

# **Final Accounts of General Insurance Companies | Accounting**

General insurance business means business other than life insurance business. General insurance companies operating in India were nationalised on 13th May, 1971 by the Ordinance of the President of India. The accounts of the General Insurance Companies were maintained according to the provisions of Insurance act 1938. Under the previous law, separate Revenue Account had to be prepared for each type of business-fire, marine, accident, etc.

**The following accounts were used to be prepared in the case of General Insurance Companies:-**

**(a) Revenue Account:**

A separate revenue account is prepared for each type of business. Incomes and expenses of a particular business are recorded separately and profit or loss arising there from is transferred to Profit and Loss Account.

**(b) Profit and Loss Account:**

General incomes and expenses not belonging to a particular business are recorded in it and balance of profit or loss is transferred to Profit and Loss Appropriation Account.

**(c) Profit and Loss Appropriation Account:**

Appropriations of profit for various purposes are shown in it and it's balance is transferred to balance sheet.

**(d) Balance Sheet:**

It shows various assets and liabilities of general insurance companies. Performa of Balance Sheet is same for general and life insurance companies.

**But now, Final account of general insurance business are required to be prepared as per IRDA Regulations, 2002 which consist of:**

(a) Revenue Account (as per Form B-RA);

(b) Profit and Loss Account (Form B-PL);

(c) Balance Sheet (Form B-BS)

**The summaries of these accounts are as follows:**

**1. Revenue Account:**

A separate Revenue Account (Form B-RA) is prepared for each type of business e.g., fire, marine etc. It records the incomes and expenses of a particular business and profit/loss is transferred to Profit and Loss Account.

**2. Profit and Loss Account:**

(Form B-PL) Besides, profit/loss of different business, it records incomes and expenses of general nature and it shows how the profit has been appropriated. Its balance is shown in the Balance Sheet.

**3. Balance Sheet:**

(Form B-BS) It records various assets and liabilities of the General Insurance Companies.

It must be observed that difference in revenue account does reveal profit or loss of business. The revenue account is closed by transfer to respective fund account viz., fire fund, marine fund etc. Ascertainment of profit under General Insurance

Business. General insurance policies are normally issued for short terms renewable every year.

Sometimes an additional provision is also created. The total of reserve for unexpired risk and additional risk is collectively termed as 'Respective Fund' which may be fire fund, marine fund, motor vehicle fund, etc.

### **Reserve for Unexpired Insurance:**

They provide for reserve for unexpired risk allowed as deduction up to 50% of net premium income in case of fire insurance and miscellaneous insurance and 100% of net premium in case of marine insurance.

A prudent insurance company may make additional reserve in case of fire and miscellaneous insurance business, if it considers it necessary.

### **Commission to Agents:**

Commission on policies effected through insurance agents cannot exceed 5% of the premium in respect of fire and marine business and 10% in case of miscellaneous business. In case of policies effected through principal agents the maximum limits are 20% for fire and marine policies and 15% in the case of miscellaneous insurance less any commission payable to an insurance agent with respect to the policy concerned. Certain concessions are available in this respect to principal agents having a foreign domicile.

### **Claims:**

Claims paid must include all expenses directly incurred in settling claims such as legal expenses, medical expenses, surveyor's expenses etc.

No claim of Rs. 20,000 or more can be paid, except as the Controller of Insurance may otherwise direct, unless there is a report in respect thereof from an approved surveyor or loss assessor (licensed under the Insurance Act).

**(I) For the purposes of financial statements, unless the context otherwise requires:**

(a) The expression 'provision' shall, subject to note (II) below mean any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, of retained by way of providing for any known liability or loss of which the amount cannot be determined with substantial accuracy.

(b) The expression 'reserve' shall not, subject to as aforesaid, include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability.

(c) The expression 'capital reserve' shall not include any amount regarded as free for distribution through the profit and loss account; and the expression 'revenue reserve' shall mean any reserve other than a capital reserve.

(d) The expression "liability" shall include all liabilities in respect of expenditure contracted for and all disputed or contingent liabilities.

