

**PRUDENTIAL REQUIREMENTS FOR INSURERS (AMENDMENT NO 2)  
INSTRUMENT 2007**

**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 138 (General rule-making power);
    - (b) section 141 (Insurance business rules);
    - (c) section 150(2) (Actions for damages);
    - (d) section 156 (General supplementary powers);
    - (e) section 157(1) (Guidance); and
    - (f) section 340 (Appointment); and
  - (2) the other powers and related provisions listed in Schedule 4 to the General Provisions (Powers exercised) of the Handbook.
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 31 December 2007.

**Amendments to the Handbook**

- D. The modules of the FSA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
General Prudential sourcebook (GENPRU)	Annex B
Prudential sourcebook for Insurers (INSPRU)	Annex C
Interim Prudential sourcebook for Friendly Societies (IPRU (FSOC))	Annex D
Interim Prudential sourcebook for Insurers (IPRU (INS))	Annex E

**Citation**

- E. This instrument may be cited as the Prudential Requirements for Insurers (Amendment No 2) Instrument 2007.

By order of the Board  
6 December 2007

## Annex A

### Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text.

*contract for differences* the *investment*, specified in article 85 of the *Regulated Activities Order* (Contracts for differences etc), which is in summary rights under:

(a) a contract for differences; or

(b) any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in:

(i) the value or price of property of any description; or

(ii) an index or other factor designated for that purpose in the contract; or

(c) a derivative instrument for the transfer of credit risk to which article 85(3) of the *Regulated Activities Order* applies.

*general insurance liabilities* ~~insurance~~ liabilities arising from *general insurance business*.

*non-directive insurer* (a) an *insurer* which is a provident or mutual benefit institution whose *insurance business* is restricted to the provision of benefits which vary according to the resources available and in which the contributions are determined on a flat-rate basis; or

...

*sectoral rules*

(in relation to a *financial sector*) rules and requirements relating to the prudential supervision of *regulated entities* applicable to *regulated entities* in that *financial sector* as follows:

(a) ...; or

(b) (for the purpose of calculating *solo capital resources*, ~~and~~ a *solo capital resources requirement* and regulatory surplus value):

(i) (to the extent provided for in paragraphs ~~6.5~~ 6.4 to 6.6 of GENPRU 3 Ann 1R) rules and requirements that are referred to in those paragraphs; and

(ii) the rules and requirements in (c); or

(c) (for all other purposes) rules and requirements of the *FSA*;

...

## Annex B

### Amendments to the General Prudential sourcebook (GENPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

- 1.3.47 R For the purposes of *GENPRU* 1.3.45R, the value of the *shares* held in an *undertaking* referred to in *GENPRU* 1.3.43R(1) or *GENPRU* 1.3.43R(3) is the sum of:
- (1) the ~~regulatory surplus value~~ regulatory surplus value of that *undertaking*; less
  - ...
- 1.3.52 G *GENPRU* 1.3.47R to *GENPRU* 1.3.51R set out several different valuation bases for an *insurer's shares* in *related undertakings*. The ~~regulatory surplus value~~ regulatory surplus value (defined in *GENPRU* 1.3.48R) ...

GENPRU 2 Annex 7R

Admissible assets in insurance

...	
(2)	<del>Subject to paragraph (3) below, where an asset would, but for this paragraph, be capable of falling into paragraph (1)(A)(d) above and one or more other categories in paragraph (1) above, that asset is only capable of falling into paragraph (1)(A)(d). a unit in a collective investment scheme is only admissible for the purposes of paragraph (1) above if it falls within paragraph (1)(A)(d), notwithstanding that it may also fall into one or more other categories in paragraph (1).</del>
(3)	<del>Where an asset would, but for this paragraph, be capable of falling into paragraph (1)(A)(f) above and one or more other categories in paragraph (1) above, that asset is only capable of falling into paragraph (1)(A)(f). A derivative, quasi-derivative or stock lending transaction is only admissible for the purposes of paragraph (1) above if it falls within paragraph (1)(A)(f), notwithstanding that it may also fall into one or more other categories in paragraph (1).</del>

## Annex C

### Amendments to the Prudential sourcebook for Insurers (INSPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

- 1.1.20 R A *firm* which is not a *composite firm* must hold *admissible assets* of a value at least equal to the amount of:
- (1) ...
  - (2) ...
- but excluding, where the *firm* is not a *pure reinsurer*, *property-linked liabilities* and *index-linked liabilities* and the assets held to cover them under *INSPRU 3.1.57R* and *INSPRU 3.1.58R*.
- 1.1.21 R A *composite firm* must ensure that:
- (1) ...
- but excluding, where the *firm* is not a *pure reinsurer*, *property-linked liabilities* and *index-linked liabilities* and the assets held to cover them under *INSPRU 3.1.57R* and *INSPRU 3.1.58R*; and
- (2) ...
- 1.1.51 R (1) Subject to (2) and (3), tThe *brought forward amount* is the *general insurance capital requirement (GICR)* for the *prior financial year*, multiplied, if the ratio is less than one, by the ratio (expressed as a percentage) of:
- ~~(1a)~~ ...
  - ~~(2b)~~ ...
- (2) If the amount of the *technical provisions* (calculated net of *reinsurance*) in (1)(a) and (b) is in both cases zero, the *brought forward amount* is the *general insurance capital requirement (GICR)* for the *prior financial year*, multiplied, if the ratio is less than one, by the ratio (expressed as a percentage) of:
- (a) the *technical provisions* (calculated gross of *reinsurance*) for *claims outstanding* at the end of the *prior financial year*, determined in accordance with *INSPRU 1.1.12R*; to

