments (not charged to reserves or any particular fund or account) <i>Less</i> transferred from revenue Accounts (details to be given) Other expenditure (to be specified) Balance for the year carried to Appropriation Account		Profits and realisation of Investments (not credit to reserves on any particular fund or account) Appreciation of Investment (not credited to Reserves or any particular fund or account) Profits transferred from Revenue Accounts (details to be given) Transfer fees Other income (to be specified) Balance belong loss for the year carried to Appropriation Account
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\*If any sum has been deducted from this item and entered on the assets side of balance-sheet, the account must be shown separately.

**FORM C**  
**Form of Profit and Loss Appropriation Account**  
**Profit and Loss Appropriation Account of .... for the year ended....20....**

	₹ P		₹ P
Balance being loss brought forward from last year Balance being loss for the year brought from Profit and Loss Account (as in Form B) Dividends paid during the year on account of the current year (to be specified and if "free of tax" to be so stated) Transfers to any particular Funds or Accounts (details to be given) Balance at end of the year as shown in the balance-sheet		Balance brought forward from last year. <i>Less : Dividends since paid in respect of last year (to be specified and if "free of tax" to be so stated)</i> Balance for the year brought from Profit and Loss Account (as in Form B) Balance being loss at end of the year as shown in the balance-sheet.	

**Regulations and Forms of the Preparation of Revenue Account:**

**Part I:**

**: "Preparation of Financial Statements An insurer shall prepare the Revenue Account [Policyholders' Account], Profit and Loss Account [Shareholders' Account]"—  
 Presentation transcript:**

1 Preparation of Financial Statements An insurer shall prepare the Revenue Account [Policyholders' Account], Profit and Loss Account [Shareholders' Account] and the Balance Sheet in Form A-RA, Form A-PL and Form A-BS, as prescribed in this Part or as near thereto as the circumstances permit. Provided that an insurer shall prepare Revenue Account for Fire, Marine and Miscellaneous businesses separately and show Business within India and Business outside India. An insurer shall prepare separate Receipts and Payments Account in accordance with the Direct Method prescribed in AS 3 – "Cash Flow Statement" issued by the ICAI.

5 Important points emerged from Financial statement 1) Earned Premium = Direct premium + Opening reserve – Closing reserve 2) Incurred Claims = Claims paid + Closing o/s claims – Opening o/s claims 3) Reserve Strain = Closing reserve – Opening reserve 4) Operating Profit = Earned premium – Incurred claims – Mgt.Exp-Comm.-policy stamps 5) Solvency Margin = Excess of Assets over Liabilities 6) Depreciation on Fixed assets = It should be debited to Depreciation a/c and credited to Accumulated Depreciation A/c. Fixed Assets should be shown at their historical cost. Rate of Depreciation is as per the Companies Act, 1956 Cont..

6 7) Fair Value change account = Unrealised gains/ losses arising due to changes in the fair value of listed equity shares and derivative instruments shall be taken to equity under the head 'Fair Value Change Account'. The 'Profit on sale of investments' or 'Loss on sale of investments', as the case may be, shall include accumulated changes in the fair value previously recognised in equity under the heading 'Fair Value Change Account' in respect of a particular security and being recycled to the relevant Revenue Account or Profit and Loss Account on actual sale of that listed security. 8) Reserve = There are various types of reserves e.g. General reserve - It is not specified in nature Capital reserve - It is specified in nature 9) Borrowings = Borrowings may be short term or long term

7 10) Fixed assets = These shall be shown at their Historical Cost i.e. Original Cost and Accumulated Depreciation shall be shown on Liabilities side of B/S. Gains/ losses arising due to changes in the carrying amount of real estate shall be taken under 'Revaluation Reserve'. The 'Profit on sale of investments' or 'Loss on sale of investments', as the case may be, shall include accumulated changes in the carrying amount previously recognised in equity under the heading 'Revaluation Reserve' in respect of a particular property and being recycled to the relevant Revenue Account or Profit and Loss Account on sale of that property. 11) Investment = In insurance Industry, Accounting Standard 13 is not applicable. Investment is valued at its fair value and any unrealised gain / loss shall be reflected in fair value change account

8 Ratios 1) Gross Profit Ratio =  $(\text{Gross profit}/\text{Sales}) \times 100$  2) Net Profit Ratio =  $(\text{Net Profit} / \text{Sales}) \times 100$  3) Combined Ratio =  $[(\text{Gross claims paid} + \text{Exp}) / \text{Direct premium}] \times 100$  4) Incurred claim Ratio =  $(\text{Incurred claims}/\text{Direct Premium}) \times 100$

9 The major provisions of the Companies Act - 1956 With respect to : C&AG Audit Article 148 to Article 151 of the Constitution of India lays down the Authority of the CAG of India to function as the Supreme Audit Institution of the Country. The Govt. Companies are audited by the C&AG under the provisions of Sec 619 and 619 (a) of the Companies Act. The Government Companies are defined under section 617 of the Companies Act. The nature of audit of the CAG may be classified as.Regularity Audit (Financial), Regularity Audit (Compliance), The regularity audit (Compliance) may be further sub-classified as Transaction Audit and Performance Audit, Information Technology/Systems Audit In Regulatory audit auditors should analyze the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with. Cont....

10 Performance audit to see that Government programmes have achieved the desired objectives at lowest cost and given the intended benefits. The Information Technology Audit is the audit of the Information System under operation in the Entity. The scrutiny of the Annual Accounts and



the Audit Reports thereon is done by the Parliament Thus the audit Reports and Annual Accounts are referred to the Public Accounts Committee of the parliament and the Committee on Public Undertakings (COPU) The reports of the CAG are deliberated upon by the Public Accounts Committee and commercial reports are examined by the Committee on Public Undertakings

11 Specify the matters that the report of the auditor in a general insurance company shall deal with as per IRDA Regulation The report of the auditors on the financial statements of every insurer shall deal with the matters specified herein. That they have obtained all the information and explanations, which, to the best of their knowledge and belief were necessary for the purposes of their audit. Whether proper books of account have been maintained by the insurer so far as it appears from an examination of those books; Whether proper returns, audited or un-audited, from branches and other offices have been received and whether they were adequate for the purpose of audit; Cont...

12 Whether Balance Sheet, Revenue Account, Profit & Loss Account and the Receipts & Payments Account are in agreement with the books of account, Whether the actuarial valuation of liabilities is duly certified by the appointed actuary, Whether the balance sheet gives a true and fair view of the insurer's affairs as at the end of the financial year/ period, Whether the revenue account gives a true and fair view of the surplus or the deficit for the financial year/ period, Cont...

13 Whether the profit and loss account gives a true and fair view of the profit and loss or the financial year/ period; Whether the receipts and payments account gives a true and fair view of the receipts and payments for the financial year/ period; Whether financial statements are prepared in accordance with the requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Act, 1999 and the Companies Act, 1956. Investments have been valued in accordance with the provisions of the Act and these Regulations.