# Interim Prudential sourcebook: Insurers



FSA

# INTERIM PRUDENTIAL SOURCEBOOK

# INSURERS

## VOLUME ONE

## RULES

## THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS INSTRUMENT 2001

**Introduction**

1. The *FSA* makes the rules and guidance in this instrument on 21 June 2001.

2. The provisions of the *Act* listed in Chapter 11 of this instrument are specified for the purpose of section 153(2).

3. This instrument will come into force at the beginning of the day on which section 19 of the *Act* (the general prohibition) comes into force.

4. This instrument is to be interpreted in accordance with, and applies subject to, the general provisions contained in the General Provisions Instrument 2001.

5. This instrument may be cited as the Interim Prudential Sourcebook for Insurers Instrument 2001.

6. This instrument, excluding the provisions in this Introduction, may be cited as the Interim Prudential Sourcebook for Insurers.

By Order of the Board

21 June 2001

# INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS
# GUIDANCE

## THE PURPOSE OF THE PRUDENTIAL RULES FOR INSURERS AND AN OVERALL DESCRIPTION

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Application



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## Chapter 1

## APPLICATION RULE

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### Application

Insurers

1.1 An *insurer* must comply with *IPRU (INS)* unless it is –

(a) a *friendly society*[1]; or

(b) subject to rules 3.6 and 3.7 (application of rules to *linked long-term contracts*), an *EEA insurer* qualifying for authorisation under Schedules 3 or 4 to the *Act*.

The Society of Lloyd's

1.2 No provisions of *IPRU (INS)* apply to the *Society* of Lloyd's, or *members* of the *Society* of Lloyd's except rules 9.37 and 9.38, and Part VII of Chapter 9.

1.3 [deleted]

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[1] A *non-directive friendly society* must comply with *IPRU(FSOC);* a *directive friendly society* must comply with *GENPRU and INSPRU*; with Chapters 1, 2 and 3, 4 (rules 4.20 to 4.23 only), 5 (rule 5.1A only) 7, 8 and Appendix 3 of *IPRU(FSOC*). Rule 5.1A of *IPRU(FSOC)* effectively applies most of Chapter 9 of *IPRU(INS)* to *directive friendly societies,* notwithstanding *IPRU(INS)* 1.1(a)

## Chapter 2

[deleted]

## Chapter 3

## LONG-TERM INSURANCE BUSINESS

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## Chapter 3

## LONG-TERM INSURANCE BUSINESS

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### Part I

### IDENTIFICATION AND APPLICATION OF ASSETS AND LIABILITIES

3.1 (1) [deleted]

(2) [deleted]

**Application of assets of insurer with long-term insurance business**

*Limitation on use of assets in long-term insurance fund*

3.2 [(1) to (5) deleted]

Restriction in relation to dividends

(6) A *long-term insurer* must not declare a dividend at any time when the value of the *long-term insurance assets*, as determined in accordance with *GENPRU* 1.3 and *INSPRU* 2.1 is less than the amount of the *long-term insurance business technical provisions* and any other liabilities connected with the *long-term insurance business.*[2]

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[2] Regulations under section 142 of the *Act* may also apply to restrict a *parent undertaking* of an *insurer* from doing anything to lessen the effectiveness of the *Asset Identification Rules*.

**Allocations to policy holders**

Allocation of established surplus

3.3 (1) Where -

(a) there is an 'established surplus' in which *long-term policy holders* of any category are eligible to participate; and

(b) an amount has been allocated to *policy holders* of that category in respect of a previously 'established surplus' in which *policy holders* of that category were eligible to participate,

an *insurer* must not by virtue of *INSPRU* 1.5.27R transfer or otherwise apply assets representing any part of the surplus mentioned in (a) unless the insurer has –

(i) allocated to *policy holders* of that category in respect of that surplus an amount not less than the 'relevant minimum', or

(ii) complied with the requirements of (3) and made to those policy holders any allocation of which notice is given under (3)(a)**.**

(2) Subject to (6) and (7), the **relevant minimum** is the amount represented by the formula -

$$\frac{b \times c}{a} - \frac{c}{200}$$

where -

*a* is the last previously 'established surplus' in respect of which an amount was allocated to *policy holders* of the category in question;

*b* is the amount so allocated; and

*c* is the surplus referred to in (1)(a).

Requirements where less than the relevant minimum is to be allocated

(3) The requirements referred to in (1)(ii) are that the *insurer* -

(a) at least 14 days before publication has given the *FSA* written notice stating that it proposes to make no allocation or an allocation of an amount (specifying it) which is smaller than the 'relevant minimum', and a copy of the statement that it proposes to publish in accordance with (b); and

(b) has published a statement in the London, Edinburgh and Belfast Gazettes and in two national newspapers explaining the allocation it proposes to make to *policy holders* and the reasons for it,

and that a period of not less than 56 days has elapsed since the date, or the last date, on which the *insurer* has published the statement mentioned in (b) as required by that paragraph.

(4) In this rule, **established surplus** means an excess of assets representing the whole or a particular part of the *long-term insurance fund* or *funds* over the liabilities, or a particular part of the liabilities, of the *insurer* attributable to that business as shown by an *actuarial investigation.*

Amounts to be treated as allocated to policy holders

(5) For the purposes of this rule, an amount is allocated to *policy holders* if, and only if -

(a) bonus payments are made to them; or

(b) reversionary bonuses are declared in their favour or a reduction is made in the premiums payable by them,

and the amount of the allocation is, in a case within (a), the amount of the payments and, in a case within (b), the amount of the liabilities assumed by the insurer in consequence of the declaration or reduction.

Bonus payments in anticipation of established surplus

(6) For the purposes of this rule, the amount of any bonus payments made in anticipation of an 'established surplus' is treated as an amount allocated in respect of the next 'established surplus' in respect of which an amount is allocated to eligible *policy holders* generally; and for the purposes of (2) the amount of any surplus in respect of which such an allocation is made is treated as increased by the amount of any such payments.

Unappropriated surplus carried forward

(7) (1) does not authorise the application for purposes other than those mentioned in *INSPRU* 1.5.30R of assets representing any part of the surplus mentioned in (1)(a) which the *insurer* has decided to carry forward unappropriated; and for the purposes of (2) the amount of any surplus is treated as reduced by any part of it which the *insurer* has decided to carry forward unappropriated.

Eligibility to participate in an established surplus

(8) For the purposes of (1), *policy holders* are taken to be eligible to participate in an 'established surplus' in any case where they would be eligible to participate

in a later 'established surplus' representing it if it were carried forward unappropriated.

Restriction on transactions with connected persons

3.4 [deleted]

**Arrangements to avoid unfairness between separate insurance funds**

3.5 (1) An *insurer* which carries on *long-term insurance business* in the UK must have adequate arrangements for securing that transactions affecting assets of the *insurer* (other than transactions outside its control) do not operate unfairly between the *long-term insurance fund* or *funds* and the other assets of the *insurer* or, in a case where the *insurer* has more than one 'identified fund', between those funds.

(2) In this rule, **identified fund** means assets representing the *insurer's* receipts from a particular part of its *long-term insurance business* which can be identified as such by virtue of accounting or other records maintained by the *insurer*.

(3) [deleted]

3.5A [deleted]

3.6 [deleted]

3.7 [deleted]

## Chapter 4

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8.4 [deleted]

8.5 [deleted]

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**Chapter 9**

**FINANCIAL REPORTING**

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**Part I**

**ACCOUNTS AND STATEMENTS**

**Application**

9.1 These *Accounts and Statements Rules* apply to every *insurer* other than -

(a) an *EEA-deposit insurer*, in relation to *insurance business* carried on by it outside the United Kingdom; or

(b) a *Swiss general insurer*, in relation to *general insurance business* carried on by it outside the United Kingdom.

**Interpretation**

9.2 (1) In rules 9.25 to 9.27, 9.29, 9.30 and 9.32, and in the Appendices relevant to the *Accounts and Statements Rules*, unless the context otherwise requires, words and expressions not defined in *IPRU (INS)* which are used in the *insurance accounts rules* have the same meanings as in those rules.

(2) In the *Accounts and Statements Rules* –

(a) any reference to *long-term insurance business* or *general insurance business* is, in relation to an *EEA-deposit insurer*, to *long-term insurance business* or *general insurance business* carried on by it through a branch in the United Kingdom; and

(b) any reference to *general insurance business* is, in relation to a *Swiss general insurer*, to *general insurance business* carried on by it through a branch in the United Kingdom,

and accordingly any reference to, or requirement imposed in respect of, the accounts and balance sheet (including any notes, statements, reports and certificates annexed to them) is to, or imposes a requirement in respect of, *insurance business* carried on through that branch.

(3) In the *Accounts and Statements Rules*, any reference to *long-term insurance business* or to *general insurance business* is -

(a) in relation to an *external insurer*, to its entire *long-term insurance business* or to its entire *general insurance business* and (except in the case of a *non-EEA insurer* whose *insurance business* in the United Kingdom is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the United Kingdom whose *insurance business* in the *EEA* is restricted to *reinsurance*), to any *long-term insurance business* or *general insurance business* carried on by it through a branch in the United Kingdom; and

(b) in relation to a *UK-deposit insurer*, to its entire *long-term insurance business* or to its entire *general insurance business* and to any *long-term insurance business* or *general insurance business* carried on by it through a branch in any *EEA State*,

and accordingly any reference to, or requirement imposed in respect of, the accounts and balance sheet (including any notes, statements, reports and certificates annexed to them) relevant to *long-term insurance business* or to *general insurance business* is to, or imposes a requirement in respect of -

(i) accounts prepared in respect of its entire *long-term insurance business* or entire *general insurance business*; and

(ii) accounts prepared in respect of the *long-term insurance business* or the *general insurance business* carried on, in the case of an *external insurer*, by the branch in the United Kingdom and, in the case of a *UK-deposit insurer* (other than a *non-EEA insurer* whose *insurance business* in the United Kingdom is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the United Kingdom whose *insurance business* in the *EEA* is restricted to *reinsurance*), by the branches in question in the *EEA States* taken together.

(4) In the *Accounts and Statements Rules* and in Chapter 12 –

(a) any reference to a numbered Form is a reference to the Form so numbered in **Appendices 9.1** to **9.3**;

(b) references to a numbered *class* of *insurance business* are references to the *class* so numbered in either **Annex 11.1** or **11.2**; and

(c) references to a numbered *FSA general insurance business reporting category* are references to the *FSA general insurance business reporting category* so numbered in **Annex 11.3.**

(5) To the extent there is a contradiction between *SUP* 16.3 and the *Accounts and Statements Rules*, the *Accounts and Statements Rules* apply.

**Annual accounts and balance sheets**

9.3 (1) Subject to (2) and (3), an *insurer* must, with respect to each of its *financial years*, prepare –

(a) a revenue account for the year;

(b) a balance sheet as at the end of the year; and

(c) a *profit and loss account* for the year.

(2) An *insurer* not trading for profit must, with respect to each of its *financial years*, prepare an income and expenditure account for the year.

(3) If a form is required for -

- an account
- a balance sheet
- a note
- a statement
- a report, or
- a certificate attached to any of the above,

the account etc. must be in that form.

(4) An *insurer's financial year* must be a 12 month period.

**Half-yearly balance sheet and report for realistic valuation**

9.3A (1) Every *long-term insurer* which is a *realistic basis life firm* must in respect of each *financial year* prepare **Forms 2**, **18** and **19** of **Appendix 9.1**, as at the end of the first six months of that *financial year*.

(2) The Forms in (1) must be prepared in accordance with **Appendix 9.1**, and **Form 2** must be completed in respect of the *long-term insurance business* of the *firm* and **Forms 18** and **19** must be completed in respect of each of the *firm's with-profit funds.*

(3) The Forms in (1) must be accompanied by a report (instead of the reports required under rule 9.4(1)(b)) identifying any changes to the methods and assumptions used from those set out in the report for the realistic valuation as at the end of the *preceding financial year* .

(4) Rules 9.4, 9.6, 9.10, 9.11, 9.12, 9.33 and 9.34, **Appendices 9.1** and **9.4A** and **Part I** of **Appendix 9.6** apply to this rule and to any documents required under this rule as if –

(a) an additional balance sheet were required under rule 9.3;

(b) the documents required by (1), and only those documents, were required by rule 9.12 for the purposes of the balance sheet in (a) above;

(c) an additional investigation were required under rule 9.4 in respect of the six-month period covered by this rule;

(d) any document required by (3) were a document required by rule 9.31(b) for the purposes of the investigation in (c) above;

(e) any reference to the *financial year in question* (however expressed) were a reference to the six-month period referred to in (1);

(f) any reference to the preceding year were a reference to the end of the *preceding financial year*;

(g) the required signatory in each case were any director of the *insurer*;

(h) any reference to a particular amount shown in a document not required under (1) or (3) were a reference to the amount which would be shown in that document (subject to any modifications in (a) to (f) above) in accordance with the *Accounts and Statements Rules* if that document were required to be produced;

(i) any requirement (other than in this rule) to refer in the *return* or any certificate annexed to it by virtue of rule 9.34 to a document not required under (1) or (3) were omitted; and

(j) in 9.6(2)(a) a single printed copy is required and for both 9.6(2)(a) and 9.6(2)(b) the printed copy must be sent to the *insurer's* normal supervisory contact.

(5) Instead of a valuation report under rule 9.31(a), the report referred to in (3) must include, in an additional numbered answer following the answers to the paragraphs in **Appendix 9.4A**–

(a) 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

(b) if there has been no such change, a statement to that effect.

Rules 9.3, 9.5, 9.7, 9.13 to 9.30, 9.31, 9.32 and 9.35 to 9.39 do not apply in respect of the documents required under this rule.

**Periodic actuarial investigation of long-term insurer**

9.4 (1) Every *long-term insurer* -

(a) must, once in every period of 12 months, cause an investigation to be made into its financial condition in respect of its *long-term insurance business*, in accordance with the methods and assumptions determined by the *insurer*, by the person or persons who for the time being are appointed to perform the *actuarial function* under the rules in *SUP*; and

(b) when such an investigation has been made, or when at any other time an investigation into the financial condition of the *insurer* in respect of its *long-term insurance business* has been made with a view to the distribution of profits, or the results of which are made public, must cause an abstract of the report or reports of the investigation to be made.

(2) An investigation to which (1) relates must include -

(a) a determination of the liabilities of the *insurer* attributable to *its long-term insurance business*;

(b) a valuation of any excess over those liabilities of the assets representing the *long-term insurance fund* or *funds* and, where any rights of any long-term *policy holders* to participate in profits relate to particular parts of such a fund, a valuation of any excess of assets over liabilities in respect of those parts; and

(c) for every *long-term insurer* which is a *realistic basis life firm*, a calculation of the *with-profits insurance capital component*.

(3) For the purposes of any investigation to which this rule applies, the value of any assets and the amount of any liabilities must be determined in accordance with *GENPRU* 1.3, *INSPRU* 2.1 and *INSPRU* 1.

(4) The form and contents of any abstract under this rule must be in accordance with rule 9.31.

**Audit of accounts**

9.5 (1) The 'accounts and balance sheets' of every *insurer* must be audited in accordance with rule 9.35 by a person qualified in accordance with the rules in *SUP*.

(2) In (1), the reference to **accounts and balance sheets** includes a reference to any notes or statement or report annexed to them, save for –

(a) the *directors'* certificate annexed pursuant to rule 9.34, and

(b) **Forms 46** to **47A**, **50** to **55**, **57** and **59**.

**Deposit of accounts etc. with the FSA**

9.6 (1) Every 'account', 'balance sheet', abstract or statement required by rules 9.3, 9.3A, 9.4 and 9.36A and any report of the auditor of the *insurer* made in pursuance of rules 9.5 or 9.36E must be printed, and the 'required copies' must be deposited with the *FSA* within the periods set out in the table below.

| | **deposit period following the *financial year* end** | |
|---|---|---|
| ***financial year* ending on or after** | **where the deposit is made electronically or under rule 9.36A** | **otherwise** |
| 31 December 2001 | 4 months | 3 months and 15 days |
| 31 December 2002 and following years | 3 months | 2 months and 15 days |

(1B) [deleted]

(2) In (1), the reference to the **required copies** is to -

(a) five printed copies of the document; or

(b) one printed copy of the document and one copy of it in an electronic form which may be readily used or translated by the *FSA* sent by email to insurancereturns@fsa.gov.uk. The title of the email must be: <firm name> FSA returns <dd/mm/yyyy>.

The printed copies must be sent to Insurance Returns, The Financial Services Authority, PO Box 35747, London E14 5WP (and must not be addressed to the *insurer's* normal supervisory contact).

(3) In the case of any document deposited under (1), except an auditor’s report, one of the printed copies, or, as the case may be, the printed copy, of the document must be signed in accordance with rule 9.33.

(4) In the case of any auditor's report deposited under (1), one of the printed copies, or, as the case may be, the printed copy, of the document must be signed by the auditor.

(5) If within 24 months of the date of deposit, the *FSA* notifies the *insurer* that a document deposited under (1) appears to it to be inaccurate or incomplete, the *insurer* must consider the matter and within one month of the date of notification it must correct any inaccuracies and make good any omissions and deposit the relevant parts of the documents again.

(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*; or

(b) to the *insurer's with-profits policyholders* under *COB* 6.11.8G, *COB* 6.11.9R or *SUP* 4.3.16AR(4), in respect of the *financial year* to which the 'account' and 'balance sheet' relate.

The *insurer* may either send a printed copy or an electronic copy of these reports. The requirements in (2) above as to postal address, email address and email title apply.

(6A) Where a statement or report has not been made or submitted at the time the revenue 'account' and 'balance sheet' are deposited (see (6)), it must be deposited as soon as possible thereafter.

(7) In this rule, any reference to an **account** or **balance sheet** includes a reference to any note, or statement or report annexed to it by virtue of rule 9.3 and any certificate annexed to it by virtue of rule 9.34.

**Right to receive copies of deposited documents**

9.7 An *insurer* must provide to any person (or the person who has already been provided with a copy under (a)) within 30 days of the date of request (or, in the case of (b), the date of deposit under rule 9.6(5)):

(a) a copy of any of the documents last deposited by the *insurer* under rule 9.6(1) in respect of the *financial year in question*, and the two *financial years* preceding the financial year in question;

(b) a copy of any document deposited under rule 9.6(5) which corrects or makes good any document provided under (a); and

(c) a copy of any report deposited with any such document under rule 9.6(6),

where the deposit is made electronically, in the form (whether printed or electronic) requested or, if the deposit is not made electronically, in printed form, but (except in the case of (b)) the *insurer* may make a charge to cover its reasonable costs, including those of printing and postage.

**Documents deposited with the FSA**

9.8 [deleted]

**Documents deposited in Northern Ireland**

9.9 [deleted]

**Value of assets and amount of liabilities**

9.10 Unless otherwise provided in the *Accounts and Statements Rules*, in the documents which an *insurer* is required to prepare in accordance with the *Accounts and Statements Rules* -

(a) the value or amount given for an asset or a liability of the *insurer* is the value or amount of that asset or liability as determined in accordance with *GENPRU* 1.3 and *INSPRU 1* at the end of *the financial year in question*;

(b) no value shall be given to exposures in excess of the limits set out in *INSPRU* 2.1.22R (3);

(c) notwithstanding (a) and (b) (but subject to the conditions set out in (d)), an *insurer* may, for the purposes of an *actuarial investigation*, elect to assign to any of its assets the value given to the asset in question in the books or other records of the *insurer*; and

(d) the conditions referred to in (c) are that –

(i) the election does not enable the *insurer* to bring into account any asset that is not an *admissible asset*; and

(ii) the value assigned to the aggregate of the *insurer's* assets is not higher than the aggregate of the value of those assets as determined in accordance with (a) and (b), without taking advantage of (c).

**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) 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*.

**Balance sheet**

9.12 (1) The balance sheet required to be prepared by an *insurer* under rule 9.3(1) must comply with the requirements of **Appendix 9.1** and must be in **Forms 1** to **3, 10** to **15** and **17** to **19** of that Appendix completed (as may be appropriate) as specified in (2) to (9).

(2) **Form 1** must be completed by every *insurer* that carries on *general insurance business,* other than a *Swiss general insurer* or an *EEA-deposit insurer*.

(2A) **Form 2** must be completed by every *long-term insurer,* other than an *EEA-deposit insurer.*

(3) **Form 3** must be completed by every *insurer* other than a *Swiss general insurer* or an *EEA-deposit insurer.*

(3A) **Form 10** must be completed by an *external insurer* (other than a *non-EEA insurer* whose *insurance business* in the United Kingdom is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the United Kingdom whose *insurance business* in the *EEA* is restricted to *reinsurance*), an *EEA-deposit insurer* or a *Swiss general insurer.*

(4) **Forms 11** and **12** must be completed by every *insurer* which carries on *general insurance business*, other than a *Swiss general insurer* or an *EEA deposit insurer* and, except when the instructions for completion of **Forms 11** and **12** specify otherwise, by every *insurer* which carries on *long-term insurance business*.

(5) **Form 13** must be completed (as appropriate) -

(a) by every *insurer* which carries on *long-term insurance business* in respect of –

(i) its total *long-term insurance assets*; and

(ii) the *long-term insurance assets* appropriated by it in respect of each *long-term insurance fund* or, where such assets have been appropriated for a group of funds, those assets;

(b) by every *insurer* in respect of its total assets other than *long-term insurance assets*;

(c) by every *external insurer* (other than a *non-EEA insurer* whose *insurance business* in the United Kingdom is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the United Kingdom whose *insurance business* in the *EEA* is restricted to *reinsurance*) in respect of *long-term insurance business* or *general insurance business* carried on by it through a branch in the United Kingdom in respect of those assets which are -

(i) deposited under *INSPRU 1*.5.54R,

(ii) maintained in the United Kingdom, and

(iii) maintained in the United Kingdom and the other *EEA States*; and

(d) by every *UK-deposit insurer* in respect of *long-term insurance business* or *general insurance business* carried on by it through branches in the *EEA States* in respect of those assets which are -

(i) deposited under *INSPRU* 1.5.54R,

(ii) maintained in the United Kingdom and such other *EEA States* where *insurance business* is carried on, and

(iii) maintained in the United Kingdom and the other *EEA States*.

(6) **Form 14** must be completed by every *long-term insurer* in respect of -

(a) its total *long-term insurance liabilities* and margins;

(b) the *long-term insurance liabilities* and margins for each *long-term insurance fund* or where *long-term insurance assets* have been appropriated in respect of a group of funds, for the group; and

(c) subject to (6A), except where the information is provided by virtue of (a) or (b), each *with-profits fund*, with a supplementary note (code 1406) stating the amount, if any, of the increase or decrease, as the case may be, in the value of *non-linked assets*.

(6A) Where the amount (or part of the amount) of any increase or decrease in the value of *non-linked assets* has yet to be allocated between *with-profits funds* or between one or more *with-profits funds* and other purposes, the note required by (6) must state the total amount which has yet to be aggregated:

(a) identifying the *with-profits funds* to which the information relates; and

(b) describing the basis upon which increases or decreases in the value of *non-linked assets* are, or will be, allocated between the *with-profits funds* or between the *with-profits funds* and other purposes.

(7) **Form 15** must be completed by every *insurer* except an *insurer* not trading for profit which carries on only *long-term insurance business*.

(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.

(9) **Forms 18** and **19** must be completed by every *long-term insurer* which is a *realistic basis life firm*, in respect of each of its *with-profits funds.*

**Profit and loss account**

9.13 The *profit and loss account* required to be prepared by every *insurer* under rule 9.3 must comply with the requirements of **Appendix 9.1** and must be in **Form 16**.

**Revenue account**

9.14 The revenue account to be prepared by every *insurer* under rule 9.3 -

(a) in the case of an *insurer* carrying on *general insurance business*, must comply with the requirements of **Appendix 9.2** and must be in **Form 20** in respect of the whole of the *general insurance business* carried on by it; and

(b) in the case of an *insurer* carrying on *long-term insurance business*, must comply with the requirements of **Appendix 9.3** and must be in **Form 40** and -

(i) separate accounts must be prepared in **Form 40** in respect of:

(A) each *long-term insurance fund* maintained by it, and

(B) except where the information is provided by virtue of (A), each *with-profits fund*, with a supplementary note [code 4010] stating the amount, if any, of investment income relating to *linked assets* included at line 12; and

(ii) where there is more than one Form 40 under (i) above, the *insurer* must also prepare a summary **Form 40** for the total *long-term insurance business*.

**Allocation of general insurance business to risk categories**

9.14A Every *insurer* preparing the Forms required under rules 9.15, 9.17, 9.19, 9.20 and 9.20A must allocate its *general insurance business* to one or more *risk categories*.

**Allocation of contracts of insurance covering more than one risk category**

9.14B (1) This rule applies in any case where a *contract of insurance* falls within the description of more than one *risk category*.

(2) If the *contract of insurance* falls, to any extent, within the description of *risk category* 274, 590 or 690, an *insurer* must allocate all the *general insurance business* represented by that *contract of insurance* to that *risk category*.

(3) In any other case, an *insurer* must, unless (4) applies, allocate all the *general insurance business* represented by the *contract of insurance* to the single *risk category* that, in the reasonable opinion of the *insurer's governing body*, best describes the risk covered by the *contract of insurance*.

(4) If:

(a) the premium payable under the *contract of insurance* is separable into the components relating to different *risk categories*; or

(b) in the reasonable opinion of the *insurer's governing body*, allocation under (3) would be misleading;

then the *insurer* must apply a reasonable method to allocate the *general insurance business* represented by the *contract of insurance* amongst the appropriate *risk categories* and must apportion the amounts it reports in the Forms accordingly.

**General insurance business (content of revenue account and additional information as to balance sheet)**

9.15 (1) Every *insurer* which carries on *general insurance business* must, in accordance with the requirements of **Appendix 9.2**, prepare –

(a) **Form 20A** in respect on the whole of the *general insurance business* carried on by it;

(b) **Form 20** in respect of each *required category*;

(c) **Forms 21, 22** and **23** for *insurance business accounted for* on an 'accident year basis' in respect of each *required category*; and

(d) **Forms 24** and **25** for *insurance business accounted for* on an 'underwriting year basis' in respect of each *required category*.

(2) For the purposes of this rule and rules 9.17(1), 9.19(1) and 9.22(2), business must be taken to be *accounted for* on an **underwriting year basis** where it relates to risks -

(a) which have been reported previously under the *Accounts and Statements Rules* on **Forms 24** and **25**;

(b) in respect of which the *claims* outstanding for such *insurance business* are calculated using the method described in paragraph 52 of *the insurance accounts rules*; or

(c) which have not previously been reported on any Form under the *Accounts and Statements Rules* and which the *insurer* accounts for on an 'underwriting year basis',

and business not *accounted for* on an 'underwriting year basis' is taken to be *accounted for* on an **accident year basis**.

(3) Every *insurer* which, in respect of any *financial year*, includes in **Form 22** or **25** amounts relating to adjustments for *discounting* must prepare **Form 30** in accordance with the requirements of **Appendix 9.2**.

9.16 [deleted]

**Additional information on general insurance business (treaty reinsurance business)**

9.17 (1) Every *insurer* which carries on *general insurance business* must, in accordance with the requirements of **Appendix 9.2** prepare -

(a) **Forms 26** and **27** for *treaty reinsurance business accounted for* on an 'accident year basis' in respect of each *required category*; and

(b) **Forms 28 and 29** for *treaty reinsurance business accounted for* on an 'underwriting year basis' in respect of each *required category*.

(2) [deleted]

(3) [deleted]

9.18 [deleted]

**Additional information on general insurance business (direct and facultative business)**

9.19 (1) Every *insurer* which carries on *general insurance business* must, in accordance with the requirements of **Appendix 9.2,** prepare -

(a) **Form 31** or **32** for *direct and facultative insurance business* accounted for on an 'accident year basis' in respect of each *required category*; and

(b) **Form 34** for *direct and facultative insurance business* accounted for on an 'underwriting year basis' in respect of each *required category*.

(2) [deleted]

(3) Where any of **Forms 31, 32** or **34** has been prepared in respect of the entire *insurance business* of an *insurer*, no separate forms need be prepared -

(a) in the case of an *external insurer*, in respect of *insurance business* carried on by it through a branch in the United Kingdom; and

(b) in the case of a *UK deposit insurer*, in respect of *insurance business* carried on by it through a branch in any *EEA State*.

**FSA general insurance business reporting categories falling below de minimis criteria**

9.20 (1) This rule applies to any *financial year* after the first *financial year* ended on or after 31 December 2005 in any case where -

(a) for the previous *financial year*, an *insurer* was required to prepare a **Form 20 to 34** for a category of business (as set out in column 2 of paragraph 2B of **Appendix 9.2**) that was not *category number* 001 to 003, 409 or 709; and

(b) for the *financial year in question*, the 'reporting criteria' for that Form and category of business are not met.

(2) In this rule, any references to 'reporting criteria', in relation to a Form, are the reporting criteria specified for that Form in column 3 in the Table in paragraph 2B of **Appendix 9.2**.

(3) Unless paragraph (4) applies, any such business that satisfies (1) must be reported in the same category of business (as set out in column 2 of paragraph 2B of **Appendix 9.2**) in the same Form for the *financial year in question*.

(4) An *insurer* may cease to report such business on that Form in that category of business if –

(a) the *gross written premiums* in the *financial year in question* and the 'gross undiscounted provisions' at the end of that *financial year* for that category of business are each less than £0.5m; or

(b) the following conditions are met –

(i) the *financial year in question* ended on or after 31 December 2008;

(ii) the business in 1(a) has been reported on that Form for that category of business in each of the three previous *financial years*; and

(iii) the *gross written premiums* in the *financial year in question* and the 'gross undiscounted provision' at the end of that *financial year* for that category of business are each less than 50% of the amounts respectively specified in the 'reporting criteria' for that Form in respect of that category of business.

(5) For the purpose of this rule, rule 9.20A and paragraph 2B of **Appendix 9.2**, **gross undiscounted provisions** are gross undiscounted reported claims outstanding plus gross undiscounted incurred but not reported claims plus gross provision for unearned premiums plus provision for unexpired risks.

**Further information on general insurance business to ensure adequate coverage in the return**

9.20A (1) Subject to (2) and (3), if the total of all 'gross undiscounted provisions' in all the **Forms 26 to 29, 31, 32** and **34** required under rules 9.17, 9.19 and 9.20, or included despite rule 9.20(4), is less than 80% of the *insurer's* total 'gross undiscounted provisions', the *insurer* must prepare **Forms 26 to 29, 31, 32** and **34**, as appropriate, for further categories of business (as set out in column2 of paragraph 2B of **Appendix 9.2**) in decreasing order of size (measured in 'gross undiscounted provisions'), until the 80% criterion is met.

(2) An *insurer* need not prepare a **Form 26, 27, 28, 29, 31, 32,** or **34** for a category of business (as set out in column 2 of paragraph 2B of **Appendix 9.2)** if

(a) the *insurer's gross written premiums* in the *financial year in question* for that category of business are less than £1m; and

(b) the *insurer's* 'gross undiscounted provisions' at the end of the *financial year in question* for that category of business are less than £1m.

(3) An *insurer* need only prepare a **Form 26, 27, 28, 29, 31, 32** or **34** for a category of business (as set out in column 2 of paragraph 2B of **Appendix 9.2**) if it is required to prepare a **Form 20** for *category number* 110, 120, 160, 180, 220, 260, 270, 280, 330, 340, 350, 400, 500, 600, or 700 which includes that category of business.

**Currencies other than sterling**

9.21 Every *insurer* which, in respect of a *financial year*, prepares a Form under rules 9.17 or 9.19 containing figures in a currency other than sterling must prepare **Form 36** in accordance with the requirements of **Appendix 9.2**.

**Additional information on general insurance business (claims equalisation provisions)**

9.22 (1) This rule applies to non-credit *insurance business* as defined in *INSPRU* 1.4.11R (1) and credit *insurance business* as defined in *INSPRU* 1.4.38R.

