T: +6012 502 3566
E: enquiry@actomate.ai
W: www.actomate.ai

Actomate

Summary of Myanmar Insurance Accounting Directive

Table of Contents

Actomate

Table of Contents

Actomate

Contents	Page

A. Relevance and Objective

Relevance

This directive shall apply to all insurers licensed by the Insurance Business Regulatory Board (IBRB) in accordance with the Insurance Business Law 1996 (the “Law”).

Objective

To establish Insurance Accounting (IA) based financial statements as one of the supervisory tools to ensure the financial soundness of insurers.

B. Definition

Actomate

Insurance Accounting

An accounting standard in accordance with the International Financial Reporting Standard (IFRS) stipulated by the Myanmar Accountancy Council's Notifications, and the accounting rules for insurers stipulated by the IBRB.

Certified Actuary

A person approved to be appointed as a Certified Actuary of the insurer by the IBRB Directive No 7/2020.

Policyholder Dividends

Return of a portion of the premium paid by a policyholder under the terms and conditions of the insurance policy, from insurer surplus to a policyholder.

C. Insurance Accounting

An insurer shall:

1. Prepare insurance accounting financial statements for each financial year, in accordance with IFRS.
2. Submit its insurance accounting financial statements to the Financial Regulatory Department (FRD) within 4 months after the financial year-end, in accordance with the form prescribed by the FRD.
3. Notify the FRD in advance of any possible delay in the submission due to any unavoidable reasons.
4. Calculate its taxable income defined under the Income Tax Law, its subordinate regulations and the instructions of the Internal Revenue Department.

D. Statement of Financial Position

1. At the end of each financial year, an insurer shall **reserve technical provisions** in the liabilities section of its Statement of Financial Position (SOFP) for **future insurance obligations**.
2. If the SOFP for insurance accounting financial statement is prepared by adjusting a SOFP based on other accounting methods, the difference between the total amount of the liabilities and net assets of the two SOFP may be recorded as **revaluation funds** in the net assets section.
3. An insurer may **transfer the following fund amounts to retained earnings** if all technical provisions are properly reserved in accordance with the IA:
   a. Provisions for life assurance fund
   b. Provisions for general insurance fund
   c. Provisions for general reserve fund
   d. Provisions for other funds

E. Statement of Profit or Loss and Other Comprehensive Income

An insurer shall record:

1. All amounts received as **insurance premiums** as income.
2. All amounts paid out as payments of **insurance claims** as expenses.
3. **Reinsurance premiums** paid by the insurer to a reinsurer as deductions of income from primary premiums income separately.
4. Payments of **reinsurance claims** by a reinsurer to the insurer as deductions of expenses from primary payments of insurance claims separately.
5. Payments of **commissions and other payments** related to sales of insurance products as expenses.
6. Any **increase or decrease in its policy reserves** as an expense or income.
7. Any **increase or decrease in its reserve for outstanding claims** as an expense or income.
8. Any **increase or decrease in other insurance provisions** as an expense or income.

F. Obligations of Insurers

1. At the end of each financial year, an insurer shall **reserve technical provisions** in the liabilities section of its SOFP **for future insurance obligations.**
2. At the end of each financial year, a **life insurer** shall reserve technical provisions in accordance with the following categories:
   a. Actuarial provisions
   b. Unearned premium reserve (UPR)
   c. Outstanding claims provision
   d. Incurred but not reported claims (IBNR)
   e. Other insurance provisions
3. At the end of each financial year, a **general insurer** shall reserve technical provisions in accordance with the following categories:
   a. UPR
   b. Outstanding claims provision
   c. IBNR
   d. Other insurance provisions

F. Obligations of Insurers

Actomate

4. An insurer shall **value its policy reserves and reserve for outstanding claims** to cover future liabilities of all insurance contracts.
5. If an insurance contract is ceded to a reinsurer, the insurer may choose not to reserve the portion of its policy reserves and reserve for outstanding claims corresponding to the ceded portion.
6. An insurer shall report to the FRD if the insurer requires to reserve other insurance provisions for future insurance obligations.

