

Public Comments – ALSM LI

The consultation paper seeking comments/views from public on the draft IFSCA (Assets, Liabilities, Solvency Margin and Abstract of Actuarial Report for Life Insurance Business) Regulations, 2022 was issued by IFSCA on 29-Dec-2022. The following comments have been received:

Page No. of Draft Regu.	Reg. No.	Sub-Regu No. /Para No.	Comments / Suggestions / Suggested modifications	Rationale
8	Schedule I	(1).(1).(a)	As per the IRDAI (ALSM) Regulation 2016, movable and immovable property excluding Furniture, fixtures, dead stock and stationery are considered as admissible asset. Placing zero value on properties owned by the Company can have impact on the asset valuation. Please review the regulation.	As per the IRDAI (ALSM) Regulation 2016, movable and immovable property excluding Furniture, fixtures, dead stock and stationery are considered as admissible asset. Further, for the companies that make large investment in Immovable property such as buildings, Computer hardware / Software etc. , valuing the property at zero value can have impact on the asset valuation. Please review the regulation . Every home regulator will have its own prescribed solvency computation methodology which may lead to lack comparability and consistency. Further computing as per the draft regulation will lead to uniformity in assessment and reporting.
19	Schedule III	FORM ALSM-L-SM1	Factor B for Individual Non-Linked is 0.3%. As per IRDAI (ALSM) Regulations 2016, a. the second factor for individual Term products is 0.1%. b. Second factor for Health business is zero.	Solvency Factor applicable for individual term products and health product is higher under IFSCA (ALSM) Regulation when compared to IRDAI (ALSM) Regulation. This will increase the capital requirement for IIOs and may deter insurance penetration.

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19	Schedule III	FORM ALSM-L-SM1	Factor A for Linked business is lower compared to IRDAI (ALSM) Regulations which is a positive step towards making ULIP less capital intensive	Prescribing lower capital requirement for ULIP business will help to make Linked business less capital intensive and help IIOs to write more of Unit Linked business.
20	Schedule III	FORM ALSM-L-SM2	RSM 2 has been added with respect to investment risk. This requirement will make the solvency requirements more in line with a risk based capital approach. However, regulations also require prudent valuation of liabilities. It needs to be evaluated whether having a capital requirement for assets in addition to requirement on prudent liabilities lead to excess capital requirement. Please review the section.	Current IRDAI ALSM regulations do not have any capital requirements on the asset side. This requirement will make the solvency requirements more in line with a risk based capital approach. However, regulations also require prudent valuation of liabilities. It needs to be evaluated whether having a capital requirement for assets in addition to requirement on prudent liabilities lead to excess capital deployment. Please review the section.

The above comments were considered suitably and the revised draft of the IFSCA (Assets, Liabilities, Solvency Margin and Abstract of Actuarial Report for Life Insurance Business) Regulations, 2023 was placed before the Authority in its meeting held on March 24, 2023.