- (b) the technical provisions (calculated gross of reinsurance) for claims outstanding at the beginning of the prior financial year, determined in accordance with INSPRU 1.1.12R.
- (3) If the amount of the technical provisions (calculated gross of reinsurance) in (2)(a) and (b) is in both cases zero, the brought forward amount is the general insurance capital requirement (GICR) for the prior financial year.
- 1.1.52 G The brought forward amount is the same as the GICR for the prior financial year, except where claims outstanding have fallen during that financial year. ~~If they have fallen, the brought forward amount is itself reduced by the same percentage fall~~ the technical provisions (calculated net of reinsurance) have fallen, the brought forward amount is itself reduced by the same percentage fall. If the technical provisions (calculated net of reinsurance) are zero at the beginning and end of that financial year and the technical provisions gross of reinsurance have fallen, the brought forward amount is reduced by the percentage fall in technical provisions gross of reinsurance.
- 1.1.53 G ~~If the GICR for the prior financial year is less than the premiums amount or the claims amount, then a brought forward amount is not required to be calculated. [deleted]~~
- 1.4.34 R (1) ...
- (2) As at the end of the financial year in which the transfer takes place a sum equal to that part of the consideration for the transfer that relates to business in an insurance business grouping must be:
- (a) ~~excluded from net net written premiums (written or earned)~~ before performing the calculations required by INSPRU 1.4.24R (maximum provision) and INSPRU 1.4.26 R (provisional transfers in);
- ...

- 1.5.17 G (1) Under section ~~34~~19 of the *Act*, a *firm* may not carry on a *regulated activity* unless it has *permission* to do so (or is exempt in relation to the particular activity). Both *general insurance business* and *long-term insurance business* are *regulated activities* and *permission* will extend to the *effecting* or *carrying out* of one or more particular *classes of contracts of insurance*.
- (2) A firm's permission can be varied so as to add other classes. The permission of an existing composite firm may be varied by adding classes of both general insurance business and long-term insurance business.
- (3) It is FSA policy, in compliance with EC directives on insurance, not to grant or vary *permission* if that would allow a newly established firm, or an existing firm engaging solely in general insurance business or solely in long-term insurance business, to engage in both *general insurance business* and *long-term insurance business*. This does not apply where a firm's permission to carry on long-term insurance business is or is to be restricted to reinsurance. It also does not apply where a firm's permission to carry on general insurance business is or is to be restricted to effecting or carrying out accident or sickness contracts of insurance (see article 18(2) of the Consolidated Life Directive).
- (4) Where a firm's permission extends to effecting or carrying out life and annuity contracts of insurance. This will automatically this will normally include permission to effect or carry out accident contracts of insurance or sickness contracts of insurance on an ancillary or a supplementary basis (see article 2(1)(c) of the Consolidated Life Directive Consolidated Life Directive).

Separately identify and maintain long term insurance assets

- 1.5.18 R A *firm* carrying on *long-term insurance business* must identify the assets relating to its *long-term insurance business* which it is required to hold by virtue of: ~~INSPRU 1.1.20R or INSPRU 1.1.21R.~~
- (1) in the case of a pure reinsurer:
- (a) INSPRU 1.1.20R or INSPRU 1.1.21R; and
- (b) INSPRU 3.1.61AR; and
- (2) in any other case:
- (a) INSPRU 1.1.20R or INSPRU 1.1.21R; and
- (b) INSPRU 3.1.57R and INSPRU 3.1.58R.

- 1.5.19 G (1) *INSPRU 1.1.16R* requires a *firm* to establish adequate *technical provisions* for its *long-term insurance contracts*. *INSPRU 1.1.20R* requires a *firm* which is not a *composite firm* to hold *admissible assets* of a value at least equal to the amount of the *technical provisions* and its other *long-term insurance liabilities*. *INSPRU 1.1.21R* ensures that a *composite firm* identifies separate *admissible assets* with a value at least equal to the *technical provisions* for *long-term insurance business* and its other *long-term insurance liabilities* as well as holding other *admissible assets* of a value at least equal to the amount of its *technical provisions* for *general insurance business* and its other *general insurance liabilities*.
- (2) In the case of a *firm* carrying on *long-term insurance business* which is not a *pure reinsurer*, there are excluded from the scope of *INSPRU 1.1.20R* and *INSPRU 1.1.21R* *property-linked liabilities* and *index-linked liabilities* and the assets held to cover them under *INSPRU 3.1.57R* and *INSPRU 3.1.58R*. The latter two *rules* do not apply to a *pure reinsurer* (see *INSPRU 3.1.58AR*). However, a *pure reinsurer* is required by *INSPRU 3.1.61AR* to invest all its assets in accordance with the requirements of that *rule*.
- (3) The overall impact of these provisions in *INSPRU 1.1* and *INSPRU 3.1*, when read together with, and of *INSPRU 1.5.18R*, is that any *firm* writing *long-term insurance business* must identify separately *assets* of a value at least equal to the amount of its *long-term insurance business technical provisions*, including those in respect of any *property-linked liabilities* or *index-linked liabilities*, and its other *long-term insurance liabilities*.

- 1.5.21 R (1) ...
- (2) The items are:
- (a) the assets identified under *INSPRU 1.5.18R* (including assets into which those assets have been converted) but excluding any assets identified as being held to cover liabilities in respect of subordinated debt;
- (b) any other assets identified by the *firm* as being available to cover its *long-term insurance liabilities* (including assets into which those assets have been converted) including, if the *firm* so elects, assets which are excluded under (a);
- ...