(2) An *insurer* to which *INSPRU* 1.4.11R to *INSPRU* 1.4.37G apply (unless *INSPRU* 1.4.18R applies) and an *insurer* to which *INSPRU* 1.4.43R applies (unless *INSPRU* 1.4.44R applies) must, in accordance with the requirements of **Appendix 9.2**, prepare -

(a) **Form 37**;

(b) **Form 38** for *general insurance business* accounted for on an 'accident year basis'; and

(c) **Form 39** for *general insurance business* accounted for on an 'underwriting year basis'.

**Additional information on long-term insurance business**

9.23 Every *insurer* which carries on *long-term insurance business* must, in respect of the *financial year in question* and in accordance with the requirements of **Appendix 9.3**, prepare -

(a) **Forms 41** to **43** in respect of each revenue account prepared separately under rule 9.14(b)(i);

(b) summary **Forms 41** to **43** if a summary **Form 40** is required under rule 9.14(b)(ii); and

(c) **Forms 44** to **59B** and, except in the case of an *EEA-deposit insurer*, **Form 60**.

as appropriate, together with the information specified in relation to those Forms.

**Forms to be annexed**

9.24 The forms prepared pursuant to rules 9.15, 9.17 and 9.19 to 9.23 must be annexed to the documents referred to in rules 9.12, 9.13 and 9.14.

**Additional information on general insurance business: major treaty reinsurers**

9.25 (1) Subject to the provisions of rule 9.28, an *insurer* which carries on *general insurance business* must annex to the documents referred to in rules 9.12, 9.13 and 9.14, and relating to the *financial year in question*, a statement of -

(a) the 'full name'[5] of each of its 'major treaty reinsurers' and the address of the registered office or of the principal office in the country where it is incorporated (or, in the case of an unincorporated body, of the principal office) of each such *reinsurer*;

(b) whether (and, if so, how) the *insurer* was at any time in the *financial year* 'connected'[6] with any such *reinsurer*;

(c) the amount of the *reinsurance* premiums payable in the *financial year* to each such *reinsurer* in respect of -

(i) *general insurance business ceded* under proportional *reinsurance* treaties; and

(ii) *general insurance business ceded* under non-proportional *reinsurance* treaties;

(d) the amount of any *debt* of each such *reinsurer* to the *insurer* in respect of *general insurance business ceded* under *reinsurance* treaties, included at line 75 of **Form 13**;

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[5] for the meaning of 'full name' in this rule, see rule 9.28(4)

[6] for the meaning of 'connected', in this rule, see rule 9.28(1)

(e) the amount of any deposit received from each such *reinsurer* under *reinsurance* treaties as included at line 31 of **Form 15**; and

(f) the amount of any anticipated recoveries from each such *reinsurer* under *reinsurance* treaties to the extent that such recoveries have been taken into account by the *insurer* in determining the *reinsurers*' share of *technical provisions* in respect of *claims* outstanding as shown at line 61 of **Form 13**; except that, in respect of *claims* incurred but not reported, such recoveries need only be included to the extent that they are in respect of any specific occurrences for which provisions have been allocated by the *insurer*,

or a statement that it has no 'major treaty *reinsurer*'.

(2) For the purposes of this rule, a **major treaty reinsurer** of an *insurer* is a another *company* -

(a) to which (whether alone or with any *company* which is 'connected'[7] with the other *company*) the *insurer* has *ceded general insurance business* under one or more *reinsurance* treaties -

(i) in the case of proportional *reinsurance*, for which the total amount of the *reinsurance* premiums payable is equal to not less than 2% of the *gross premiums receivable* by the *insurer* in respect of *general insurance business*, or

(ii) in the case of non-proportional *reinsurance*, for which the total amount of the *reinsurance* premiums payable is equal to not less than 5% of the total premiums payable by the *insurer* in respect of all such non-proportional *reinsurance*,

in the *financial year in question* or in any of the five *preceding financial years* of the *insurer*; or

(b) in relation to which (whether alone or with any *company* which is 'connected' with the other *company*) the aggregate of the amounts referred to in (1)(d) and (f) exceeds the sum of 20,000 Euro and 5% of the *insurer's* liabilities arising from its *general insurance business*, net of *reinsurance ceded*.

**Additional information on general insurance business: major facultative reinsurers**

[7] For the meaning of 'connected', in this rule, see rule 9.28(1)

9.26 (1) Subject to rule 9.28, an *insurer* which carries on *general insurance business* must annex to the documents referred to in rules 9.12, 9.13 and 9.14, and relating to *the financial year in question*, for each 'major facultative reinsurance contract', a statement in respect of each 'major facultative *reinsurer*' of -

(a) its 'full name'[8] and the address of the registered office or of the principal office in the country where it is incorporated (or, in the case of an unincorporated body, of the principal office);

(b) whether (and, if so, how) the *insurer* was at any time in the *financial year* 'connected' with such *reinsurer*;

(c) the amount of the *reinsurance* premiums payable in the *financial year*;

(d) the amount of any *debt* to the *insurer* included at line 75 of **Form 13**;

(e) the amount of any deposit received as included at line 31 of **Form 15**; and

(f) the amount of any anticipated recoveries to the extent that such recoveries have been taken into account by the *insurer* in determining the *reinsurers*' share of *technical provisions* in respect of *claims* outstanding as shown at line 61 of **Form 13**; except that, in respect of *claims* incurred but not reported, such recoveries need only be included to the extent that they are in respect of any specific occurrences for which provisions have been allocated by the *insurer*,

or a statement that it has no 'major facultative reinsurer'.

(2) For the purposes of this rule, a **major facultative reinsurance contract** is a contract under which *general insurance business* has been *ceded* by the *insurer* on a facultative basis -

(a) under which the total amount of premiums payable to any *reinsurer* (a **major facultative reinsurer**) is equal to not less than 0.5% of *gross premiums receivable* by the *insurer* in respect of *general insurance business*; or

(b) in relation to which, in respect of any *reinsurer* (a **major facultative reinsurer**) the aggregate of amounts in (1)(d) and (f) exceeds the sum of 4,000 Euro and 1% of the *insurer's* liabilities arising from its *general insurance business*, net of *reinsurance ceded.*

[8] for the meaning of 'full name' in this rule, see rule 9.28(4)

**Information on major general insurance business: reinsurance cedants**

9.27 (1) Subject to rule 9.28, an *insurer* which carries on *general insurance business* must annex to the documents referred to in rules 9.12, 9.13 and 9.14, and relating to the *financial year in question*, a statement of -

(a) the ‘full name’ of each of its ‘major cedants’ and the address of the registered office or of the principal office in the country where it is incorporated (or, in the case of an unincorporated body, of the principal office) of each such cedant;

(b) whether (and, if so, how) the *insurer* was at any time in the *financial year* ‘connected’ with any such cedant;

(c) the amount of the total of the *gross premiums receivable* in the *financial year* from each such cedant in respect of *general insurance business* accepted under *reinsurance* treaties;

(d) the amount of any deposit made with any such cedant as included at line 57 of **Form 13**; and

(e) the amount of any *debt* of each such cedant in respect of *general insurance business* accepted under *reinsurance* treaties, included at line 74 of **Form 13**,

or a statement that it has no ‘major cedant’.

(2) For the purposes of this rule, a **major cedant** of an *insurer* is another *company* from which (whether alone or with any *company* which is ‘connected’ with the other *company*) the *insurer* has accepted *general insurance business* under one or more *reinsurance* treaties for which the *gross premiums receivable* exceed the greater of -

(a) 5% of the *gross premiums receivable* by the *insurer* in respect of *general insurance business* accepted under *reinsurance* treaties; and

(b) 2% of the *gross premiums receivable* by the *insurer* in respect of *general insurance business*,

in the *financial year in question* or in any of the three *preceding financial years* of the *insurer*.

**Provisions supplemental to rules 9.25 to 9.27**

9.28 (1) For the purposes of rules 9.25(1)(b) and (2), 9.26(1)(b) and 9.27(1)(b) and (2), a *company* and another person are **connected** with each other if -

(a) the other person is -

(i) a *subsidiary undertaking* of the *company*,

(ii) a *parent undertaking* of the *company*, or

(iii) a *subsidiary undertaking* of the *parent undertaking* of the *company*; or

(b) one of them is 'controlled' by the other or both are 'controlled' by the same person,

but a *company* is not to be taken to be 'connected' with another person if the *insurer* furnishing the statement does not know and could not upon reasonable enquiry be expected to discover that it is so 'connected' with the other person.

(2) Except as provided in (3), for the purposes of (1)(b), a person is taken to **control** a *company* if he is a person -

(a) in accordance with whose directions or instructions the *directors* of the *company* or of a *company* of which it is a *subsidiary* are accustomed to act; or

(b) who, either alone or with an *associate* is entitled to exercise, or 'control' the exercise of, 15% or more of the voting power at any general meeting of the *company* or of a *company* of which it is a *subsidiary*.

(3) In relation to an *insurer* -

(a) making a statement pursuant to rules 9.25 or 9.26, a *reinsurer* is not to be taken by virtue of (2) to be 'connected' with another *reinsurer*; or

(b) making a statement pursuant to rule 9.27, a cedant is not to be taken by virtue of (2) to be 'connected' with another cedant,

for the purposes of paragraph (2) of rules 9.25, 9.26 or 9.27, as the case may be, unless it is also 'connected' by virtue of (1) with the *insurer* making the statement.

(4) In rules 9.25, 9.26 and 9.27 and in this rule, **full name** means -

(a) in the case of a company, its corporate name; and

(b) in the case of an individual or any unincorporated body, the name under which the individual or body lawfully carries on business.

(5) The following provisions of **Appendix 9.1** apply for the purposes of rules 9.25, 9.26, and 9.27 -

(a) paragraphs 4 and 5 (which relate to currencies other than sterling);

(b) paragraphs 8(1) and 8(2) (which, among other things, relate to amounts due to the *insurer*); and

(c) paragraph 9 (which provides for amounts to be shown to the nearer £1,000).

(6) Rules 9.25(2), 9.26(1)(a) to (c) and 9.27 apply in relation to the members of the *Society* taken together as they apply in relation to an *insurer* and in relation to the members of the *Society* (1) to (4) of this rule do not apply.

**Additional information on derivative contracts**

9.29 (1) Every *insurer* must, in respect of the *financial year in question*, annex to the documents referred to in rules 9.12, 9.13 and 9.14 a statement comprising a brief description of -

(a) any investment guidelines operated by the *insurer* for the use of *derivative contracts*;

(b) any provision made by such guidelines for the use of contracts under which the *insurer* had a right or obligation to acquire or dispose of assets which was not, at the time when the contract was entered into, reasonably likely to be exercised and, if so, the circumstances in which, pursuant to that provision, such contracts would be used;

(c) the extent to which the *insurer* was during the *financial year* a party to any contracts of the kind described in (b);

(d) the extent to which any of the amounts recorded in **Form 13** would be changed if assets which the *insurer* had a right or obligation to acquire or dispose of under '*derivative contracts*' outstanding at the end of the *financial year* (being, in the case of *options*, only those *options* which it would have been prudent to assume would be exercised) had been so acquired or disposed of;

(e) how different the information provided pursuant to (d) would have been if such *options* as were outstanding at the end of the year had been exercised in such a way as to change the amounts referred to in that sub-paragraph to the maximum extent;

(f) how different the information provided pursuant to (d) and (e) would have been if, instead of applying to contracts outstanding at the end of the *financial year*, those rules had applied to '*derivative contracts*' outstanding at such other time during the *financial year* as would have changed the amounts referred to in those rules to the maximum extent;

(g) the maximum loss which would be incurred by the *insurer* on the failure by any one other person to fulfil its obligations under '*derivative contracts*' outstanding at the end of the *financial year*, both under existing market conditions and in the event of other foreseeable market conditions, together with an assessment of whether such maximum loss would have been materially different at any other time during the *financial year*;

(h) the circumstances surrounding the use of any '*derivative contract*' held at any time during the *financial year* which required a 'significant' provision to be made for it under *INSPRU* 3.2.17R, or (where appropriate) did not fall within the definition of a *permitted derivative contract*; and

(h) the total value of any fixed consideration received by the *insurer* (whether in cash or otherwise) during the *financial year* in return for granting rights under *derivative contracts* and a summary of contracts under which such rights have been granted.

(1A) For the purposes of determining in accordance with (1)(h) whether a required provision is 'significant', the *insurer* must have regard to its obligations under the contract and the volatility of the assets identified by the *insurer* as being suitable to cover such obligations; and the required provision in respect of any one *derivative contract* must be treated as **significant** if –

(a) the aggregate provision required in respect of all contracts having a similar effect is significant; or

(b) the aggregate provision required in respect of all contracts with which it is connected is significant.

(2) In this rule, **derivative contract** includes a contract or asset which has the effect of a *derivative contract* and, for the purposes of (1)(h), such a contract or asset must be treated as requiring a significant provision or falling within the definition of *permitted derivative contract*, as appropriate, if it has the effect of a *derivative contract* which would require a significant provision or fall within that definition.

(2A) Subject to (2C), for the purposes of (2), a contract has the effect of a *derivative contract* if it is a contract (other than a *derivative contract*) which provides, whether upon the exercise of a right by the *insurer* or otherwise –

(a) for payment (at any time) of amounts which are determined by fluctuations in –

(i) the value of property of any description;

(ii) an index of the value of property of any description;

(iii) income from property of any description; or

(iv) an index of income from property of any description;

(b) for delivery to or by the *insurer* of an asset other than any office machinery (including computer equipment), furniture, motor vehicles and other equipment; or

(c) for the conversion of an asset held by the *insurer* or another party to –

(i) an asset of a different type, or

(ii) a different asset of the same type.

(2B) Subject to (2C), for the purposes of (2) an asset has the effect of a *derivative contract* if the asset is an asset (other than an *approved security* or a unit, or other beneficial interest, in a scheme falling within the *UCITS Directive*) and the holding of the asset confers contractual rights or imposes contractual obligations to make or accept payment, delivery or conversion as set out in (2A)(a) to (c).

(2C) A contract or asset does not have the effect of a *derivative contract* by reason only that -

(a) it provides for the unconditional delivery of assets, or for the payment for unconditional delivery of assets, such delivery or payment to be made within a period commencing at the date of the contract and extending –

(i) in the case of a *listed security* or a *security admitted to trading*, for the usual period for delivery or payment as determined by the rules of the stock exchange or *regulated market* on which the *securities* are *listed* or *admitted to trading*, or facilities for dealing have been granted, or

(ii) in any other case, for no more than 20 working days;

(b) it is a contract for the conversion of currency in respect of which the conditions set out in (2D) have been satisfied; or

(c) it is a *stock lending* transaction which satisfies the conditions of *INSPRU* 3.2.36R.

(2D) The conditions referred to in (2C)(b) are that –

(a) the contract provides –

(i) for the conversion into another currency of an amount representing the sale of an asset which has, on the *relevant date*, been sold but not delivered, or

(ii) for the purchase of currency for the purpose of settling the purchase of an asset which has, on the *relevant date*, been purchased but not delivered;

(b) the conversion is to take place during a period which is –

(i) where the contract is in connection with the delivery of a *listed security* or a *security admitted to trading*, a period commencing on the date of the contract and extending for the usual period of settlement as laid down by the rules of the relevant stock exchange or *regulated market*, or

(ii) where the contract is in connection with the delivery of any other asset, a period commencing on the date of the contract and extending for 20 working days thereafter; and

(c) the contract is *listed* or has been entered into with an *approved counterparty*.

(3) For the purposes of this rule, an *insurer* which is a party to -

(a) a *contract for differences*; or

(b) any other contract which is to be, or may be, settled in cash,

is taken to have a right or obligation to acquire or dispose of the assets underlying the contract.

**Additional information on controllers**

9.30 Every *insurer* with its head office in the United Kingdom must, in respect of the *financial year in question*, annex to the documents referred to in rules 9.12, 9.13 and 9.14 -

(a) a statement naming each person who, to the knowledge of the *insurer*, has been, at any time during the *financial year*, a *controller* of that *insurer*; and

(b) in the case of each person so named, a statement of -

(i) the percentage of *shares* which, to the knowledge of the *insurer*, he held at the end of the *financial year in question* in the *insurer*, or in another company of which the *insurer* is a *subsidiary undertaking*; and

(ii) the percentage of the voting power which, to the knowledge of the *insurer*, he was entitled at the end of the *financial year in question* to exercise, or control the exercise of, at any general meeting of the *insurer*, or another company of which it is a *subsidiary undertaking*,

in each case, either alone or with any *associate* or *associates*.

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

9.31 Every *insurer* which carries on *long-term insurance business* must prepare and annex to the documents referred to in rules 9.12, 9.13 and 9.14 -

(a) for the purposes of rule 9.4 other than in relation to the calculation required by rule 9.4(2)(c), a valuation report which, complies with the requirements of **Appendix 9.4** and contains the information specified in that Appendix; and

(b) for the purposes of rule 9.4 in relation to the calculation required by rule 9.4(2)(c) (if applicable), a valuation report for the realistic valuation which complies with the requirements of **Appendix 9.4A** and contains the information specified in that Appendix.

**Additional information on general insurance business ceded**

9.32 An *insurer* which carries on *general insurance business* must annex to the documents referred to in rules 9.12, 9.13 and 9.14, and relating to the *financial year in question*, a statement of the information required by **Appendix 9.5**.

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

9.32A (1) An *insurer* which carries on *general insurance business* must annex to the documents referred to in rules 9.12, 9.13 and 9.14, and relating to the *financial year in question*, a statement of the information required by this rule.

(2) This rule applies to any *contract of insurance* under which *general insurance business* has been *ceded* by the *insurer*, where -

(a) the value placed on future payments in respect of the contract in the *return* for the *financial year in question* is not commensurate with the economic value provided by that contract, after taking account of the level of risk transferred; or

(b) there are terms or foreseeable contingencies (other than the insured event) that have the potential to affect materially the value placed on the contract in the *insurer's* balance sheet at, or any time after, the end of the *financial year in question*.

(3) In determining whether a *contract of insurance* meets one or both of the conditions in (2), the *insurer* must –

(a) treat as part of a contract any agreements, correspondence (including side-letters) or understandings that amend or modify, or purport to amend or modify, the contract or its operation; and

(b) consider whether the contract meets the condition in (2)(a) when considered together with one or more other *contracts of insurance* entered into between:

(i) the *insurer* and the *reinsurer* under the first contract; or

(ii) the *insurer* and any other *person*, where it could reasonably be predicted, at the time the most recent contract was entered into, that the contracts when considered together would meet the condition in (2)(a).

(4) Subject to (9), for each *contract of insurance* to which this rule applies the statement must contain the following information –

(a) the *financial year* of the *return* in which the contract was first reported in the *return*;

(b) the financial effect of the contract on the *insurer's capital resources* as shown in line 13 of **Form 1** of the *return* for the *financial year in question*;

(c) the amount of any undischarged obligation of the *insurer* under the contract and a brief description of the conditions for the discharge of such obligation; and

(d) how any undischarged obligations, including any contingent obligations, have been taken into account in determining the *insurer's capital resources*.

(5) The statement must include a general description of how the *insurer* makes the financial assessment that enables it to determine whether a contract satisfies the condition in (2)(a), ever if there are no contracts in respect of which information is required by (4).

(6) This rule applies to any **financing arrangement**, which for the purpose of this rule means any contract, other than a *contract of insurance*, that has been

entered into by the *insurer*, in respect of *contracts of insurance* written by the *insurer*, which has the effect of increasing the *capital resources* of the *insurer* in line 13 of **Form 1**, and which includes terms for –

(a) the transfer of assets to the *insurer*, the creation of a *debt* to the *insurer* or the transfer from the *insurer* to another party of liabilities to *policyholders* (or any combination of these); and

(b) either an obligation for the *insurer* to return (with or without interest) some or all of such assets, a provision for the diminution of such *debt* or a provision for the recapture of such liabilities, in each case, in specified circumstances.

(7) In determining whether a contract falls within the definition of 'financing arrangement' in (6), the *insurer* must –

(a) treat as part of a contract any agreements, correspondence (including side-letters) or understandings that amend or modify, or purport to amend or modify, the contract or its operation; and

(b) consider whether the contract meets the conditions in (6) when considered together with one or more other contracts entered into between:

(i) the *insurer* and the *counterparty* under the first contract; or

(ii) the *insurer* and any other *person*, where it could reasonably be predicted, at the time the most recent contract was entered into, that the contracts when considered together would meet the conditions in (6).

(8) Subject to (9), for each 'financing arrangement' entered into by the *insurer* the statement must contain the following information –

(a) the *financial year* of the *return* in which the 'financing arrangement' was first reported in the *return*;

(b) the financial effect of the 'financing arrangement' on the *insurer's capital* resources as shown in line 13 of **Form 1** of the *return* for the *financial year in question*;

(c) the amount of any undischarged obligation of the *insurer* under the 'financing arrangement' and a brief description of the conditions for the discharge of such obligation; and

(d) how any undischarged obligations, including any contingent obligations, have been taken into account in determining the *insurer's capital resources*.

(9) No information need be supplied pursuant to (4) or (8) in respect of a *contract of insurance* or 'financing arrangement' if, when it is considered in aggregate with all such contracts with the same *reinsurer* or *counterparty* or any other *person* with whom the *insurer* has entered into a contract in the circumstances described in (3)(b)(ii) or, as the case may be, (7)(b)(ii) –

(a) A is less than 1% of B in the *return* for the *financial year in question*; and

(b) the *insurer* expects A to remain less than 1% of B for the foreseeable future;

where:
(i) A is the financial effect of the *insurer's capital resources* as a result of the existence of the contract(s); and

(ii) B is the *insurer's* total *technical provisions*.

(10) Where the statement required by (1) includes information about a *contract of insurance* in respect of which information has been included in the statement required by rule 9.32 relating to the *financial year in question*, the *insurer* must include in the statement under (1) a cross-reference to that other information.

**Additional information on financial reinsurance and financing arrangements: guidance**

9.32B (1) In line with normal practice, an *insurer* may take account of an appropriate risk margin to reflect the nature and level of risk transferred, including any uncertainty in the amount and timing of future payments, when assessing the economic value of the transaction at the end of the *financial year in question* in order to see whether the condition in rule 9.32A(2)(a) is met. In addition, an *insurer* would be expected to take account of any credit or legal risk associated with the transaction when assessing its economic value.

(2) For most *proportional reinsurance treaties* and most standard *non-proportional reinsurance treaties*, such as contracts providing excess-of-loss cover, which include a significant transfer of risk to the *reinsurer* and do not contain any of the features described in (5) below, it is likely that the *insurer* will be able to determine that the contracts do not meet the condition in rule 9.32A(2)(a) without making a detailed calculation. The approach taken to the assessment made for the purpose of rule 9.32A(2)(a) should, however, still be described in the statement provided as required by rule 9.32A(5).

(3) When considering whether these are foreseeable contingencies, other than the insured event, that may affect the contract's given value, the *insurer* should consider the normal commercial uncertainties about the size of the *claim* that may ultimately be payable (for example, the

outcome of any possible court action) to be part of the insured event. These normal commercial uncertainties would not then trigger any disclosure requirement under rule 9.32A.

(4) It is likely that one or both of the conditions in rule 9.32A(2) will be satisfied if the *contract of insurance* contains features that have the effect of materially limiting the size of the difference between –

(a) the extent of the indemnity cover provided by the contract and by any related or potentially related contracts, and

(b) the *premiums* payable under those contracts,

relative to the size of the *premiums* payable under those contracts.

(5) Some characteristic features which the *insurer* should consider carefully in relation to a *contract of insurance* before deciding whether one or both of the conditions in rule 9.32A(2) are satisfied with respect to a particular contract include (but are not limited to) the following –

(a) sliding scale fees, retrospectively rated *premiums* and profit-sharing formulae which adjust cash flows between the *insurer* and the *reinsurer* based on loss experience (for example, increasing payments from the *insurer* as losses increase and decreasing payments as losses decrease, subject to maximum and minimum limits);

(b) provision for an *experience account* or arrangements having similar effect, including arrangements which recognise an assumed rate of investment return;

(c) provision for, or a contingent obligation on, the *insurer* to make payments to the *reinsurer* or to any other *person*, where the payments –

(i) depend upon the loss experience of *general insurance business* that has been or may be carried on by the *insurer*; and

(ii) are not simply reinstatement *premiums*;

(d) provision for termination or commutation of the contract at the sole discretion of the *reinsurer*, when there is a positive balance of money due from the *reinsurer*;

(e) a provision for, or a contingent obligation on, the *insurer* to make payments to the *reinsurer* or to any other *person*, where the payments are in respect of business carried on in a period outside of the term of the contract;

(f) the contract includes a term requiring the *insurer* to enter into a further contract if the loss experience of the business subject to the contract attains a specific level;

(g) the term of the contract exceeds, or may exceed, 12 months, and the *premium* or amount of indemnity payable under the contract in subsequent years may be affected by the loss experience of earlier years;

(h) dual triggers which require the occurrence of both –

(i) an insurable event; and
(ii) a change in a separate variable specified in the contract;

in order to trigger payment of a benefit/*claim*;

(i) amounts payable under the contract could affect, or depend on, other contracts or agreements entered into by the *insurer*, or a *person connected* with the *insurer*, except where –

(i) that effect or dependence is clear from the description of that other contract or agreement given by the *insurer*; or

(ii) that effect or dependence arises solely as part of the normal market mechanism for the pricing of a risk; and

(j) terms that defer payment of *claims* –

(i) for a period of more than 12 months after the amount payable under the contract has been agreed; or

(ii) until some specified date that is more than 12 months after the end of the term of the contract.

(6) For purpose of rule 9.32A(4), (8) and (9), the 'financial effect' of the transaction (that is, the contract or 'financing agreement') on the *insurer's capital resources* should normally be regarded as the sum of (a) the value placed on the transaction in the *return* for the *financial year in question* plus (b) the net sum of all receipts less payments made in respect of the transaction since the transaction was first reported in the *return*.

**Signature of documents**

9.33 (1) In respect of any document relating to the *insurance business* of an *insurer*, wherever it may be carried on, the signatories for the purposes of rule 9.6 are -

(a) where there are more than two *directors* of the *insurer*, at least two of those *directors* and, where there are not more than two *directors*, all the *directors*, and

(b) a chief executive, if any, of the *insurer* or (if there is no chief executive) the secretary, if any.

(2) In respect of any document relating to *insurance business* carried on through a branch in the United Kingdom by a *Swiss general insurer*, an *EEA-deposit insurer* or an *external insurer* or through branches in any *EEA State* (taken together) by a *UK-deposit insurer*, the signatories for the purposes of rule 9.6(3) are -

(a) the authorised UK representative referred to in article 3(1)(a) of The Financial Services and Markets Act 2000 (Variation of Threshold Conditions) Order 2001 (2001/2507), and

(b) the chief executive appointed under rule 8.3 or, in the case of a *Swiss general insurer*, a person who alone or jointly with one of more others, is responsible for the conduct of its *insurance business* through the branch.

**Certificates by Directors**

9.34 (1) Except for reporting under rule 9.3A, there must be annexed to the documents referred to in rules 9.12, 9.13 and 9.14 a certificate in accordance with the requirements of Part I of **Appendix 9.6** which must be signed by the persons required by rule 9.33 to sign the documents to which the certificate relates.

(2) In respect of reporting under rule 9.3A, there must be annexed to the documents referred to in that rule a certificate in accordance with the requirements of Part IA of **Appendix 9.6** which must be signed by a *director* of the *insurer*.

**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** 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**.

(1A) For the purposes of rule 9.5 and (1) and **Appendix 9.6**, to the extent that any document, form, statement, analysis or report to be audited under (1) contains amounts or information abstracted from the *actuarial investigation* performed pursuant to rule 9.4, the *insurer* must ensure that the auditor obtains and pays due regard to advice from a suitably qualified *actuary* who is independent of the *insurer*.

(2) For the purposes of the *Accounts and Statements Rules* -

(a) section 237(1), (2) and (3) and section 389A(1) of the *Companies Act* and article 245(1), (2) and (3) and article 397A(1) of the *1986 Order* apply as if -

(i) the references to the *profit and loss account* contained in the definition of 'individual accounts' in section 226(1) of that Act and article 234(1) of that Order, respectively, included references to the revenue account; and

(ii) the auditors of the *insurer* were not under a duty for the purposes of preparing their report to carry out any investigation into information given in **Forms 31, 32** and **34** relating wholly or partly to the number of *claims* notified or the amount of payments made prior to the *financial year* of the *insurer* in which the Insurance Companies (Accounts and Statements) Regulations 1980 first applied; and

(b) section 389A(3) and (4) of the *Companies Act* and article 397A(3) and (4) of the *1986 Order* apply as if the references in them to a 'parent company' were references to the *insurer*.

**Information on the actuary who has been appointed to perform the with-profits actuary function**

9.36 (1) Subject to the provisions of this rule, there must be annexed to the documents referred to in rules 9.12, 9.13 and 9.14, with respect to every person who, at any time during the *financial year in question*, was the *actuary* who has been appointed to perform the *with-profits actuary function* for the *insurer*, a statement of the following information -

(a) particulars of any *shares* in, or debentures of, 'the *insurer*' in which the 'actuary' was 'interested' at any time during that year;

(b) particulars of any pecuniary interest of 'the actuary' in any transaction between 'the actuary' and 'the *insurer*' and subsisting at any time during that year or, in the case of transactions of a minor character, a general description of such interests;

(c) the aggregate amount of -

(i) any remuneration and the value of any other benefits (other than a pension or other future or contingent benefit) under any contract of service of 'the actuary' with, or contract for services by 'the actuary' to, 'the *insurer*', and

(ii) any emoluments, pensions or compensation as *director* of the *insurer* which are required by Part I of Schedule 6 to the *Companies Act* or Part I of Schedule 6 to the *1986 Order* to be included in a note to the accounts of 'the *insurer*' under section 232 of the *Companies Act* and Article 239 of the *1986 Order*, receivable by 'the actuary' in respect of any period in that year; and

(d) a general description of any other pecuniary benefit (including any pension and other future or contingent benefit) received by 'the actuary' from 'the *insurer*' in that year or receivable by him from 'the *insurer*',

together with the statement specified in (2).

(2) The statement referred to in (1) is a statement that 'the *insurer*' has made a request to 'the actuary' to furnish to it the particulars specified in that paragraph and identifying any particulars furnished pursuant to that request.

(3) For the purposes of (1)(a) to (d) -

(a) references to **the actuary** include reference to -

(i) the spouse, civil partner and any minor child (including step-child) of 'the actuary',

(ii) any person who is a business partner of 'the actuary',

(iii) any person (other than 'the *insurer*') of which 'the actuary' is an employee, and

(iv) any person (other than 'the *insurer*') of which 'the actuary' is a *director* or which is 'controlled' by him;

(b) a person is deemed to be **interested** in *shares* or debentures if he is interested in them according to the rules set out in Part I of Schedule 13 to the *Companies Act* with the addition, in paragraph 11 of that Part of that Schedule, of a reference to a scheme under section 25 of the Charities Act (Northern Ireland) 1964; and

(c) a person is deemed to have an **interest** or benefit if he has a beneficial interest.

(4) For the purposes of (1)(a) to (d) and of (3)(a), references to **the *insurer*** include references to any *body corporate* which is 'the *insurer*'*s*' *subsidiary undertaking* or *parent undertaking* and to any other *subsidiary undertaking* of its *parent undertaking*.

(5) For the purposes of (3), a person is taken to **control** a *body corporate* if he is a person -

(a) in accordance with whose directions or instructions the *directors* of that *body corporate* or of a *body corporate* of which it is a *subsidiary* are accustomed to act; or

(b) who, either alone or with any other person falling within (3)(a), is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of the *body corporate* or of a *body corporate* of which it is a *subsidiary*.

**Part II**

**ACCOUNTS AND STATEMENTS FOR A MARINE MUTUAL**

**Returns**

9.36A Subject to rules 9.36B, 9.36C, 9.36D and 9.36E and **Appendix 9.8**, a *marine mutual* may complete an abbreviated *return* which comprises –

(1) **Forms 1, 3, 11** and **12**; and

(2) **Forms M1** to **M5** in **Appendix 9.8,**

and, if so, rules 9.3 to 9.4, 9.12 to 9.28, 9.31 and 9.32 and 9.34 to 9.36 do not apply.