G. Policy Reserves of Life Insurers

1. **Actuarial provisions of life insurers** are the amount calculated on an actuarial basis to provide for future insurance obligations under long-term insurance contracts (period of more than 1 year).
2. The reserve method for actuarial provisions shall be the **Gross Premium Valuation Method**, which is calculated by deducting the total present value of cash inflows (from future gross premium incomes) from the total present value of cash outflows (from future claim payments and other future operating expenses).
3. The following rates are used as the **basis for calculation of actuarial provisions**, with consideration of:
   a. The margin of uncertainty of the deviation between the insurer's expectations and the actual rate.
   b. Best estimates rate based on the insurer's empirical data, various statistical data, and consideration of the insurer long term view.

Investment Return Rate

✓ Shall not exceed the best estimate investment return rate multiplied by 0.8.

Morbidity Rate

✓ Shall not be less than the best estimate morbidity rate multiplied by 1.2.

G. Policy Reserves of Life Insurers

A c t o m a t e

Mortality Rate

- ✓ Shall not be less than the best estimate mortality rate multiplied by 1.2.
- ✓ If actuarial provisions calculated by multiplying the best estimate mortality rate by 0.8 are greater than multiplying by 1.2, the mortality rate used as the basis shall not exceed the best estimate multiplied by 0.8.

Expense Rate

- ✓ Shall not be less than the best estimate expense rate multiplied by 1.2.

Lapse Rate

- ✓ Shall not exceed the best estimate lapse rate multiplied by 0.8.
- ✓ If actuarial provisions calculated by multiplying the best estimate lapse rate by 1.2 are greater than multiplying by 0.8, the lapse rate used as the basis shall not be less than the best estimate multiplied by 1.2.

G. Policy Reserves of Life Insurers

Actomate

4. The other calculation base rates not stipulated separately shall be the best estimates based on the insurer's empirical data, various statistical data, consideration of the insurer long term view, etc.
5. The calculation assumptions used for premium calculation may still be utilized as the calculation assumptions for actuarial provisions.
6. Actuarial provisions shall not be less than 0 and surrender value (if any) at policy level.
7. **UPR of life insurers** is the portion of gross premiums earned that corresponds to the unexpired period as at the financial year-end under short-term insurance contracts (period of 1 year or less). The UPR shall be calculated using the **365-day Method**, where the unexpired period is calculated on a daily basis.
8. The Certified Actuary of an insurer shall be responsible for determining that the valuation assumptions used to calculate actuarial provision are the best estimate and shall certify this with signature. If signature is not available, the best estimate valuation assumptions above shall be read as the best estimate assumptions at the time of pricing.

H. Reserve for Outstanding Claims of Life Insurers

1. **Reserve for outstanding claims of a life insurer** is the amount required for payment of insurance claims and benefits that the insurer is obligated to pay but not yet recorded at the end of the financial year.
2. **IBNR of life insurer** is the amount required for payment of insurance claims and benefits that are expected to have occurred but have not been reported.
3. The calculation of IBNR shall be the **sum of A to F** calculated as follows:

		Reported Financial Year						
		X-3	**X-2**	**X-1**	**X**	**X+1**	**X+2**	**X+3**
Incurred Financial Year	**X-3**	a	b	c	d			
	X-2		e	f	g	A = e*(d/a)		
	X-1			h	i	B = h*(c/a+g/e)/2	C = h*(d/a)	
	X				J	D = j*(b/a+f/e+i/h)/3	E = j*(c/a+g/e)/2	F = j*(d/a)

Where a to j are the aggregated amounts of claims and benefits for each financial year and X is the current financial year.

H. Reserve for Outstanding Claims of Life Insurers

4. If the Certified Actuary finds the IBNR method **inappropriate or results in zero** due to insufficient data, the insurer shall calculate IBNR as a maximum of 25% of claim paid within the financial year or the amount of claim paid within the last 3 months of the financial year.

I. Policy Reserves of General Insurers

1. **UPR of general insurers** is the portion of gross premiums earned that corresponds to the unexpired period as at the financial year-end.
2. The UPR shall be calculated using the **365-day Method**, where the unexpired period is calculated on a daily basis.
3. **UPR for marine policies** with unfixed insurance periods shall be 35% of the primary premium income for such policies for the reporting financial year.

J. Reserve for Outstanding Claims of General Insurers

1. **Reserve for outstanding claims of a general insurer** is the amount required for payment of insurance claims and benefits that the insurer is obligated to pay but not yet recorded at the end of financial year.
2. **IBNR of general insurer** is the amount required for payment of insurance claims and benefits that are expected to have occurred but have not been reported.
3. The IBNR of general insurers shall be calculated for each type of insurance and each financial year, based on the following methods:
   a. The calculation method is Chain Ladder Method
   b. Payments of insurance claims and benefits are expected to be completed in 10 years
   c. The loss development factor is calculated using the 3 most recent accident years
   d. The IBNR is the greater of the accumulated ultimate claims minus the outstanding claims provision or zero.