**II) Where:**

(a) Any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, or

(b) Any amount retained by way of providing for any known liability is in excess of the amount which in the opinion of the directors is reasonably necessary for the purpose, the excess

shall be treated for the purpose of these accounts as a reserve and not provision.

6. The company should make provision for damages under law suits where the management is of the opinion that the award may go against the insurer.

7. Extent of risk retained and reinsured shall be separately disclosed.

### Form B-RA

**Name of the Insurer:**

**Registration No. and Date of Registration with the IRDA**

**Revenue Account for The Year Ended 31st March, 20...**

### Policyholders' Account (Technical Account)

<i>Particulars</i>	<i>Schedule</i>	<i>Current Year (Rs. 000)</i>	<i>Previous Year (Rs. 000)</i>
1. Premiums earned (Net)	1		
2. Profit/Loss on sale/redemption of Investments			
3. Others (to be specified)			
4. Interest, Dividend & Rent—Gross			
Total (A)	2		
1. Claims Incurred (Net)	3		
2. Commission	3		
3. Operating Expenses related to Insurance Business	4		
Total (B)			
Operating Profit/(Loss) from Fire/Marine Miscellaneous Business C = (A – B)			
Appropriations			
Transfer to Shareholder's Account			
Transfer to Catastrophe Reserve			
Transfer to Other Reserves (to be specified)			
Total (C)			

**Note:**

**See Notes appended at the end of Form B-PL:**

**Form B-PL**  
**Name of the Insurer:**  
**Registration No. and Date of Registration with the**  
**IRDA**  
**Profit and Loss Account for The Year Ended 31st**  
**March, 20...**  
**Shareholders' Account (Non-technical Account)**

<i>Particulars</i>	<i>Schedule</i>	<i>Current Year (Rs. 000)</i>	<i>Previous Year (Rs. 000)</i>
<b>1. Operating Profit/(Loss)</b>			
(a) Fire Insurance			
(b) Marine Insurance			
(c) Miscellaneous Insurance			
<b>2. Income from Investments</b>			
(a) Interest, Dividend & Rent—Gross			
(b) Profit on sale of investments			
Less: Loss on Sale of Investments			
<b>3. Other Income (To be specified)</b>			
Total (A)			
<b>4. Provisions (Other than taxation)</b>			
(a) For diminution in the Value of Investments			
(b) For Doubtful Debts			
(c) Others (to be specified)			
<b>5. Other Expenses</b>			
(a) Expenses other than those related to Insurance Business			
(b) Bad Debts written off			
(c) Others (to be specified)			
Total (B)			
Profit before Tax			
Provision for Taxation			
<b>Appropriations</b>			
(a) Interim dividends paid during the year			
(b) Proposed final dividend			
(c) Dividend distribution tax			
(d) Transfer to reserves or other accounts (to be specified)			
Balance of profit/loss brought forward from last year			
Balance carried forward to Balance Sheet			

**Notes:**

**To Form B-RA and B-PL:**

(a) Premium income received from business concluded in and outside India shall be separately disclosed.

- (b) Reinsurance premiums whether on business ceded or accepted are to be brought into account gross (i.e., before deducting commissions) under the head reinsurance premiums.
- (c) Claims incurred shall comprise claims paid, specific claims settlement costs wherever applicable and change in the outstanding provisions for claims at the year-end.
- (d) Items of expenses and income in excess of one per cent of the total premiums (less reinsurance) or Rs. 5, 00,000 whichever is higher, shall be shown as a separate line item.
- (e) Fees and expenses connected with claims shall be included in claims.
- (f) Under the sub-head “Others” shall be included items like foreign exchange gains or losses and other items.
- (g) Interest, dividends and rentals receivable in connection with an investment, should be stated at gross amount, the amount of income tax deducted at source being included under “advance taxes paid taxes deducted at source”.
- (h) Income from rent shall include only the realised rent. It shall not include any notional rent.