1.5.52 R For the purpose of *INSPRU 1.5.48 R* and *INSPRU 1.5.49 R*:  
...



(2) an *admissible asset* consisting of a ~~claim~~ claim against a debtor is to be regarded as held in any country or territory where it can be enforced by legal action;

...

1.6.5 R ...

1.6.5A G The purpose of *INSPRU* 1.6.5R is to ensure that a *UK ISPV* may be viewed as a going concern at all times.

2.1.41 R ...

Meaning of reinsurance

2.1.41A R For the purposes of *INSPRU* 2.1, references to *reinsurance* include analogous non-*reinsurance* financing agreements, including contingent loans, securitisations and any other arrangements in respect of *contracts of insurance* that are analogous to contracts of *reinsurance* in terms of the risks transferred and the finance provided and references to *reinsurer* shall be construed accordingly.

3.2.19 G ~~Where a *firm* partially covers a *derivative* (or other contract falling within *INSPRU* 3.2.14R(1) and *INSPRU* 3.2.14R(2)), the *firm* may split the *derivative* into a covered portion and an uncovered portion. The portion of the *derivative* that is covered (after taking into account the requirement to cover reasonably foreseeable adverse variations in *INSPRU* 3.2.17R(1)) is an *approved derivative*, provided it also meets the requirements in *INSPRU* 3.2.5R(1) and *INSPRU* 3.2.5R(3); the uncovered portion is not an *approved derivative*. A *firm* is required to cover a *derivative* under *INSPRU* 3.2.14R whether it satisfies the other conditions for approval under *INSPRU* 3.2.5R or not. Under *INSPRU* 3.2.17R a *firm* may cover an obligation to pay a monetary amount by setting up a provision. If the *derivative* is not covered at any time by other means then a provision needs to be set up to complete the cover taking into account obligations to pay monetary amounts that would arise if, for example, an obligation to transfer assets could not be met in full. By doing so, a *derivative* becomes covered. If it satisfies the other conditions under *INSPRU* 3.2.5R it is an *approved derivative* and may be taken into account for solvency purposes to the extent permitted by the large exposure limits and market risk and counterparty limits.~~

- 6.1.35 G ~~[intentionally blank]~~ INSPRU 6.1.34R sets out the rules for calculating an insurer's individual capital resources requirement. Among other things, this allows the use of local rules for related entities in designated states and territories. Paragraphs 6.5 and 6.6 of GENPRU 3 Annex 1R include the equivalent provisions for related undertakings in the banking sector and investment services sector. The provisions of paragraphs 6.4 to 6.6 extend to the calculation of solo capital resources, with the references to sectoral rules in paragraphs 1.2, 2.3 and 3.2 of GENPRU 3 Annex 1R (that is, the capital resources requirement of a related undertaking must be met by capital resources that are eligible under the relevant sectoral rules).
- 6.1.42 G For the purposes of *INSPRU 6.1.41R*, in respect of an *insurance undertaking* that is a member of an *insurance group*, the assets of a *long-term insurance fund* are restricted assets within the meaning of *INSPRU 6.1.41R*. Any excess of assets over liabilities in the *long-term insurance business fund* may only be included in the calculation of the *group capital resources* up to the amount of the *undertaking's individual capital resources requirement related to that which relates to the long-term insurance business in respect of which that long-term insurance fund is held.*

## Annex D

### Amendments to the Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC))

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### ANNEX 4

#### GUIDANCE ON MARGINS OF SOLVENCY AND THE GUARANTEE FUND

...

##### 12.1 Resilience Test<sup>43</sup>

12.2 The resilience test is a requirement for prudent provision to be made against the effects of possible future changes in the value of assets on the adequacy of these assets to meet liabilities. This requirement is in paragraph 16 of Appendix 5 of *IPRU(FSOC)* and applies to the determination of the amount of long-term liabilities. A friendly society should for this purpose treat *INSPRU* 3.1.16G to *INSPRU* 3.1.26R as providing guidance on the scenarios that may be appropriate for this purpose. (Any additional reserve required by the resilience test is part of *mathematical reserves* and not a capital requirement).

12.3 ~~*Friendly societies* should, as a minimum, consider the scenario of a fall in the market value of equities of at least 10%, or, if greater, the lower of:~~

- ~~(1) 25%, or such lower amount which would not produce a P/E ratio on the FTSE Actuaries All Share Index lower than 75% of the inverse of the long term gilt yield (as defined in paragraph 10(9) of Appendix 5 of *IPRU(FSOC)*); and~~
- ~~(2) 25% less any percentage reduction between the current FTSE Actuaries All Share Index and its average over the last 90 calendar days. [deleted]~~

12.4 ~~At the same time, *friendly societies* should make the assumption that the earnings yield on equities will fall by 10% (shortly after the above fall in equity values), but that dividends would remain unaltered when assessing the corresponding rate of interest at which the liabilities should be valued.~~

~~In 12.3(2), the current index should be compared to its recent average, based on levels at the close of business. Of the last 90 calendar days, only those on which the London Stock exchange was open for trading should be taken into account in determining the average. Where there has been a fall, such a percentage fall should be deducted from the 25% in arriving at this resilience test. [deleted]~~

12.5            ~~The *actuary* appointed to perform the *actuarial function* under the rules in *SUP* would then be expected to apply his or her own professional judgement in advising the management of the *friendly society* on the level of changes in the *market value* of, and yield on, other types of investment held by the society for the purpose of the resilience test. The prudence concept should be paramount. Reductions in fixed interest yields, or changes in the shape of the yield curve, are among the obvious possibilities. [deleted]~~

12.6            ...

