

**Appendix I**

|    | Regulatory Provisions                                  | Type of Risk Control Attempted by the Regulations  | Risk Categories (by IAIS) | Solvency Margin Required? | Remarks  |
|----|--|--|---------------------------|---------------------------|--|
| 1  | Registration of Indian Insurance Companies Regulations | Risk Reduction (only professional companies to get a license) ;<br>Risk Diversification (no composite license)   | Non-Technical Risks       | Yes - Fixed               | Minimum Capital Rs.100 Cr  |
| 2  | Investment Regulations                                 | Risk Reduction (prudential norms, investment in rated stocks);<br>Risk Diversification (exposure norms, limits on asset classes)<br>Risk Integration (segregated funds invested as per pattern of investments approved by policyholders) | Investment/Asset Risks    | Yes - Type II             | Factors set to zero; hence no direct provision   |
|    |  | Risk Reduction (investment committee functions)  | Non-Technical Risks       | No                        |  |
| 3  | Reinsurance Regulations                                | Risk Transfer (reinsurance program to be drawn);<br>Risk Reduction (minimum credit rating for reinsurer)<br>Risk Diversification (no cession to group reinsurer unless approved)   | Technical/Liability Risks | Yes? - Type I             | Indirectly provided through maximum 50% reduction in reserves for reinsured business in calculation of NAR under Type I solvency |
|    |  | Risk Reduction (filing of reinsurance program, Appointed Actuary's approval)   | Non-Technical Risks       | No                        |  |
| 4  | Licensing of Insurance Agents Regulations              | Risk Reduction (Designated Person functions, minimum education & training requirement, code of conduct)  | Non-Technical Risks       | No                        |  |
| 5  | Insurance Brokers Regulations                          | Risk Reduction (minimum education requirement, minimum capital requirement code of conduct)<br>Risk Transfer (professional indemnity cover)<br>Risk Diversification (limits on business for one client)                                  | Non - Technical Risks     | No                        |  |
| 6  | Appointed Actuary Regulations                          | Risk Reduction (requirement of an AA, powers of the AA, duties & responsibilities of the AA)   | Non-Technical Risks       | No                        |  |
| 7  | File & Use Guidelines                                  | Risk Reduction (AA's certificate)  | Non - Technical Risks     | No                        |  |
| 8  | Assets, Liabilities & Solvency Margins Regulations     | Risk Reduction (admissibility of assets, liabilities valuation norms - MAD) ;<br>Risk Integration (gross premium method & consistent valuation parameters)   | Technical/Liability Risks | Yes - Type I              |  |
|    |  |  | Investment/Asset Risk     | Yes - Type II             | Factors set to zero; hence no direct provision   |
| 9  | Protection of Policyholders' Interest                  | Risk Reduction (contents of the policy contract)   | Technical/Liability Risks | Yes - Type I              |  |
|    |  |  | Non-Technical Risks       | No                        |  |
| 10 | Insurance Advertisement & Disclosure Regulations       | Risk Reduction (statutory warning, prior approval of publicity material used by agents, Compliance Officer functions, filing of advertisements)  | Non-Technical Risks       | No                        |  |

**Notes:**

**Solvency Margins**

Fixed Rs.100 Crores

Type I 4% of reserves & 0.3% of NAR

Type II x% of assets