**Information to be annexed to the forms**

9.36B A *marine mutual* must annex to the *return* provided under rule 9.36A-

(1) a description of the significant *reinsurance* arrangements which will be in operation in the *financial year* following the *financial year in question*;

(2) in respect of *insurance business* ceded by way of non-facultative reinsurance in respect of the *financial year in question* or any *previous financial year* ended on or after 20 February 1998, a statement of –

(a) in the case of contracts which are subject to no or a limited number of reinstatements, any contract not previously reported to the *FSA* under which it is anticipated that any such limit will be exhausted by such *claims* (including *claims* incurred, but not reported, in respect of any specific occurrence for which provisions have been allocated);

(b) the percentage of cover, if in excess of 10%, and if such information was not included in the *return* of the *marine* *mutual* for the *previous financial year*, which has been *ceded* to *reinsurers* which have ceased to pay *claims* to their reinsureds in full, whether because of insolvency or for any other reason; and

(c) if the percentage specified in (b) has increased by more than 10% since the *previous financial year* in which it was included in the *marine mutual's return*, that percentage unless, in the opinion of the *directors*, the likelihood of any *claim* being incurred under that *policy* is minimal;

(3) a statement concerning:

(a) the default rates of members (or adjusted default rates, as the case may be) on the supplementary calls collectable during the *financial year in question* and the two *previous financial years*, respectively; and

(b) the total amount of each such call, the *financial year* to which it relates, the amount paid and the amount remaining outstanding; and

(4) a copy of the rules of association of the marine mutual in force on the date of deposit of the return, unless there has been no change in a copy of the rules deposited with the return for a previous financial year.

**Information to FSA**

9.36C A *marine mutual* which provides a *return* under rule 9.36A must, with effect from the date of its deposit with the *FSA* until the date of deposit of the *return* for the following *financial year*, provide the *FSA* with written notice of:

(1) any change which is proposed in the rules of association of the *marine mutual,* not less than 14 days before the change is put to a meeting;

(2) any change which has been made in the rules of association, within 7 days of the change;

(3) any significant change in the *reinsurance* arrangements, a description of which has been annexed to the *return* in accordance with rule 9.36B(1), within 7 days of the change;

(4) a fall in tonnage entered by its members of 10% net or more since the end of the *financial year in question*, within 7 days of the *marine mutual* becoming aware of this; and

(5) whether tonnage entered by its members who have withdrawn from membership or who have defaulted on their obligations has increased so as to exceed 10% or more of total tonnage entered, whether before,

on or after the date of deposit of the *return,* within 7 days of the date of deposit or of the *marine mutual* becoming aware of this, whichever is earlier.

**Directors' certificate**

9.36D A *marine mutual* must annex to the *return* provided under rule 9.36A a *directors'* certificate in accordance with Part II of **Appendix 9.8**.

**Auditors' report**

9.36E A *marine mutual* must annex to the *return* provided under rule 9.36A an auditors' report in accordance with Part III of **Appendix 9.8**.

**Part III**

**STATISTICAL RULES**

**Insurance statistics: EEA States**

9.37 (1) Every *UK insurer* which in any calendar year –

(a) carries on *general insurance business* in an *EEA State* other than the United Kingdom through a branch in that State; or

(b) provides general insurance in such a State through an establishment in the United Kingdom or another *EEA State*,

must prepare in respect of the *direct general insurance business* so carried on by it a statement in **Form 91** (analysis of financial particulars – branches), or the direct general insurance so provided by it a statement in **Form 92** (analysis of financial particulars – provision of insurance), in accordance with the requirements of **Appendix 9.7**.

(2) Every *UK insurer* which in any calendar year –

(a) carries on *long-term insurance business* in an *EEA State* other than the United Kingdom through a branch in that State; or

(b) provides long-term insurance in such a State through an establishment in the United Kingdom or another *EEA State*,

must prepare in respect of the *direct long-term insurance business* so carried on by it a statement in **Form 93** (analysis of financial particulars – branches), or the direct long-term insurance so provided by it a statement in **Form 94** (analysis of financial particulars – provision of insurance), in accordance with the requirements of **Appendix 9.7**.

(3) The forms mentioned in (1) and (2) must be prepared separately in respect of each *EEA State* in which the *insurer* carries on the *insurance business* or provides the insurance.

(4) The statements required by this rule must be printed, and three copies must be deposited with the *FSA* within nine months after the end of the calendar year to which they relate; but if in any case it appears to the *FSA* that the circumstances are such that a longer period than nine months should be allowed, the *FSA* may extend that period by such period not exceeding three months as it thinks fit.

(5) One of the copies of the statement deposited under (4) must be signed by a *director*, a chief executive or the secretary of the *insurer*.

(6) Subject to (7), where a *UK insurer* which has notified the *FSA* -

(a) in accordance with the rules in *SUP*, of its intention to establish a branch in a *EEA State* other than the United Kingdom; or

(b) in accordance with those rules, of its intention to provide insurance in such a State,

does not in any calendar year carry on *insurance business* or, as the case may be, provide insurance in that State, it must send to the *FSA* a notification of that fact within nine months after the end of the calendar year to which the notification relates, signed by a *director*, a chief executive or the secretary of the *insurer*.

(7) (6) does not apply if the *insurer* has, before the beginning of the calendar year, informed the *FSA*, in accordance with the rules in *SUP*, that it has ceased to carry on *insurance business* or, as the case may be, to provide insurance in the State in question.

(8) If within 24 months of the date of deposit under (4), the *FSA* notifies the *insurer* that a document deposited appears to it to be inaccurate or incomplete, the *insurer* must consider the matter and within one month of the date of notification it must correct any inaccuracies and make good any omissions and deposit the relevant parts of the documents again.

**Application of rule 9.37 to the Society of Lloyd's**

9.38 (1) Subject to (2) and (3), rule 9.37 applies in relation to the *Society* as it applies in relation to a *UK insurer.*

(2) The information required in the case of the *Society* to be included in the statements referred to in rule 9.37(4), or the notification referred to in rule 9.37(6), is that relating to the members of the *Society* taken together.

(3) Any such statements, forms or notification must be signed by the Chairman or a Deputy Chairman, for and on behalf of the Council of Lloyd's.

**PART IV**

**MATERIAL CONNECTED-PARTY TRANSACTIONS**

9.39 (1) If, during the *financial year in question*, an *insurer* has agreed to, or carried out, a *material connected-party transaction*, it must provide a brief description of that transaction by way of a supplementary note to **Form 20** (note 2007) or **Form 40** (note 4009).

(2) The description to be provided in accordance with (1) must state –

(a) the names of the transacting parties;

(b) a description of the relationship between the parties;

(c) a description of the transaction;

(d) the amounts involved;

(e) any other elements of the transaction necessary for an understanding of its effect upon the financial position or performance of the *insurer*; and

(f) amounts written off in the period in respect of *debts* due to or from *connected* parties.

(3) Transactions with the same *connected* party may be disclosed on an aggregated basis unless separate disclosure is needed for a proper understanding of the effect of the transactions upon the financial position or performance of the *insurer*.

**PART V**

**GROUP CAPITAL ADEQUACY**

9.40 (1) Subject to (2), an *insurer* to which *INSPRU* 6.1 applies must, in respect of its *ultimate insurance parent undertaking* and its *ultimate EEA insurance parent undertaking* (if different), report:

(a) the name, location of the head office and principal activity of that *undertaking*;

(b) the *group capital resources* of that *undertaking* (calculated in accordance with *INSPRU* 6.1.36R);

(c) the *group capital resources requirement* of that *undertaking* (calculated in accordance with *INSPRU 6*.1.33R); and

(d) the difference between (b) and (c).

(1A) Subject to (2), an *insurer* to which *INSPRU 6.1* applies must, in respect of its *ultimate EEA insurance parent undertaking*, report:

(a) where its *ultimate EEA insurance parent undertaking* has published annual consolidated accounts prepared in accordance with accounting standards, policies and legislation applicable to it, a reconciliation between:

(i) the *group capital resources* of the *ultimate EEA insurance parent undertaking*; and

(ii) the shareholders' funds, subordinated liabilities and other relevant amounts included in the published annual consolidated accounts, of the *ultimate EEA insurance parent undertaking*; and

(b) where its *ultimate EEA insurance parent undertaking* includes a capital statement in the form prescribed by the Accounting Standards Board's Financial Reporting Standard 27, an explanation of any differences between:

(i) the amounts included in that capital statement; and

(ii) the amounts in (1)(b).

(2) No report is required if:

(a) the *insurer* is an *undertaking* listed in *INSPRU 6*.1.17R(2); or

(b) under Article 4(2) of the *Insurance Groups Directive*, a *competent authority* of an *EEA State* other than the *United Kingdom* has agreed to be the *competent authority* responsible for exercising supplementary supervision in accordance with *INSPRU* 6.1.23R.

(3) The report in (1) must:

(a) comply with the requirements of *SUP* 16.3;

(b) subject to (4), be signed by the persons described in *IPRU(INS)* 9.33(1); and

(c) include a statement from the auditors of the *insurer* (or of an *insurer* under (4)) that, in their opinion, the report in (1) has been properly compiled in accordance with *INSPRU* 6.1 from information provided by members of the *insurance group* and from the *insurer's* own records.

(4) The reports in (1) and (1A) must be provided by either the *insurer* or on behalf of the *insurer* (the first *insurer*) by any other *insurer* to which *INSPRU* 6.1 applies and which is a member of the *insurance group* (the second *insurer*) where:

(a) it is signed by two *directors* of the second *insurer*, and

(b) it contains a statement that it has been copied to the board of *directors* of the first *insurer*.

9.41 (1) Subject to (2), an *insurer* must include, in the report in rule 9.40(1), the details of any *regulated related undertaking* in the *insurance group* where the *individual capital resources requirement* of that *undertaking* exceeds its *solo capital resources*, stating in each case:

(a) where the *undertaking* in rule 9.41(1)(a) is a *subsidiary undertaking* of the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* (if different), the full amount of the calculation items set out in *INSPRU* 6.1.28R of that *undertaking* in accordance with *INSPRU* 6.1.30R and *INSPRU* 6.1.31R; or

(b) where the *undertaking* in rule 9.41(1)(a) is not a *subsidiary undertaking*, the *ultimate insurance parent undertaking's* or *ultimate EEA insurance parent undertaking's* relevant proportion, as set out in *INSPRU* 6.1.29R, of the calculation items set out in *INSPRU* 6.1.28R of that *undertaking*.

(2) Subject to paragraph (4) an *insurer* can exclude a *regulated related undertaking* where the *individual capital resources requirement* of that *undertaking* exceeds its *solo capital resources* if:

(a) the *group capital resources* of the *ultimate insurance parent undertaking* or the *ultimate EEA insurance parent undertaking* (as the case may be) exceed its *group capital resources requirement*;

(b) paragraph 3 applies to the *regulated related undertaking*.

(3) This paragraph applies to a *regulated related undertaking* if:

(a) in respect of the *insurance group*, it is not;

(i) the *insurer*; or

(ii) a *parent undertaking* of the *insurer*; or

(iii) a *participating undertaking* in the *insurer*; or

(iv) a *related undertaking* of the *insurer*; and

(b) the amount by which its *individual capital resources requirement* exceeds its *solo capital resources* does not exceed 5% of the amount that the *group capital resources* exceed the *group capital resources requirement* referred to in rule (2)(a).

(4) An *insurer* must include *regulated related undertakings* to which paragraph (2) would apply if the amount of D less E exceeds 10% of the amount that the *group capital resources* exceed the *group capital resources requirement* referred to in rule (2)(a), where:

(a) D is the sum of the *individual capital resources requirements* of the *regulated related undertakings*; and

(b) E is the sum of the *solo capital resources* of the *regulated related undertakings*.

9.42 (1) The reports in rule 9.40(1) and rule 9.40(1A) must include information and calculations required by rule 9.40 and rule 9.41:

(a) as at the end of the *financial year* of:

(i) the *insurer*; or

(ii) the *ultimate EEA insurance parent undertaking*; or

(iii) the *ultimate insurance parent undertaking*;

(b) subject to (2), as at the same date for every member of the *insurance group* to which the report relates. Where the *financial year* end of a member of the *insurance group* differs from the date chosen for the purposes of 1(a), interim calculations must be prepared for that member as at the date chosen for the purposes of 1(a); and

(c) as at a date no later than 12 months from the day after the end of the *financial year* by reference to which the information and calculations required in the report were last provided under this chapter or Chapter 10 of *IPRU(INS)*.

(2) If it is not practical to prepare interim calculations for a member of the *insurance group* whose *financial year* end differs from the date chosen for the purposes of 1(a), calculations as at the member's last

*financial year* end may be used, provided that:

(a) the member's *financial year* end is not more than three months before the date chosen for the purposes of 1(a); and

(b) the calculations are adjusted to take account of any changes between the *financial year* end and the date chosen for the purposes of 1(a) that materially affect the information and calculations required by rules 9.40 and 9.41.

(3) If for any reason the end of the *financial year* chosen for the purposes of (1)(a) is changed so as to end on a date later than that specified in 1(c):

(a) the report after the change takes effect must be as at the later date; but

(b) unless the report contains information and calculations that do not materially differ from what they would be as at the date specified in 1(c), the *insurer* must also provide the *FSA* with an interim statement.

The insurer must send one printed copy and one electronic copy to the appropriate addresses set out in rule 9.6(2) above. The electronic copy must be sent by email and the title of the email must be:

<firm name> group capital adequacy <dd/mm/yyyy>.

(4) An *insurer* must submit the reports in rule 9.40(1) and in rule 9.40(1A) to the *FSA* no later than 4 months from the end of:

(a) the *financial year in question*; or

(b) the *financial year* of the relevant parent, where the report is provided as at the end of its *financial year* under (1)(a).

The *insurer* must send one printed copy and one electronic copy to the appropriate addresses set out in rule 9.6(2) above. The electronic copy must be sent by email and the title of the email must be:

<firm name> group capital adequacy <dd/mm/yyyy>.

(5) If within 24 months of receipt, the *FSA* notifies the *insurer* that a report appears to be inaccurate or incomplete, the *insurer* must, within one month of notification, provide a revised report correcting any inaccuracies and making good any omissions.

9.42A (1) An *insurer* that report under rule 9.40(1) must, subject to rule 9.42B, provide to any person, within 30 days, of request (or, in the case of (c), the date the revised report is provided to the *FSA* under rule 9.42(5)):

(a) the following information from the report in respect of the *financial year in question*:

(i) the name, location of the head office and principal activity of the *ultimate EEA insurance parent undertaking*;

(ii) the amount of the *group capital resources* of the *ultimate EEA insurance parent undertaking*;

(iii) the amount of the *group capital resources requirement* of the *ultimate EEA insurance parent undertaking*:

(iv) the difference between (ii) and (iii); and

(b) a copy of the report in rule 9.40(1A) in respect of the *financial year in question*; and

(c) a copy of any information provided under rule 9.42(5) that revises any information provided in (a) and (b),

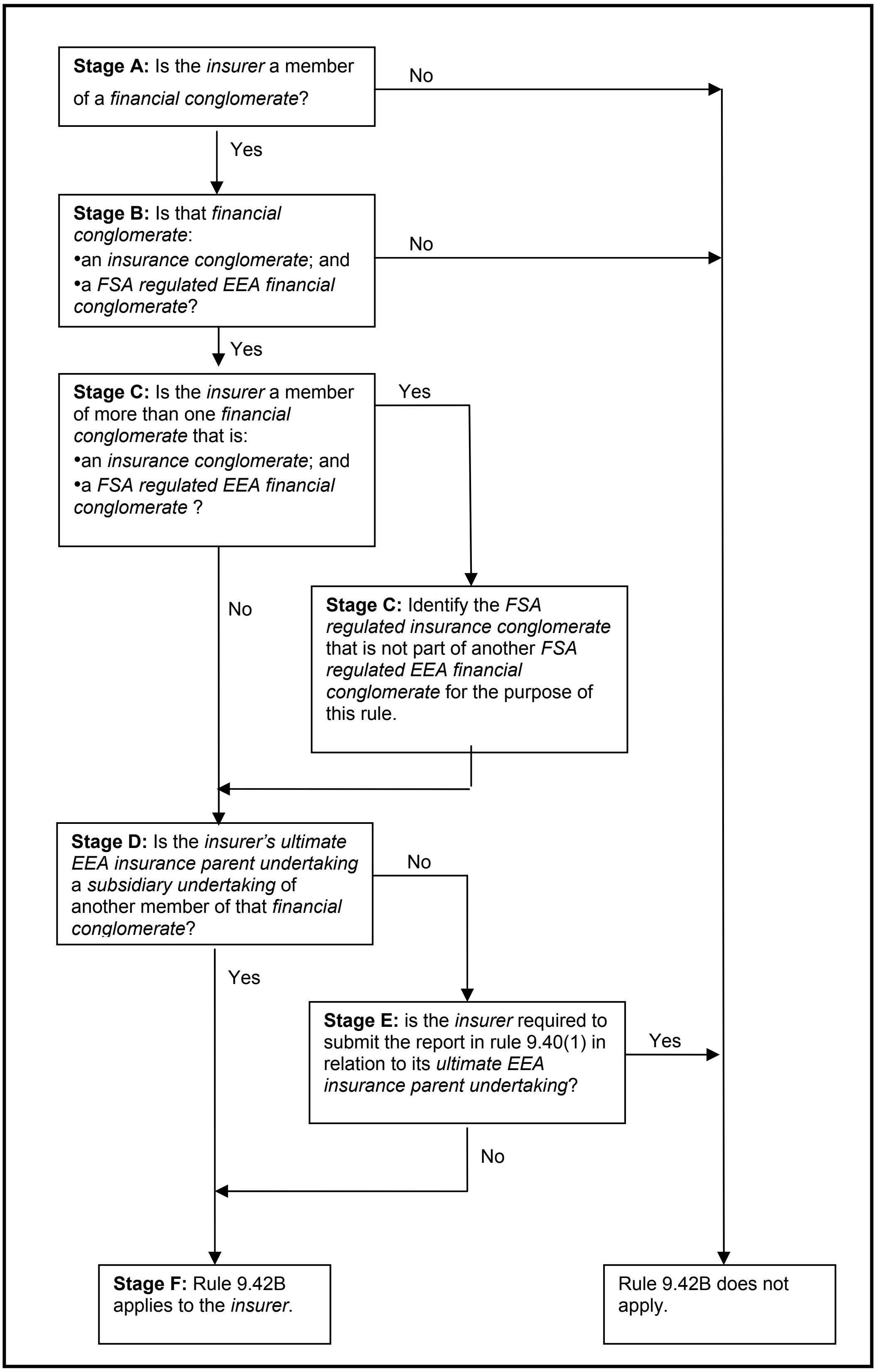
where the information is available in an electronic form, in the form requested or, if the information is not available electronically, in printed form, but (except in the case of (c)) the *insurer* may make a change to cover its reasonable costs, including those of printing and postage.

(2) (1) does not apply to a *pure reinsurer* which became a *firm in run-off* before 10 December 2007 and whose *Part IV permission* has not subsequently been varied to add back the *regulated activity* of *effecting contracts of insurance*.

9.42(B) (1) An *insurer* identified at stage F of the decision tree in rule 9.42C must provide to any person within 30 days of the request the information in rule 9.42D.

(2) The information referred to in (1) must be provided, where the information is available to an electronic form, in the form requested or, if the information is not available electronically, in printed form, but the *insurer* may make a charge to cover its reasonable costs, including those of printing and postage.

9.42C The decision tree determining application of 9.42B.



**Stage A:** Is the *insurer* a member of a *financial conglomerate*?
No
Yes
**Stage B:** Is that *financial conglomerate*:
•an *insurance conglomerate*; and
•a *FSA regulated EEA financial conglomerate*?
No
Yes
**Stage C:** Is the *insurer* a member of more than one *financial conglomerate* that is:
•an *insurance conglomerate*; and
•a *FSA regulated EEA financial conglomerate* ?
Yes
No
**Stage C:** Identify the *FSA regulated insurance conglomerate* that is not part of another *FSA regulated EEA financial conglomerate* for the purpose of this rule.
**Stage D:** Is the *insurer's ultimate EEA insurance parent undertaking* a *subsidiary undertaking* of another member of that *financial conglomerate*?
No
Yes
**Stage E:** is the *insurer* required to submit the report in rule 9.40(1) in relation to its *ultimate EEA insurance parent undertaking*?
Yes
No
**Stage F:** Rule 9.42B applies to the *insurer*.
Rule 9.42B does not apply.

9.42D (1) An *insurer* must provide the following information from the report prepared in accordance with *SUP* 16.7.83R in respect of the *financial year in question* of the *financial conglomerate* identified at Stage C of the decision tree in rule 9.42C:

(a) the capital resources and capital resources requirement identified in (2) of the *financial conglomerate*;

(b) the difference between the capital resources and capital resources requirement of the *financial conglomerate* referred to in (a);

(c) where the *parent undertaking* in the *financial conglomerate* that is not a *subsidiary* of another member of the *financial conglomerate* has published annual consolidated accounts prepared in accordance with accounting standards, policies and legislation applicable to it, a reconciliation between:

(i) the amount of capital resources of the *financial conglomerate* in (2); and

(ii) the shareholders' funds, subordinated liabilities and other relevant amounts included in the published annual consolidated accounts of that *parent undertaking*; and

(d) where the *parent undertaking* in the *financial conglomerate* that is not a *subsidiary undertaking* of another member of the *financial conglomerate* includes a capital statement in the form prescribed by the Accounting Standards Board's Financial Reporting Standard 27, an explanation of any differences between:

(i) the capital resources of the *financial conglomerate* in (2); and

(ii) the amounts included in that capital statement.

(2) The capital resources and capital resources requirement of the *financial conglomerate* identified at Stage C of the decision tree in rule 9.42C are:

(a) where *GENPRU* 3.1.26R applies to the *financial conglomerate*, the capital resources of the *financial conglomerate* and the minimum amount of capital resources that the *financial conglomerate* must have to meet the requirement in *GENPRU* 3.1.26R; or

(b) where *GENPRU* 3.1.29R applies to the *financial conglomerate*, its *conglomerate capital resources* and its *conglomerate capital resources requirement*.

Guidance

9.43 (1) An *insurer* may use Appendix 9.9 Form 95 for the purposes of the report required by rule 9.40(1).

(2) The reports required by rule 9.40 do not form part of the *insurer's return*.

(3) Where several *insurers* to which rule 9.40 applies have the same *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* or both, rule 9.40 applies to all of them. In these circumstances one *insurer* may submit the reports in rule 9.40 on behalf of the other *insurers* in the *insurance group* as set out in rule 9.40(4). This should consist of one package of the relevant information with confirmation that the *insurer* submitting the information has made it available to the boards of directors of the other *insurers* in the *insurance group.* The purpose of this requirement is to ensure that all the *insurers* in the *insurance group* are aware of the relevance of the group information to themselves.

(4) Where an *insurance group* consists of an *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* which is itself an *insurer* whose head office is in the *United Kingdom* and which has a *United Kingdom insurance subsidiary* or *subsidiaries* which is or are themselves *insurers*, the reports in 9.40(1) and 9.40(1A) will cover the same *group undertakings*. The subsidiary *insurer* need not in these circumstances deposit the reports in 9.40(1) and 9.40(1A). However, this does not affect the requirement to provide information under rule 9.41.

**PART VI**

**ENHANCED CAPITAL REQUIREMENT**

9.44 (1) An *insurer* to which *INSPRU* 1.1.72BR applies must, in respect of each *financial year*, report its *enhanced capital requirement* (calculated in accordance with *INSPRU* 1.1.72CR) as at the end of that *financial year*.

(2) The report must be in the form of ECR1 set out in Appendix 9.10.

(3) An *insurer* must deposit a printed copy of the report with the *FSA* within 2 months and 15 days of the *financial year* end unless, in addition to depositing a printed copy, an *insurer* also deposits an electronic copy, then the period for deposit is within 3 months of the *financial year* end. The

copies must be sent to the appropriate addresses set out in rule 9.6(2) above.

(4) The printed copy of the report must be signed by the persons described in *IPRU(INS)* 9.33(1).

(5) The electronic copy deposited under (3) above must be in an electronic form which may be readily used or translated by the *FSA* and must be sent by email to the appropriate address set out in rule 9.6(2) above. The title of the email must be:

<firm name> Form ECR1 <dd/mm/yyyy>.

**Guidance**

9.45 The report required by rule 9.44(1) does not form part of the *insurer's return*.

9.46 An electronic copy that is not completed Form ECR1 spreadsheet file template from the FSA website that can be accessed by Microsoft Excel is unlikely to be readily used or translated by the *FSA*.

Part VII

LLOYD'S OF LONDON

Application

9.47 PART VII of *IPRU(INS)* chapter 9 applies to the *Society* and to *managing agents.*

Requirement to report to the FSA

9.48 (1) The *Society* must report to the *FSA* within 6 months of the end of each *financial year* on its financial situation and solvency and on the whole of the *insurance business* carried on by *members*.

(2) The report in *IPRU(INS)* 9.48 (1) must be prepared in accordance with GENPRU 1.3.4 R and this chapter.

(3) The report in *IPRU(INS)* 9.48 (1) must include:

(a) the *Lloyd's Return* which comprises a completed set of the forms set out in *IPRU(INS)* Appendix 9.11, together with any statements, notes, reports or certificates required by this chapter; and

(b) a copy of the *syndicate* accounts for each *syndicate* that is required by *byelaw* to prepare accounts for the *financial year*.

(4) With the exception of the statements required to be annexed to the *Lloyd's Return* by *IPRU(INS)* 9.49 (6), the *Lloyd's Return* must be examined and reported on by the auditors appointed to audit the affairs of the *Society*.

(5) The *Society* must provide a printed copy of the *Lloyd's Return* to the *FSA*, with Form 1 signed by three signatories who are senior officers of the *Society* each duly authorised by the *Council* to sign the *Lloyd's Return* on behalf of the *Society*.

(6) If the *FSA* notifies the *Society* that any part of the *Lloyd's Return* is not in conformity with this chapter, the *Society* must promptly make any appropriate corrections or adjustments and if necessary re-submit the *Lloyd's Return* (or relevant part of it).

Content and form of the Lloyd's Return

9.49 (1) In preparing the *Lloyd's Return*, the *Society* must:

(a) complete the forms in *IPRU(INS)* Appendix 9.11, following the requirements of and making the disclosures required under Appendices 9.1, 9.2, 9.3 and 9.4 of *IPRU(INS)* as if in the documents referred to in those Appendices references to an *insurer* were references to the *Society* and *members*, and adapting the requirements in those Appendices where necessary;

(b) complete the forms in *IPRU(INS)* Appendix 9.11 using standard accounting *classes* as set out in *IPRU(INS)* Appendix 9.16 where the forms require reporting by accounting class;

(c) report treaty reinsurance general business falling in accounting *classes* 9 to 10 as set out in *IPRU(INS)* Appendix 9.16 in Forms 28 and 29 in *IPRU (INS)* Appendix 9.11 by reference to the categories in the underlying accounting classes; and

(d) complete forms 13, 14, 40-60 in *IPRU(INS)* Appendix 9.11 for each *long-term insurance business syndicate*.

(2) (a) Where a reinsurance contract in *IPRU(INS)* 9.49 (1)(c) covers more than one underlying accounting class as set out in *IPRU(INS)* Appendix 9.16 it must be apportioned between accounting classes in the way that best reflects its underlying composition.

(b) However, where the apportionment in (a) cannot be made with reasonable accuracy or without disproportionate effort, then the contract must be allocated to the accounting class as set out in *IPRU (INS)* Appendix 9.16 that most closely reflects its underlying composition.

(c) Whether apportioned under (a) or allocated under (b), a consistent approach must be taken to reporting:

(i) the progress of a treaty in subsequent years; and

(ii) substantially similar *insurance business* in subsequent years.

(d) Where a different policy is subsequently followed a suitable explanatory note must be provided.

(3) If, during the financial year in question, the *Society* has agreed to, or carried out, a material connected party transaction, it must provide a brief description of that transaction by way of a supplementary note to the *Lloyd's Return*.

(4) The description to be provided under *IPRU(INS)* 9.49 (3) must state:

(a) the names of the transacting parties;

(b) a description of the connection between the parties;

(c) a description of the transaction;

(d) the amounts involved;

(e) any other elements of the transaction needed for an understanding of its effect or potential effect upon the financial position of the *Society*; and

(f) amounts written off in the period in respect of debts due to or from transacting parties which are connected parties.

(5) Transactions with the same connected party may be disclosed on an aggregated basis unless separate disclosure is needed for a proper

understanding of the effect of the transactions upon the financial position of the *Society*.

(6) The *Society* must annex to the *Lloyd's Return* a copy of each statement completed by a *managing agent* under *IPRU(INS)* 9.60 (7).

(7) For the purposes of the *Lloyd's Return* and *IPRU(INS)* 9.49 (6), the *Society* must, for each statement annexed, identify the *syndicate* to which the *contract of insurance* or 'financing arrangement' relates.

Risk groups for general insurance business

9.50 (1) The *Society* must for the purposes of reporting under this chapter:

(a) classify the direct and facultive *general insurance business* of *members* according to appropriate risk groups; and

(b) where the risks are material, complete a separate Form 34 in *IPRU(INS)* Appendix 9.11 for each group.

(2) The *Society* must not include:

(a) policies falling within *classes* 14, 15, 16, 17 or 18 within the same risk group as policies falling within any other *class*, except that policies falling within *class* 14 may be included in the same risk group as policies falling within *class* 15; or

(b) policies in respect of private motor car risks, within the same risk group as policies in respect of other risks falling within accounting class 2 as set out in *IPRU(INS)* Appendix 9.16; or

(c) policies in respect of comprehensive private motor car risks, within the same risk group as policies in respect of non-comprehensive private motor car risks; or

(d) policies transferred to *members* by way of a transfer under section 111 of the Act (Sanction of the court for business transfer schemes), within the same risk group as other policies.

(3) The *Society* must give the *FSA* notice of proposed changes to the definition or classification of the risk groups in *IPRU(INS)* 9.50 (1), sufficient to allow the *FSA* properly to assess the implications of the proposals.

Major treaty reinsurers

9.51 (1) The *Society* must, in connection with the *general insurance business* carried on by *members*, include in the *Lloyd's Return* a statement of major treaty reinsurers.

(2) A major treaty reinsurer is any insurance company to which in the *financial year* in question or any of the five preceding *financial years*:

(a) in the case of proportional reinsurance, 2% or more of the gross premiums receivable in respect of *general insurance business* of the *members* in aggregate has been ceded; or

(b) in the case of non-proportional reinsurance, 5% or more of the gross premiums receivable in respect of *general insurance business* has been ceded.

(3) The statement required under *IPRU(INS)* 9.51 (1) must include:

(a) the full name of each major treaty reinsurer;

(b) the amount of the reinsurance premiums payable in the *financial year* to each such reinsurer;

(c) whether and if so how the reinsurer was connected to any *member* or any *managing agent*;

(d) the amount of any debt of each such reinsurer included at line 75 of Form 13 in *IPRU(INS)* Appendix 9.11;

(e) the amount of any deposit received from each such reinsurer under reinsurance treaties included at line 31 of Form 15 in *IPRU(INS)* Appendix 9.11; and

(f) the re*insurer*s' share of *technical provisions* shown on Form 13 in *IPRU(INS)* Appendix 9.11 except that in respect of claims incurred but not reported, such recoveries need only be included to the extent that they are in respect of specific occurrences for which provisions have been allocated;

or, as the case may be, a statement that having aggregated the reinsurance ceded by *members* no reinsurer is a major treaty reinsurer.

