



The Republic of the Union of Myanmar

Ministry of Planning and Finance

Insurance Business Regulatory Board

Directive No. 1 /2024

12th Waning of Nattaw 1386 ME

27th December, 2024

Insurance Accounting Directive

In exercise of the powers conferred under Section 38 (b) of the Insurance Business Law 1996 (the “Law”) and in accordance with Rule 10 (a) of the Insurance Business Rules 1997, the Insurance Business Regulatory Board (IBRB) hereby issues this Insurance Accounting (IA) Directive in order to set insurance accounting terms and conditions.

Relevance

1. This directive shall apply to all insurers licensed by the IBRB in accordance with the Law.

Objective

2. The objective of this directive is to establish IA-based financial statements as one of the supervisory tools to ensure the financial soundness of insurers.

Definitions

3. The expressions in this Directive shall have the same definitions as per the Law. Moreover, the following expressions shall be defined hereunder: -

(a) **Insurance Accounting** means 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 in this directive.

- (b) **Certified Actuary** means a person who is approved to be appointed as a Certified Actuary of the insurer by the IBRB Directive No 7/2020; and
- (c) **Policyholder dividends** mean a 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.

Insurance Accounting

4. An insurer shall prepare insurance accounting financial statements for each financial year, in accordance with IFRS.
5. An insurer shall submit its insurance accounting financial statements to the Financial Regulatory Department (FRD) within four months after the end of relevant financial year in accordance with the form prescribed by the FRD attached herewith and as one of the reports required by Rule 33 (e) of the Insurance Business Rules. An insurer shall notify the FRD in advance of any possible delay in the submission of the insurance accounting financial statements for unavoidable reasons.
6. An insurer may calculate its taxable income defined under the Income Tax Law, its subordinate regulations, and the instructions of the Internal Revenue Department.

Statement of Financial Position

7. An insurer shall, at the end of each financial year, reserve technical provisions in the liabilities section of its statement of financial position for future payments of its obligations under insurance contracts.
8. Where the statement of financial position for insurance accounting financial statements is prepared by adjusting a statement of financial position based on other accounting methods, the difference between the total amount of the liabilities and net assets of the two statements of financial position may be recorded as revaluation funds in the net assets section.

9. An insurer may transfer the following fund amounts, which are included in net assets in accordance with the Law and its rules, to retained earnings if the insurer has actuarially and properly reserved all technical provisions for all insurance policies owned by the insurer in the liabilities section of its statement of financial position, in accordance with the IA:

- (a) provision for life assurance fund;
- (b) provision for general insurance fund;
- (c) provision for general reserve fund; and
- (d) provision for other funds.

Statement of Profit or Loss and Other Comprehensive Income

10. An insurer shall record all amounts received as insurance premiums from policyholders as income in its statement of profit or loss and other comprehensive income, irrespective of the type of insurance product.

11. An insurer shall record all amounts paid out as payments of insurance claims to policyholders as expenses in its statement of profit or loss and other comprehensive income, irrespective of the type of insurance product.

12. An insurer shall record reinsurance premiums paid by the insurer to a reinsurer under reinsurance contracts as deductions of income in its statement of profit or loss and other comprehensive income from primary premiums income separately.

13. An insurer shall record payments of reinsurance claims paid by a reinsurer to the insurer under reinsurance contracts as deductions of expenses in its statement of profit or loss and other comprehensive income from primary payments of insurance claims separately.

14. An insurer shall record payments of commissions and other payments related to sales of insurance products as expenses in its statement of profit or loss and other comprehensive income.

15. An insurer shall record as an expense or income in its statement of profit or loss and other comprehensive income, any increase or decrease in its policy reserves, which is the difference between the balance of the policy reserves to be recorded as liabilities at the end of the current financial year and the balance of the policy reserves recorded as liabilities at the end of the previous financial year.

16. An insurer shall record as an expense or income in its statement of profit or loss and other comprehensive income, any increase or decrease in its reserve for outstanding claims, which is the difference between the balance of the reserve for outstanding claims to be recorded as liabilities at the end of the current financial year and the balance of the reserve for outstanding claims recorded as liabilities at the end of the previous financial year.

