



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

IRDA/F&A/Cir/ACTS /118/ 04 /2014

Date: 28.04.2014

To,

All Life Insurers

Re: Premium Recognition for Variable Insurance Products

The Authority had brought in new set of Regulations in February 2013 which permitted life insurance companies to come up with Variable Insurance Products. These products can be issued in both, linked as well as non-linked formats. The products are distinct insofar as they carry a Fund Account Value irrespective of whether they are issued on Linked or Non-Linked platform.

The basis for recognition of premium income in case of Linked and Non-Linked products has been indicated in Part I of Schedule A of the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002. However, that basis would not be appropriate for the purpose of recognizing premium on Variable Insurance Products, given their peculiar nature.

In order to ensure uniformity in adopting the principles for recognition of income for Variable Insurance Products by all the insurers and also to align the same with respect to method used for the purpose of actuarial valuation for such products, the Authority hereby advises that:

- (a) in respect of Unit Linked Variable Insurance Products, the premium shall be recognized on the date of creation of units; and
- (b) in respect of Non-Linked Variable Insurance Products, the premium shall be recognized on the date of receipt.

All insurers are advised to ensure compliance with the same.

(R K Nair)

MEMBER F&I