(4) The requirements of *IPRU(INS)* 9.51 (1), *IPRU(INS)* 9.52 (1) and *IPRU(INS)* 9.53 (1) may be satisfied by giving a fair view and making use of an appropriate degree of approximation. The *Society* may employ any reasonable methods to establish the information required.

Major facultative reinsurers

9.52 (1) The *Society* must, in connection with the *general insurance business* carried on by *members*, include in the *Lloyd's Return* a statement of major facultative reinsurers.

(2) A major facultative reinsurer is an insurance company to which or with respect to which:

(a) 0.5% or more of the gross premiums *receivable* in respect of *general insurance business* of the *members* in aggregate has been ceded; or

(b) the addition of the amounts in items (d) and (e) of *IPRU(INS)* 9.51 (3) produces an amount exceeding 1% of the aggregate gross assets of *members*.

(3) The statement required under *IPRU(INS)* 9.52 (1) must include the matters listed in *IPRU(INS)* 9.51 (3), with appropriate amendments.

Major reinsurance cedants

9.53 (1) The *Society* must, in connection with the *general insurance business* carried on by *members*, include in the *Lloyd's Return* a statement of major reinsurance cedants.

(2) A major reinsurance cedant is an insurance company which in the *financial year* in question or any of the three preceding *financial years*:

(a) cedes an amount which exceeds 5% of the gross premiums *receivable* by *members* in respect of *general insurance business* accepted under reinsurance treaties; and

(b) cedes an amount which exceeds 2% of the gross premiums *receivable* by *members* in respect of *general insurance business*.

(3) The statement required under *IPRU(INS)* 9.53 (1) must include the matters listed in *IPRU(INS)* 9.51 (3), with appropriate amendments.

Derivative contracts

9.54 (1) The *Society* must annex a statement to the *Lloyd's Return* comprising a brief description of:

(a) any *byelaws* and guidelines issued by the *Society* governing the use of *derivative* contracts;

(b) any provision in those guidelines governing the use of contracts under which *members* have a right or obligation to acquire or dispose of assets which was not, at the time when the contract was entered into, reasonably likely to be exercised and the circumstances in which, pursuant to that provision, such contracts may be used;

(c) the extent to which *members* were during the *financial year* a party to any contracts of the kind described in (b);

(d) the extent to which any of the amounts recorded in Form 13 would be changed if assets which *members* had a right or obligation to acquire or dispose of under *derivative* contracts outstanding at the end of the *financial year* (being, in the case of *options*, only those *options* which it would have been prudent to assume would be exercised) had been acquired or disposed of;

(e) the difference between (d) and the amount which would result under (d) if such *options* had been exercised and this were reflected in Form 13 to the maximum extent;

(f) how different the information provided pursuant to (d) and (e) would have been if, instead of applying to contracts outstanding at the end of the *financial year*, (d) and (e) had applied to *derivative* contracts outstanding at such other time during the *financial year* as would have changed the amounts in Form 13 to the maximum extent;

(g) the maximum loss which would be incurred by *members* on the failure by any one other person to fulfil its obligations under *derivative* contracts outstanding at the end of the *financial year*, both under existing market conditions and in the event of other foreseeable market conditions, together with an assessment of whether such maximum loss would have been materially different at any other time during the *financial year*;

(h) the circumstances surrounding the use of any *derivative* contract held at any time during the *financial year* which did not fulfil the criteria in *INSPRU* 4.2.5 R; and

(i) the total value of any fixed consideration received by *members* (whether in cash or otherwise) during the *financial year* in return for granting rights under *derivative* contracts and a summary of contracts under which such rights have been granted.

(2) For the purposes of *IPRU(INS)* 9.54 (1), if *members* are a party to:

(a) a *contract for differences*; or

(b) any other contract which is to be, or may be, settled in cash they must be treated as having a right or obligation to acquire or dispose of the assets underlying the contract.

General insurance business ceded

9.55 (1) The *Society* must annex to the *Lloyd's Return* a statement:

(a) of each major treaty reinsurer and major facultative reinsurer; and

(b) for each of the realistic disaster scenarios set by the *Society* when fulfilling its obligations under *INSPRU* and *GENPRU* to monitor aggregation of risk within the Lloyd's market of the contribution it is assumed each such reinsurer would provide in the event of that disaster occurring.

9.56 (1) The *Society* must annex to the *Lloyd's Return* a statement naming each individual who has served:

(a) on the *Council*;

(b) as Chairman of the *Council*; and

(c) as Chief Executive Officer of the *Society*;

at any time during the *financial year*, including in each case the dates of commencement or end of service (as the case may be) of any individual who has not served for the entire year.

Capacity controlled

9.57 (1) The *Society* must annex to the *Lloyd's Return* a statement identifying any *members*, *members' agents* or *managing agent*s that control a significant share of the underwriting capacity of the *Society*.

(2) To control a significant share means:

(a) in relation to a *managing agent*, managing, directing through one or more Members' Agent Pooling Arrangements or owning, whether directly or in conjunction with *connected persons*, capacity which in aggregate is greater than 5% of the total underwriting capacity of the *Society*;

(b) in relation to a *members*' *agent*, directing through one or more Members' Agent Pooling Arrangements or owing, whether directly or in conjunction with *connected persons*, underwriting capacity which in aggregate is greater than 2.5% of the total underwriting capacity of the *Society*; and

(c) in relation to a member, owning, whether directly or in conjunction with *connected persons*, underwriting capacity which, in aggregate, is greater than 2.5% of the total underwriting capacity of the *Society*.

Certificates and audit report

9.58 (1) Certificates

The *Society* must annex to the *Lloyd's Return*:

(a) a certificate from the *Council*, including the statements required by *IPRU (INS)* Appendix 9.12;

(b) a statement from the *Lloyd's actuary*, including the statements required by *IPRU (INS)* Appendix 9.13;

(c) a certificate from the *syndicate actuary* of each *syndicate* which carries on *long-term insurance business*, including the statements required by *IPRU (INS)* Appendix 9.14, and;

(d) an abstract from the *syndicate actuary* of each *syndicate* which carries on *long-term insurance business* of the *actuary's* report made under *SUP* 4.6.14G.

(2) Audit report

The *Society* must ensure that the *Lloyd's Return* and every document annexed to or provided with it has been examined by the *Society*'s auditors and must provide with the *Lloyd's Return* an audit certificate in respect of that examination.

(3) The certificate in *IPRU(INS)* 9.58 (2) must be in the form set out in *IPRU(INS)* Appendix 9.15.

Public disclosure

9.59 (1) The *Society* must provide within a period not exceeding 30 days:

(a) on demand to any *member* or policyholder a copy of the *Lloyd's Return* and the *global account* most recently submitted to the *FSA*; and

(b) if specifically requested by a *member* or policyholder, a copy of any *syndicate* account submitted to the *FSA*.

Syndicate-level reporting

9.60 (1) Each *managing agent* must:

(a) prepare a return for each *financial year* in respect of the *insurance business* carried on through each *syndicate* managed by it; and

(b) provide the return in (a) to the *Society* as soon as practicable after the end of the financial year but in any event in time to enable the *Society* to report to the *FSA* in accordance with *IPRU(INS)* 9.48 (1).

(2) The *Society* must:

(a) issue instructions to *managing agent*s setting out the form and content of the return under *IPRU(INS)* 9.60 (1); and

(b) issue the instructions in (a) as soon as practicable but in any event in time to enable *managing agent*s to comply with *IPRU(INS)* 9.60 (1).

(3) A *managing agent* must annex to each return which it prepares under *IPRU(INS)* 9.60 (1), a certificate signed by the persons referred to in *IPRU(INS)* 9.60 (4), including the statements required by *IPRU(INS)* Appendix 9.17.

(4) The certificate in *IPRU(INS)* 9.60 (3) must be signed by:

(a) where there are more than two *directors* of the *managing agent*, at least two of those *directors* and, where there are not more than two *directors*, all the *directors*; and

(b) a *chief executive*, if any, of the *managing agent* or (if there is no *chief executive*) the secretary.

(5) A *managing agent* must ensure for each *syndicate* managed by it that the return required under *IPRU(INS)* 9.60 (1) is examined and reported on by the *syndicate* auditor.

(6) A *managing agent* must annex to each return required under *IPRU(INS)* 9.60 (1) an audit certificate provided by the *syndicate* auditor including the statements required by *IPRU(INS)* Appendix 9.18.

(7) A *managing agent* must annex to each return which it prepares under *IPRU(INS)* 9.60 (1) a statement of the information required by *IPRU(INS) rule* 9.32A, as if in that *rule* references to:

(a) *'insurer'* were to the *members* carrying on *insurance business* through the relevant *syndicate*;

(b) the '*return'* were to the return required to be prepared by it in respect of the business carried on through the relevant *syndicate* under *IPRU(INS)* 9.60 (1)

(c) the ‘*insurer’s* balance sheet’ were to the *syndicate* balance sheet;

(d) the ‘*insurer’s capital resources*’ were to the *capital resources* managed by or at the direction of the *managing agent* in respect of the *insurance business* carried on through the relevant *syndicate*; and

(e) the ‘*insurer’s* total *technical provisions*’ were to the *technical provisions* in respect of the *insurance business* carried on through the relevant *syndicate*.

The Central Fund

9.61 (1) The *Society* must give the *FSA* a report on the *Central Fund* as at the end of each calendar quarter.

(2) The report referred to in *IPRU(INS)* 9.61 (1) must reach the *FSA* within two weeks of the end of each calendar quarter and must include information on:

(a) the net market value of the *Central Fund*;

(b) payments made from the *Central Fund* in that quarter;

(c) the types of investment in which the *Central Fund* is held;

(d) the commencement or cessation of, or any changes in the terms of, any insurance policy taken out to protect the *Central Fund*; and

(e) any claim made, or circumstances notified that are likely to lead to a claim, under any insurance policy taken out to protect the *Central Fund*.

Information about the capacity transfer market

9.62 (1) The *Society* must give the *FSA* a report as at the end of each calendar quarter in which any capacity is transferred.

(2) The report referred to in *INSPRU* 8.4.3 R must reach the *FSA* within one month of the end of the relevant calendar quarter and must include information on:

(a) the total capacity in *syndicates* transferred during the quarter, analysed by *syndicate* and method of transfer;

(b) the number, and nature, of all investigations by the *Society* into conduct in the *capacity transfer market* undertaken or continued during the quarter; and

(c) the number, and nature, of all complaints received during the quarter about the operation of the *capacity transfer market*.

Guidance

9.63 (1) *IPRU(INS)* Chapter 9 Part VII requires the *Society* to report on the *insurance business* carried on by *members* and on the assets and liabilities of *members* and the *Society*, and requires reports from the *Society* on the *Central Fund* and the *capacity transfer market*. It also requires *managing agent*s to report on the *insurance business* carried on through each *syndicate* they manage. Reporting at syndicate level is required to enable the *Society* to prepare the *Lloyd's Return*. The statements required to be annexed to the return by *IPRU(INS)* 9.60 (7) should not be included in the audit under *IPRU(INS)* 9.49 (6).

(2) The *Lloyd's Return* is made annually and contains the statement required from the *Society* that *capital resources* at least equal to the *capital resources requirements* for *general insurance business* and *long-term insurance*

*business* under *GENPRU* 2 have been maintained at all times throughout the *financial year*.

(3) For *general insurance business*, the *capital resources requirement* for the *Society* is the higher of the aggregate of the *members*' *capital resources requirements* for *general insurance business*, calculated in accordance with *GENPRU* 2.3.5 R, and the *Society GICR*. For *long-term business*, the *capital resources requirement* for the *Society* is the aggregate of the *members*' *capital resources requirements*, calculated in accordance with *GENPRU* 2.3.7 R. The *Society* is required to ensure that each *member's capital resources requirement* is covered by that *member's capital resources*, or, where there is a shortfall in the *member's capital resources*, by the *Society's* own *capital resources*. For *general insurance business*, the *Society* must ensure that the *Society GICR* is covered by the aggregate *capital resources* supporting the *insurance business* of all the *members*.

(4) Where appropriate, the *Society* is also required to modify prudential reporting to make it more like that of an *insurer*. This is to aid comparisons between Lloyd's and *insurer*s.

9.64 The *Society* should make the report referred to in *IPRU(INS)* 9.48 (1), including amendments and corrections, and amalgamated *syndicate* accounts available at its head office for inspection by policyholders and potential policyholders and *members*.

9.65 (1) In assessing what are appropriate risk groups for reporting purposes the *Society* should ensure where possible that:

(a) each risk group should include only risks from within a single accounting class and in relation to a single country;

(b) policies are not included in the same risk group where, having regard to the patterns of risk, *claims* incurrence and settlement patterns, it is necessary to group them separately for the purposes of applying statistical methods in calculating the provision for *claims* outstanding in accordance with generally accepted accounting practice; and

(c) claims-made policies are not included in the same risk group as policies which are not claims-made policies, except:

(i) where this is not possible without disproportionate expense; and

(ii) where the policies within the risk group do not exhibit materially different characteristics.

(2) Subject to *IPRU(INS)* 9.50 (2)(a) and *IPRU(INS)* 9.50 (2)(b) and *IPRU (INS)* 9.65 (1)(c), the *Society* may in respect of any accounting class include all *insurance business* carried on by *members* in any country in any *financial year* as a single risk group.

(3) Notwithstanding the provisions of *IPRU(INS)* 9.50 (2)(a) and *IPRU(INS)* 9.50 (2)(b) and *IPRU(INS)* 9.65 (1)(c), the *Society* may classify all *insurance business* carried on by *members* in any country in respect of any accounting class in any financial year as a single risk group, as long as gross premiums written for that year in respect of that *insurance business* are less than 5% of the world-wide gross premiums written for all accounting *classes* for that year.

(4) The requirements to report a separate risk group in *IPRU(INS)* 9.50 (2)(a) do not apply where, in the case of any *financial year*, the gross premiums receivable for that year in respect of that risk group would be less than £1million.

9.66 The *Society* should be treated as if it were a major treaty reinsurer when *inter-syndicate reinsurance* in aggregate exceeds the amounts set out in *IPRU(INS)* 9.51 (2)

9.67 The *Society* should be treated as if it were a major facultative reinsurer when *inter-syndicate reinsurance* in aggregate exceeds the amounts set out in *IPRU (INS)* 9.52 (2).

9.68 The *Society* should be treated as if it were a major reinsurance cedant when inter-syndicate cessions in aggregate exceed the amounts set out in *IPRU (INS)* 9.53 (2).

9.69 In relation to required disclosures of *derivative* contracts in *IPRU(INS)* 9.54 (1), references to a *derivative* contract and related expressions should be taken to include:

(1) any *derivative* contract entered into by a *managing agent* on behalf of a *member* as part of that *member's insurance business*; and

(2) any *derivative* contract entered into by the *Society*.

9.70 Contracts that are *quasi-derivative contracts* should be treated as *derivative* contracts.

9.71 The requirements of *IPRU(INS)* 9.55(1) may be satisfied by giving a fair view and may make use of an appropriate degree of approximation. The *Society* may employ any reasonable methods to establish the information required. The *Society* may also include such explanation as it considers to be necessary to allow a reasonable interpretation to be put on this statement.

9.72 (1) Because of the significance of the *Central Fund* in the protection of policyholders, the *Society* should notify the *FSA* under *IPRU(INS)* 9.61 (2)(e) of all matters relevant to any actual or potential claim. These include but are not limited to the facts on which that claim is based, the circumstances under which those facts arose and any relevant response to the claim from any *insurer* or reinsurer concerned.

(2) The report referred to in *IPRU(INS)* 9.61 (1) must be submitted in writing in accordance with *SUP* 16.3.7 to *SUP* 16.3.10 (see *SUP* 16.3.6).

## Chapter 10

[deleted]

**Chapter 11**

**DEFINITIONS**

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## CONTENTS



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**Chapter 11**

**DEFINITIONS**

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**PART I**

**DEFINITIONS**

11.1 For the purposes of *IPRU (INS)*, the term or phrase in the first column has the meaning given to it in the second column unless the context otherwise requires.

| Term or phrase | Definition |
|---|---|
| *1981 Regulations* | Insurance Companies Regulations 1981 (S.I. 1981 No. 1654) |
| *1982 Act* | Insurance Companies Act 1982 |
| *1983 Regulations* | Insurance Companies Regulations 1983 (S.I. 1983 No. 1811) |
| *1986 Order* | Companies (Northern Ireland) Order 1986 |
| *1994 Regulations* | Insurance Companies Regulations 1994 (S.I. 1994 No. 1516) |
| *1996 Regulations* | Insurance Companies (Accounts and Statements) Regulations (S.I. 1996 No. 943) |
| *accounted for* | reported pursuant to the *Accounts and Statements Rules* |
| *Accounts and Statements Rules* | rules 9.1 to 9.36E and rule 9.39 of Chapter 9 |
| *actuarial investigation* | an investigation to which rule 9.4 applies |
| *admissible asset* | an asset that falls into one or more categories in GEN*PRU* 2 Annex 7R |
| *approved investment firm* | an investment firm as defined in the *Investment Services Directive* |

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| *associate* | has the meaning given in rule 11.2 |
| *available assets* | the excess of an *insurer's* assets (other than *implicit items*) over its liabilities, in each case valued in accordance with *GENPRU* 1.3, *INSPRU* 2.1 and *INSPRU* 1 |

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| *balancing category* | an *FSA general insurance business reporting category* to which any of the *category numbers* 409 or 709 has been allocated in column 1 of **Annex 11.3** |

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|---|---|
| *category number* | the category number for the *FSA return general insurance business reporting categories* listed in column 1 of **Annex 11.3** |
| *cede and cession* | in relation to *reinsurance*, include retrocede and retrocession |
| *claim* | a *claim* against an *insurer* under a *contract of insurance* |
| *claims-made policy* | a contract of liability insurance which provides that no liability is incurred by the *insurer* in respect of an incident unless -<br><br>(a) the incident is notified to the *insurer* (or its agent or representative); and<br><br>(b) such notification is received by the *insurer* (or its agent or representative) before the end of a specified period which is no longer than three years following the final date for which cover is provided under the contract |
| *claims management costs* | refers to those claims management costs required by the *insurance accounts rules* (note (4) to the profit and loss account format) to be included in *claims* incurred other than those which, whether or not incurred through the employment of the *insurer's* own staff, are directly attributable to particular *claims* |
| *class* | a class of *long-term insurance business*, listed in **Annex 11.1** or a class of *general insurance business* listed in **Annex 11.2** |
| *collecting book* | includes any book or document held by a *collector* in which payments of premiums are recorded |
| *collector* | includes every person, howsoever remunerated, who, by himself or by any deputy or substitute, makes house to |

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| | house visits for the purpose of receiving premiums payable on *policies* of insurance on human life, or holds any interest in a *collecting book*, and includes such a deputy or substitute |
| *combined category* | an *FSA general insurance business reporting category* to which any of the *category numbers* 001, 002, 003, 110, 120, 180, 220, 260, 270, 280, 330, 340, 500 or 600 has been allocated in column 1 of **Annex 11.3** |
| *commitment* | a commitment represented by *insurance business* of any of the *classes* of *long-term insurance business* |
| *company* | (a) for the purposes of the *Accounts and Statements Rules* means an *insurance undertaking*; and<br><br>(b) otherwise, includes any *body corporate* |
| *Companies Act* | the Companies Act 1985 |
| *connected* | a *body corporate* "A" and another *body corporate* "B" are connected with each other if:<br><br>(a) B is a *related undertaking* of A;<br><br>(b) B is a *participating undertaking* in A; or<br><br>(c) B is a *related undertaking* of a *participating undertaking* in A<br><br>a *body corporate* "C" and a natural person "D" are connected if D holds a *participation* in:<br><br>(d) C or any of its *related undertakings*;<br><br>(e) a *participating undertaking* in C; or<br><br>(f) a *related undertaking* of a *participating undertaking* in A |
| *connected company* | of any *company* means -<br><br>(a) that *company's holding company*;<br><br>(b) a *subsidiary* of that *company*; or<br><br>(c) a *subsidiary* of the *holding company* of that *company* |
| *connected-party* | the transfer of assets or liabilities or the performance of |

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| *transaction* | services by, to or for a *connected* person irrespective of whether or not a price is charged |
| *consequential loss risk* | risk falling within *general insurance business class* 16 comprising risks of the persons insured sustaining loss attributable to interruptions of the carrying on of business carried on by them or to reduction of the scope of business so carried on |
| *controller* | has the meaning given in rule 11.2 |
| *counterparty* | in relation to an *insurer* -<br><br>(a) any one individual;<br><br>(b) any one unincorporated body of persons;<br><br>(c) any one *company* not being a member of a *group*;<br><br>(d) any *group* of *companies* excluding any *companies* within the *group* which are *subsidiary undertakings* of the *insurer*; or<br><br>(e) any government of a State together with all the public bodies, local authorities or nationalised industries of that State,<br><br>in which the *insurer* has made investments or against whom it has rights whether in pursuance of a contract entered into by the *insurer* or otherwise |

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| *debt* | includes an obligation to pay a sum of money under a negotiable instrument |
| *dependant* | a dependant for a *firm* is any *subsidiary undertaking* of the *firm* that is valued in accordance with *GENPRU* 1.3.47R |

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| *derivative contract* | has the meaning given to *derivative* in the *Glossary* |
| *direct and facultative* | *direct insurance business* and inwards facultative *reinsurance* business |
| *direct insurance business* | *insurance business* other than *reinsurance* business |
| *discounting* | refers to discounting or deductions to take account of investment income within the meaning of paragraph 48 of the *insurance accounts rules* |

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| *equivalent securities* | *securities* issued by the same *issuer* being of an identical type and having the same nominal value, description and amount |
| *established surplus* | has the same meaning as in rule 3.3(4) |
| *exemption category* | an *FSA general insurance business reporting category* to which the *category numbers* 114(p) or 710(p) have been allocated in column 1 of **Annex 11.3** |
| *experience account* | an account (whether real or notional) established under a *contract of insurance* where:<br><br>(a) *premiums* payable or paid, or amounts related to *premiums* payable or paid, under the contract are credited to the account;<br><br>(b) *claims* payable or paid or incurred, or amounts related to *claims* payable or paid or incurred, under the contract are deducted from the account; and<br><br>(c) either:<br><br>(i) some part of the amount held in the account is paid out on expiry or termination of the contract in accordance with rights specified in the contract; or<br><br>(ii) the amount held in the account affects the amount payable under the contract. |
| *external insurer* | an *insurer* whose head office is outside the United Kingdom, other than an *EEA-insurer*, a *Swiss general insurer* or an *UK-* or *EEA-deposit insurer.* |

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| *facultative business* | facultative *reinsurance* business |

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| *financial year* | each period at the end of which the balance of the accounts of the *insurer* is struck or, if no such balance is struck, the calendar year |
| *financial year in question* | the *financial year* which last ended before the date on which accounts and statements (as specified in the *Accounts and Statements Rules*) of the *insurer* relating to that *financial year* are required to be deposited with the *FSA* pursuant to rule 9.6, and<br><br>the preceding financial year and previous financial years are construed accordingly |
| *FSA general insurance business reporting category* | a category of *general insurance business* that consists of the effecting or carrying out of *contracts of general insurance* falling within the description in column 2 of **Annex 11.3** |

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| *group* | has the meaning given in section 262 of the *Companies Act* |

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| *home foreign business* | *general insurance business* carried on in the United Kingdom primarily relating to risks situated outside the United Kingdom, but excluding *insurance business* in *category numbers* 330, 340, 350, 500, 600 and 700 and *insurance business* where the risk commences in the United Kingdom |
| *hybrid security* | a *debt security*, other than an *approved security*, the terms of which provide or have the effect that the holder does not or would not have an unconditional entitlement to payment of interest and repayment of capital in full within 75 years of the *relevant date* |

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| *incepted* | refers to the time when the liability to risk of an *insurer* under a *contract of insurance* commenced and, for this purpose, a contract providing continuous cover is deemed to commence on each anniversary date of the contract, and<br><br>incepting and inception are construed accordingly |
| *index linked contract* | a *linked long-term contract of insurance* conferring *index linked benefits* |
| *industrial assurance* | the business of effecting *contracts of insurance* on human |

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| *business* | life, premiums in respect of which are received by means of *collectors*;<br><br>But such *insurance business* does not include -<br><br>(a) *contracts of insurance*, the premiums in respect of which are payable at intervals of two months or more;<br><br>(b) *contracts of insurance*, effected whether before or after the passing of the Industrial Assurance Act 1923 by a society or company established before the date of the passing of that Act which at that date had no *contracts of insurance* outstanding the premiums on which were payable at intervals of less than one month so long as the society or company continues not to effect any such contracts;<br><br>(c) *contracts of insurance* effected before the passing of the Industrial Assurance Act 1923, premiums in respect of which are payable at intervals of one month or more, and which have up to the passing of that Act been treated as part of the business transacted by a branch other than the industrial branch of the society or company; or<br><br>(d) *contracts of insurance* for £25 or more effected after the passing of the Industrial Assurance Act 1923, premiums in respect of which are payable at intervals of one month or more, and which are treated as part of the business transacted by a branch other than the industrial branch of the society or company, in cases where the relevant authority certified prior to 1 December 2001 under section 1(2)(d) of that Act that the terms and conditions of such contracts are on the whole not less favourable to the *policy holders* than those imposed by that Act |
| *initial margin* | in respect of a *derivative contract* or a contract or asset having the effect of a *derivative contract*[7], means assets which, before or at the time the contract is entered into, are transferred by the *insurer* subject to a condition that such assets (or where the assets transferred are *securities*, |

[7] See rule 4.13 for contracts which have the effect of *derivative contracts*

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| | *equivalent securities*) will be returned to the *insurer* on completion of that contract |
| *insurance liabilities* | amounts calculated in accordance with *GENPRU* 1.3 (Valuation) in respect of those items shown at C and D under the heading 'Liabilities' set out in paragraph 9 of the *insurance accounts rules* |
| *internal linked fund* | an account to which an *insurer* appropriates certain *linked assets* and which may be sub-divided into units the value of each of which is determined by the *insurer* by reference to the value of those *linked assets* |

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| *long-term policy holder* | a *policy holder* in respect of a *policy* the effecting of which by the *insurer* constituted the carrying on of *long-term insurance business* |

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| *management expenses* | in relation to *long-term insurance business*, means all expenses, other than commission, incurred in the administration of an *insurer* or its business |
| *marine mutual* | an *insurer* -<br><br>(a) whose *insurance business* is restricted to the insurance of its members or their *associates* against loss, damage or liability arising out of marine adventures (including losses on inland waters or any risk incidental to any sea voyage); and<br><br>(b) whose articles of association, rules or bye laws provide for the calling of additional contributions from, or the reduction of benefits to, the majority of its members, in either case without limit, in order to ensure that the *insurer* has sufficient financial resources to meet any valid *claims* as they fall due |
| *material connected-party transaction* | a *connected-party transaction* for which (together with any similar transactions):<br><br>(a) the price actually paid or received for the transfer of assets or liabilities or the performance of services; or<br><br>(b) the price which would have been paid or received |

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| | had that transaction been negotiated at arm's length between unconnected parties,<br><br>exceeds:<br><br>(c) in the case of an *insurer* that carries on *long-term insurance business* but not *general insurance business*, 5% of the *insurer's* liabilities arising from its *long-term insurance business*, excluding *property-linked liabilities* and net of *reinsurance ceded;* or<br><br>(d) in the case of an *insurer* that carries on *general insurance business*, but not *long-term insurance business*, the sum of Euro 20,000 and 5% of the *insurer's* liabilities arising from its *general insurance business*, net of *reinsurance ceded*; or<br><br>(e) in the case of an *insurer* that carries on both types of business either –<br><br>(i) 5% of the *insurer's* liabilities arising from its *long-term insurance business*, excluding *property- linked liabilities*, net of *reinsurance* ceded where the transaction is in connection with the *insurer's long-term insurance business*, or<br><br>(ii) in other cases, the sum of Euro 20,000 and 5% of the *insurer's* liabilities arising from *general insurance business* net of *reinsurance ceded* |
| *mathematical reserves* | the provision made by an *insurer* to cover liabilities (excluding liabilities which have fallen due and liabilities arising from *deposit back arrangements*) arising under or in connection with *long-term insurance contracts* |
| *miscellaneous category* | an *FSA return general insurance business reporting category* to which the *category numbers* 400 or 700 have been allocated in column 1 of **Annex 11.3** |
| *mortgage* | in relation to Scotland, means a heritable security within the meaning of section 9(8) of the Conveyancing and Feudal Reform (Scotland) Act 1970 |

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|---|---|
| *non-linked assets* | see *linked assets* |

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| *non-profit policy* | see *with-profits policy* |
| *non-proportional reinsurance treaty* | see *proportional reinsurance treaty* |

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|---|---|
| *ordinary long-term insurance business* | *long-term insurance business* which is not *industrial assurance business* |

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|---|---|
| *preceding financial year* | see *financial year in question* |
| *previous financial years* | see *financial year in question* |
| *Product code* | has the meaning given in paragraph 3 of the Instructions for completion of **Form 47** in **Appendix 9.3** |
| *profit and loss account* | in relation to an *insurer* not trading for profit, an income and expenditure account |
| *property linked benefits* | benefits other than *index linked benefits* provided for under a *linked long-term contract of insurance* |
| *property linked liabilities* | *insurance liabilities* in respect of *property linked benefits* |
| *proportional reinsurance treaty* | (a) a *reinsurance* treaty under which a pre-determined proportion of each *claim* payment by the *cedant* under *policies* subject to the treaty is recoverable from the *reinsurer*; and<br><br>(b) for the purposes of the *Accounts and Statements Rules*, a *reinsurance* treaty under which in return for a proportion of the premium a pre-determined proportion of each *claim* payment by the *cedant* under *policies* subject to the treaty is recoverable from the *reinsurer*, and<br><br>non-proportional reinsurance treaty is construed accordingly |

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| *readily realisable* | in relation to an investment:<br><br>(a) an investment which, had negotiations for the assignment or transfer of the investment commenced not more than seven working days before the *relevant date*, it is reasonable to |

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| | assume could have been assigned or transferred on the *relevant date* for an amount not less than 97.5% of the *market value* to a person other than the *issuer* or an *associate* or *associated company* of the *issuer* or of the *insurer*; or<br><br>(b) a *listed* investment with respect to which (a) does not apply by reason only that -<br><br>(i) the listing of the investment has been temporarily suspended following receipt of price sensitive information received by the stock exchange on which the investment is *listed* or the *regulated market* on which facilities for dealing have been granted, or<br><br>(ii) the extent of the holding would prevent an orderly disposal of the investment for an amount equal to or greater than 97.5% of *market value* |
| *receivable* | in relation to an *insurer*, a *financial year* and a premium, means due to the *insurer* whether or not the premium is received during that *financial year* |
| *reinsurance recoveries* | amounts in respect of *claims* receivable by an *insurer* from a *reinsurer* under a contract of *reinsurance* |
| *related company* | in relation to an *insurer* –<br><br>(a) a *subsidiary undertaking* of the *insurer*;<br><br>(b) a company of which the *insurer* is a *subsidiary undertaking*; or<br><br>(c) a *subsidiary undertaking* of a company of which the *insurer* is a *subsidiary undertaking* |
| *relevant company* | an *insurer* whose *insurance business* is restricted to *reinsurance* of the *marine mutual* on terms that provide that the *marine mutual* can cancel the *reinsurance* arrangements at any time and can require the *insurer* immediately to transfer its assets and liabilities to the *marine mutual* |
| *relevant date* | in relation to the valuation of any asset or liability,<br>the date at which the value of the asset or liability falls to be determined for the purposes of reporting under the |

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| | *Accounts and Statements Rules* |
| *required category* | in relation to a Form in the *return*, a category of *general insurance business* set out in column 2 of the Table in Paragraph 2B of **Appendix 9.2** that –<br><br>(a) is, or is included in, an *FSA general insurance business reporting category* for which the Table in Paragraph 2A of **Appendix 9.2** contains a tick in the row for that *FSA general insurance business reporting category* and in the column for that Form; and<br><br>(b) either:<br><br>(i) meets the reporting criteria specified in the entry in column 3 of that Table that corresponds to the entry in column 2 for that the category of *general insurance business* and the entry in column 1 for that Form, or<br><br>(ii) is required for that Form under rule 9.20. |
| *return* | the documents required (taken together) to be deposited under rule 9.6(1) |
| *risk category* | any *FSA general insurance business reporting category* that is not a *combined category*, or *balancing category* or *exemption category* |

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| *secured debt* | a debt fully secured on:<br><br>(a) assets whose value at least equals the amount of debt; or<br><br>(b) a letter of credit or guarantee from an *approved counterparty*. |
| *securities* | includes *shares*, *debt securities*, *Treasury Bills*, Tax Reserve Certificates and Certificates of Tax Deposit |
| *share* | has the meaning given in Part VII of the Companies Act or Part VIII of the Companies (Northern Ireland) Order 1986 |
| *Statistical Rules* | rules 9.37 to 9.38 |
| *Stock Exchange* | London Stock Exchange plc |

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|---|---|
| *subsidiary undertaking* | is construed in accordance with section 258 of the *Companies Act* or Article 266 of the *1986 Order* |

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|---|---|
| *technical provisions* | the items required by the *insurance accounts rules* to be shown in the balance sheet of an *insurer* at liabilities items C.1 to 6 |
| *total capital resources* | the sum calculated at stage O of the calculation in *GENPRU* 2 Annex 1R |
| *Treasury Bills* | includes bills issued by Her Majesty's Government in the United Kingdom and Northern Ireland Treasury Bills |

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| *unlisted* | see *listed* |

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|---|---|
| *variable interest securities* | *securities* which under their terms of issue provide for variable amounts of interest |
| *variation margin* | (a) in respect of a *derivative contract*, or a *quasi-derivative contract*, assets (other than assets transferred by way of *initial margin*) which, at the *relevant date*, have been transferred by, to, or for the benefit of the *insurer* in pursuance of a condition in that contract or a related contract; and<br><br>(b) in respect of an asset having the effect of a *derivative contract*, assets which, at the relevant date, have been transferred by, to, or for the benefit of, the *insurer* in pursuance of a contractual right conferred, or obligation imposed, by the holding of the asset having the effect of a *derivative contract* |

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| *with-profits fund* | for the purposes of the *Accounts and Statements Rules* –<br><br>(a) a *long-term insurance fund* (or that part of such a fund) in which *policy holders* are eligible to participate in any *established surplus*; and<br><br>(b) where it is an *insurer's* usual practice to restrict *policy holders'* participation in any *established surplus* to that arising from only a part of the fund (or part fund) falling within (a), that part (or that part of the part fund) |
| *with-profits policy* | a contract falling within a *class* of *long-term insurance business* which is eligible to participate in any part of any *established surplus*, and<br><br>non-profit policy is construed accordingly |

**Controller**

11.2 (1) For the purpose of *IPRU (INS)*, **controller**, in relation to an undertaking ("A"), means a person who falls within any of the cases in (2).