17. An insurer shall record as an expense or income in its statement of profit or loss and other comprehensive income, any increase or decrease in other insurance provisions, which is the difference between the balance of the other insurance provisions to be recorded as liabilities at the end of the current financial year and the balance of the other insurance provisions recorded as liabilities at the end of the previous financial year.

Obligations of Insurers

18. An insurer shall, at the end of each financial year, reserve technical provisions in the liabilities section of its statement of financial position to provide for future payments of its obligations under insurance contracts.

19. A life insurer shall, at the end of each financial year, 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); and
- (e) other insurance provisions.

20. A general insurer shall, at the end of each financial year, reserve technical provisions in accordance with the following categories:

- (a) UPR;
- (b) outstanding claims provision;
- (c) IBNR; and
- (d) other insurance provisions.

21. An insurer shall value its policy reserves and reserve for outstanding claims for all insurance contracts so as to cover future liabilities of all insurance contracts. With respect to actuarial provisions and UPR of life insurers, the insurance policies for which an insurer is required to value actuarial provisions and UPR shall be specified separately in Article 25 and 29.

22. Where an insurance contract is ceded to reinsurer, the insurer shall elect not to reserve the portion of its policy reserves and reserve for outstanding claims corresponding to the ceded portion.

23. An insurer shall report the FRD if the insurer requires to reserve other insurance provisions for future payments of its obligations under insurance contracts.

Policy Reserves of Life Insurers

24. Actuarial provisions of life insurers mean the amount calculated on an actuarial basis to provide for future payments of obligations under insurance contracts.

25. Contracts for which it is necessary to record actuarial provisions of life insurers are long-term insurance contracts with an insurance period of more than one year. However, this requirement shall not prevent an insurer from reserving actuarial provisions, calculated on an actuarial basis, for insurance contracts which do not fall under this requirement.

26. For the calculation of actuarial provisions of life insurers, the following provisions shall be used for the reserve method, the standard of the mortality rate and other assumptions.

- (a) The reserve method for actuarial provisions shall be the Gross Premium Valuation Method.
- (b) Actuarial provisions shall be calculated by deducting the total present value of the insurer's cash inflows from future gross premium incomes based on insurance contracts, from the total present value of the insurer's cash outflows from future claim payments and other future operating expenses related to insurance contracts.
- (c) The investment return rate used as the basis for calculation of actuarial provisions, taking into account the margin for uncertainty of the deviation between the insurer's expectations and the actual rate, shall not exceed the best estimate investment return rate based on the insurer's empirical data, various statistical data, consideration of the insurer long term view, etc., multiplied by 0.8.
- (d) The mortality rate used as the basis for calculation of actuarial provisions, taking into account the margin for uncertainty of the deviation between the insurer's expectations and the actual rate, shall not be less than the best estimate mortality rate based on the insurer's empirical data, various statistical data, consideration of the insurer long term view, etc., multiplied by 1.2. However, if, depending on the product, the actuarial provisions calculated by multiplying the best estimate mortality rate by 0.8 are greater than the actuarial provisions calculated by multiplying the best estimate mortality rate by 1.2, the mortality rate used as the basis for calculation of the actuarial provisions shall not exceed the best estimate mortality rate multiplied by 0.8.
- (e) The morbidity rate used as the basis for calculation of actuarial provisions, taking into account the margin for uncertainty of the deviation between the insurer's expectations and the actual rate, shall not be less than the best estimate morbidity rate based on the insurer's empirical data, various statistical data, consideration of the insurer long term view, etc., multiplied by 1.2.

- (f) The expense rate used as the basis for calculation of actuarial provisions, taking into account the margin for uncertainty of the deviation between the insurer's expectations and the actual rate, shall not be less than the best estimate expense rate based on the insurer's empirical data, various statistical data, consideration of the insurer long term view, etc., multiplied by 1.2.
- (g) The lapse rate used as the basis for calculation of actuarial provisions, taking into account the margin for uncertainty of the deviation between the insurer's expectations and the actual rate, shall not exceed the best estimate lapse rate based on the insurer's empirical data, various statistical data, consideration of the insurer long term view, etc., multiplied by 0.8. However, if, depending on the product, the actuarial provisions calculated by multiplying the best estimate lapse rate by 1.2 are greater than the actuarial provisions calculated by multiplying the best estimate lapse rate by 0.8, the lapse rate used as the basis for calculation of the actuarial provisions shall not be less than the best estimate lapse rate multiplied by 1.2.
- (h) The other calculation base rates not stipulated separately in this directive to be used as the basis for calculation of actuarial provisions shall be the best estimates based on the insurer's empirical data, various statistical data, consideration of the insurer long term view, etc.
- (i) Notwithstanding Article 26 (c) to (h), regarding products approved prior to implementation of the Directive for Approval of Insurance Products (No. 3/2020), the calculation assumptions used for premium calculation may still be utilized as the calculation assumptions for actuarial provisions.
- (j) Actuarial provisions shall not be less than zero and surrender value (if any) at policy level.