**From B BS**  
**Name of the Insurer:**  
**Registration No. and Date of Registration with the**  
**IRDA**  
**Balance Sheet as at 31st March, 2006**

<i>Particulars</i>	<i>Schedule</i>	<i>Current Year (Rs. 000)</i>	<i>Previous Year (Rs. 000)</i>
<b>Sources of Funds</b>			
Share Capital	5		
Reserves and Surplus	6		
Fair Value Change Account			
Borrowings	7		
<b>Total</b>			
<b>Application of Funds</b>			
Investments	8		
Loans	9		
Fixed Assets	10		
Current Assets			
Cash and Bank Balances	11		
Advances and Other Assets	12		
<b>Sub-total (A)</b>			



<b>Current Liabilities</b>	13		
Provisions	14		
Sub-Total (B)			
<b>Net Current Assets (C) = (A – B)</b>			
Miscellaneous Expenditure (to the extent not written off or adjusted)	15		
Debit Balance in Profit & Loss Account			
<b>Total</b>			

**Contingent Liabilities**

<i>No.</i>	<i>Particulars</i>	<i>Current Year (Rs. 000)</i>	<i>Previous Year (Rs. 000)</i>
1.	Partly paid-up Investments		
2.	Claims, other than against policies, not acknowledged as debts by the company		
3.	Underwriting commitments outstanding (in respect of shares and securities)		
4.	Guarantees given by or on behalf of the company		
5.	Statutory demands/liabilities in dispute, not provided for		
6.	Reinsurance obligations to the extent not provided for in accounts		
7.	Others (to be specified)		
	<b>Total</b>		

**Schedules Forming Part of Financial Statements  
Schedule 1 — Premium Earned (Net)**

<i>No.</i>	<i>Particulars</i>	<i>Current Year (Rs. 000)</i>	<i>Previous Year (Rs. 000)</i>
	Premium from direct business written		
	Add: Premium on Reinsurance accepted		
	Less: Premium on Reinsurance ceded		
	Net Premium		
	Adjustment for change in reserve for unexpired risks		
	<b>Total Premium Earned (Net)</b>		

**Notes:** Reinsurance premiums whether on business ceded or accepted are to be brought into account, before deducting commission under the head of reinsurance premiums.

**Schedule 2—Claims Incurred (Net)**

<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Claims paid		
Direct		
<i>Add</i> : Re-insurance Accepted		
<i>Less</i> : Re-insurance ceded		
Net Claims paid		
<i>Add</i> : Claims Outstanding at the end of the year		
<i>Less</i> : Claims Outstanding at the beginning		
<b>Total Claims Incurred</b>		

**Notes:**

- (a) Incurred But Not Reported (IBNR). Incurred But Not Enough Reported (IBNER) claims should be included in the amount for outstanding claims.
- (b) Claims include specific claims settlement cost but not expenses of management.
- (c) The surveyor fees, legal and other expenses shall also form part of claims cost.
- (d) Claims cost should be adjusted for estimated salvage value if there is a sufficient certainty of its realisation.

**Schedule 3—Commission**

<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Commission paid		
Direct		
<i>Add</i> : Re-insurance Accepted		
<i>Less</i> : Commission on Re-insurance Ceded		
Net Commission		

**Note:** The profit/commission, if any, are to be combined with the Re-insurance accepted for Re-insurance ceded figures.

**Schedule 4—Operating Expenses Related to Insurance Business**

<i>No.</i>	<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
1.	Employee's remuneration & welfare benefits		
2.	Travel, conveyance and vehicle running expenses		
3.	Training expenses		
4.	Rents, rates & taxes		
5.	Repairs		
6.	Printing & Stationery		
7.	Communication		
8.	Legal & professional charges		
9.	Auditors fees, expenses etc.		
	(a) as auditor		
	(b) as adviser or in any other capacity, in respect of :		

(i) Taxation matters		
(ii) Insurance matters		
(iii) Management services; and		
(c) in any other capacity		
10. Advertisement and publicity		
11. Interest & Bank Charges		
12. Others (to be specified)		
13. Depreciation		
<b>Total</b>		

**Notes:** Items of expenses and income in excess of one per cent of the total premiums (less reinsurance) or Rs. 5,00,000 whichever is higher, shall be shown as a separate line item.