(2) The cases are where the 'person' –

(a) holds 10% or more of the 'shares' in A;

(b) is able to exercise significant influence over the management of A by virtue of his shareholding in A;

(c) holds 10% or more of the 'shares' in a parent undertaking ("P") of A;

(d) is able to exercise significant influence over the management of P by virtue of his shareholding in P;

(e) is entitled to exercise, or control the exercise of, 10% or more of the 'voting power' in A;

(f) is able to exercise significant influence over the management of A by virtue of his 'voting power' in A;

(g) is entitled to exercise, or control the exercise of, 10% or more of the 'voting power' in P; or

(h) is able to exercise significant influence over the management of P by virtue of his 'voting power' in P.

(3) In (2) the **person** means –

(a) the person;

(b) any of the person's *associates*; or

(c) the person and any of his *associates*.

(4) **Associate**, in relation to a 'person' ("H") holding '*shares*' in an undertaking ("C") or entitled to exercise or control the exercise of 'voting power' in relation to another undertaking ("D"), means -

(a) the spouse or civil partner of H;

(b) a child or stepchild of H (if under 18);

(c) the trustee of any 'settlement' under which H has a life interest in possession (or in Scotland a life interest);

(d) an undertaking of which H is a *director*;

(e) a person who is an employee or partner of H;

(f) if H is an undertaking-

(i) a *director* of H,

(ii) a *subsidiary undertaking* of H,

(iii) a *director* or employee of such a *subsidiary undertaking*; and

(g) if H has with any other person an agreement or arrangement with respect to the acquisition, holding or disposal of '*shares*' or other interests in C or D or under which they undertake to act together in exercising their 'voting power' in relation to C or D, that other person.

(5) **Settlement**, in (4)(c), includes any disposition or arrangement under which property is held on trust (or subject to a comparable obligation).

(6) **Shares** -

(a) in relation to an undertaking with *share* capital, means allotted shares;

(b) in relation to an undertaking with capital but no *share* capital, means rights to share in the capital of the undertaking; and

(c) in relation to an undertaking without capital, means interests -

(i) conferring any right to share in the profits, or liability to contribute to the losses, of the undertaking, or

(ii) giving rise to an obligation to contribute to the debts or expenses of the undertaking in the event of a winding up.

(7) **Voting power**, in relation to an undertaking which does not have general meetings at which matters are decided by the exercise of voting rights, means the right under the constitution of the undertaking to direct the overall policy of the undertaking or alter the terms of its constitution.

**PART 2**

**GENERAL PROVISIONS**

**Powers under which the rules are made**

11.3 The rules and guidance in the *IPRU (INS)* are made under the following sections of 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 (guidance); and

(f) section 340 (appointment of auditors and actuaries).

**Actions for damages**

11.4 Section 150(1) of the *Act* does not apply to a contravention of the rules in the *IPRU (INS).*

**Use of definitions**

11.5 A word or phrase which is printed in italics is used in the defined sense. If a defined term does not appear in the IPRU(INS) glossary listed in part 1 of Chapter 11, the definition appearing in the main Handbook *Glossary* applies.

11.6 Unless the context otherwise requires, a word or phrase which is defined in a related enactment bears the same meaning as in that enactment.

11.7 Unless the context otherwise requires, a word which is related to a defined word is construed by reference to the defined word.

**Supplementary and ancillary provisions**

11.8 For the purposes of this *IPRU (INS)*:

(a) a *contract of insurance* is to be treated as falling within **Annex 11.1**, notwithstanding the fact that that it contains supplementary provisions falling within *class* 1 or *class* 2 of **Annex 11.2** if:

(i) its principal object is that of a contract falling within **Annex 11.1**, and

(ii) it is effected or carried out by an *insurer* who has permission to effect or carry out contracts falling within *class I* of **Annex 11.1**; and

(b) a *contract of insurance* whose principal risk falls within any of *classes* 1 to 18 of **Annex 11.2** is to be treated as falling within that *class* and no other, notwithstanding the fact that it also covers *ancillary risks*.

**ANNEX 11.1**

**CLASSES OF LONG-TERM INSURANCE BUSINESS**

| Number | Description | Nature of business |
|---|---|---|
| I | Life and annuity | Effecting or carrying out *contracts of insurance* on human life or contracts to pay *annuities on human life*, but excluding (in each case) contracts within *class* III. |
| II | Marriage and birth | Marriage or the formation of a civil partnership and birth: Effecting or carrying out *contracts of insurance* to provide a sum on marriage or the formation of a civil partnership or on the birth of a child, being contracts expressed to be in effect for a period of more |
| III | Linked long term | Effecting or carrying out *contracts of insurance* on human life or contracts to pay *annuities on human life* where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contracts) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified). |
| IV | Permanent health | Effecting or carrying out *contracts of insurance* providing specified benefits against risks of persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of sickness or infirmity, being contracts that -<br><br>(a) are expressed to be in effect for a period of not less than five years, or until the normal retirement age for the persons concerned, or without limit of time; and<br><br>(b) either are not expressed to be terminable by the insurer, or are expressed to be so terminable only in special circumstances mentioned in the contract. |
| V | Tontines | Effecting or carrying out tontines. |

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|---|---|---|
| VI | Capital redemption | Effecting or carrying out capital redemption contracts. |
| VII | Pension fund management | Effecting or carrying out-<br><br>(a) *pension fund management contracts*; or<br><br>(b) contracts of the kind mentioned in (a) that are combined with *contracts of insurance* covering either conservation of capital or payment of a minimum interest. |
| VIII | Collective insurance etc | Effecting or carrying out contracts of a kind referred to in Article 1(2)(e) of the *First Life Directive*. |
| IX | Social insurance | Effecting or carrying out contracts of a kind referred to in Article 1(3) of the *First Life Directive*. |

**ANNEX 11.2**

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

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**Part I**
**Classes of general insurance business**

| **Number** | **Description** | **Nature of business** |
|---|---|---|
| 1 | Accident | Effecting or carrying out *contracts of insurance* providing fixed pecuniary benefits or benefits in the nature of indemnity (or a combination of both) against risks of the person insured or, in the case of a contract made by virtue of section 140, 140A or 140B of the Local Government Act 1972, a person for whose benefit the contract is made -<br><br>(a) sustaining injury as the result of an accident or of an accident of a specified class, or<br><br>(b) dying as the result of an accident or of an accident of a specified class, or<br><br>(c) becoming incapacitated in consequence of disease or of disease of a specified class,<br><br>inclusive of contracts relating to industrial injury and occupational disease but exclusive of contracts falling within *class* 2 or within *class* IV in **Annex 11.1**. |
| 2 | Sickness | Effecting or carrying out *contracts of insurance* providing fixed pecuniary benefits or benefits in the nature of indemnity (or a combination of the two) against risks of loss to the persons insured attributable to sickness or infirmity, but exclusive of contracts falling within *class* IV in **Annex 11.1**. |
| 3 | Land vehicles | Effecting or carrying out *contracts of insurance* against loss of or damage to vehicles used on land, including motor vehicles but excluding railway rolling stock. |
| 4 | Railway rolling | Effecting or carrying out *contracts of insurance* stock against loss of or damage to railway rolling stock. |
| 5 | Aircraft | Effecting or carrying out *contracts of insurance* upon aircraft or upon the machinery, tackle, furniture or equipment of aircraft. |

| | | |
|---|---|---|
| 6 | Ships | Effecting or carrying out *contracts of insurance* upon vessels used on the sea or on inland water, or upon the machinery, tackle, furniture or equipment of such vessels. |
| 7 | Goods in transit | Effecting or carrying out *contracts of insurance* against loss of or damage to merchandise, baggage and all other goods in transit, irrespective of the form of transport. |
| 8 | Fire and natural forces | Effecting or carrying out *contracts of insurance* against loss of or damage to property (other than property to which *classes* 3 to 7 above relate) due to fire, explosion, storm, natural forces other than storm, nuclear energy or land subsidence. |
| 9 | Damage to property | Effecting or carrying out *contracts of insurance* against loss of or damage to property (other than property to which *classes* 3 to 7 above relate) due to hail or frost or to any event (such as theft) other than those mentioned in *class* 8 above. |
| 10 | Motor vehicle liability | Effecting or carrying out *contracts of insurance* against damage arising out of or in connection with the use of motor vehicles on land including third-party risks and carrier's liability. |
| 11 | Aircraft liability | Effecting or carrying out *contracts of insurance* against damage arising out of or in connection with the use of aircraft, including third-party risks and carrier's liability. |
| 12 | Liability for ships | Effecting or carrying out *contracts of insurance* against damage arising out of or in connection with the use of vessels on the sea or on inland water, including third-party risks and carrier's liability. |
| 13 | General liability | Effecting or carrying out *contracts of insurance* against risks of the persons insured incurring liabilities to third parties, the risks in question not being risks to which *class* 10, 11 or 12 above relates. |
| 14 | Credit | Effecting or carrying out *contracts of insurance* against risks of loss to the persons insured arising from the insolvency of debtors of theirs or from the failure (otherwise than through insolvency) of debtors of theirs to pay their debts when due. |

| | | |
|---|---|---|
| 15 | Suretyship | Effecting or carrying out–<br><br>(a) *contracts of insurance* against risks of loss to the persons insured arising from their having to perform contracts of guarantee entered into by them;<br><br>(b) contracts for fidelity bonds, performance bonds, administration bonds, bail bonds or customs bonds or similar contracts of guarantee. |
| 16 | Miscellaneous financial loss | Effecting or carrying out *contracts of insurance* against any of the following risks, namely –<br><br>(a) risks of loss to the persons insured attributable to interruptions of the carrying on of business carried on by them or to reduction of the scope of business so carried on;<br><br>(b) risks of loss to the persons insured attributable to their incurring unforeseen expense (other than loss such as is covered by contracts falling within *class* 18);<br><br>(c) risks neither falling within (a) or (b) nor being of a kind such that the carrying on of the business of effecting or carrying *out contracts of insurance* against them constitutes the carrying on of *insurance business* of some other class. |
| 17 | Legal expenses | Effecting or carrying out *contracts of insurance* against risks of loss to the persons insured attributable to their incurring legal expenses (including costs of litigation). |
| 18 | Assistance | Effecting or carrying out *contracts of insurance* providing either or both of the following benefits, namely –<br><br>(a) assistance (whether in cash or in kind) for persons who get into difficulties while travelling, while away from home or while away from their permanent residence, or<br><br>(b) assistance (whether in cash or in kind) for persons who get into difficulties otherwise than as mentioned in paragraph (a) above. |

**Part II**
**Groups of classes of general insurance business**

| Number | Description | Nature of business |
|---|---|---|
| 1 | Accident and health | *Classes* 1 and 2. |
| 2 | Motor | *Class* 1 (to the extent that the relevant risks are risks of the person insured sustaining injury, or dying, as the result of travelling as a passenger) and *classes* 3, 7 and 10. |
| 3 | Marine and transport | *Class* 1 (to the said extent) and *classes* 4, 6, 7 and 12. |
| 4 | Aviation | *Class* 1 (to the said extent) and *classes* 5, 7 and 11. |
| 5 | Fire and other damage to property | *Classes* 8 and 9. |
| 6 | Liability | *Classes* 10, 11, 12 and 13. |
| 7 | Credit and suretyship | *Classes* 14 and 15. |
| 8 | General | All *classes.* |

**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**

| **Categ-ory Num-ber** | **FSA general insurance business reporting category** | **Map to classes of business in Annex A of 73/239/EEC** |
|---|---|---|
| 001 | **Total Business** (*category numbers* 002 and 003 combined). | N/A |
| 002 | **Total Primary (Direct) and Facultative Business** (*category numbers* 110, 120, 160, 180, 220, 260, 270, 280, 330, 340, 350 and 400 combined). | N/A |
| 003 | **Total Treaty Reinsurance Accepted Business** (*category numbers* 500, 600 and 700 combined). | N/A |
| | | |
| | **PRIMARY (DIRECT) AND FACULTATIVE PERSONAL LINES BUSINESS** | |
| 110 | **Total primary (direct) and facultative accident & health** (*category numbers* 111 to 114 combined). | |
| 111 | **Medical expenses**<br>*Contracts of insurance* (other than treaty reinsurance contracts) providing benefits in the nature of indemnity, with or without limit, against risks of loss to the persons insured attributable to their incurring the cost of medical treatment for sickness or infirmity or injuries sustained. | 1,2 |
| 112 | **HealthCare cash plan**<br>*Contracts of insurance* (other than treaty reinsurance contracts) providing fixed pecuniary benefits against risks of the persons insured requiring health care for sickness, infirmity or injuries sustained. | 2 |
| 113 | **Travel**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against a combination of risks of loss to the persons insured attributable to their travelling, or to their making of travel arrangements, and which fall within *classes* 1, 2, 8, 9, 17 or 18 and do not fall within *category number* 160 (Household and domestic all risks). | 1,2,8,9,17,18 |
| 114 | **Personal accident or sickness**<br>*Contracts of insurance* (other than treaty reinsurance contracts) which fall within *classes* 1 or 2 and which do not fall within *category numbers*111 (Medical expenses), 112 (HealthCare cash plans), 113 (Travel), 114(p), 182 (Creditor). | 1,2 |
| 114(p) | **Personal accident as a result of insured travelling as a passenger**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against risks of death of, or injury to, passengers which the insurer elects to allocate to *category numbers* 121 to | 1 |

| | | |
|---|---|---|
| | 123, 221 to 223, 331 to 333 or 341 to 347, notwithstanding that they would also fall within the definition of *category number* 114. | |
| | | |
| | | |
| 120 | **Total primary (direct) and facultative personal motor business**<br>(*category numbers* 121 to 123 combined). | 3,10 |
| 121 | **Private motor comprehensive**<br>***Contracts of insurance*** (other than treaty reinsurance contracts) against loss of, or damage to, motor vehicles used on land and against the risks of the persons insured incurring liabilities to third parties arising out of or in connection with the use of motor vehicles on land, where the motor vehicle has more than two wheels and is not a motorcycle with side-car and:<br><br>(a) the primary purpose of each vehicle insured on the contract is to transport nine or fewer non-fare paying persons and each motor vehicle insured on the contract is individually rated;<br><br>(b) the primary purpose of each vehicle insured on the contract is to transport nine or fewer non-fare paying persons, the persons insured are not a body corporate or partnership, and the number of vehicles insured on the contract is three or less; or<br><br>(c) the primary purpose of each vehicle insured on the contract is to transport ten or more non-fare paying persons, the persons insured are not a body corporate or partnership and each motor vehicle insured on the contract is individually rated.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 3,10 |
| 122 | **Private motor non-comprehensive**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against the risks of the persons insured incurring liabilities to third parties arising out of or in connection with the use of motor vehicles on land or against loss of or damage to motor vehicles used on land arising only from fire of theft, where the motor vehicle has more than two wheels and is not a motorcycle with side-car and:<br><br>(a) the primary purpose of each vehicle insured on the contract is to transport nine or fewer non-fare paying persons and each motor vehicle insured in the contract is individually rated;<br><br>(b) the primary purpose of each vehicle insured on the contract is to transport nine or fewer non-fare paying persons, the persons insured are not a body corporate or partnership, and the number of vehicles insured on the contract is three or less; or<br><br>(c) the primary purpose of each vehicle insured on the contract is to transport ten or more non-fare paying persons and the persons insured are not a body corporate or partnership and each motor vehicle insured on the contract is individually rated.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 3,10 |

| | | |
|---|---|---|
| 123 | **Motor cycle**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of or damage to two-wheeled motor vehicles or motor cycles with a side care used on land and or against the risks of the persons insured incurring liabilities to third parties arising out of or in connection with the use of such vehicles on land.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number*114(p) which the insurer elects to allocate to this category. | 3,10 |
| | | |
| | | |
| 160 | **Primary (direct) and facultative household and domestic all risks.**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of or damage to any of:<br>(a) structure of domestic properties,<br>(b) contents of domestic properties, or<br>(c) contents of domestic properties and personal items.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of or damage to structure of domestic properties and against risks to the persons insured incurring liabilities to third parties arising out of injuries sustained within the boundary of a domestic property. | 8,9 |
| | | |
| 180 | **Total primary (direct) and facultative personal lines financial loss business**<br>(*category numbers* 181 to 187 combined). | |
| 181 | **Assistance**<br>*Contracts of insurance* (other than treaty reinsurance contracts) which:<br>(a) fall within *class* 18 (such as contracts relating to vehicle assistance, household assistance and legal expense helpline); and<br>(b) do not fall within *category number*113 (Travel). | 18 |
| 182 | **Creditor**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against the risk that the persons insured sustain injury, suffer sickness or infirmity, suffer loss of income due to causes that may or may not be specified in the contract, where the benefits payable under the contract relate to loans, credit card balances or other debts and the contract does not fall within *category number* 185 (Mortgage indemnity). | 12,16 |
| 183 | **Extended warranty**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against the risks of loss to the persons insured attributable to failure of a product, where the purpose of the contract is to put the persons insured in the position as if the manufacturer's or vendor's warranty on the product is extended for a period of time or is extended in scope. | 16 |
| 184 | **Legal expenses**<br>*Contracts of insurance* (other than treaty reinsurance contacts) against the risks of loss to the persons insured attributable to their incurring legal expenses including cost of litigation that do not fall within *category number* 120. | 17 |
| 185 | **Mortgage indemnity**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against risks of loss to the persons insured arising from the failure of debtors of theirs to pay debts relating to the purchase of a property when due and the persons insured being unable to recover the | 14 |

| | | |
|---|---|---|
| | full amount of any outstanding debt by selling the property concerned. | |
| 186 | **Pet insurance**<br>*Contracts of insurance* (other than treaty reinsurance) against risk of loss to the person insured attributable to sickness of or accidents to domestic pets. | 16 |
| 187 | **Other personal financial loss**<br>*Contracts of insurance* (other that treaty reinsurance) against risk of loss to the person insured attributable to:<br>(a) loss, breakdown or reduction in value of a personal item that attach to the purchase of that item, or<br>(b) to an event not taking place as intended<br>where the persons insured are not a body corporate or partnership and the *contracts of insurance* do not fall within *category numbers* 113, 160 or 181 to 186. | |
| | | |
| | **PRIMARY (DIRECT) and FACULTATIVE COMMERCIAL LINES BUSINESS** | |
| 220 | **Total primary (direct) and facultative commercial motor business**<br>*(category numbers* 221 to 223 combined). | 3,10 |
| 221 | **Fleets**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of, or damage to, motor vehicles used on land and / or against the risks of the persons insured incurring liabilities to third parties arising out of or in connection with the use of motor vehicles on land, where the motor vehicle has more than two wheels and is not a motorcycle with side-car and:<br><br>(a) the primary purpose of the vehicle insured on the contract is to transport non-fare paying persons;<br><br>(b) the motor vehicles insured on the contract are not individually rated (that is, the premium charged is for the contract as a whole and either the firm does not disclose or record for internal management purposes a separate premium for each vehicle insured on the contract, or the premium for the contract is not necessarily the same as the sum of the premiums that would have been charged had the firm insured the vehicles under a private motor policy); and<br><br>(c) the contract does not fall within *category numbers* 121 (private motor comprehensive) or 122 (private motor non-comprehensive).<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number*114(p) which the insurer elects to allocate to this category. | 3,10 |
| 222 | **Commercial vehicles (non-fleet)**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of, or damage to, motor vehicles used on land and / or against the risks of the persons insured incurring liabilities to third parties arising out of or in connection with the use of motor vehicles on land, where:<br>(a) the persons insured are a body corporate or partnership; and<br>(b) the primary purpose of the vehicles insured on the contract is to transport ten or more persons, to transport goods or for construction.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 3,10 |

| | | |
|---|---|---|
| 223 | **Motor other**<br>*Contracts of insurance* (other than treaty reinsurance contracts) which:<br>(a) fall within *classes* 3 or 10; and<br>(b) do not fall within *category numbers* 120, 221 or 222.<br><br>This category includes *contracts of insurance* relating to motor trade and taxis.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 3,10 |
| | | |
| 260 | **Total primary (direct) and facultative commercial lines property business** (*category numbers* 261 to 263 combined). | N/A |
| 261 | **Commercial property (including livestock and crops but excluding energy)**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against:<br>(a) loss of or damage to commercial property; or<br>(b) loss of or damage to commercial property and risks that fall within the definition of *category number* 262 (consequential loss), where the premium for the contract is rated on a single package basis and no separately identifiable premium for either the property loss or the consequential loss is charged or recorded for internal management purposes.<br><br>This category does not include *contracts of insurance* that fall within *category number* 160 (Household), 263 (Contractors or engineering all risks), 274 (Mixed commercial package) or 343 (Energy). | 4,8,9 |
| 262 | **Consequential loss (i.e. business interruption)**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against risks of loss to the persons insured attributable to interruptions of the business carried on by them, or to the reduction of the scope of the business so carried out, which result from perils insured against or other events (whether or not specified n the contract).<br><br>This category does not include *contracts of insurance* that fall within *category numbers* 261 (Commercial property) or 343 (Energy). | 16 |
| 263 | **Contractors or engineering all risks**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of or damage to property or equipment, or against the risks of the persons insured incurring liabilities to third parties, which arise from, or are attributable to:<br>(a) materials and works in progress during construction,<br>(b) extension or renovation work,<br>(c) temporary sites,<br>(d) breakdown or malfunction of or damage to plant and machinery,<br>(e) use of equipment hired or owned by the persons insured, or<br>(f) similar types of activities.<br><br>This category excludes *contracts of insurance* that fall within *category number* 274 (Mixed commercial package). | 8,9,13 |
| | | |

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|---|---|---|
| 270 | **Total primary (direct) and facultative commercial lines liability business** (*category numbers* 271 to 274 combined). | N/A |
| 271 | **Employers liability (including the employers liability part of mixed liability packages but excluding mixed commercial packages)**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against the risks of the persons insured incurring liabilities to their employees for injury, illness or death arising out of their employment during the course of business.<br><br>This category excludes *contracts of insurance* that fall within *category number* 274 (Mixed commercial package). | 13 |
| 272 | **Professional indemnity (including directors' and officers' liability and errors and omissions liability)**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against the risks of the persons insured incurring liabilities to third parties arising from wrongful acts (such as breach of duty, breach of trust, negligence, error or omissions) by professionals, named individuals or businesses occurring in the course of the insured's professional activities. | 13 |
| 273 | **Public and products liability**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against the risks of the persons insured incurring liabilities to third parties for damage to property, injury, illness or death, arising in the course of the insured's business, that do not fall within *category numbers* 120 (Personal motor), 160 (Household and domestic all risks), 271 (Employers liability), 272 (Professional indemnity) or 274 (Mixed commercial package). | 13 |
| 274 | **Mixed commercial package**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against more than one of:<br>(a) loss or damage to property;<br>(b) risks to the persons insured incurring liabilities to third parties;<br>(c) risks of loss to the persons insured arising from the failure of debtors of theirs to pay their debts when due;<br>(d) risks of loss to the persons insured attributable to interruptions of business carried on by them;<br>(e) risks of loss to the persons insured attributable to their incurring unforeseen expenses; or<br>(f) any other risk of loss to a commercial operation;<br>where the risks and losses covered in the contract are rated on a single package basis and no separately identifiable premium is charged or recorded for internal management purposes for any one group of risks or losses specified in the contract.<br><br>This category excludes *contracts of insurance* that fall within *category numbers* 261 (Commercial property) or 343 (Energy). | 8,9,13,14,16, 17 |
| | | |
| 280 | **Total primary (direct) and facultative commercial lines financial loss business** (*category numbers* 281 to 284 combined). | |
| 281 | **Fidelity and contract guarantee**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against risks of loss to the persons insured arising from the theft or misappropriations of money or goods by | 16 |

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| | employees, or attributable to failure to complete a contract on time. | |
| 282 | **Credit**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against risks of loss to the persons insured arising from the insolvency of debtors of theirs or from the failure (otherwise than through insolvency) of debtors of theirs to pay their debts when due, and which do not fall within *category number* 185 (Mortgage indemnity). | 14 |
| 283 | **Suretyship**<br>*Contracts of insurance* (other than treaty reinsurance contracts) which fall within *class* 15. | 15 |
| 284 | **Commercial contingency**<br>*Contracts of insurance* (other than treaty reinsurance) against risk of loss to the person insured attributable to an event not taking place as intended where the persons insured are a body corporate or partnership. | 16 |
| | | |
| | **PRIMARY (DIRECT) and FACULTATIVE AVIATION, MARINE AND TRANSPORT** | |
| 330 | **Total primary (direct) and facultative aviation business** (*category number* 331 to 333 combined). | N/A |
| 331 | **Aviation liability (including liability part of airline packages)**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against:<br>(a) damage arising out of, or in connection with, the use of aircraft; or<br>(b) the risks of the persons insured incurring liabilities to third parties, or carrier's liabilities, arising out of, or in connection with, the use of aircraft.<br><br>This category excludes contracts that fall within *category numbers* 332 (Aviation hull) or 333 (Space and satellite) and risks relating to use of hovercraft.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 11 |
| 332 | **Aviation hull (including hull part of airline packages)**<br>*Contracts of insurance* (other than treaty reinsurance contracts) loss of or damage to aircraft, or the machinery, tackle, furniture or equipment of aircraft.<br><br>This category excludes contracts that fall within *category number* 333 (Space and satellite) and risks relating to use of hovercraft.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 5 |

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| 333 | **Space and satellite**<br>*Contracts of insurance* (other than treaty reinsurance contracts) upon satellites, aircraft or the machinery, tackle, furniture or equipment of satellites or aircraft.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) against:<br><br>(a) damage arising out of or in connection with the use of satellites or aircraft; or<br><br>(b) the risks of the persons insured incurring liabilities to third parties arising out of or in connection with the use of satellites or aircraft;<br><br>where any aircraft insured in the contract is intended to transport satellites or to travel to, or be transported to, beyond the earth's atmosphere.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 5,11 |
| | | |
| 340 | **Total primary (direct) and facultative marine business** (*category numbers* 341 to 347 combined). | N/A |
| 341 | **Marine liability**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against damage or against the risks of the persons insured incurring liabilities to third parties or carrier's liabilities, arising out of or in connection with the use of vessels on the sea or on inland water (including hovercraft), and which do not fall within *category numbers* 342 (Marine hull) or 347 (Yacht).<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 12 |
| 342 | **Marine hull**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of or damage to vessels on the sea or on inland water (including hovercraft), or upon the machinery, tackle, furniture or equipment of such vessels, which do not fall within *category numbers* 346 (War risks) or 347 (Yacht).<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 6 |
| 343 | **Energy (on and off-shore)**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of or damage to property, or against the risks of the persons insured incurring liabilities to third parties, or against risks of loss to the persons insured attributable to interruptions of business carried on by them, arising from the undertaking of energy operations on both land and sea.<br><br>*Contracts of insurance* other than treaty reinsurance that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 6,8,9,12,13 |
| 344 | **Protection and indemnity**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against the risks of the persons insured incurring liabilities to third parties for damage to property, injury, | 12 |

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| | illness or death on board vessels on the sea or inland water or at locations associated with the operation of such vessels such as docks, arising from the negligence of the owner of or individuals responsible for the vessels.<br><br>*Contracts of insurance* other than treaty reinsurance that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | |
| 345 | **Freight demurrage and defence**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against the risks of loss to the persons insured attributable to their incurring legal expenses (including costs of litigation) arising from loss of or damage to goods during a period of transit that included, or was due to include, transport of the goods via sea or inland water.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 17 |
| 346 | **War risks**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of or damage to property or mass transportation vehicles arising from war, civil war, revolution, rebellion, insurrection or hostile act by a belligerent power.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 6 |
| 347 | **Yacht**<br>*Contracts of insurance* (other than treaty reinsurance contracts) upon vessels on the sea or on inland water.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) against:<br>(a) damage arising out of or in connection with the use of vessels on the sea or on inland water, or upon the machinery, tackle, furniture or equipment of such vessels; or<br>(b) the risks of the persons insured incurring liabilities to third parties, arising out of or in connection with the use of vessels on the sea or on inland water;<br>where the vessels insured in the contract are not used for transporting goods or fare-paying passengers.<br><br>*Contracts of insurance* (other than treaty reinsurance contracts) that fall within the definition of *category number* 114(p) which the insurer elects to allocate to this category. | 6,12 |
| | | |
| 350 | **Primary (direct) and facultative goods in transit**<br>*Contracts of insurance* (other than treaty reinsurance contracts) against loss of, or damage to, merchandise, baggage and all other goods in transit, irrespective of the form of transport. | 7 |
| | | |
| 400 | **Miscellaneous primary (direct) and facultative business**<br>*Contracts of insurance* (other than treaty reinsurance contracts) that, in the reasonable opinion of the *insurer's governing body*, do not fall within *category numbers* 110 to 350 or may mislead users of the return if allocated to one of *category numbers* 110 to 350. | N/A |

| | | |
|---|---|---|
| | **NON-PROPORTIONAL REINSURANCE TREATY BUSINESS** | |
| 500 | **Total Non-Proportional Reinsurance Treaty Business accepted** *(category numbers* 510 to 590 combined). | N/A |
| 510 | **Non-proportional accident & health** *Contracts of insurance,* effected or carried out under *non-proportional reinsurance treaties* or proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 1 or 2, and do not fall within *category numbers* 590 or 710(p). | 1,2 |
| 520 | **Non-proportional motor** *Contracts of insurance,* effected or carried out under *non-proportional reinsurance treaties* or proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 3 or 10, or *category number* 710(p), and do not fall within *category number* 590. | 3,10 |
| 530 | **Non-proportional aviation** *Contracts of insurance*, effected or carried out under *non-proportional reinsurance treaties* or proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 5 or 11, or *category number* 710(p), and do not fall within *category number* 590. | 5,11 |
| 540 | **Non-proportional marine** *Contracts of insurance*, effected or carried out under *non-proportional reinsurance treaties* or proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 6 or 12, or *category number* 710 (p), and do not fall within *category number* 590. | 6,12 |
| 550 | **Non-proportional transport** *Contracts of insurance*, effected or carried out under *non-proportional reinsurance treaties* or proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *class* 7, and do not fall within *category number* 590. | 7 |
| 560 | **Non-proportional property** *Contracts of insurance*, effected or carried out under *non-proportional reinsurance treaties* or proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 8 or 9, and do not fall within *category number* 590. | 4,8,9 |
| 570 | **Non-proportional liability (non-motor)** *Contracts of insurance,* effected or carried out under n*on-proportional reinsurance treaties* or proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *class* 13, and do not fall within *category numbers* 520, 530, 540 or 590. | 13 |
| 580 | **Non-proportional financial lines** *Contracts of insurance*, effected or carried out under *non-proportional reinsurance treaties* or proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 14, 15, 16, 17 or 18, and do not fall within *category number* 590. | 14,15,16,17, 18 |
| 590 | **Non-proportional aggregate cover** *Contracts of insurance*, effected or carried out under *non-proportional reinsurance Treaties* or proportional retrocession of *non-proportional treaty reinsurance* business, | 1 to 18 |