27. The Certified Actuary of an insurer shall be responsible for determining that the valuation assumptions used to calculate actuarial provisions are the best estimate, and shall certify this with signature of the Certified Actuary, and shall respond to any request

for clarification from the FRD. If the signature is not available because the insurer does not have its own Certified Actuary or for some other reason, the best estimate valuation assumptions above shall be read as the best estimate assumptions at the time of pricing.

28. UPR of life insurers means the amount calculated as the part of gross premiums earned that corresponds to the unexpired period as at the end of the financial year.

29. Contracts for which it is necessary to record UPR of life insurers are short-term insurance contracts with an insurance period of one year or less.

30. The calculation of UPR for life insurers shall be calculated using the 365-day method, where the unexpired period is calculated on a daily basis.

31. A life insurer shall inform the FRD and additionally increase its policy reserves if the insurer believes that its policy reserves as stipulated above may be insufficient to cover future obligations.

32. If all or part of a life insurer's policy reserves are calculated using calculation methods and assumptions other than those set out above, the insurer shall state the following information to the FRD when submitting its insurance accounting financial statements:

- (a) the names of the calculation methods and the calculation assumptions used, if the methods used are generally recognized ("calculation methods" refers to valuation methods generally used by international actuarial community to calculate the amount of policy reserves, such as Net Premium Valuation Method, Zillmer Method and Cashflow Projection Method. "Calculation assumptions" refers to actuarial assumptions used to estimate uncertain variables in calculation methods); or
- (b) the calculation methods and the calculation assumptions used and the reasons therefor, if the methods used are not generally recognized. ("calculation methods" refers to methods not covered by (a), but any other valuation method to calculate the amount of policy reserves. "Calculation assumptions" refers to actuarial assumptions used to estimate uncertain variables in calculation methods.)

33. In the case stipulated in Article 32, the Certified Actuary of the insurer shall certify with his/her signature that the amount of policy reserves produced by this alternative method is actuarially expected to be equivalent to or more conservative than the amount of policy reserves produced by the standard method described above.

Reserve for Outstanding Claims of Life Insurers

34. The reserve for outstanding claims of a life insurer shall be the total amount required for payment of insurance claims and benefits for which the insurer has become obligated to pay under insurance contracts and which have not, as at the end of the financial year, been recorded in its statement of profit or loss and other comprehensive income as insurance claim or benefit expenses.

35. IBNR of life insurers means the amount required for payment of insurance claims and benefits for which an insurer reasonably expects that a payment event stipulated in an insurance contract has already occurred, despite not yet having received a report on the occurrence of the payment event.

36. The calculation of IBNR of life insurers shall be the sum of amounts A to F calculated as follows, where a to j are the aggregated amounts of claims and benefits for each financial year in which an insurance event has occurred and each financial year in which such an event has been reported to the insurer.

		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= $j*(d/a)$

Note: X-3 = Three financial years prior

X-2 = Two financial years prior

X-1 = Previous financial year

X = Current financial year

X+1 = Next financial year

X+2 = Two financial years ahead

X+3 = Three financial years ahead

37. If the Certified Actuary of the insurer determines that it is not appropriate to calculate the IBNR using the above method, or if the amount of IBNR calculated using the above method is expected to be zero due to insufficient experience data, the insurer shall calculate the IBNR as a maximum of 25% of the amount of the claim paid (other than surrender benefit and maturity benefit) within the reporting financial year or the amount of the claim paid (other than surrender benefit and maturity benefit) within the last three months of the reporting financial year.

38. A life insurer shall inform the FRD and additionally increase its reserve for outstanding claims if the insurer believes that its reserve for outstanding claims as stipulated above may be insufficient to cover future obligations.