Footnote:

<sup>13</sup>~~This section has been replaced by Guidance Note No.4 (2002) (Resilience test for insurers) until the Integrated Prudential Sourcebook comes into force~~

## Annex E

### Amendments to the Interim Prudential sourcebook for Insurers (IPRU(INS))

In this Annex, underlining indicates new text and striking through indicates deleted text.

...

#### Chapter 9

#### FINANCIAL REPORTING

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...

##### Annual accounts and balance sheets

9.3 (1) Subject to (2) and (3), an *insurer* which does not fall within (5) must, with respect to each of its *financial years*, prepare –

...

(5) A long-term insurer which:

(a) has transferred all of its long-term insurance business to another insurer;

(b) has no intention to carry on further long-term insurance business; and

(c) is not carrying on general insurance business.

must provide to the FSA within three months of the date of transfer Forms 40, 41, 42, 43, 45, 46 and 47 in respect of the period from the end of the financial year most recently ended to the date of transfer together with a certificate in accordance with Appendix 9.6 paragraphs 1(1)(a) and 1(1)(b)(i) and a statement that no long-term insurance business has been carried on by the insurer since then, there is no intention to carry on further any such business and the insurer is not carrying on general insurance business.

(6) The Forms 40, 41, 42, 43, and 45 provided under (5) must be audited by a person qualified to do so, in accordance with the rules in SUP, who must make and annex to those documents a report in accordance with Appendix 9.6 paragraph 4(a)(i) in respect of those documents.

## Deposit of accounts etc. with the FSA

9.6 (1) Every 'account' ... within the periods set out in the table below.

	<b>deposit period following the <i>financial year end</i> or, for documents required by rule 9.3A, the end of the first six months of the <i>financial year</i></b>	
<b><i>financial year ending on or after</i></b>	<b>where the deposit is made electronically or under rule 9.36A</b>	<b>otherwise</b>
31 December 2001	4 months	3 months and 15 days
31 December 2002 and following years	3 months	2 months and 15 days

(1B) ...

(6) There must be deposited with every revenue 'account' and 'balance sheet' of an *insurer* any statement or report on the affairs of the *insurer* made or submitted:

(a) to the *insurer's* shareholders or ~~*policy holders*~~ *policyholders*; or

(b) ...

### Content and form of accounts

9.11 Every account, balance sheet, note, statement, report and certificate required to be prepared by an *insurer* pursuant to rule 9.3(1), (2) and (3) (annual accounts and balance sheets) or 9.3(5) must be prepared in the manner set out in the *Accounts and Statements Rules* and must fairly state the information provided on the basis required by the *Accounts and Statements Rules*. Where the rules in *IPRU(INS)* require a Form to be submitted, but all entries (including comparatives) would be blank, that Form may be omitted provided that a note coded FF00 (where FF is the Form number) is included stating that this is why the Form has been omitted. This note is not needed where a Form is omitted because the rules do not require it.

### Balance sheet

...

9.12 ...

(8) For each **Form 13** which an *insurer* is required to complete under (5)(a) or (b), the *insurer* must complete **Form 17** in respect of the same *insurance business*; ~~except that where in respect of that Form all amounts required to be shown would be zero and no supplementary note would be required, **Form 13** may instead be accompanied by a supplementary note to that effect and **Form 17** may be returned in blank.~~

...  
...

#### **Additional information on derivative contracts**

- 9.29 (1) ...
- (h) the circumstances surrounding ...
  - (~~hi~~) the total value ...
- ...

#### **Valuation reports on long-term insurance business**

9.31 Every *insurer* ...

- (a) for the purposes of rule 9.4 other than in relation to the calculation required by rule 9.4(2)(c);
  - (i) where an investigation into the financial condition of the *insurer* has been made in accordance with rule 9.4(1)(a), a valuation report which, complies with the requirements of **Appendix 9.4** and contains the information specified in that Appendix;
  - (ii) where an investigation into the financial condition of the *insurer* has been made at some other time with a view to the distribution of profits or the results of which are made public, **Form 58** and a valuation report which, instead of complying with the requirements of **Appendix 9.4**, includes a full description of each of the changes in the methods and assumptions used in the investigation for the purposes of rule 9.4(2)(a) and (b) since the previous investigation at the end of the *preceding financial year* or if there has been no such change, a statement to that effect; and
- (b) ...

#### **Additional information on financial reinsurance and financing arrangements: general insurers**

- 9.32A (1) ...
- (5) The statement ... even if ...
  - (6) ...

#### **Audit and auditor's report**

...  
9.35 (1) The documents referred to in rules 9.12, 9.13 and 9.14, together with **Forms**

**40 to 45, 48, 49, 56, 58** (including a **Form 58** completed under rule 9.31(a)(ii)) and **60**, and every statement, analysis or report annexed pursuant to rules 9.24 to 9.27, 9.29 and 9.31 must be audited by a person, in accordance with the rules in *SUP*, who must make and annex to those documents a report in accordance with the requirements of Part II of **Appendix 9.6**.

...



## Chapter 11

### DEFINITIONS

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11.1 ...