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| | which will fall within more than one of *category numbers* 510 to 580, where no one of these categories accounts for more than 90% of the exposure on the contract. | |
| | **PROPORTIONAL REINSURANCE TREATY BUSINESS** | |
| 600 | **Total Proportional Reinsurance Treaty Business accepted** (*category numbers* 610 to 690 combined). | N/A |
| 610 | **Proportional accident & health**<br>*Contracts of insurance*, effected or carried out under *proportional reinsurance treaties* other than proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 1 or 2 and do not fall within *category numbers* 690 or 710 (p). | 1,2 |
| 620 | **Proportional motor**<br>*Contracts of insurance* effected or carried out under *proportional reinsurance treaties* other than proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 3 or 10, or *category number* 710(p) and do not fall within *category number* 690. | 3,10 |
| 630 | **Proportional aviation**<br>*Contracts of insurance*, effected or carried out under *proportional reinsurance treaties* other than proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 5 or 11, or *category number* 710(p) and do not fall within *category number* 690. | 5,11 |
| 640 | **Proportional marine**<br>*Contracts of insurance*, effected or carried out under *proportional reinsurance treaties* other than proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 6 or 12, or *category number* 710(p) and do not fall within *category number* 690. | 6,12 |
| 650 | **Proportional transport**<br>*Contracts of insurance*, effected or carried out under *proportional reinsurance treaties* other than proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *class* 7 and do not fall within *category number* 690. | 7 |
| 660 | **Proportional property**<br>*Contracts of insurance*, effected or carried out under *proportional reinsurance treaties* other than proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 8 or 9 and do not fall within *category number* 690. | 4,8,9 |
| 670 | **Proportional liability (excluding motor)**<br>*Contracts of insurance*, effected or carried out under *proportional reinsurance treaties* other than proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *class* 13 and do not fall within *category numbers* 620, 630, 640 or 690. | 13 |
| 680 | **Proportional financial lines**<br>*Contracts of insurance*, effected or carried out under *proportional reinsurance treaties* other than proportional retrocession of *non-proportional treaty reinsurance* business, which fall within *classes* 14, 15, 16, 17, or 18 and do not fall within *category number* 690. | 14,15,16,17, 18 |
| 690 | **Proportional aggregate cover (i.e. more than one of the above)**<br>*Contracts of insurance*, effected or carried out under *proportional reinsurance treaties* other than proportional retrocession of *non-proportional treaty reinsurance* business, which fall within more than one of the *category numbers* 610 to 680, where no one of these categories accounts for more than 90% of the exposure on the contract. | 1 to 18 |

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| | | |
| 700 | **Miscellaneous treaty reinsurance accepted business**<br>*Contracts of insurance* effected or carried out under *reinsurance treaties* that, in the reasonable opinion of the *insurer's governing body*, do not fall within *category numbers* 500 or 600 or may mislead users of the *return* if allocated to one of these categories. | N/A |
| 710(p) | **Treaty reinsurance passenger accident**<br>*Contracts of insurance* effected or carried out under *reinsurance treaties* against risks of death of, or injury to, passengers which the insurer elects to allocate to *category numbers* 520, 530, 540, 590, 620, 630, 640 or 690 notwithstanding that they would also fall within the definition of *category numbers* 510 or 610. | |

**Part II**

**Groups of categories of *general insurance business* to which categories in Part I are to be allocated for the purpose of reporting in the *return***

| **Categ-ory Num-ber** | **FSA general insurance business reporting category** | **Map to classifications in Annex A of 73/239/EEC** |
|---|---|---|
| 409 | **Balance of all primary (direct) and facultative business**<br>All *direct and facultative insurance business* reported in a **Form 20** to **25** under *category number* 002 that is not also reported in the same Form under *category numbers* 110, 120, 160, 180, 220, 260, 270, 280, 330, 340, 350, and 400. | N/A |
| 709 | **Balance of all treaty reinsurance accepted business**<br>All *treaty reinsurance business* reported in a **Form 20** to **25** under *category number* 003 that is not also reported in the same Form under *category numbers* 500, 600 and 700. | N/A |

**Chapter 12**

**TRANSITIONAL ARRANGEMENTS**

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**Reporting of information relating to financial years prior to the financial year ending on or after 31 December 2005**

12.1 (1) An *insurer* that is required to report the information in (2) in respect of any *financial year* ending on or after 31 December 2005, may report that information as set out in (3).

(2) The information in (1) is information that is required to be inserted in-

(a) column 1 to 3 or 11 and rows relating to accident years prior to 1995 of **Forms 23, 26** or **27**;

(b) column 1,3 or 10 and rows relating to accident years prior to 1995 of **Forms 31** and **32**; or

(c) column 1 or 8 and rows relating to underwriting years prior to 1995 of **Form 34**.

(3) Information relating to-

(a) aggregate treaty business falling within the definition of *category number* 590 or 690, may be reported in *category numbers* 510 to 580 or 610 to 680;

(b) commercial package business falling within the definition of *category number* 274 business, may be reported in *category numbers* 261, 271 or 273;

(c) business that was reported under a single risk group or business category in the *return* for the *financial year* immediately preceding the first *financial year* that ended on or after 31 December 2005, may be reported in a single *risk category* if and 90% or more of the claim liabilities reported under the risk group or business category fall into that single *risk category*;

(d) any business covering risks relating to hovercraft which was classified under the heading 'Aviation' in the *return* for the *financial year* immediately preceding the first *financial year* that ended that ends on or after 31 December 2005, may be reported in any of *category numbers* 331 to 333 (aviation);

(e) any business covering liability for loss of, or damage to, goods in transit which was classified under the heading 'Transport' in the *return* for the *financial year* immediately preceding the first *financial year* that ended on or after 31 December 2005, may be reported in *category number* 350 (transport);

(f) any business which was classified under the heading 'Accident and Health' in the *return* for the *financial year* immediately preceding the first *financial year* that ended on or after 31 December 2005, and which would otherwise be allocated to *category number* 114(p), may be reported in *category number* 114;

(g) any business which was classified under the heading 'Marine, Aviation or Transport Treaty' in the *return* for the *financial year* immediately preceding the first *financial year* that ended on or after 31 December 2005, and which would otherwise be allocated to *category number* 550 or 650, may be reported in *category numbers* 530, 540, 630 or 640; and

(h) any business which was classified under the heading '*accounting class* 11' in the *return* for the *financial year* immediately preceding the first *financial year* that ended on or after 31 December 2005, may be reported in *category number* 510 to 590 (non-proportional treaty reinsurance).

**Reporting of historical information relating to Forms 26, 27, 28, 29, 31, 32 and 34**

12.2 (1) An *insurer* that is required by rule 9.17 or 9.19 to prepare any of **Forms 26, 27, 28, 29, 31, 32** or **34** in respect of the first *financial year* ending on or after 31 December 2005 must send to the *FSA* the additional information in (2).

(2) The additional information in (1)-

(a) is historical development data in respect of business reported on each relevant Form;

(b) must be prepared as set out in (3) to (8);

(c) must be submitted in the format of the **2005 Return Transitional Tables A, B, C and D** in the form laid out in rule 12.4;

(d) must be submitted as a computer spreadsheet file that can be accessed by Microsoft Excel; and

(e) must be submitted to *FSA* by electronic email or a CD-ROM disk, in either case at the same time as the *return* to which it relates.

(3) An *insurer* must prepare-

(a) **2005 Return Transitional Tables A** and **B in respect of each *required category*** for which it is required to prepare **Form 26, 27, 28, 29, 31, 32** or **34** except where the *required category* is *category number*400 or 700; and

(b) **2005 Transitional Table C** and **D** in respect of each *required category* for which it is required to prepare **Form 31**or **32** except where the *required category* is *category number* 400.

(4) An *insurer* must show years of origin in the first two columns of each Table where-

(a) a year of origin is a *financial year* and the columns contain the month and year, on the Gregorian calendar, in which that *financial year* ends;

(b) the month and year are to be in MM and YYYY date format, where MM is a two digit month of the year (between 01 and 12) and YYYY is a calendar year;

(c) years of origin are entered in sequence with the latest year of origin (i.e. the first *financial year* ended on or after 31 December 2005) in row 33;

(d) not report more than the 30 latest years of origin are reported;

(e) the years of origin reported on a Table are consistent with how the *insurer* has allocated claims to accident or underwriting years on the **Forms 27, 29, 31, 32** or **34**, as the case may be, on which the same business is reported.

(5) If an *insurer* is reporting business on a Table that is reported on a **Form 27, 31** or **32**, the year of origin must be an accident year and the entries along the rows of the Table must relate to claims that occurred in that origin year. If an *insurer* is reporting business on a Table that is reported on a **Form 29** or **34**, the year of origin must be an underwriting year and the entries along the rows of the Table must relate to claims arising from business written in that origin year.

(6) Historical development data must be prepared in the same currency as the Form that gave rise to the requirement to prepare the Table.

(7) In preparing any of the **2005 Return Transitional Tables A, B C** and **D**, an *insurer* must, subject to (9), complete-

(a) all entries relating to years of origin ending between 31/12/1996 and 30/12/2006 inclusive and all entries for the "prior years" row; and

(b) subject to the total number of years of origin reported on a Table being no more than 30, all entries relating to:

(i) years of origin ending between 23/12/1993 and 30/12/1996 inclusive for business in *category numbers* 610, 620, 650, 660 and 680.

(ii) years of origin ending between 31/12/1983 and 30/12/1996 inclusive for business in *category numbers* 510 to 580, 630, 640 and 670, and

(iii) years of origin ending prior to 31/12/1996 for business in *category numbers* 271 to 273;

(8) an *insurer* that does not maintain records of historical development data by a *required category* for which it is required to prepare any of **2005 Return Transitional Tables A, B, C** and **D**, may make a reasonable estimate of an entry required under (7) in the Table for that *required category*;

(9) an *insurer* may omit an entry required under (7) in a Table for a *required category* if-

(a) in the opinion of its *governing body*, the *insurer* does not have the information needed to complete, or make a reasonable estimate of, the entry;

(b) it does not use any data required for that entry when setting its provisions for claim liabilities for business in the *required category*; and

(c) it states in a supplementary note to the Table an explanation for the entry omitted.

(10) If for any year of origin the duration of any development year is not 12 months, an *insurer* must identify each such development year and state its duration in a supplementary note to the Tables (code TA02).

**Reconciliation of information reported in the return for the first financial year ended on or after 31 December 2005 to equivalent information reported in the previous return**

12.3 An *insurer* must carry out and send to the FSA, at the same time as it submits its *return* in respect of the first *financial year* ending on or after 31 December 2005, the following reconciliations-

(a) the sum of the amounts reported in column 1 plus column 3 on each **Form 27** in the *return* for the first *financial year* ended on or after 31 December 2005 to the sum of the amounts reported in the column 1 plus column 3 plus column 4 on each **Form 27** in the previous *return*;

(b) the amounts reported in the column headed 'Gross claims paid / In previous financial years' on each of **Forms 31, 32** and **34** in the *return* for the first *financial year* ended on or after 31 December 2005 to the sum of the amounts reported in the column headed 'Gross claims paid / In previous financial years' plus the amounts reported in the column headed 'Gross claims paid / In this financial year' on each **Forms 31, 32,** and **34** in the previous *return*;

(c) the amounts reported in the column headed 'Gross claims outstanding brought forward / Reported' on each of **Forms 27, 31, 32** and **34** in the *return* for the first *financial year* ended on or after 31 December 2005 to the amounts reported in the column headed 'Gross claims outstanding carried forward / Reported' on each of **Forms 27, 31, 32** and **34** in the previous *return*;

(d) the amounts reported in the line titled 'Technical provisions / Brought forward / Undiscounted' (line 51) on **Form 28** in the *return* for the first *financial year* ended on or after 31 December 2005 to the amounts reported in the line titled 'Technical provisions / Carried forward / Undiscounted' (line 53) on **Form 28** in the previous *return*;

(e) the amounts in the column headed 'Total number of claims settled at non-zero cost at end of the 2004 financial year' on each **Table D** to the amounts reported in the column headed 'Number of claims / Closed at some cost during this or previous financial years' (column 1) on each **Form 31** and **32** in the previous *return*.

**2005 return Transitional Tables A, B, C and D**

12.4 These tables belong to rule 12.2.

**Financial year ending on or after 31 December 2005**

12.5 The amendments to *IPRU(INS)* made by the interim Prudential Sourcebook for insurers (Regulatory Reporting) Instrument 2005 first apply to a *firm* with respect to its *financial year* ending on or after 31 December 2005.

**2005 Return Transitional Table A** **Development of gross incremental paid claims:**

| Risk category: | Category number: | Currency: | Reporting Territory: |
|---|---|---|---|

<u>Gross claims paid in each develoment year in respect of each year of origin</u>

On this Table "the 2005 financial year" means the first financial year ending on or after 31 December 2005

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [Year of origin] ended | | Year of development | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Total gross claims paid to end of the 2005 financial year | Total gross claims paid in the 2005 financial year |
| Month | Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | After the last reported year of development | | |
| prior years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | (see instruction 3) | | |
| | | Data for years of origin prior to 30/12/1983 is only required for *category numbers* 271 to 273 (see rule 12.2(7) and instruction 7) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Data for years of origin prior to 30/12/1983 are only required for *category numbers* 271 to 273 (see rule 12.2(7) and instruction 7). | |
| | | Data for years of origin between 31/12/1983 and 22/12/1993 inclusive only required for *category numbers* 271 to 273, 510 to 580, 630, 640 and 670 (see rule 12.2(7) and instruction 7) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Data for years of origin between 31/12/1983 and 22/12/1993 inclusive only required for *category numbers* 271 to 273, 510 to 580, 630, 640 and 670 (see rule 12.2(7) and instruction 7) | |
| | | Data for years of origin between 23/12/1993 and 30/12/1996 inclusive only required for *category numbers* 271 to 273, 510 to 580 and 610 to 680 (see rule 12.2(7) and instruction 7) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Data for years of origin between 23/12/1993 and 30/12/1996 inclusive only required for *category numbers* 271 to 273 and 510 to 580, 610 to 680 (see rule 12.2(7) and instruction 7). | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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**Instructions to Table A**

In these instructions "the 2005 *financial year*" means the first *financial year* ending on or after 31 December 2005.

Table A instruction 1

In the columns 1 and 2 year of origin is the *financial year* ending in the month and year shown.

Table A instruction 2

In the columns 1 and 2 the years of origin may be accident years or underwriting years.

In row 1 columns 1 and 2 replace "[year of origin]" with "accident year" if the business reported on the Table is reported on **Forms 26, 27, 31** or **32** or "underwriting year" if the business reported on the Table is reported on **Forms 28, 29** or **34**.

If the years of origin in columns 1 and 2 are accident years, the gross paid claims in each of the years of development 0 to 29 must be in respect of all claims in the *required category* that occurred in the year of origin.

If the years of origin in columns 1 and 2 are underwriting years, the gross paid claims in each of the years of development 0 to 29 must be in respect of all policies in the *required category* written in the year of origin.

Table A instruction 3

In row 3 column 33 the gross claims paid after the last reported year of development are gross claims paid in the 2005 *financial year* in respect of all the years of origin prior to the earliest year of origin for which historic data must be reported in the Table under rule 12.2(7).

Table A instruction 4

In column 34 the total gross claims paid to end of the 2005 *financial year* for a year of origin is the sum of all incremental payments for that year of origin and should equal:

| | |
|---|---|
| **Form 27** columns 1+3+4 for the row that matches that year of origin | for treaty, accident year; |
| **Form 31** or **32** columns 3+4 for the row that matches that year of origin | for direct & facultative, accident year; or |
| **Form 34** columns 1+2 for the row that matches that year of origin | for direct & facultative, underwriting year. |

Table A instruction 5

In column 35 the total gross claims paid in the 2005 *financial year* for a year of origin is equal to the final entry on each diagonal for that year of origin and should equal:

| | |
|---|---|
| **Form 27** column 4 for the row that matches that year of origin | for treaty, accident year; |
| **Form 28** line 21 for the row that matches that year of origin | for treaty, underwriting year; |
| **Form 31** or **32** column 4 for the row that matches that year of origin | for direct & facultative, accident year; or |
| **Form 34** column 2 for the row that matches that year of origin | for direct & facultative, underwriting year. |

Table A instruction 6

The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *risk category* relates.

The box marked "currency" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31.**

The box marked "reporting territory" must be completed by inserting the relevant 2 character code from the list in the Table in **Appendix 9.2 Paragraph 32.**

Table A instruction 7

The number of *financial years* required may differ from the number of rows against the relevant description where for instance the *insurer* has had *financial years* that are not 12 months.

**2005 Return Transitional Table B** **Development of gross cumulative incurred claims:**

| Risk category: | Category number: | Currency: | Reporting Territory: |
|---|---|---|---|

Gross incurred claims (cumulative paid claims plus reported outstanding claims) at the end of each development year in respect of each year of origin

On this Table "the 2005 financial year" means the first financial year ending on or after 31 December 2005

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [Year of origin] ended | | Year of development | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Total gross reported claims at end of the 2005 *financial year* = final entry of each diagonal | Total gross reported outstanding claims at end of the 2005 financial year |
| Month | Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | | |
| prior years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | (see in struction 3) |
| | | Data for years of origin prior to 30/12/1983 is only required for *category numbers* 271 to 273 (see rule 12.2(7) and instruction 6) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Data for years of origin prior to 30/12/1983 is only required for *category numbers* 271 to 273 (see rule 12.2(7) and instruction 6) | |
| | | Data for years of origin between 31/12/1983 and 22/12/1993 inclusive only required for *category numbers* 271 to 273, 510 to 580, 630, 640 and 670 (see rule 12.2(7) and instruction 6). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Data for years of origin between 31/12/1983 and 22/12/1993 inclusive only required for *category numbers* 271 to 273, 510 to 580, 630, 640 and 670 (see rule 12.2(7) and instruction 6). | |
| | | Data for years of origin between 23/12/1993 and 30/12/1996 inclusive only required for *category numbers* 271 to 273, 510 to 580 and 610 to 680 (see rule 12.2(7) and instruction 6). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Data for years of origin between 23/12/1993 and 30/12/1996 inclusive only required for *category numbers* 271 to 273 and 510 to 580 and 610 to 680 (see rule 12.2(7) and instruction 6). | |
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| All origin years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

**Instructions to Table B**
In these instructions "the 2005 *financial year*" means the first *financial year* ending on or after 31 December 2005.

Table B instruction 1
The year of origin is the *financial year* ending in the month and year shown.

Table B instruction 2
In columns 1 and 2 the years of origin may be accident years or underwriting years.
In row 1 columns 1 and 2 replace "[year of origin]" with "accident year" if the business reported on the Table is reported on **Forms 26, 27, 31** or **32** or "underwriting year" if the business reported on the Table is reported on **Forms 28, 29** or **34**.
If the years of origin in columns 1 and 2 are accident years, the gross incurred claims at the end of each of the years of development 0 to 29 must be in respect of all claims in the *required category* that occurred in the year of origin.
If the years of origin in columns 1 and 2 are underwriting years, the gross incurred claims at the end of each of the years of development 0 to 29 must be in respect of all policies in the *required category* written in the year of origin.

Table B instruction 3
In row 3 column 34, the gross reported outstanding claims for prior years of origin are the *insurer's* estimate of total gross reported outstanding claims at the end of the 2005 *financial year* in respect of all the years of origin prior to the earliest year of origin for which historic data must be reported in the Table under rule 12.2(7).

Table B instruction 4
In column 34 gross reported outstanding claims at end of the 2005 *financial year* for a year of origin should equal total gross reported claims at end of the 2005 *financial year* from column 33 of **Table B** less the total gross claims paid to the end of the 2005 *financial year* from column 34 of **Table A** and should also equal:

| | |
|---|---|
| **Form 27** column 5 for the row that matches that year of origin | for Treaty, accident year; |
| **Form 29** line 11 for the row that matches that year of origin | for Treaty, underwriting year; |
| **Form 31** or **Form 32** column 5 for the row that matches that year of origin | for direct & facultative, accident year; or |
| **Form 34** column 3 for the row that matches that year of origin | for direct & facultative, underwriting year. |

Table B instruction 5
The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *risk category* relates.
The box marked "currency" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.
The box marked "reporting territory" must be completed by inserting the relevant 2 character code from the list in the Table in **Appendix 9.2 Paragraph 32**.

Table B instruction 6
The number of *financial years* required may differ from the number of rows against the relevant description instance where the *insurer* has had *financial years* that are not 12 months.

**2005 Return Transitional Table C** **Development of incremental numbers of reported claims:**

| Risk category: | Category number: | Currency: | Reporting Territory: |
|---|---|---|---|

Number of claims reported in each development year in respect of each year of origin (including any claims ultimately settled at zero cost and excluding any re-opened claims)

On this Table, and the instructions to it, the phrase 'the 2005 financial year' means the first *financial year* ending on or after 31 December 2005

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [year of origin] ended | | Year of development | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Total number of claims reported to end of the 2005 *financial year* = sum of all number of claims reported in each development year for the year of origin |
| Month | Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | After the last reported year of development (see instruction 3) | |
| prior years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | | Data for years of origin prior to 31/12/1996 is only required for category numbers 271 to 273 (see rule 12.2(7) and instruction 5). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Data for years of oigin prior to 31/12/1996 is only required for *category numbers* 271 to 273 (see rule 12.2(7) and instruction 5). |
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**Instructions to Table C**

In these instructions "the 2005 *financial year*" means the first *financial year* ending on or after 31 December 2005.

<u>Table C instruction 1</u>

The year of origin is the *financial year* ending in the month and year shown.

<u>Table C instruction 2</u>

In columns 1 and 2 the years of origin are accident years.
In row 1 columns 1 and 2 replace "[year of origin]" with "accident year".
For each year of origin, the number of claims reported in each of the years of development 0 to 29 must be in respect of all claims in the *required category* that occurred in the year of origin.

<u>Table C instruction 3</u>

In row 3 column 33, the number of claims reported after the last year of development are all claims reported in the 2005 *financial year* in respect of all the years of origin prior to the earliest year of origin for which historic data must be reported in the Table under rule 12.2(7).

<u>Table C instruction 4</u>

The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *risk category* relates.
The box marked "currency" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.
The box marked "reporting territory" must be completed by inserting the relevant 2 character code from the list in the Table in **Appendix 9.2 Paragraph 32**.

<u>Table C instruction 5</u>

The number of *financial years* required may differ from the number of rows against the relevant description for instance where the *insurer* has had *financial years* that are not 12 months.

**2005 Return Transitional Table D** **Development of cumulative numbers of claims settled**

| Risk category: | Category number: | Currency: | Reporting Territory: |
|---|---|---|---|

Number of claims settled at non-zero cost excluding any claims re-opened and not yet re-closed at the end of each development year in respect of each year of origin

On this Table "the 2005 financial year" means the first financial year ending on or after 31 December 2005 and the "2004 financial year" means the financial year immediately preceding the 2005 financial year.

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | [year of origin] ended | | Year of development | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Total number of claims settled at non-zero cost at end of the 2005 financial year (= final entry of each diagonal) | Total number of reported outstanding claims as at end of the 2005 financial year | Total number of claims setteld at non-zero cost at end of the 2004 financial year (= second last entry of each diagonal) |
| 2 | Month | Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | | | |
| 3 | prior years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | see instruction 3 | |
| 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13 | | | Data for years of origin prior to 31/12/1996 is only required for *category numbers* 271 to 273 (see rule 12.2(7) and instruction 6) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Data for years of origin prior to 30/12/1996 are only required for *category numbers* 271 to 273 (see rule 12.2(7) and instruction 6) | | |
| 14 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 18 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 19 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 23 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 24 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 27 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 28 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 29 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 31 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 32 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 33 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 34 | All origin years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

**Instructions to Table D**
In these instructions "the 2005 *financial year*" means the first *financial year* ending on or after 31 December 2005.

Table D instruction 1
The year of origin is the *financial year* ending in the month and year shown.

Table D instruction 2
The year of origin is an accident year.
In row 1 columns 1 and 2 replace "[year of origin]" with "accident year".
For each year of origin, the number of claims settled at non-zero cost at the end of each of the development years 0 to 29 must be in respect of all claims in the *required category* that occurred in that year of origin.

Table D instruction 3
In row 3 column 34, the number of reported outstanding claims for prior years of origin is the number of reported outstanding claims at the end of the 2005 *financial year* in respect of all the years of origin prior to the earliest year of origin for which historic data must be reported in the Table under rule 12.2(7).

Table D instruction 4
Total number of claims settled at non-zero cost at end of the 2005 *financial year* for each year of origin should equal **Form 31**or **Form 32** column 1.

Table D instruction 5
The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *risk category* relates.
The box marked "currency" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.
The box marked "reporting territory" must be completed by inserting the relevant 2 character code from the list in the Table in **Appendix 9.2 Paragraph 32**.

Table D instruction 6
The number of *financial years* required may differ from the number of rows against the relevant description for instance where the *insurer* has had *financial years* that are not 12 months.

Table D instruction 7
Claims settled at non-zero cost in column 35 are the figures for which the reconciliation is required in rule 12.3(e).

**Pure reinsurance groups**

12.5A A *pure reinsurer* whose *ultimate EEA insurance parent undertaking* is the *parent undertaking* of a *group* comprised solely of *reinsurance undertakings* need not comply with rule 9.40 (Group capital adequacy) before 10 December 2007.

**Guidance**

12.6 (1) Rule 12.2 requires *insurers* to prepare historical development data in triangular format for each 'required category of business' for which a **Form 26** to **29, 31, 32** or **34** is required in the *return* for the first *financial year* ended on or after 31 December 2005. The purpose of the rule is to enable users of the *return* to carry out independent analysis of the development of paid and incurred claims and claim numbers in the new categories. When preparing data required by this rule an *insurer* should consider the need of the user and provide the data as accurately as reasonable possible.

(2) Under the reporting requirements of risk groups and *business categories* (i.e. the requirements that applied from 1996 to 2004), it has been common practice for users of the *return* to accumulate data from many returns to create the past claims development, usually in triangular form, for each risk group and business category. With the introduction of a new categorisation of *general insurance business*, users of the *return* will not have past claims development for the new categories without this transitional rule.

(3) Under rule 12.2(6), an *insurer* that is required to prepare any of Tables A to D for a *required category* may make a reasonable estimate of entries in the Table in the case where the *insurer* maintains its internal records in such a way that there is not a one-one or many-one mapping of its internal classification to the *required category*. For example, if an *insurer* is required to prepare Table A and B for a *category number* XXX carried on in GBP and the insurer's classification of business that it uses for its internal analysis and management reporting is such that business in XXX in GBP is recorded in two of its internal classes both of which also contain business other than XXX in GBP, the insurer may make a reasonable estimate of the data needed in Table A and B for XXX in GBP from the business it has recorded in those two internal classes.

(4) When an *insurer* does not have all the data required for Tables A to D, it should provide the data that it has available. For example an *insurer* may not hold data for all the years of origin prior to 1996 specified in the Tables, or an *insurer* may not hold data relating to some of the earlier diagonals specified in the Tables. In particular, if an *insurer's* internal classification of its claim development data is such that it would be highly burdensome to extract the data specified in Tables A to D in respect of business that falls into *category numbers* 590 or 690, it need not prepare the Tables for these *category numbers*. An *insurer* need not prepare Tables A to D for *category numbers* 400 and 700 (the *miscellaneous categories*).

(5) Under rule 12.2(7), an *insurer* that is required to prepare any of Tables A to D for a *required category* may omit an entry for a Table if it does not have the data needed to complete the entry and does not use that data for setting provisions for claim liabilities for business in that *required category*. An *insurer* should not omit data required to be reported on the Tables if it uses that data for its internal claim reserving. For example if an *insurer* is required to prepare Table A for *category number* 570 carried on in GBP and it does not have records of gross claims paid in development years 0 to 5 in respect of year of origin 1986 and it does not use incremental gross claims paid data to set claims provisions in respect of that business and year of origin 1986, it may omit the incremental gross claims paid in development years 0 to 5 in respect of year of origin 1986 in Table A for that *required category*.

(6) If, for example, an *insurer* has had a 30 September *financial year* end and in, say, 2002 it decided to change to a 31 March *financial year* end, the years of origin it is required to report on a Table under 12.2(4)(a) to (c) could be any of the following unless 12.2(4)(e) requires otherwise:

| Actual *financial year* end | Year of origin shown on Table | Actual *financial year* end | Year of origin shown on Table | Actual *financial year* end | Year of origin shown on Table |
|---|---|---|---|---|---|
| | A | | B | | C |
| . . . | . . . | . . . | . . . | | |
| 30/09/2000 | 09-2000 | 30/09/2000 | 09-2000 | . . . | . . . |
| 30/09/2001 | 09-2001 | 30/09/2001 | 09-2001 | 30/09/2000 | 09-2000 |
| 31/03/2002 | 03-2002 | 30/09/2002 | 09-2002 | 30/09/2001 | 09-2001 |
| 31/03/2003 | 03-2003 | 31/03/2003 | 03-2003 | 31/03/2003 | 03-2003 |
| 31/03/2004 | 03-2004 | 31/03/2004 | 03-2004 | 31/03/2004 | 03-2004 |
| 31/03/2005 | 03-2005 | 31/03/2005 | 03-2005 | 30/03/2005 | 03-2005 |
| 31/03/2006 | 03-2006 | 31/03/2006 | 03-2006 | 31/03/2006 | 03-2006 |

Under 12.2(4)(e) if, for example the business reported on the Table is reported on a **Form 31** and claims reported on that **Form 31** relating to accident years 2002 and 2003 are claims that occurred in the periods 1 October 2001 to 31 March 2002 and 1 April 2002 to 31 March 2003 respectively, the *insurer* would be required to report the years of origin under option A.

If option C applies, a calendar year (in this case 2002) would be missing from the sequence of years of origin. If the example instead had the *financial year* end changing from 31 March to 30 September in 2002, then a calendar year (in this case 2002) could appear twice in the sequence of years of origin. Thus under 12.2(4)(a) to (c) a calendar year may appear more than once or not at all in the sequence of years of origin in column 1 of a Table.