#### Schedule 5-Share Capital

<i>No.</i>	<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
1.	Authorised Capital Equity Shares of Rs.....each		
2.	Issued Capital Equity Shares of Rs.....each		
3.	Subscribed Capital Equity Shares of Rs.....each		
4.	Called-up Capital Equity Shares of Rs.....each		
	<i>Less : Calls unpaid</i>		
	<i>Add : Equity Shares forfeited (Amount originally paid up)</i>		
	<i>Less : Par Value of Equity Shares bought back</i>		
	<i>Less : Preliminary Expenses</i> Expenses including commission or brokerage on underwriting or subscription of shares		
	<b>Total</b>		

**Notes:**

- Particulars of the different classes of capital should be separately stated.
- The amount capitalised on account of issue of bonus shares should be disclosed.
- In case any part of the capital is held by a holding company, the same should be separately disclosed.

#### Schedule 5A – Share Capital Pattern of Shareholding [As certified by the Management]

<i>Shareholders</i>	<i>Current Year</i>		<i>Previous</i>	
	<i>Number of Shares</i>	<i>% of Holding</i>	<i>Number of Shares</i>	<i>% of Holding</i>
Promoters				
— Indian				
— Foreign				
Others				
<b>Total</b>				

**Schedule 6 – Reserves and Surplus**

<i>No.</i> <i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
1. Capital Reserve		
2. Capital Redemption Reserve		
3. Securities Premium		
4. <b>General Reserves</b>		
<i>Less</i> : Debit Balance in Profit and Loss Account		
<i>Less</i> : Amount utilised for Buy-back		
5. Catastrophe Reserve		
6. Other Reserves (to be specified)		
7. Balance of Profit in Profit and Loss Account		
<b>Total</b>		

**Note.** Additions to and deductions from the reserves should be disclosed under each of the specified heads.

**Schedule 7 – Borrowings**

<i>No.</i> <i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
1. Debentures/Bonds		
2. Banks		
3. Financial Institutions		
4. Others (to be specified)		
<b>Total</b>		

**Notes :**

- (a) The extent to which the borrowings are secured shall be separately disclosed stating the nature of the security under each sub-head.
- (b) Amounts due within 12 months from the date of Balance Sheet should be shown separately.

**Schedule 8 – Investments**

<i>No.</i> <i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
<b>Long-term investments</b>		
1. Government Securities and Government Guaranteed Bonds including Treasury Bills		
2. Other Approved Securities		
3. Other Investments		
(a) Shares		
(aa) Equity		
(bb) Preference		
(b) Mutual Funds		

(c) Derivative Instruments		
(d) Debentures/Bonds		
(e) Other Securities (to be specified)		
(f) Subsidiaries		
(g) Investment Properties—Real Estate		
4. Investments in Infrastructure and Social Sector		
5. Other than Approved Investments		
<b>Short-term Investments</b>		
1. Government Securities and Government Guaranteed Bonds including Treasury Bills		
2. Other Approved Securities		
3. Other Investments		
(a) Shares		
(aa) Equity		
(bb) Preference		
(b) Mutual Funds		
(c) Derivative Instruments		
(d) Debentures/Bonds		
(e) Other Securities (to be specified)		
(f) Subsidiaries		
(g) Investment Properties—Real Estate		
4. Investment in Infrastructure and Social Sector		
5. Other than Approved Investments		
<b>Total</b>		

**Schedule 9 – Loans**

<i>No.</i>	<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
1.	<b>Security-wise Classification</b> <i>Secured</i> (a) On mortgage of property (aa) In India (bb) Outside India (b) On Share, Bonds, Govt. Securities, etc. (c) Others (to be specified) <i>Unsecured</i> <b>Total</b>		
2.	<b>Borrower-wise Classification</b> (a) Central and State Governments (b) Banks and Financial Institutions (c) Subsidiaries (d) Industrial Undertakings (e) Others (to be specified) <b>Total</b>		
3.	<b>Performance-wise Classification</b> (a) Loans Classified as Standard (aa) In India (bb) Outside India (b) Non-performing loans less provisions (aa) In India (bb) Outside India <b>Total</b>		