Term or phrase	Definition
...	
<i>annuities on human life</i>	does not include superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of persons engaged, or who have been engaged, in any particular profession, trade or employment, or of the dependants of such persons
...	
<i>initial margin</i>	in respect of a <i>derivative contract</i> or a contract or asset having the effect of a <i>derivative contract</i> <sup>9</sup> , means assets which, ...
...	
<i>linked assets</i> <sup>10</sup>	...
...	

<sup>9</sup> See rule 4.13 for contracts which have the effect of *derivative contracts*

<sup>10</sup> For guidance, see paragraph 3 of **Guidance Note 4.1**

...

### ANNEX 11.1

#### CLASSES OF LONG-TERM INSURANCE BUSINESS

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Number	Description	Nature of business
...		
VIII	Collective insurance etc	Effecting or carrying out contracts of a kind referred to in Article 42(2)(e) of the <i>First Consolidated Life Directive</i> .
IX	Social insurance	Effecting or carrying out contracts of a kind referred to in Article 42(3) of the <i>First Consolidated Life Directive</i> .
...		

## ANNEX 11.2

### CLASSES, AND GROUPS OF CLASSES, OF GENERAL INSURANCE BUSINESS

#### Part I

##### Classes of general insurance business

Number	Description	Nature of business
...		
4	Railway rolling <u>stock</u>	Effecting or carrying out <i>contracts of insurance</i> <del>stock</del> against loss of or damage to railway rolling stock.
...		

## ANNEX 11.3

### DESCRIPTIONS OF FSA GENERAL INSURANCE BUSINESS REPORTING CATEGORIES

#### Part I

##### Categories to which contracts of general insurance business are to be allocated for the purpose of reporting in the return

Category Number	FSA general insurance business reporting category	Map to classes of business in Annex A of 73/239/EEC
...	.	.
182	<b>Creditor</b> ...	42, <u>1,2,16</u>
...		
343	<b>Energy (on and off-shore)</b> ...	6,8,9,12, <u>13, 16</u>
...		

...

**APPENDIX 9.1** (rules 9.12 and 9.13)

**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT  
(FORMS 1 TO 3 AND 10 TO 19)**

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...

**Completion of Forms**

2. ~~Where 'source' appears at the head of a column on a form, the information to be included in the preceding columns of a particular line is to be taken from those items in the return to which reference is made on that line in the column headed 'source'. No entries are to be made in the column headed 'source'.~~  
~~[deleted]~~

3. (1) ~~The insurer's registration number to be entered in every form must be the number provided to the insurer by the FSA (or a predecessor).~~An insurer making a return must complete the 'company registration number box' using the full registration number given by the Registrar of Companies. If the insurer does not have such a number, it must agree a suitable number with the FSA. An overseas insurer must use its F-series number issued by the Registrar of Companies.

...

...

**Presentation of amounts**

6. ...

7. Firms should not normally restate comparatives unless restatement is necessary in order to allow the appropriate comparison to be made. Where in any ~~Form~~ an amount which is a comparative (i.e. shown in a "previous year" column) or shown brought forward from a previous year differs from the corresponding amount shown in a "this financial year" column in a return for a previous year or as carried forward from that year, as the case may be, and the difference is not due solely to the use of a different rate to express other currencies in sterling, ...

...

**Counterparty exposure**

11. (1) ...

(2) In each case where ~~the~~ a counterparty exposure of the insurer ~~to a counterparty~~ which is subject to any of the limits in *INSPRU 2.1.22R(3)* exceeds at the end of the *financial year in question* ~~exceeds~~:

...

...

## Reconciliation

14. ~~A reconciliation of the capital resources of the insurer to the net admissible assets of the insurer must be provided in accordance with instruction 66 to Form 3. [deleted]~~

...

### Instructions for completion of Form 1

1. ...  
...  
4. ... is equal to Form 10 line ~~29~~23.  
...  
7. ... the adjustment is the difference between ~~£~~Form 13 line 89 ...  
  
8. ...  
...

### Instructions for completion of Form 2

1. ...  
  
2. ... *implicit items* plus ~~£~~Form 10 line 11 less ... equal to Form 10 line ~~29~~23.  
  
3. ...  
...

### Instructions for completion of Form 3

1. ...  
...  
19. The entries at lines 45 and 46 for perpetual cumulative *preference shares*, *subordinated debt* and *securities* must be the total, unrestricted, amounts that the *firm* can include in *upper tier two capital* in accordance with ~~GENPRU 2.2.117G, 2.2.176G, 2.2.177R, 2.2.178R, 2.2.180R, and 2.2.181R~~ 2.2.177R to 2.2.181R and GENPRU 2.2.270R to 2.2.271R.  
  
20. ...  
  
21. The types of capital instrument that a *firm* can include within its *lower tier two capital* are set out at ~~GENPRU 2.2.66G, 2.2.69G, 2.2.159R, 2.2.163R, 2.2.164G, 2.2.165G, 2.2.167G, 2.2.169R~~ 2.2.159R to 2.2.174R, GENPRU 2.2.194R to 2.2.196R and GENPRU 2.2.270R to 2.2.271R. These should be split between fixed term *preference shares* and other *tier two instruments* and entered at lines 51 and 52 respectively.  
  
22. ...  
  
58. Any arrangement relating to *long-term insurance business* which is not entered in lines 91 to 95, but which falls within the definition of financing arrangement in paragraph ~~4(4)~~ 9(3) of Appendix 9.4 (Abstract of valuation report) must be disclosed in a supplementary note (code 0305) to this Form.  
  
59. ...  
  