(7) If an *insurer* is unable to submit the information required in 12.2(2) to *FSA* in a computer spreadsheet file that can be accessed by Microsoft Excel, it should

request guidance from *FSA* as to the format in which to submit the information. The computer spreadsheet file that an *insurer* is required to send to the *FSA*, under 12.2(2)(d), should be the computer spreadsheet file that *FSA* makes available on its website or sends to *insurers* by electronic mail, with the relevant entries completed. An *insurer* should complete a template for each 2005 Return Transitional Tables A, B, C and D it is required to prepare. An *insurer* should submit a single computer spreadsheet file with each tab (or page) of the spreadsheet containing a single 2005 Return Transitional Table. An *insurer* should request guidance from *FSA* as to how to send the computer spreadsheet file if it is unable to send it by electronic mail or on a CD-ROM disk.

12.7 (1) GEN (the part of the FSA Handbook in High Level Standards which has the title General Provisions) contains some technical transitional provisions that apply throughout the Handbook and which are designed to ensure a smooth transition at commencement of the *Act*. These include transitional provisions relevant to record keeping and notification rules.

(2) *SUP* contains transitional provisions which carry forward written concessions relating to pre-commencement provisions.

**Off-market derivatives in linked funds**

12.8 (1) This transitional rule has effect from 31 December 2006 to 30 December 2007.

(2) For the purpose of the definition of *permitted derivative contract* in *IPRU (INS)* 11.1:

(a) *INSPRU* 3.2.5R(3)(b) has effect as if the words "and is capable of valuation" and "to INSPRU 3.2.35R" were omitted;

(b) *INSPRU* 3.2.34R has effect as if it read "For the purpose of INSPRU 2.3.5R(3)(b), a transaction is on approved terms only if the *firm* reasonably believes that it may be readily closed out"; and

(c) *INSPRU* 3.2.35R does not apply.

**Admissible assets**

12.9 (1) This transitional *rule* has effect from 31 December 2006 to 30 December 2007.

(2) In determining whether its assets are *admissible assets* for the purpose of any *rule* in *IPRU (INS)*, instead of applying *GENPRU* 2 Ann 7R, an *insurer* may elect to treat as an *admissible asset* an asset that would have been an *admissible asset* for the purposes of the Integrated Prudential Sourcebook (PRU) as it was in force on 30 December 2006.

(3) (2) does not apply when determining whether a *derivative* or *quasi-derivative* is an *approved derivative* or *approved quasi-derivative*.

(4) If an *insurer* applies (2) to any of its assets, it must do so for all of its assets except *derivatives* and *quasi-derivatives*.

Definitions of *FSA general insurance business reporting categories* 343 (Energy) and 262 (Consequential loss) in *IPRU(INS)* Annex 11.3 Part I

12.10 (1) This transitional *rule* has effect from 31 December 2006 to 30 December 2007.

(2) Subject to (3), an *insurer* may use a definition of 343 (Energy) that is as stated in *IPRU (INS)* Annex 11.3 Part I but with the words "or against risks of loss to the persons insured attributable to interruptions of business carried on by them" omitted.

(3) If an *insurer* uses a modified definition of 343 (Energy) under (2), it must use a definition of 262 (Consequential loss) that is as stated in *IPRU (INS)* Annex 11.3 Part I but with the words "or 343 (energy)" omitted.

# INTERIM PRUDENTIAL SOURCEBOOK

# INSURERS

## VOLUME TWO

## APPENDICES TO THE RULES

**INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS**

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[Deleted]

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**GENERAL INSURANCE BUSINESS SOLVENCY MARGIN**

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[Deleted]

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[Deleted]

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[Deleted]

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[Deleted]

**APPENDIX 4.1** (rule 4.3)

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[Deleted]

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**ASSETS TO BE TAKEN INTO ACCOUNT ONLY TO A SPECIFIED EXTENT**

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[Deleted]

**APPENDIX 5.1** (rule 5.5 and *relevant co-insurance operation*)

**RELEVANT CO-INSURANCE OPERATIONS**

[Deleted]

**APPENDIX 6.1** (rule 6.7)

**METHODS OF CALCULATING THE EQUALISATION RESERVE**

[Deleted]

**APPENDIX 6.2** (rule 6.12)

## METHOD OF CALCULATING THE EQUALISATION RESERVE FOR CREDIT INSURANCE BUSINESS

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[Deleted]

**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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**Introduction**

1. (1) All the forms included in the part of the *return* to which this Appendix relates (**Forms 1** to **3** and **10** to **19**) are to be laid out as shown in this Appendix, except that the instructions for the completion of the forms need not be reproduced.

(2) All amounts, descriptions or other text required to be shown as supplementary notes to a form must not be presented on the face of that form, but must be presented as a separate statement. The title of that statement must identify the form to which it relates.

**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'.

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).

(2) Boxes marked 'GL/UK/CM' must be completed by inserting -

(a) 'UK' in the case of a form which is -

(i) prepared by *EEA-deposit insurer* in respect of *long-term* or *general insurance business* carried on through a branch in the United Kingdom;

(ii) prepared by an *external insurer* (other than a *non-EEA insurer* whose *insurance business* in the United Kingdom is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the United Kingdom whose *insurance business* in the *EEA* is restricted to *reinsurance*) in respect of *long-term* or *general insurance business* carried on through a branch in the United Kingdom; or

(iii) prepared by a *Swiss general insurer* in respect of *general insurance business* carried on through a branch in the United Kingdom;

(b) 'CM' in the case of a form which is prepared by a *UK-deposit insurer* in respect of *long-term* or *general insurance business* carried on through branches in the *EEA States* concerned; or

(c) 'GL' in any other case.

(3) Boxes marked 'Period ended' must be completed so as to show, in numerals, the date of the last day of the *financial year in question*.

(4) No entry should be made in a box which is shaded or is not labelled.

(5) In the forms 'this financial year' means the *financial year in question*.

**Currency**

4. The value of any asset or the amount of any liability denominated in a currency other than sterling must be expressed in sterling as if conversion had taken place at the closing middle rate on the last day for which the appropriate rate is available in the financial year to which the asset or liability relates.

5. (1) The amount of any income or expenditure must be expressed in sterling using such bases of conversion as are in accordance with generally accepted accounting practice.

(2) The bases of conversion adopted must be stated by way of supplementary note (code 1601) to **Form 16** or, if there is no **Form 16**, by way of supplementary note (code 4005) to **Form 40**.

**Presentation of amounts**

6. Negative amounts must be shown between round brackets.

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) 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 1, 2, 3, 10, 11, 12, 13, 14, 15, 16, 17, 18** and **19** the code for the supplementary note is 0111, 0211, 0311, 1011, 1111, 1211, 1311, 1411, 1511, 1611, 1711, 1811 and 1911 respectively.)

8. (1) Except to the extent permitted by (2), amounts due to or from the *insurer* must be shown gross.

(2) In calculating amounts due to or from the *insurer* -

(a) amounts due from any person may, unless expressly provided otherwise, be included net of amounts which are due to that person, provided that such amounts may be set off against each other under generally accepted accounting practice; and

(b) amounts due to any person may, unless expressly provided otherwise, be included net of amounts which are due from that person, provided that such amounts may be set off against each other under generally accepted accounting practice.

(3) If amounts shown include amounts calculated on the basis set out in (2), a supplementary note to **Form 13** (code 1304 for other than *long-term insurance business* and code 1310 for *long-term insurance* business) to that effect must be provided.

(4) This paragraph does not apply to **Form 17**.

9. All amounts are to be shown to the nearer £1,000. Calculations must be performed using unrounded figures. Figures which are determined from other figures (whether or not on the same form) must be rounded after performing calculations on the unrounded component figures.

**Premiums**

10. (1) Notwithstanding the requirements of the *insurance accounts rules*, amounts included in **Forms 11** and **12** in respect of -

(a) *gross written premiums*;

(b) *gross earned premiums;*

(c) *claims* paid;

(d) *claims* outstanding; and

(e) *reinsurance* recoveries,

must be determined in accordance with *INSPRU* 1.1.66R and *INSPRU* 1.1.71R.

(2) Where any amount included in **Form 11** or **12** pursuant to (1) differs from the aggregate of the corresponding amounts included in **Forms 21**, **22**, **24** and **25**, there must be stated by way of supplementary note to **Form 11** or **12** (code 1105 or 1205), as the case may be -

(a) the amount of such difference; and

(b) an explanation for such difference.

**Counterparty exposure**

11. (1) There must be given by way of a supplementary note to **Form 13** (code 1305 for other than *long-term insurance business* and code 1319 for *long-term insurance business*) -

(a) the maximum extent to which, in accordance with any investment guidelines operated by the *insurer*, it was permitted to be exposed to any one *counterparty* during the *financial year in question*;

(b) the maximum extent to which, in accordance with such guidelines, it was permitted to be exposed to any one *counterparty*, other than by way of exposure to an *approved counterparty*, during the *financial year in question*; and

(c) an account of any occasions during the *financial year* on which either of those amounts was exceeded.

(2) In each case where the *exposure* of the *insurer* to a *counterparty* at the end of the *financial year in question* exceeds:

(a) 5% of the sum of its *base capital resources requirement* and its *long-term insurance liabilities*, excluding *property linked liabilities* and net of *reinsurance ceded*, or

(b) the sum of 20,000 Euro and 5% of its liabilities arising from its *general insurance business*, net of *reinsurance ceded*,

as appropriate -

(a) the amount of that *exposure*; and

(b) the nature of the assets held which give rise to that *exposure*,

must be stated by way of a supplementary note to **Form 13** (code 1306 for other than *long-term insurance business* and code 1312 for *long-term insurance business*).

(3) There must be stated by way of supplementary note to **Form 13** (code 1307 for other than *long-term insurance business* and code 1313 for *long-term insurance business*) the aggregate value of any rights to which *INSPRU* 2.1.35R or *INSPRU* 2.1.36R and *INSPRU* 2.1.37R relates.

**Provision for reasonably foreseeable adverse variations**

12. There must be stated by way of supplementary note to **Form 14** (code 1401) or **15** (code 1501) the methods and assumptions used to determine the amount of any adjustment or provision made pursuant to *GENPRU* 1.3.30R to *GENPRU* 1.3.33R or *INSPRU* 3.2.17R to *INSPRU* 3.2.18R or, if there is no such adjustment or

provision, the methods and assumptions used to determine that no adjustment or provision is required.

**Liabilities**

13. (1) Subject to (3), the following information must be given by way of a supplementary note to **Form 14** (code 1402) or **15** (code 1502) -

(a) in the case of any 'charge' over assets of the *insurer*, the particulars specified in (2) or a statement that there are no such 'charges';

(b) the total potential liability, and the amount provided for that liability, to taxation on capital gains which might arise if the *insurer* disposed of its assets, or a statement that there is no such potential liability;

(c) a brief description of any other liabilities being contingent liabilities not included in **Form 14** or **15** (other than liabilities arising under an inwards *contract of insurance* or *reinsurance*) including, where practicable, the amounts or estimated amounts of those liabilities, or a statement that there are no such contingent liabilities;

(d) a brief description of any guarantee, indemnity or other contractual commitment, effected by the *insurer* other than in the ordinary course of its *insurance business*, in respect of the existing or future liabilities of any *related companies*, including -

(i) the maximum liability of the *company* specified in such guarantee, indemnity or contractual commitment or, where no such amount is specified, a statement to that effect,

(ii) the amount of any provision made in respect of such liability, and

(iii) the amount reported under (c) in respect of such liability,

or a statement that there are no such guarantees, indemnities or contractual commitments; and

(e) a description of any other uncertainty where such a description is, in the opinion of the directors, necessary for a proper understanding of the financial position of the *insurer*.

(2) The particulars referred to in (1)(a) are -

(a) the nature of the 'charge', including a brief description of the terms which are relevant to securing the prior claim of any person to assets which are subject to the 'charge';

(b) for each line in **Form 13**, the amount included in respect of assets which are subject to the 'charge'; and

(c) for each line in **Form 14** or **15**, the amount included in respect of liabilities which are secured by the 'charge'.

(3) (1)(a) and (c) may be disregarded by an *insurer* in the case of -

(a) one or more 'charges' over assets which are attributable to either the *long-term insurance assets* or the 'other assets' and whose aggregate value (as shown on **Form 13**) does not exceed 2.5% of the *long-term insurance assets* (other than *reinsurance recoveries* and assets required to match *property linked liabilities*) or the 'other assets' (other than *reinsurance recoveries*), as the case may be; or

(b) one or more contingent liabilities whose aggregate value does not exceed 2.5% of the *long-term insurance assets* (other than *reinsurance recoveries* and assets required to match *property linked liabilities*) or the 'other assets' (other than *reinsurance recoveries*), as the case may be.

(4) (1)(d) may be disregarded by an *insurer* in respect of one or more guarantees, indemnities or contractual commitments where the aggregate of the maximum liabilities specified in such guarantees, indemnities or contractual commitments does not exceed 2.5% of the *long-term insurance assets* (other than *reinsurance recoveries* and assets required to match *property linked liabilities*) or the 'other assets' (other than *reinsurance recoveries*), as the case may be.

(5) For the purposes of this paragraph, **charge** includes any arrangement whatsoever, whether contractual or otherwise, which operates to secure the prior claim of any person over general creditors to any assets on a winding up of the *insurer*, and **other assets** means assets that are not *long-term insurance assets*.

**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**.

**Derivative contracts**

15. Any *derivative contract* entered into by an *insurer* -

(a) the value of which is taken into account for the purposes of calculating benefits payable to *policy holders* under *property linked contracts*; or

(b) in order to match its liabilities in respect of the payment of *index linked benefits*,

must be excluded from **Form 17**.

16. Where, in respect of any *derivative contract* included in **Form 17**, assets have been transferred to or for the benefit of the *insurer* by way of *variation margin* there must be stated by way of supplementary note (code 1701) to **Form 17** -

(a) the aggregate amount of any liability to repay such assets or equivalent assets;

(b) for each line in **Form 13**, the amount included in respect of such assets; and

(c) to what extent any amounts included in **Form 13** have taken account of any requirement to repay such assets or equivalent assets.

17. If -

(a) the aggregate value of rights under contracts or in respect of assets, either of which have the effect of *derivative contracts*, exceeds 2.5% of the aggregate value of assets shown at line 89 of **Form 13**; or

(b) the aggregate amount of liabilities under contracts or in respect of assets, either of which have the effect of *derivative contracts*, exceeds 2.5% of the aggregate of the amounts shown in lines 17 to 39 of **Form 14** or lines 31 to 51 of **Form 15**, as appropriate,

the corresponding value, if not zero, must be stated (by way of supplementary note (code 1702) to **Form 17**) for each line in **Form 13**, **14** or **15** and paragraph 16 applies to the *insurer* as if such contracts or assets had been included in **Form 17**.

**FORMS**

[**Forms 1-3** and **10-19** to follow]

**Form 1**

**Statement of solvency – general insurance business**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
Solo solvency calculation / Adjusted solo solvency calculation

| | | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|---|
| | R1 | | | | | | £000 |

| | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|
| **Capital resources** | | | |
| Capital resources arising outside the long-term insurance fund | 11 | | |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | 12 | | |
| Capital resources available to cover general insurance business capital resources requirement (11-12) | 13 | | |
| **Guarantee fund** | | | |
| Guarantee fund requirement | 21 | | |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | 22 | | |
| **Minimum capital requirement (MCR)** | | | |
| General insurance capital requirement | 31 | | |
| Base capital resources requirement | 33 | | |
| Individual minimum capital requirement | 34 | | |
| Capital requirements of regulated related undertakings | 35 | | |
| Minimum capital requirement (34 + 35) | 36 | | |
| Excess (deficiency) of available capital resources to cover 50% of MCR | 37 | | |
| Excess (deficiency) of available capital resources to cover 75% of MCR | 38 | | |
| **Capital resources requirement (CRR)** | | | |
| Capital resources requirement | 41 | | |
| Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41) | 42 | | |
| **Contingent liabilities** | | | |
| Quantifiable contingent liabilities in respect of other than long-term insurance business as shown in a supplementary note to Form 15 | 51 | | |

**Instructions for completion of Form 1**

1. An *insurer* (other than a *Swiss general insurer* or an *EEA-deposit insurer*) carrying on *general insurance business* must complete Form 1 in respect of its entire *general insurance business*. An *external insurer* (other than a *non-EEA insurer* whose *insurance business* in the *United Kingdom* is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the *United Kingdom* whose *insurance business* in the *EEA* is restricted to *reinsurance*) that is carrying on *general insurance business* must complete Form 1 in respect of business carried on through a *branch* in the *United Kingdom*. An *UK-deposit insurer* that is carrying on *general insurance business* must complete Form 1 in respect of business carried on through its *branches* in *EEA States* taken together. Form 1 is not required for *Swiss general insurers* or *EEA-deposit insurers*.

2. In the case of a *marine mutual* completing an abbreviated *return* under rule 9.36A, units must be the same as those used in Form M1.

3. For *financial years* commencing on or before 31 December 2004 lines 11 to 42, column 2 must be blank.

4. The entry at line 13 must be equal to the *total capital resources* after deductions at line 79, column 1 on Form 3. The entry at line 11 includes also *capital resources* allocated towards the *long-term insurance business* (and included in column 2 on Form 3) that arise outside the *long-term insurance fund*. For a *branch* the entry at line 11 is equal to Form 10 line 29.

5. For a *firm* carrying on *long-term insurance business* the entry at line 12 on Form 1 must equal the entry at line 12 on Form 2. For a *firm* not carrying on *long-term insurance business* the entry at line 12 on Form 1 is nil.

**Instructions 6-12 only apply to firms that do not meet the conditions specified in *GENPRU* 2.1.13R(2), i.e. that are not required to perform an adjusted solo calculation under *INSPRU* 6.1.**

6. The g*uarantee fund* requirement at line 21 is calculated by reference to *GENPRU* 2.2.34R as the higher of line 33 and 1/3 of line 31.

7. The excess (deficiency) of available *capital resources* to cover the *guarantee fund* requirement at line 22 is equal to line 81 on Form 3 less line 21, except for a branch. For a *branch* this is equal to line 13 less line 21 less an adjustment because assets held to cover the *guarantee fund* must be held in the *United Kingdom* (or for *UK-deposit insurer*s, in the *EEA States* where the *firm* carries on *insurance business*); the adjustment is the difference between form 13 line 89 for categories 1 and 3 (or 5), except for *branches* carrying on both *long-term insurance business* and *general insurance business* (composite *branches)*; composite *branches* will need to state how the difference is allocated between *general insurance business* and *long-term insurance business* in a note to the Form (Note 0102).

8. The *general insurance capital requirement* at line 31 must be equal to the amount shown at line 43 of Form 12, which is calculated in accordance with *GENPRU* 2.1.34R.

9. The *base capital resources requirement* at line 33 must be taken from *GENPRU* 2.1.30R. For a *pure reinsurer* writing both non-life and life business, the *base capital resources requirement* must be allocated between F1.33 and F2.33 in the ratio of the *general insurance capital requirement* to the sum of the *long-term insurance capital requirement* and the *resilience capital requirement*.

9A. The individual *minimum capital requirement* at line 34 is calculated in accordance with *GENPRU* 2.1.24R and is the higher of lines 31 and 33.

9B. The capital requirements of *regulated related undertakings* at line 35 must be nil.

9C. The *minimum capital requirement* at line 36 is equal to the sum of lines 34 and 35.

10. The excess (deficiency) of available *capital resources* to cover 50% of the *minimum capital requirement* at line 37 is equal to line 82, column 1 on Form 3 less 50% of line 36. For a *branch,* line 37 is to be left blank.

11. The excess (deficiency) of available *capital resources* to cover 75% of the *minimum capital requirement* at line 38 is equal to line 83, column 1 on Form 3 less 75% of line 36. For a *branch,* line 38 is to be left blank.

12. The *capital resources requirement* at line 41 is calculated in accordance with *GENPRU* 2.1.17R and is equal to line 36.

**Instructions 13-20 only apply to firms that meet the conditions specified in *GENPRU* 2.1.9 R(2), i.e. that perform the adjusted solo solvency calculation in accordance with *INSPRU* 6.1.**

13. The *guarantee fund* requirement at line 21 is calculated as the share of the *general insurance business* of ⅓X + (R – S – U – X) by reference to *INSPRU* 8.3.45R.

14. The excess (deficiency) of available *capital resources* to cover the *guarantee fund* requirement at line 22 is equal to line 81, column 1 on Form 3 less line 21.

15. The *general insurance capital requirement* at line 31 is taken from the amount shown at line 43 of Form 12, which is calculated in accordance with *GENPRU* 2.1.34R.

16. The *base capital resources requirement* at line 33 must be taken from *GENPRU* 2.1.30R. For a *pure reinsurer* writing both non-life and life business, the *base capital resources requirement* must be allocated between F1.33 and F2.33 in the ratio of the *general insurance capital requirement* to the sum of the *long-term insurance capital requirement* and the *resilience capital requirement*.

16A. The *individual minimum capital requirement* at line 34 is calculated in accordance with *GENPRU* 2.1.24R and is the higher of lines 31 and 33.

16B. The capital requirements of *regulated related undertakings* at line 35 is line 36 less line 34.

17. The *minimum capital requirement* at line 36 must equal the amount represented by (R-S) with reference to *INSPRU* 6.1.45R.

18. The excess (deficiency) of available *capital resources* to cover 50% of the *minimum capital requirement* at line 37 is equal to line 82, column 1 on Form 3 less 50% of line 36.

19. The excess (deficiency) of available *capital resources* to cover 75% of the *minimum capital requirement* at line 38 is equal to line 83, column 1 on Form 3 less 75% of line 36.

20. The entry at line 41 must equal the amount represented by R with reference to *INSPRU* 6.1.45R.

**Instructions 21 onwards apply to all firms**

21. The entry at line 51 must not include provision for any liability to tax on capital gains referred to in paragraph 13(1)(b) of Appendix 9.1. Amounts in *related undertakings* must not be included.

22. Where a direction under section 148 of the *Act* has been issued disapplying or modifying any of the provisions of the *Accounts and Statements Rules*, a note to **Form 1** explaining the effect of the order is usually required. The requirement for such a note would be specified in the direction itself. [Code 0101].

**Form 2**

**Statement of solvency – long-term insurance business**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
Solo solvency calculation / Adjusted solo solvency calculation

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R2 | | | | | | £000 |

| | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|
| **Capital resources** | | | |
| Capital resources arising within the long-term insurance fund | 11 | | |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | 12 | | |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12) | 13 | | |
| **Guarantee fund** | | | |
| Guarantee fund requirement | 21 | | |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | 22 | | |
| **Minimum capital requirement (MCR)** | | | |
| Long-term insurance capital requirement | 31 | | |
| Resilience capital requirement | 32 | | |
| Base capital resources requirement | 33 | | |
| Individual minimum capital requirement | 34 | | |
| Capital requirements of regulated related undertakings | 35 | | |
| Minimum capital requirement (34+35) | 36 | | |
| Excess (deficiency) of available capital resources to cover 50% of MCR | 37 | | |
| Excess (deficiency) of available capital resources to cover 75% of MCR | 38 | | |
| **Enhanced capital requirement** | | | |
| With-profits insurance capital component | 39 | | |
| Enhanced capital requirement | 40 | | |
| **Capital resources requirement (CRR)** | | | |
| Capital resources requirement (greater of 36 and 40) | 41 | | |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | 42 | | |
| **Contingent liabilities** | | | |
| Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14 | 51 | | |

**Instructions for completion of Form 2**

1. An *insurer* (other than an *EEA-deposit insurer*) carrying on *long-term insurance business* must complete Form 2 in respect of its entire *long-term insurance business*. An *external insurer* (other than a *non-EEA insurer* whose *insurance business* in the *United Kingdom* is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the *United Kingdom* whose *insurance business* in the *EEA* is restricted to *reinsurance*) or *EEA-deposit insurer* that is carrying on *long-term insurance business* must complete Form 2 in respect of business carried on through a *branch* in the *United Kingdom*. An *UK-deposit insurer* that is carrying on *long-term insurance business* must complete Form 2 in respect of business carried on through its *branches* in *EEA States* taken together.

2. The entry at line 13 must be equal to the *total capital resources* after deductions at line 79, column 2 on Form 3. The entry at line 11 represents items relating to the *long-term insurance fund*, and that at line 12 represents amounts arising outside the *long-term insurance fund.* For a *branch*, line 11 is equal to the sum of any *implicit items* plus form 10 line 11 less the sum of lines 11, 12 and 49 in Form 14: when there are implicit items an analysis of line 11 must be given in a supplementary note (code 0202); if the *insurer* is not carrying on *general insurance business* through the *branch*, line 12 will be equal to Form 10 line 29.

3. For *financial years* commencing on or before 31 December 2004 lines 11 to 42, column 2 must be blank.

4. For *EEA-deposit insurers*, lines 21 to 42 must be blank.

**Instructions 5-14 only apply to firms that do not meet the conditions specified in *GENPRU* 2.1.13 R(2), i.e. that are not required to perform an adjusted solo calculation under *INSPRU* 6.1.**

5. The g*uarantee fund* requirement at line 21 is calculated by reference to *GENPRU* 2.2.33R as the higher of line 33 and 1/3 of line 31.

6. The excess (deficiency) of available *capital resources* to cover the *guarantee fund* requirement at line 22 is equal to line 81, column 2 on Form 3 less line 21, except for a *branch*. For a *branch* this is equal to line 13 less line 21 less an adjustment because assets held to cover the *guarantee fund* must be held in the *United Kingdom* (or for *UK-deposit insurers*, in the *EEA States* where the *firm* carries on *insurance business*) and cannot include *implicit items*; an analysis would be appropriate in a note (code 0203) to the Form.

7. The *long-term insurance capital requirement* at line 31 must be equal to the amount shown at line 51 of Form 60, which is calculated in accordance with *GENPRU* 2.1.36R.

8. The *resilience capital requirement* at line 32 is calculated in accordance with the *rules* in *INSPRU* 3.1.

9. The *base capital resources requirement* at line 33 must be taken from *GENPRU* 2.1.30R. For a *pure reinsurer* writing both non-life and life business, the *base capital resources requirement* must be allocated between F1.33 and F2.33 in the ratio of the *general insurance capital requirement* to the sum of the *long-term insurance capital requirement* and the *resilience capital requirement.*

9A. The individual *minimum capital requirement* at line 34 is calculated in accordance with *GENPRU* 2.1.24AR or *GENPRU* 2.1.25R and is the greater of line 33 and the sum of lines 31 and 32.

9B. The capital requirements of *regulated related undertakings* at line 35 must be nil.

9C. The *minimum capital requirement* at line 36 is equal to the sum of lines 34 and 35.

10. The excess (deficiency) of available *capital resources* to cover 50% of the *minimum capital requirement* at line 37 is equal to line 82, column 2 on Form 3 less 50% of line 36. For a *branch,* line 37 must be blank.

11. The excess (deficiency) of available *capital resources* to cover 75% of the *minimum capital requirement* at line 38 is equal to line 83, column 2 on Form 3 less 75% of line 36. For a *branch,* line 38 must be blank.

12. The *with-profits insurance capital component* at line 39 must be the total of the amounts shown at line 66 on Forms 18, calculated in accordance with the *rules* in *INSPRU* 1.3.

13. The *enhanced capital requirement* at line 40 is calculated as the sum of lines 31, 32 and 39.

14. The *capital resources requirement* at line 41 is calculated in accordance with *GENPRU* 2.1.18R.

**Instructions 15-23 only apply to firms that meet the conditions specified in *GENPRU* 2.1.13R(2), i.e. that perform the adjusted solo solvency calculation in accordance with *INSPRU* 6.1.**

15. The g*uarantee fund* requirement at line 21 is calculated as the share of the *long-term insurance business* of ⅓X + (R – S – U – X) by reference to *INSPRU* 6.1.45R.

16. The excess (deficiency) of available *capital resources* to cover the *guarantee fund* requirement at line 22 is equal to line 81, column 2 on Form 3 less line 21.

17. The *long-term insurance capital requirement* at line 31 is taken from the amount shown at line 51 of Form 60, which is calculated in accordance with *GENPRU* 2.1.36R.

17A. The *resilience capital requirement* at line 32 is calculated in accordance with the *rules* in *INSPRU* 3.1.

17B. The *base capital resources requirement* at line 33 must be taken from *GENPRU* 2.1.30R. For a *pure reinsurer* writing both non-life and life business, the *base capital resources requirement* must be allocated between F1.33 and F2.33 in the ratio of the *general insurance capital requirement* to the sum of the *long-term insurance capital requirement* and the *resilience capital requirement*.

17C. The individual *minimum capital requirement* at line 34 is the greater of line 33 and the sum of lines 31 and 32.

17D. The capital requirements of *regulated related undertakings* at line 35 is the amount shown at line 36 less line 34.

18. The entry at line 36 must include the amount represented by (R-S) with reference to *INSPRU* 6.1.45R.

19. The excess (deficiency) of available *capital resources* to cover 50% of the *minimum capital requirement* at line 37 is equal to line 82, column 2 on Form 3 less 50% of line 36.

20. The excess (deficiency) of available *capital resources* to cover 75% of the *minimum capital requirement* at line 38 is equal to line 83, column 2 on Form 3 less 75% of line 36.

21. The *with-profits insurance capital component* at line 39 must be the total of 'S' with reference to *INSPRU* 6.1.45R.

22. The entry at line 40 must be the sum of lines 36 and 39.

23. The entry at line 41 must equal the amount represented by R with reference to *INSPRU* 6.1.45R.

**Instructions 24 onwards apply to all firms**

24. The entry at line 51 must not include provision for any liability to tax on capital gains referred to in paragraph 13(1)(b) of Appendix 9.1. Amounts in *related undertakings* must not be included.

25. Where a direction under section 148 of the *Act* has been issued disapplying or modifying any of the provisions of the *Accounts and Statements Rules*, a note to **Form 2** explaining the effect of the direction is usually required. The requirement for such a note would be specified in the direction itself. (Code 0201).