K. Policy Reserves and Reserve for Outstanding Claims of Life and General Insurers

1. A life and/or general insurer shall **inform the FRD and increase its policy reserves and/or reserve for outstanding claims** if the insurer believes that its reserves as stipulated above may be insufficient to cover future obligations.
2. If all or part of the reserves are calculated using calculation methods and assumptions other than those set out previously, the insurer shall state the following information to the FRD when submitting its insurance accounting financial statements:
   a. Name of calculations method and assumptions used, if the methods used are generally recognized.
   b. Calculation methods and assumptions used with the reasons, if the methods used are not generally recognized.
3. In the case above, the Certified Actuary of the insurer shall certify with their signature that the amount of reserves produced by this alternative method is actuarially expected to be equivalent or more conservative than the amount produced by the standard method.

L. Establishment of Insurance Funds

1. In the following cases:
   a. An insurer sells insurance products that provide for the distribution of policyholder dividends to policyholders in accordance with the insurance contract.
   b. An insurer sells an insurance contract which provides for payments of insurance claims and benefits to the policyholder in an amount varying depending on the profits and losses arising from the investment of money collected as premiums.

   The insurer shall establish and maintain separate insurance funds from the relevant financial year onwards, according to the following categories:
   a. Non-investment-linked (participating policy) fund
   b. Non-investment-linked (non-participating policy) fund
   c. Investment-linked fund

2. An insurer may establish and maintain the separate insurance funds before the insurer starts to sell participating policies or investment-linked policies.

L. Establishment of Insurance Funds

3. An insurer shall maintain the assets and liabilities for each insurance fund separately.
4. An insurer shall ensure that income and expenses for the insurance fund are based on actual income and expenses incurred relating to the insurance fund.
5. The surplus of a non-investment-linked fund shall only be distributed by way of any or a combination of the following:
   a. A transfer out of that non-investment linked (participating or non-participating policy) to the shareholders’ fund.
   b. A policyholder dividend out of that on-investment-linked (participating policy) fund to policies relating to the fund.
6. If the Certified Actuary has recommended the transfer of a surplus of a non-investment-linked (participating policy) fund to the shareholders’ fund, the insurer shall not transfer an amount that exceeds 30% of the distributable surplus of the non-investment-linked (participating policy) fund to the shareholder’s fund

M. Obligation to Record Reserve for Policyholder Dividends

1. Where an insurer sells participating policies, the insurer shall record the reserve for policyholder dividends in the liabilities section of its SOFP.
2. At the end of the financial year, the reserve for policyholder dividends shall be equal to the distributed dividends but not yet paid.
3. The insurer is required to notify the FRD in advance of the following:
   a. Matters related to the method of reserve for policyholder dividends.
   b. Matters related to the method of calculating policyholder dividends.
4. Where an insurer distributes policyholder dividends, the amount shall be calculated and distributed fairly and equitably, depending on the characteristics of the insurance contract.

N. Investment-linked Fund

An insurer shall:

1. Keep assets of an investment-linked fund separately from all of its other assets.
2. Not conduct reciprocal transactions to transfer accounts between assets belonging to an investment-linked fund and other assets, except for transactions notified to the FRD in advance or transactions based on insurance contracts, such as collection of premiums and payment of insurance claims and benefits.
3. Reserve the balance of the income and expenditure in an investment-linked fund as actuarial provisions for the insurance contracts with an investment-linked fund.

O. Transitional Measures

1. Insurance Business Regulatory Board Directive No. 2/2017 is hereby repealed.
2. The impact from the repeal of Directive No. 2/2017 and the implementation of this directive in the Insurance Accounting Financial Statements shall be conducted in accordance with IFRS.
3. This directive is effective from the financial year 2025-2026 (April 2025 to March 2026).
4. Where the financial reporting is less than one year due to change of the financial year or other reasons, an insurer may elect not to submit any figures relating to the financial year that are difficult to calculate when preparing its insurance accounting financial statements.
5. This directive shall apply to Myanma Insurance established under the Myanma Insurance Law, when it becomes ready to follow IFRS.