68. A reconciliation of profit and loss account and other reserves (line 12) as at the end of this financial year and the end of the previous financial year (columns 3 and 4) to the profit and loss retained (Form 16 line 59) must be provided as a supplementary note (code 0313).

## Statement of net assets

Name of insurer

UK branch business/EEA branch business

Financial year ended

		Company registration number	GL/ UK/ CM	day	month	year	units
		R10					£000
			As at end of this financial year 1		As at end of the previous year 2		
...							
Other assets allowed to be taken into account in covering the capital resources requirement	Unpaid amounts (including share premium) on partly paid shares	24					
	Supplementary contributions for a mutual carrying on general insurance business	25					
Liabilities allowed to be left out of account in covering the capital resources requirement	Subordinated loan capital	26					
	Cumulative preference share capital	27					
Available assets (23 to 27)		29					

**Represented by**

Paid up share capital (other than cumulative preference share capital)	51		
Amounts included in lines 24 to 27 above	52		
Amounts representing the balance of net assets	56		
Total (51 to 56) and equal to line 29 above	29		

**Movement of balance of net admissible assets for solvency purposes as per line 5623**

**Instructions for completion of Form 10**

1. ...
  2. ~~Lines 24-27, 51 and 52 should be blank. [deleted]~~
  3. ...
- ...

**Calculation of general insurance capital requirement– premiums amount and brought forward amount**

**Form 11**

Name of insurer

Global business / UK branch business / EEA branch business

Financial year ended

General/long-term insurance business

		Company registration number	GL/UK/CM	day	month	year	units
R11							£000
				This financial year		Previous year	
				1		2	
Gross premiums written		11					
Premium taxes and levies (included in line 11)		12					
Premiums written net of taxes and levies (11-12)		13					
Premiums for classes 11, 12 or 13 (included in line 13)		14					
Premiums for "actuarial health insurance" (included in line 13)		15					
<b>Sub-total A</b> (13 + ½ 14 - ⅔ 15)		16					
Gross premiums earned		21					
Premium taxes and levies (included in line 21)		22					
Premiums earned net of taxes and levies (21-22)		23					
Premiums for classes 11, 12 or 13 (included in line 23)		24					
Premiums for "actuarial health insurance" (included in line 23)		25					
<b>Sub-total H</b> (23 + ½ 24 - ⅔ 25)		26					
<b>Sub-total I</b> (higher of sub-total A and sub-total H)		30					
<b>Adjusted sub-total I</b> if financial year is not a 12 month period to produce an annual figure		31					
Division of gross adjusted premiums amount: sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32					
	Excess (if any) over 53.1M EURO x 0.02	33					
<b>Sub-total J</b> (32-33)		34					
Claims paid in period of 3 financial years		41					
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42					
	For insurance business accounted for on an accident year basis	43					
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44					
	For insurance business accounted for on an accident year basis	45					
<b>Sub-total C</b> (41+42+43-44-45)		46					
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47					
<b>Sub-total D</b> (46-47)		48					
<b>Reinsurance ratio</b> (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)		49					
<b>Premiums amount</b> (Sub-total J x reinsurance ratio)		50					
Provision for claims outstanding (before discounting and net of reinsurance)		51					
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero.		52					
<b>Brought forward amount</b> (See instruction 4)		523					
Greater of lines 50 and 523		534					

**Calculation of general insurance capital requirement– claims amount and result**

**Form 12**

Name of insurer

Global business / UK branch business / EEA branch business

Financial year ended

General/long-term insurance business

		Company registration number	GL/UK/CM	day	month	year	units
		R12					£000
						This financial year <b>1</b>	Previous year <b>2</b>
Reference period (No. of months) See <i>INSPRU</i> 1.1.63R				11			
Claims paid in reference period				21			
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22			
	For insurance business accounted for on an accident year basis			23			
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24			
	For insurance business accounted for on an accident year basis			25			
Claims incurred in reference period (21+22+23-24-25)				26			
Claims incurred for classes 11, 12 or 13 (included in 26)				27			
Claims incurred for "actuarial health insurance" (included in 26)				28			
<b>Sub-total E</b> (26 + ½ 27 - ²/₃ 28)				29			
<b>Sub-total F</b> – Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31			
Division of sub-total F (gross adjusted claims amount)	x 0.26			32			
	Excess (if any) over 37.2M EURO x 0.03			33			
<b>Sub-total G</b> (32 - 33)				39			
<b>Claims amount</b> Sub-total G x <b>reinsurance ratio</b> (11.49)				41			
Higher of <b>premiums amount</b> and <b>brought forward amount</b> (11.534)				42			
<b>General insurance capital requirement</b> (higher of lines 41 and 42)				43			

## Instructions for completion of Forms 11 and 12

...

### Prior year figures

...

7. If the *financial year* ends after 30 December 2006, the amounts to be shown in column 2 must be the amounts shown in column 1 for the previous *financial year*, unless Forms 11 and 12 were not completed for the previous *financial year*. In that event column 2 must be left blank, apart from the amounts in 11.51.2, 11.52.2 and 12.43.2. The amounts in 11.51.2 and 12.43.2 must be calculated in accordance with the rules in force at the date to which they relate, so for a previous *financial year* ending prior to 31 December 2006 they must exclude *life protection insurance business*.

...

## Instructions for completion of Form 11

...