**Schedule 10 — Fixed Assets**

Particulars	Cost/Gross Block				Depreciation				Net Block	
	Open-ing	Addi-tions	Deduc-tions	Clo-sing	Upto Last Year	For the Year	On Sales/ Adju-stments	To Date	As at Year end	Previ-ous Year
Goodwill										
Intangibles (specify)										
Land-Freehold										
Leasehold										
Property										
Buildings										
Furniture & Fittings										
Information										
Technology										
Equipment										
Vehicles										
Office Equipment										
Others										
(Specify nature)										
Total										
Work in progress										
Grand Total										
Previous Year										

**Note.** Assets included in land, building and property above exclude Investment Properties as defined in note (e) to Schedule 8.

**Schedule 11 – Cash and Bank Balances**

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	Cash (including cheques, drafts and stamps)		
2.	Bank Balances		
	(a) Deposit Accounts		
	(aa) Short-term (due within 12 months)		
	(bb) Others		
	(b) Current Accounts		
	(c) Other (to be specified)		
3.	Money at Call and Short Notice		

(a) With Banks		
(b) With Other Institutions		
4. Others (to be specified)		
<b>Total</b>		

Balances with non-scheduled banks in 2 and 3 above

**Note.** Bank balance may include remittances in transit. If so, the nature and amount shall be separately stated.

#### Schedule 12 – Advances and Other Assets

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Advances</b>			
1.	Reserve deposits with ceding companies		
2.	Application money for investments		
3.	Prepayments		
4.	Advances to Directors/Officers		
5.	Advance tax paid and taxes deducted at source (Net of provision for taxation)		
6.	Others (to be specified)		
	<b>Total (A)</b>		
<b>Others Assets</b>			
1.	Income accrued on investments		
2.	Outstanding Premiums		
3.	Agents' Balances		
4.	Foreign Agencies Balances		
5.	Due from other entities carrying on Insurance business (including reinsurers).		
6.	Due from subsidiaries/holding		
7.	Deposit with Reserve Bank of India [Pursuant to section 7 of Insurance Act, 1938]		
8.	Others (to be specified)		
	<b>Total (B)</b>		
	<b>Total (A + B)</b>		

#### Notes:

- The items under the above heads shall not be shown net of provisions for doubtful amounts. The amount of provision against each head should be shown separately.
- The term 'officer' should conform to the definition of that term as given under the Companies Act, 1956.
- Sundry debtors will be shown under item 8 (Others).

#### Schedule 13—Current Liabilities

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	Agents' Balances		
2.	Balances due to other Insurance Companies		



3. Deposits held on re-insurance ceded		
4. Premiums received in advance		
5. Unallocated premium		
6. Sundry creditors		
7. Due to subsidiaries/holding company		
8. Claims outstanding		
9. Due to officers/directors		
10. Others (to be specified)		
<b>Total</b>		

**Schedule 14 – Provisions**

<i>No.</i>	<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
1.	Reserve for Unexpired Risk		
2.	For taxation (less advance tax paid and taxes deducted at source)		
3.	For proposed dividends		
4.	For dividend distribution tax		
5.	Others (to be specified)		
	<b>Total</b>		

**Schedule 15 – Miscellaneous Expenditure  
(To the extent no written off or adjusted)**

<i>No.</i>	<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
1.	Discount Allowed on issue of shares/debentures		
2.	Others (to be specified)		
	<b>Total</b>		

**Notes:**

(a) No item shall be included under the head “Miscellaneous Expenditure” and carried forward unless:

(i) Some benefit from the expenditure can reasonably be expected to be received in future, and

(ii) The amount of such benefit is reasonably determinable.

(b) The amount to be carried forward in respect of any item included under the head “**Miscellaneous Expenditure**” shall not exceed the expected future revenue/other benefits related to the expenditure

### ***Fire Insurance:***

Similarly, fire insurance means insurance against any loss caused by fire. Fire Insurance business means the business of effecting, otherwise than incidentally to some other class of business, contract of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insured against in fire insurance policies — Sec. 2(6A).

### ***Marine Insurance:***

In other words, it is a contract which protects the insured against losses on inland water or any land risk which may be incidental to any sea voyage—Sec 4(i).