39. If all or part of a life insurer's reserve for outstanding claims is calculated using calculation methods and assumptions other than those set out above, the insurer shall state the following information to the FRD when submitting its insurance accounting financial statements:

- (a) the names of the calculation methods and the calculation assumptions used, if the methods used are generally recognized ("calculation methods" refers to valuation methods generally used by international actuarial community to calculate the amount of reserve for outstanding claims, such as Loss Development Method and Cumulative Paid Loss Method. "Calculation assumptions" refers to actuarial assumptions used to estimate uncertain variables in calculation methods); or

(b) the calculation methods and the calculation assumptions used and the reasons therefor, if the methods used are not generally recognized. (“calculation methods” refers to methods not covered by (a), but any other valuation method to calculate the amount of reserve for outstanding claims. “Calculation assumptions” refers to actuarial assumptions used to estimate uncertain variables in calculation methods.)

40. In the case stipulated in Article 39, the Certified Actuary of the insurer shall certify with his/her signature that the amount of reserve for outstanding claims produced by this alternative method is actuarially expected to be equivalent to or more conservative than the amount of reserve for outstanding claims produced by the standard method described above.

Policy Reserves of General Insurers

41. UPR of general insurers means the amount calculated as the part of gross premiums earned that corresponds to the unexpired period as at the end of the financial year.

42. The calculation of UPR for general insurers shall be calculated using the 365-day method, where the unexpired period is calculated on a daily basis. Notwithstanding the foregoing, the UPR for marine insurance policies with unfixed insurance periods shall be 35% of the primary premium income for such policies for the reporting financial year.

43. A general insurer shall inform the FRD and additionally increase its policy reserves if the insurer believes that its policy reserves as stipulated above may be insufficient to cover future obligations.

44. If all or part of a general insurer’s policy reserves are calculated using calculation methods and assumptions other than those set out above, the insurer shall state the following information to the FRD when submitting its insurance accounting financial statements:

(a) the names of the calculation methods and the calculation assumptions used, if the methods used are generally recognized (“calculation methods” refers to

valuation methods generally used by international actuarial community to calculate the amount of policy reserves such as Pro Rata Method and Unearned Risk Reserve Method. “Calculation assumptions” refers to actuarial assumptions used to estimate uncertain variables in calculation methods); or

- (b) the calculation methods and the calculation assumptions used and the reasons therefor, if the methods used are not generally recognized. (“calculation methods” refers to methods not covered by (a), but any other valuation method to calculate the amount of policy reserves. “Calculation assumptions” refers to actuarial assumptions used to estimate uncertain variables in calculation methods.)

45. In the case stipulated in Article 44, the Certified Actuary of the insurer shall certify with his/her signature that the amount of policy reserves produced by this alternative method is actuarially expected to be equivalent to or more conservative than the amount of policy reserves produced by the standard method described above.

Reserve for Outstanding Claims of General Insurers

46. The reserve for outstanding claims of a general insurer shall be the total amount required for payment of insurance claims and benefits for which the insurer has become obligated to pay under insurance contracts and which have not, as at the end of the financial year, been recorded in its statement of profit or loss and other comprehensive income as insurance claim or benefit expenses.

47. IBNR of general insurers means the amount required for payment of insurance claims and benefits for which an insurer reasonably expects that a payment event stipulated in an insurance contract has already occurred, despite not yet having received a report on the occurrence of the payment event.

48. 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 shall be the Chain Ladder Method;

- (b) payments of insurance claims and benefits are expected to be completed in 10 years;
- (c) the projected value of the loss development factor for calculating accumulated ultimate claims to be paid shall be the value calculated for each elapsed year using the three most recent accident years; and
- (d) the IBNR shall be the greater of the accumulated ultimate claims minus the outstanding claims provision or zero.

49. A general insurer shall inform the FRD and additionally increase its reserve for outstanding claims if the insurer believes that its reserve for outstanding claims as stipulated above may be insufficient to cover future obligations.