4. ~~If **Form 11** line 51 column 2 is zero, **Form 11** line 52 column 1 equals **Form 12** line 43 column 2. **Form 11** line 53 column 1 is determined as follows:~~

- If **Form 11** line 51 columns 1 and 2 and line 52 column 2 are all zero then **Form 11** line 53 column 1 equals **Form 12** line 43 column 2.
- If **Form 11** line 51 columns 1 and 2 are both zero but line 52 column 2 is non-zero then **Form 11** line 53 column 1 equals the lesser of **Form 12** line 43 column 2 and (**Form 12** line 43 column 2 multiplied by the ratio of **Form 11** line 52 column 1 to line 52 column 2).
- If **Form 11** line 51 column 2 is zero but line 51 column 1 is non-zero then **Form 11** line 53 column 1 equals **Form 12** line 43 column 2.
- If **Form 11** line 51 column 2 is non-zero then **Form 11** line 53 column 1 equals the lesser of **Form 12** line 43 column 2 and (**Form 12** line 43 column 2 multiplied by the ratio of **Form 11** line 51 column 1 to line 51 column 2).

...



**Analysis of admissible assets**

Name of insurer

Global business/UK branch business/EEA branch business

Financial year ended

Category of assets

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets
	R13					£000	
						<b>As at end of this financial year 1</b>	<b>As at end of the previous year 2</b>
...							
Grand total of admissible assets after deduction of <u>admissible assets in excess of</u> market risk and counterparty limits (11 to 86 less 87)					89		

**Analysis of admissible assets**

Name of insurer  
Global business/UK branch business/EEA branch business  
Financial year ended  
Category of assets

R13	Company registration number	GL/UK/CM	day	month	year	units	Category of assets
						£000	
						<b>As at end of this financial year 1</b>	<b>As at end of the previous year 2</b>

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of <u>admissible assets in excess of</u> market risk and counterparty limits (as per line 89 above)	91		
<u>Admissible assets</u> in excess of market and counterparty limits	92		
<u>Inadmissible assets directly held</u>	93		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related <del>insurance</del> undertakings	95		
Book value of related ancillary services undertakings	96		
	97		
Other differences in the valuation of assets (other than for assets not valued above)	97		
	98		
Deferred acquisition costs excluded from line 89	98		
	99		
Reinsurers' share of technical provisions excluded from line 89	99		
	100		
Other asset adjustments (may be negative)	100		
	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to <del>100</del> 101)	101		
	102		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		
	103		

**Instructions for completion of Form 13**

1. ...  
16. Lines ~~98-101~~102 must be completed in accordance with the *insurance account rules* or *international accounting standards* as applicable to the *firm* for the purpose of its external financial reporting if the *firm* is required to produce such accounts. Otherwise these lines must be left blank. Line ~~99~~100 includes the discounting adjustment for the *reinsurers'* share of claims outstanding – see instruction 4 of **Form 15**. Details of amounts in line ~~100~~101 must be disclosed in a supplementary note (code 1318). ~~The previous year figures for lines 98-101 must be left blank for financial years ending on or before 30 December 2006. For years ending on or before 30 December 2008, the previous year figure for line 93 must be left blank and that for line 101 must equal line 100 from the previous return.~~

**Liabilities (other than long term insurance business)**

Name of insurer

Global business/UK branch business/EEA branch business

Financial year ended

		Company registration number	GL/ UK/ CM	day	month	year	units
R15							£000
			As at end of this financial year 1	As at end of the previous year 2			
...							
Creditors	Taxation		47				
	<u>Declared Foreseeable</u> dividend		48				
	Other		49				
...							
<u>Reinsurers' share of DAC</u>			81				
Amounts deducted from technical provisions for discounting			82				
Other adjustments (may be negative)			83				
Capital and reserves			84				
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+84-82+83+84)			85				

**Instructions for completion of Form 15**

1. ...
8. Lines ~~81~~82-85 must be completed in accordance with the *insurance accounts rules* or *international accounting standards* as applicable to the *insurer* for the purpose of its external financial reporting if the *insurer* is required to produce such accounts. Otherwise these lines must be left blank. Details of amounts in line 83 must be disclosed in a supplementary note (code 1507). ~~The previous year figures must be left blank for financial years ending on or before 30 December 2006.~~
9. The amount at line 48 column 1 is dividends which are foreseeable in accordance with GENPRU 2.2.87AG ~~had been declared but not paid prior to the end of the financial year~~. Where the previous financial year ends before 31 December 2006~~7~~ the amount shown in column 2 must be the amount shown in the previous annual return (where a different definition for this item may have been used).



**APPENDIX 9.3** (rules 9.14 and 9.23)

**LONG-TERM INSURANCE BUSINESS  
REVENUE ACCOUNT AND ADDITIONAL INFORMATION  
(FORMS 40 TO 60)**

---

...

2. ...

2A Insurers should not normally restate comparatives unless restatement is necessary in order to allow the appropriate comparison to be made. Where in any Form an amount which is a comparative (i.e. shown in a "previous year" column) differs from the corresponding amount shown in a "this financial year" column in a return for a previous year and the difference is not due solely to the use of a different rate to express other currencies in sterling, an explanation of the reason for the difference must be given by way of a supplementary note to that Form. (For Forms 40, 41, 42, 43, 44, 45, 46, 50, 58 and 60 the code for the supplementary note is 4011, 4111, 4211, 4311, 4411, 4511, 4611, 5011, 5811 and 6011 respectively.)

3. ...

...

**Instructions for completion of Form 47**

1. ...

3. Information must be further divided by product code as follows:

Code	Product description
...	.
400	Annuity non-profit (CPA)
<u>401</u>	<u>Annuity non-profit (bulk transfer)</u>
405	Annuity non-profit (CPA impaired life)
...	
905	Index linked annuity (CPA)
<u>906</u>	<u>Index linked annuity (bulk transfer)</u>
<u>907</u>	<u>Index linked deferred annuity</u>
...	

...

Compulsory purchase annuities (CPA) annuities include those arising from group death in service policies, and bulk purchase of annuities from occupational pension schemes. "Bulk transfer" annuities referred to in codes 401 and 906 cover all annuities in payment as part of a bulk transfer of liabilities from an occupational pension scheme or a reinsurance contract; these codes are to be used for new business instead of codes 400, 405 and 905. Transfers from insurers under Part VII of the Act are recorded in Form 40, there being no premiums passing through the revenue account.

...

**Instructions for completion of Forms 51, 52, 53 and 54**

1. ...
4. Subject to 11, ... Subdivision of pensions business into increments and DWP National Insurance rebates is not required in Forms 51-54. Subdivision of annuities in payment into those arising from bulk transfers is not required in Forms 51-54, i.e. new business reported under codes 401 and 906 is reported under codes 400, 405 and 905 for in force business.

...

**APPENDIX 9.6** (rules 9.34 and 9.35)

**CERTIFICATE BY DIRECTORS AND REPORT OF THE AUDITORS**

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**Part I**

**Certificate by directors**

1. (1) Subject to 3, the certificate required by rule 9.34 must state -
  - (a) ...
  - (b) that the *directors* are satisfied that:
    - (i) throughout the *financial year in question*, the *insurer* has complied in all material respects with the requirements in *SYSC* and *PRIN* as well as the provisions of *IPRU(INS)*, ~~*PRU*~~, *GENPRU* and *INSPRU*; and
    - (ii) ...

## APPENDIX 9.8 (rule 9.36A)

### MARINE MUTUALS: ITEMS TO BE DISREGARDED, DIRECTORS' CERTIFICATES AND AUDITORS REPORTS

#### Part 1

##### Items to be disregarded

1. In completing the Forms required under rule 9.36A, a *marine mutual* must disregard *reinsurance* arrangements with any *relevant company* and must treat income and expenditure and assets and liabilities of any *relevant company* as, respectively, income and expenditure and assets and liabilities of the *marine mutual*.

##### Completion of Forms

- 1A. Where 'source' appears at the head of a column on a Form, the information to be included in the preceding columns of a particular line is to be taken from those items in the return to which reference is made on that line in the column headed 'source'. No entries are to be made in the column headed 'source'.

#### Part II

##### Directors' certificates

2. Subject to 4, ...
  - (a) confirming that –
    - (i) ...
    - (ii) the *directors* are satisfied that throughout the *financial year in question*, the *marine mutual* has complied in all material respects with the requirements in *SYSC* and *PRIN* as well as the provisions of *IPRU(INS)*, ~~*PRU*~~, *GENPRU* and *INSPRU* and ...
    - (iii) ...
  - (b) ...

...

**Marine mutuals - Analysis of admissible assets**

**Form M3  
(Sheet 2)**

Name of insurer

Financial year ended

		Company registration number	day	month	year	units
		M3				£000
				<b>As at end of this financial year 1</b>	<b>As at end of the previous year 2</b>	
Deposits with ceding undertakings		57				
Assets held to match linked liabilities	Index linked	58				
	Property linked	59				
<b>Reinsurers' share of technical provisions</b>						
Provision for unearned premiums		60				
Claims outstanding		61				
Provision for unexpired risks		62				
Other		63				
<b>Debtors and salvage</b>						
Direct insurance business	Policyholders	71				
	Intermediaries	72				
Salvage and subrogation recoveries		73				
Reinsurance	Accepted	74				
	Ceded	75				
Dependants	due in 12 months or less	76				
	due in more than 12 months	77				
Other	due in 12 months or less	78				
	due in more than 12 months	79				
<b>Other assets</b>						
Tangible assets		80				
Deposits not subject to time restriction on withdrawal with approved institutions		81				
Cash in hand		82				
Other assets (particulars to be specified by way of supplementary note)		83				
Accrued interest and rent		84				
Deferred acquisition costs (general business only)		85				
Other prepayments and accrued income		86				
Deductions from the aggregate value of assets		87				
Grand total of admissible assets after deduction of <u>admissible assets in excess of</u> market risk and counterparty limits (11 to 86 less 87)		89				



**Marine mutuals - Analysis of admissible assets**

**Form M3  
(Sheet 3)**

Name of insurer

Financial year ended

	Company registration number	day	month	year	units
M3					£000
				<b>As at end of this financial year 1</b>	<b>As at end of the previous year 2</b>

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of <u>admissible assets in excess of market risk and counterparty limits</u> (as per line 89 above)	91		
<u>Admissible assets in excess of market and counterparty limits</u>	92		
<u>Inadmissible assets directly held</u>	93		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related <del>insurance</del> undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to <del>100</del> 101)	101		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		
	103		

Lines ~~989-101~~ 102 must be completed in accordance with the *insurance account rules* or *international accounting standards* as applicable to the *insurer* for the purpose of its external financial reporting if the *insurer* is required to produce such accounts. Otherwise these lines must be left blank. Details of amounts in line ~~100~~ 101 must be disclosed in a supplementary note (code 1318). ~~The previous year figures must be left blank for financial years ending on or before 30 December 2006.~~ For years ending on or before 30 December 2008, the previous year figure for line 93 must be left blank and that for line 101 must equal line 100 from the previous *return*.