50. If all or part of a general insurer's reserve for outstanding claims is calculated using calculation methods and assumptions other than those set out above, the insurer shall state the following information to the FRD when submitting its insurance accounting financial statements:

- (a) the names of the calculation methods and the calculation assumptions used, if the methods used are generally recognized ("calculation methods" refers to valuation methods generally used by international actuarial community to calculate the amount of reserve for outstanding claims, such as Bornhuetter-Ferguson Method. "Calculation assumptions" refers to actuarial assumptions used to estimate uncertain variables in calculation methods); or
- (b) the calculation methods and the calculation assumptions used and the reasons therefor, if the methods used are not generally recognized. ("calculation methods" refers to methods not covered by (a), but any other valuation method to calculate the amount of reserve for outstanding claims. "Calculation assumptions" refers to actuarial assumptions used to estimate uncertain variables in calculation methods.)

51. In the case stipulated in Article 50, the Certified Actuary of the insurer shall certify with his/her signature that the amount of reserve for outstanding claims produced by this

alternative method is actuarially expected to be equivalent to or more conservative than the amount of reserve for outstanding claims produced by the standard method described above.

Establishment of Insurance Funds

52. Where an insurer sells insurance products that provide for the distribution of policyholder dividends to policyholders in accordance with the insurance contract (referred to as participating policy), and/or where 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, such as universal life insurance, unit-linked insurance, etc. (referred to as investment-linked policy), the insurer shall, from the relevant financial year onwards, establish and maintain separate insurance funds according to the following categories:

- (a) non-investment-linked (participating policy) fund;
- (b) non-investment-linked (non-participating policy) fund; and
- (c) investment-linked fund.

53. For the requirement specified in Article 52, an insurer may establish and maintain the separate insurance funds before the insurer starts to sell participating policies or investment-linked policies.

54. An insurer shall maintain the assets and liabilities for each insurance fund separately.

55. 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.

56. 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 and non-participating policy) fund to the shareholders' fund; or

(b) a policyholder dividend out of that non-investment-linked (participating policy) fund to policies relating to the fund.

57. Where 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 shareholders' fund.

Obligation to Record Reserve for Policyholder Dividends

58. Where an insurer sells participating policies, the insurer shall record the reserve for policyholder dividends in the liabilities section of its statement of financial position as one of the other insurance provisions to be used for the distribution of those dividends to policyholders from a surplus of a non-investment-linked (participating policy) fund.

59. The reserve for policyholder dividends shall be, at the end of the financial year, an amount equal to the policyholder dividends already distributed but not yet paid to policyholders (including policyholder dividends to be distributed based on the profits for the relevant financial year).

60. Where an insurer distributes policyholder dividends, the insurer is required to notify the FRD in advance of the following:

- (a) matters related to the method of the reserve for policyholder dividends; and
- (b) matters related to the method of calculating policyholder dividends.

61. Where an insurer distributes policyholder dividends, the amount to be distributed to policyholders shall be calculated and distributed fairly and equitably, based on each category established depending on the characteristics of the insurance contract with a policyholder dividend scheme.

Investment-linked Fund

62. An insurer shall keep assets of an investment-linked fund separately from all of its other assets.

63. An insurer shall not conduct reciprocal transactions to transfer accounts between assets belonging to an investment-linked fund and other assets, except in the following cases:

- (a) transactions based on insurance contracts, such as collection of premiums and payment of insurance claims and benefits; or
- (b) transactions notified to the FRD in advance.

64. An insurer shall reserve the balance of income and expenditure in an investment-linked fund as actuarial provisions for the insurance contracts with an investment-linked fund.

Transitional Measures

65. Insurance Business Regulatory Board Directive No. 2/2017 is hereby repealed.

66. The impact from the repeal of Directive No. 2/2017 and the implementation of this directive (e.g., new recognition of technical provisions for pre-existing insurance policies as stipulated in Article 7 of this directive and the transition of various funds as stipulated in Article 9 of this directive) in the Insurance Accounting Financial Statements shall be conducted in accordance with IFRS.

67. This directive is effective from the financial year 2025-2026 (from April 2025 to March 2026).

68. Where the financial reporting period is less than one year due to a 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.

69. This directive shall apply to Myanmar Insurance established under the Myanmar Insurance Law, when it becomes ready to follow IFRS.

Min Htut
Chairman
Insurance Business Regulatory Board

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Date: 27th December, 2024

Disseminated to:

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By Order

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(Zaw Naing)

Secretary

Insurance Business Regulatory Board