**Form 3**

**Components of capital resources** **(Sheet 1)**

Name of insurer
Global business
Financial year ended

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R3 | | | | | | £000 |

| | | General insurance business<br>1 | Long-term insurance business<br>2 | Total as at the end of this financial year<br>3 | Total as at the end of the previous year<br>4 |
|---|---|---|---|---|---|
| **Core tier one capital** | | | | | |
| Permanent share capital | 11 | | | | |
| Profit and loss account and other reserves | 12 | | | | |
| Share premium account | 13 | | | | |
| Positive valuation differences | 14 | | | | |
| Fund for future appropriations | 15 | | | | |
| Core tier one capital in related undertakings | 16 | | | | |
| Core tier one capital (sum of 11 to 16) | 19 | | | | |
| **Tier one waivers** | | | | | |
| Unpaid share capital / unpaid initial funds and calls for supplementary contributions | 21 | | | | |
| Implicit items | 22 | | | | |
| Tier one waivers in related undertakings | 23 | | | | |
| Total tier one waivers as restricted (21+22+23) | 24 | | | | |
| **Other tier one capital** | | | | | |
| Perpetual non-cumulative preference shares as restricted | 25 | | | | |
| Perpetual non-cumulative preference shares in related undertakings | 26 | | | | |
| Innovative tier one capital as restricted | 27 | | | | |
| Innovative tier one capital in related undertakings | 28 | | | | |
| | | | | | |
| **Total tier one capital before deductions** (19+24+25+26+27+28) | 31 | | | | |
| Investments in own shares | 32 | | | | |
| Intangible assets | 33 | | | | |
| Amounts deducted from technical provisions for discounting | 34 | | | | |
| Other negative valuation differences | 35 | | | | |
| Deductions in related undertakings | 36 | | | | |
| Deductions from tier one (32 to 36) | 37 | | | | |
| **Total tier one capital after deductions** (31-37) | 39 | | | | |

**Form 3**
**(Sheet 2)**

**Components of capital resources**

Name of insurer
Global business
Financial year ended

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R3 | | | | | | £000 |

| | | General insurance business<br>1 | Long-term insurance business<br>2 | Total as at the end of this financial year<br>3 | Total as at the end of the previous year<br>4 |
|---|---|---|---|---|---|
| **Tier two capital** | | | | | |
| Implicit items, (tier two waivers and amounts excluded from line 22) | 41 | | | | |
| Perpetual non-cumulative preference shares excluded from line 25 | 42 | | | | |
| Innovative tier one capital excluded from line 27 | 43 | | | | |
| Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43) | 44 | | | | |
| Perpetual cumulative preference shares | 45 | | | | |
| Perpetual subordinated debt and securities | 46 | | | | |
| Upper tier two capital in related undertakings | 47 | | | | |
| **Upper tier two capital** (44 to 47) | 49 | | | | |
| Fixed term preference shares | 51 | | | | |
| Other tier two instruments | 52 | | | | |
| Lower tier two capital in related undertakings | 53 | | | | |
| **Lower tier two capital** (51+52+53) | 59 | | | | |
| **Total tier two capital before restrictions** (49+59) | 61 | | | | |
| Excess tier two capital | 62 | | | | |
| Further excess lower tier two capital | 63 | | | | |
| **Total tier two capital after restrictions, before deductions** (61-62-63) | 69 | | | | |

**Components of capital resources** | **Form 3 (Sheet 3)**

Name of insurer
Global business
Financial year ended

| | Company registration number | GL/UK/CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R3 | | | | | | £000 |

| | | General insurance business | Long-term insurance business | Total as at the end of this financial year | Total as at the end of the previous year |
|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 |

**Total capital resources**

| | | | | | |
|---|---|---|---|---|---|
| Positive adjustments for regulated non-insurance related undertakings | 71 | | | | |
| **Total capital resources before deductions** (39+69+71) | 72 | | | | |
| Inadmissible assets other than intangibles and own shares | 73 | | | | |
| Assets in excess of market risk and counterparty limits | 74 | | | | |
| Deductions for related ancillary services undertakings | 75 | | | | |
| Deductions for regulated non-insurance related undertakings | 76 | | | | |
| Deductions of ineligible surplus capital | 77 | | | | |
| **Total capital resources after deductions** (72-73-74-75-76-77) | 79 | | | | |

**Available capital resources for *GENPRU/INSPRU* tests**

| | | | | | |
|---|---|---|---|---|---|
| Available capital resources for guarantee fund requirement | 81 | | | | |
| Available capital resources for 50% MCR requirement | 82 | | | | |
| Available capital resources for 75% MCR requirement | 83 | | | | |

**Financial engineering adjustments**

| | | | | | |
|---|---|---|---|---|---|
| Implicit items | 91 | | | | |
| Financial reinsurance – ceded | 92 | | | | |
| Financial reinsurance – accepted | 93 | | | | |
| Outstanding contingent loans | 94 | | | | |
| Any other charges on future profits | 95 | | | | |
| Sum of financial engineering adjustments (91+92-93+94+95) | 96 | | | | |

**Instructions for completion of Form 3**

1. An *insurer* (other than a *Swiss general insurer* or an *EEA-deposit insurer*) must complete Form 3 in respect of its entire business. An *external insurer* (other than a *non-EEA insurer* whose *insurance business* in the *United Kingdom* is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the *United Kingdom* whose *insurance business* in the *EEA* is restricted to *reinsurance*), an *EEA-deposit insurer* or a *Swiss general insurer* must complete Form 10 in respect of business carried on through a *branch* in the *United Kingdom*. An *UK-deposit insurer* must complete Form 10 in respect of business carried on through its *branches* in *EEA States* taken together.

2. An *insurer* that is carrying on *long-term insurance business*, other than a *mutual* not carrying on *general insurance business*, that includes within its *capital resources* any capital instruments issued by its *long-term insurance fund*, must include a supplementary note (code 0302) analysing those instruments.

3. In the case of a *marine mutual* completing an abbreviated *return* under rule 9.36A, units must be the same as those used in Form M1. If units are in US$ or US$000, then the bases of conversion used in determining the *base capital resources requirement* must be those used in Forms 11 and 12.

4. Amounts in columns 1 and 2 refer to capital supporting the *general insurance business* and the *long-term insurance business* respectively. For a *firm* carrying on only *general insurance business* column 2 should be blank. For a *firm* carrying on only *long-term insurance business* column 1 should be blank. All items relating to the *long-term insurance fund* should be included in column 2. For a *composite firm* capital items arising outside the *long-term insurance fund* should be allocated between *general insurance business* and *long-term insurance business* in a manner consistent with the *firm*'s view of what business that capital supports. Where there is a material change in way capital items are allocated from one year to the next, the *firm* should explain the change in a supplementary note (code 0303).

5. Column 3 is the sum of columns 1 and 2.

6. For *financial years* commencing on or before 31 December 2004 column 4 must be blank.

7. Amounts at lines 11-13 should be taken from the *firm*'s stand-alone accounts prepared under the Companies Act 1985 or (for *firm*s not preparing accounts under the Companies Act) equivalent overseas legislation or the applicable UK legislation.

8. The entry at line 15.2 must be the FFA taken from the *firm*'s stand-alone accounts prepared under the Companies Act 1985 or (for *firm*s not preparing accounts under the Companies Act) equivalent overseas legislation or the applicable *United Kingdom* legislation. The entry at line 15 column 1 must be blank.

9. *GENPRU* 2.2.105R and 2.2.106G explain how to calculate the valuation differences for inclusion at line 14 or 35. Inadmissible assets or assets in excess of *market risk* and *counterparty* limits are not be included in the valuation differences. Net valuation differences are shown at line 14 if positive or in line 35 if negative. The *firm* must state in a supplementary note (code 0310) to this form -

   (a) The amount of positive valuation differences included within line 14 or 35 in respect of assets where valuation in *GENPRU* and *INSPRU* exceeds the valuation that the *firm* uses for external financial reporting purposes, together with a brief explanation indicating the nature of those assets;

   (b) The amount of positive valuation differences included within line 14 or 35 in respect of liabilities where valuation in *GENPRU* and *INSPRU* is lower than the valuation that the *firm* uses for external financial reporting purposes, together with a brief explanation indicating the nature of those liabilities;

   (c) The amount of negative valuation included within line 14 or 35 in respect of assets where valuation in *GENPRU* and *INSPRU* is lower than the valuation that the *firm* uses for external financial reporting purposes (excluding inadmissible assets and assets in excess of *market risk* and *counterparty* limits), together with a brief explanation indicating the nature of those assets; and

(d) The amount of negative valuation included within line 14 or 35 in respect of liabilities where valuation in *GENPRU* and *INSPRU* exceeds the valuation that the *firm* uses for external financial reporting purposes (excluding amounts deducted from *technical provisions* for discounting shown at line 34), together with a brief explanation indicating the nature of those liabilities.

The amount in (a) plus the amount in (b) less the amount in (c) less the amount in (d) should equal the amount shown at line 14 if positive or at line 35 if negative."

**Instructions 10-32 only apply to firms that do not meet the conditions specified in *GENPRU* 2.1.9R(2), i.e. that are not required to perform an adjusted solo calculation under *INSPRU* 6.1.**

10. The entries at line 16 must be nil.

11. Amounts may only appear in lines 21 and 22 if the *FSA* has issued a *waiver* permitting these amounts to count as *tier one capital* (tier one waivers). These amounts are restricted by *GENPRU* 2.2.29R (1), so that amounts in line 24 may not be greater than the sum of the corresponding amounts in lines 19 and 37. If the *FSA* has issued a *waiver* permitting amounts to count as *tier two capital* (tier two waivers), these are to be included at line 41, together with any amounts that arise from the restriction at *GENPRU* 2.2.29R(1).

12. The entries at line 23 must be nil.

13. The entries at lines 25 and 27 must be restricted to comply with *GENPRU* 2.2.29R and 2.2.30R, so that the total of the amounts in lines 24, 25 and 27 is not greater than the total amount in line 19 plus line 37, and the amount in line 27 is not greater than 15/85 of the total of the amounts in lines 19, 24 and 25 minus line 37. Amounts in excess of the limits are entered at lines 42 and 43 respectively.

14. The entries at lines 26 and 28 must be nil.

15. The entries at line 32 for investments in own *shares* should, in the majority of cases, be zero.

16. For the purpose of completing line 33, the *firm* should refer to *GENPRU* 2.2.155R and *GENPRU* 2.2.156G.

17. The amounts in line 34 must be calculated in accordance with *GENPRU* 2.2.107R(1) and *GENPRU* 2.2.107R(2).

18. The entries at line 36 must be nil.

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, 2.2178R, 2.2180R, and 2.2.181R.

20. The entries at line 47 must be nil.

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. These should be split between fixed term *preference shares* and other *tier two instruments* and entered at lines 51 and 52 respectively.

22. The entries at line 53 must be nil.

23. The effect of the restrictions at *GENPRU* 2.2.37R applying to *tier two capital* are shown at lines 62 and 63. Line 62 relates to *tier two capital* as a whole and equals the excess (if any) of line 61 over line 39. Line 63 relates to *lower tier two capital* and equals the excess (if any) of line 59 over the sum of line 62 and 1/2 line 39.

24. Line 71 must show positive adjustments for *related undertakings* that are *regulated related undertakings* (other than *insurance undertakings*) required by *GENPRU* 2.2.256R.

25. Line 73 must show the deductions for assets that are not *admissible assets* required by *GENPRU* 2.2.251R.

26. Line 74 must show the assets in excess of *market risk* and *counterparty* limits in *INSPRU* 2.1.22R.

27. Line 75 must show negative adjustments for *related undertakings* that are *ancillary services undertakings* required by *GENPRU* 2.2.255R.

28. Line 76 must show negative adjustments for *related undertakings* that are *regulated related undertakings* (other than *insurance undertakings*) required by *GENPRU* 2.2.256R.

29. The entries at line 77 must be nil.

30. The entry at line 81 is determined as the amount of the *firm*'s *capital resources* available to meet its *guarantee fund* requirement, having regard to *GENPRU* 2.2.33R, *GENPRU* 2.2.34R and *GENPRU* 2.2.35R. Unless some *innovative tier one capital* does not meet the conditions for it to be treated as *upper tier two capital* (when an adjustment may be needed), line 81 must be either:
   - line 79; or
   - (if less) the sum of lines 19, 25, 27, 42, 43, 45, 46 and 59 less the sum of lines 37, 62 and 63 less the greatest of:
     - zero;
     - the sum of lines 27, 37, 43, 45, 46, 59, 73, 74, 75 and 76 less the sum of lines 19, 25, 42, 62, 63 and 71; and
     - line 59 plus one-third of the sum of lines 37, 73, 74, 75 and 76 less the sum lines 62 and 63 less one-third of the sum of lines 19, 25, 27, 42, 43, 45, 46 and 71

31. The entry at line 82 is determined as the amount of the *firm*'s *capital resources* available to meet 50% of its *minimum capital requirement*, having regard to *GENPRU* 2.2.32R. Line 82 must be either:
   - line 79; or
   - (if less) the sum of lines 19, 24, 25 and 42 less line 37.

32. The entry at line 83 is determined as the amount of the *firm*'s *capital resources* available to meet 75% of its *minimum capital requirement*, having regard to *GENPRU* 2.2.38R and *GENPRU* 2.2.39R. Unless some *innovative tier one capital* does not meet the conditions for it to be treated as *upper tier one capital* (when an adjustment may be needed), line 83 must be either:
   - line 79; or
   - (if less) the sum of lines 19, 24, 25, 27, 41, 42, 43, 45 and 46 less the sum of line 37 and any excess of the sum of lines 27, 37, 41, 43, 45 and 46 over the sum of lines 19, 24, 25 and 42.

**Instructions 33-57 only apply to firms that meet the conditions specified in *GENPRU* 2.1.13R(2), i.e. that perform the adjusted solo solvency calculation in accordance with *INSPRU* 6.1.**

33. *Tier one capital resources* must be calculated in accordance with the *rules* in *INSPRU* 6.1.41R in relation to restricted assets.

34. The entries at line 16 must equal the net contribution to core *tier one capital resources* of the *firm's related undertakings* in accordance with the calculation in *INSPRU* 6.1.55R (2).

35. Amounts may only appear in lines 21-23 if the *FSA* has issued a *waiver* permitting these amounts to count as *tier one capital* (tier one waivers). These amounts are restricted by *INSPRU* 6.1.45R (1)(c), so the amounts in line 24 may not be greater than the sum of the corresponding amounts in lines 19 and 37. If the *FSA* has issued a *waiver* permitting amounts to count as *tier two capital* (tier two waivers), these are to be included at line 41, together with any amounts that arise from the restriction at *INSPRU* 6.1.45R (1)(c).

36. The entries at line 26 must include the net contribution to the *firm* of perpetual non-cumulative *preference shares* issued by the *firm*'s *related undertakings* – ie. the capital represented by perpetual non-cumulative *preference shares* of each of the *firm*'s *related undertakings* that is a *regulated related undertaking* after deduction of the sum of the book value of the investments by the *firm* in the perpetual non-cumulative *preference shares* of each of its *related undertakings* that is a *regulated related undertaking* and the book value of the investments by *related undertakings* of the *firm* in the perpetual non-cumulative *preference shares* of each of its *related undertakings* that is a *regulated related undertaking* – in a manner consistent

with the calculation of *GCR* in *INSPRU* 6.1.

37. The entries at line 28 must equal the net contribution to innovative *tier one capital resources* of the *firm*'s *related undertakings* in accordance with the calculation in *INSPRU* 6.1.53R (2).

38. The entries at lines 25-28 must be restricted to comply with *INSPRU* 6.1.45R, so that the total of the amounts in lines 24-28 is not greater than the total amount in line 19 plus line 37, and the total amount in lines 27 and 28 is not greater than 15/85 of the total of the amounts in lines 19, 24, 25, and 26 minus line 37. Amounts in excess of the limits are entered at lines 42 and 43 as appropriate. If line 42 or 43 includes amounts excluded from line 26 or 28, these amounts must be stated in a supplementary note (code 0304).

39. The entries at line 32 for investments in own *shares* should, in the majority of cases, be zero.

40. For the purpose of completing line 33, the *firm* should refer to *GENPRU* 2.2.155R and 2.2.156R.

41. The amounts in line 34 must be calculated in accordance with *GENPRU* 2.2.107R(1) and 2.2107R(2).

42. The entries at line 36 must equal the total of any of the deductions of the type specified in lines 32-35 that apply to the *firm*'s *related undertakings*.

43. 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, 2.2,180R, 2.2.181R.

44. The entries at line 47 must equal the net contribution to *upper tier two capital resources* of the *firm's related undertakings* – ie. the sum of the *firm*'s share of the *upper tier two capital resources* of each *related undertaking* less the book value of the *firm*'s investment in the *upper tier two capital* of its *related undertakings* – in a manner consistent with the calculation of *GCR* in *INSPRU* 6.1.

45. 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. These should be split between fixed term *preference shares* and other *tier two instruments* and entered at lines 51 and 52 respectively.

46. The entries at line 53 must equal the net contribution to *lower tier two capital resources* of the *insurer*'s *related undertakings* in accordance with the calculation in *INSPRU* 6.1.57R(2).

47. The effect of the restrictions at *INSPRU* 6.1.45R applying to *tier two capital* are shown at lines 62 and 63. Line 62 relates to *tier two capital* as a whole and equals the excess (if any) of line 61 over line 39. Line 63 relates to *lower tier two capital* and equals the excess (if any) of line 59 over the sum of line 62 and 1/2 line 39.

48. The entries at line 71 must be nil.

49. Line 73 must show the deductions for inadmissible assets required by *INSPRU* 6.1.59R.

50. Line 74 must show the assets in excess of *market risk* and *counterparty* limits in *INSPRU* 6.1.70R.

51. Line 75 must show negative adjustments for *related undertakings* that are *ancillary services undertakings* required by *INSPRU* 6.1.62R.

52. The entries at line 76 must be nil.

53. The entries in line 77 must show the total amount calculated in respect of ineligible surplus in accordance with *INSPRU* 6.1.65R.

54. The entry at line 81 is determined as the amount of the *firm*'s *capital resources* available to meet its *guarantee fund* requirement, having regard to *INSPRU* 6.1.45R(2). Unless some innovative tier one capital does not meet the conditions for it to be treated as *upper tier two capital* (when an adjustment may be needed), line 81 must be either:

- line 79; or
- (if less) the sum of lines 39 and 69 less the sum of lines 24 and 41 less the greatest of:
    - zero;
    - the sum of lines 27, 28, 37, 43, 45, 46, 47, 59 and 72 less the sum of lines 19, 25, 26, 42, 62, 63, 71 and 79.
    - line 59 plus one-third of the sum of lines 24, 41 and 72 less the sum of lines 62 and 63 less one-third of the sum of lines 49, 71 and 79.

55. The entry at line 82 is determined as the amount of the *firm*'s *capital resources* available to meet 50% of its *minimum capital requirement*, having regard to *INSPRU* 6.1.45R(1)(a). Line 82 must be either:
    - line 79; or
    - (if less) sum of lines 19, 24, 25, 26 and 42 less line 37.

56. The entry at line 83 is determined as the amount of the *firm*'s *capital resources* available to meet 75% of its *minimum capital requirement*, having regard to *INSPRU* 6.1.45R(1)(b). Line 83 must be either:
    - line 79; or
    - (if less) the sum of lines 19, 24, 25, 26, 41, 42, 45, 46 and 47 less line 37 and any excess of line 62 over line 59.

57. Amounts relating to financial engineering shown in lines 91-96 must not include amounts in *related undertakings*.

**Instructions 58 onwards apply to all firms**

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 12(4) of Appendix 9.4 (Abstract of valuation report) must be disclosed in a supplementary note (code 0305)to this Form.

59. The entry at line 91 (implicit items) must equal the sum of the entries at lines 22 and 41. Lines 92 to 95 do not apply to *general insurance business* and line 91 is only likely to apply to *long-term insurance business*.

60. The entry at line 92 must equal the gross amount of any contingent liability to repay a *debt* to or recapture a liability from a *reinsurer* not already recognised in Form 14. The *firm* must provide in a supplementary note (code 0306) to this Form the following information on each material *reinsurance* arrangement:
    - the amount of any *reinsurance* offset (i.e. the amount of the difference between the *mathematical reserves* at the end of the *financial year in question* were that *reinsurance* to be ignored and the amount of the *mathematical reserves* after deducting the *mathematical reserves* reinsured);
    - the amount of the contingent liability for payment to the *reinsurer*; and
    - the commutation value at the end of the *financial year in question* of the *reinsurance* arrangement.

61. The entry at line 93 must equal the amount of any contingent asset receivable from a *cedant* not already recognised in Form 13 or 14. The *firm* must provide in a supplementary note (code 0307) to this Form the following information on each material outgoing *reinsurance* arrangement:
    - the amount of any *reinsurance* liability (i.e. the amount of the difference between the *mathematical reserves* at the end of the *financial year in question* including the *mathematical reserves* reinsured 'in', and the amount of the *mathematical reserves* were that *reinsurance* to be ignored);
    - the amount of the contingent asset for payments from *cedants*; and
    - the commutation value at the end of the *financial year in question* of the *reinsurance* arrangement.

62. The amount to be shown for contingent loans at line 94 must be the amount, including any interest accrued, still to be repaid from future profits under the arrangements, as at the end of the *financial year in question,* not already recognised in Form 14.

63. Line 95 must include the potential charge against future profits in respect of any other types of financial engineering not included in lines 91 to 94 where the gross amount of any contingent liability is not already recognised in Form 14.

64. The *firm* must provide an explanation of the nature of the adjustments in line 94 and 95 in a supplementary note (code 0308) to this Form, together with the amount of the adjustment for each material arrangement. As part of this note, the commutation value of each of the items included at lines 94 and 95, to the extent that value is not already a component of line 79, must be disclosed.

65. Details of any promises to *long-term insurance business policyholders* conditional upon future profits (other than bonuses not yet declared), or other charges to future profits not already disclosed, must be provided in a supplementary note (code 0309) to this Form.

66. A reconciliation of net *admissible assets* to *total capital resources* after deductions (line 79) must be provided as a supplementary note (code 0301). The reconciliation must contain the following items:

    (i) Net *admissible assets* [Form 13 line 89 (other than long-term business) plus Form 13 line 89 (long-term) less the sum of lines 11, 12 and 49 in Form 14 less Form 15 line 69]

    (ii) Any components of *capital resources* that are treated as a liability in Form 14 or 15 (each to be specified and identified to the entries on Forms 3 and 14/15). (In particular this would include any subordinated loan capital.) [These items would be added to net *admissible assets* in the reconciliation]

    (iii) Any components of *capital resources*, not included in (ii), that arise as a result of a *waiver* and are not represented by *admissible assets* included in Form 13 (each to be specified and identified to the entries on Form 3). (In particular this would include any *implicit items* included as a result of a *waiver* within *capital resources*.) [These items would be added to net *admissible assets* in the reconciliation]

    (iv) Any other items, each such item to be separately specified. An explanation of each such item is to be provided together with, if applicable, the reference to where the item is included elsewhere in the *return* or in the *firm*'s stand-alone accounts prepared under the Companies Act 1985 or (for *firm*s not preparing accounts under the Companies Act) equivalent overseas legislation or the applicable *United Kingdom* legislation). [These items would be added to or deducted from net *admissible assets* in the reconciliation as appropriate.]

    The net *admissible assets* in item (i) plus or minus the additions and deductions in items (ii) to (iv), should equal line 79 (Total capital resources after deductions).

67. Where a direction under section 148 of the *Act* has been issued to an *insurer* permitting it to take into account *implicit items* on *long-term insurance business*, that direction may specify that a note is to be included in the *return* explaining such items. That note must be included as a note to **Form 3** (Code 0312).

**Form 10**

**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 |
|---|---|---|---|---|
| Long term insurance business - admissible assets | | 11 | | |
| Long term insurance business - liabilities and margins | | 12 | | |

| | | | | |
|---|---|---|---|---|
| Other than long term insurance business - admissible assets | | 21 | | |
| Other than long term insurance business - liabilities | | 22 | | |
| Net admissible assets (21-22) | | 23 | | |
| 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 | 59 | | |

**Movement of balance of net assets for solvency purposes - as per line 56**

| | | | |
|---|---|---|---|
| Balance brought forward at the beginning of the financial year | 61 | | |
| Retained profit / (loss) for the financial year | 62 | | |
| Movement in asset valuation differences | 63 | | |
| Decrease (increase) in the provision for "reasonably foreseeable adverse variations" | 64 | | |
| Other movements (particulars to be specified by way of supplementary note) | 65 | | |
| Balance carried forward at the end of the financial year (61 to 65) | 69 | | |

**Instructions for completion of Form 10**

1. An *external insurer* (other than a *non-EEA insurer* whose *insurance business* in the *United Kingdom* is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the *United Kingdom* whose *insurance business* in the *EEA* is restricted to *reinsurance*), an *EEA-deposit insurer* or a *Swiss general insurer* must complete Form 10 in respect of business carried on through a *branch* in the *United Kingdom*. An *UK-deposit insurer* must complete Form 10 in respect of business carried on through its *branches* in *EEA States* taken together.

2. Lines 24-27, 51 and 52 should be blank.

3. [deleted]

4. Line 64 must be Form 15.61.2 less 15.61.1.

5. Line 65 should include transfers from or to head office (note 1002).

**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 1 | Previous year 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 | | |
| **Sub-total A** (13 + ½ 14 - $^{2}/_{3}$ 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 | | |
| **Sub-total H** (23 + ½ 24 - $^{2}/_{3}$ 25) | | 26 | | |
| **Sub-total I** (higher of sub-total A and sub-total H) | | 30 | | |
| **Adjusted sub-total I** 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 | | |
| **Sub-total J** (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 | | |
| **Sub-total C** (41+42+43-44-45) | | 46 | | |
| Amounts recoverable from reinsurers in respect of claims included in Sub-total C | | 47 | | |
| **Sub-total D** (46-47) | | 48 | | |
| **Reinsurance ratio** (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00) | | 49 | | |
| **Premiums amount (**Sub-total J x **reinsurance ratio**) | | 50 | | |
| Provision for claims outstanding (before discounting and net of reinsurance) | | 51 | | |
| **Brought forward amount** (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2) | | 52 | | |
| Greater of lines 50 and 52 | | 53 | | |

**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 1 | Previous year 2 |
|---|---|---|---|---|
| Reference period (No. of months) See *INSPRU* 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 | | |
| **Sub-total E** (26 + ½ 27 - $^2/_3$ 28) | | 29 | | |
| **Sub-total F** – 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 | | |
| **Sub-total G** (32 - 33) | | 39 | | |
| **Claims amount** Sub-total G x **reinsurance ratio** (11.49) | | 41 | | |
| Higher of **premiums amount** and **brought forward amount** (11.53) | | 42 | | |
| **General insurance capital requirement** (higher of lines 41 and 42) | | 43 | | |

**Instructions for completion of Forms 11 and 12**

Long-term insurance business

1. For a *composite firm*, Forms 11 and 12 must be completed separately for the total *general insurance business* and for the total *long-term insurance business* which is *class IV* or supplementary accident and sickness insurance business or *life protection reinsurance business* written by a *pure reinsurer* or a *mixed insurer*. For other *firms*, the forms must be completed for the total *general insurance business* or for the total *long-term insurance business* which is *class IV,* or supplementary accident and sickness insurance business or *life protection reinsurance business* written by a *pure reinsurer* or a *mixed insurer*, as appropriate.

2. Notwithstanding instruction 1, if the gross annual office premiums for *class IV* business, *life protection reinsurance business* written by a *pure* reinsurer or a *mixed insurer* and supplementary accident and sickness insurance in force on the 'valuation date' do not exceed 1% of the gross annual office *premiums* in force on that date for all *long-term insurance business*, Forms 11 and 12 need not be completed for *long-term insurance business* as long as it can be stated that the entry in line 21 of Form 60 exceeds the amount that would be obtained if Forms 11 and 12 were to be completed for *long-term insurance business*. In this circumstance, the method of estimating the entry in line 21 of Form 60, together with a statement of the gross annual office *premiums* in force at the 'valuation date' in respect of *Class IV* business, *life protection reinsurance business* written by a *pure reinsurer* or a *mixed insurer* and supplementary accident and sickness insurance, must be given in a supplementary note (code 6001).

3. When completing Forms 11 and 12 for *long-term insurance business* the accounting conventions for *general insurance business* should be followed, but reasonable approximations may be used if they are unlikely to result in an underestimate of the *insurance health risk and life protection reinsurance capital component*.

Marine mutuals

4. In the case of a *marine mutual* completing an abbreviated *return* under rule 9.36A, units must be the same as those used in Form M1. If units are in US$ or US$000, then references to the sterling equivalent of Euro in line 33 of Form 11 and lines 33 of Form 12 must be taken to be references to the US$ equivalent of the specified amount of Euro and the Forms must be amended to reflect the use of US$. The bases of conversion adopted must be stated by way of a supplementary note to Form 11 (code 1101).

Pure reinsurers

5. Lines 14 and 24 of Form 11 and line 27 of Form 12 must be left blank for a *pure reinsurer* which became a *firm in run-off* before 31 December 2006 and whose *Part IV permission* has not subsequently been varied to add back the *regulated activity* of *effecting contracts of insurance*.

Prior year figures

6. *INSPRU* 1.1.71R requires recalculation of the *gross adjusted premiums amount* and the *gross adjusted claims amount* (but not during *financial years* beginning before 31 December 2004, because of the transitional provisions) if there has been a significant change to the business portfolio. This may alter the *claims amount* or the *premiums amount* used in calculating the *general insurance capital requirement* for the *financial year* in question. For this reason, entries in column 2 (but not the *brought forward amount*: this should (errors excepted) equal the *brought forward amount* calculated in the previous year's return) may differ from the corresponding entries from the previous year. Any restatement of the figures should be explained by way of a supplementary note to Form 11 (code 1102) and Form 12 (code 1202).

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 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 reinsurance business*.

8. Where the *financial year* began between 1 January 2004 and 31 December 2004 (inclusive), the previous *financial year's* figures would normally be those sent to the *FSA* under rule 9.6(1B) and may be unaudited.

9. If the *financial year* began before 1 January 2005:

   - the treatment of "actuarial health insurance" in the calculation will have changed and prior year figures in lines 32 and 33 of Form 11 and lines 32 and 33 of Form 12 may be inappropriate because the form does not represent the calculation at the time. If so, these figures should be left blank and an explanation should be provided by way of a supplementary note to Form 11 (code 1103) and Form 12 (code 1203).

   - the *firm* would not have had a reference period in relation to the *previous financial year* if it had been in existence for less than 3 or 7 *financial years* (as appropriate). If it had no reference period, then lines 11 to 41, column 2, of Form 12 should be left blank.

<u>Premiums and claims</u>

10. *Premiums* and *claims* are defined by references to *contracts of insurance* and these themselves are defined by the *Regulated Activities Order* so that *premiums* or *claims* may be included for contracts that would not be treated as insurance under normal accounting conventions. All direct and indirect costs related to the *claims* must be included. For *life protection reinsurance business* and *permanent health reinsurance business* the discount to the *premium*, during any initial period, to allow for acquisition expenses of the cedant must be ignored, i.e. an adjustment must be made to *premiums* written and *premiums* earned as if the *premium* is the amount excluding the discount and the discount had been accounted for as an expense.

<u>Euro</u>

11. The Euro amounts in the calculation of line 33 of Form 11 and line 33 of Form 12 will change from time to time as the result of indexation in accordance with *INSPRU* 1.1.49R. The conversion rate to be used is described in *INSPRU* 1.1.50R. Changes in the Euro amounts or conversion rates will not affect prior year figures.

<u>Actuarial health insurance</u>

12. "Actuarial health insurance" refers to health insurance business that meets the conditions of *INSPRU* 1.1.72R or for *class IV insurance business* those conditions as modified by *INSPRU* 1.1.86R.

**Instructions for completion of Form 11**

1. Line 30 represents the *gross adjusted premiums amount* calculated in accordance with *INSPRU* 1.1.56R, if the *financial year* has 12 months. Otherwise line 31 represents the *gross adjusted premiums amount*.

2. In accordance with *INSPRU* 1.1.54R, the reinsurance ratio calculated at line 49 must be:

   - 1.00 if sub-total C is zero
   - 1.00 if sub-total D / sub-total C exceeds 1.00;
   - 0.50 if sub-total D / sub-total C is less than 0.50; and
   - sub-total D / sub-total C, otherwise.

   The ratio at line 49 must be shown to two decimal places, but the unrounded ratio must be used for calculating **Form 11** line 50 and **Form 12** line 41.

3. The provisions in line 51 must be net of *reinsurance* and must not be discounted or reduced to take account of investment income, except for:

   - risks in *classes* 1 or 2;
   - reductions to reflect the discounting of annuities; and
   - a *pure reinsurer* that does not have *permission* under the *Act* to effect *contracts of insurance*.

   For these exceptions, the discount must be calculated in accordance with *GENPRU* 1.3.4R and, if any amounts in line 51 are discounted, a supplementary note to the Form 11 (code 1104) must describe the items that are discounted.

4. If **Form 11** line 51 column 2 is zero, **Form 11** line 52 column 1 equals **Form 12** line 43 column 2.

**Instructions for completion of Form 12**

1. The reference period in line 11 is specified in *INSPRU* 1.1.63R.

2. Statistical methods may be used to allocate the *claims*, provisions and recoveries in respect of *classes* 11, 12 and 13 in line 27.

3. Line 31 represents the *gross adjusted claims amount* calculated in accordance with *INSPRU* 1.1.60R.

Line 43 represents the *general insurance capital requirement* that relates to the following *financial year*: that is the year commencing on the day after the year end to which the *returns* relate.

**Form 13**
**(Sheet 1)**

**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 | |

| | | | **As at end of this financial year 1** | **As at end of the previous year 2** |
|---|---|---|---|---|
| Land and buildings | | 11 | | |
| **Investments in group undertakings and participating interests** | | | | |
| UK insurance dependants | shares | 21 | | |
| | debts and loans | 22 | | |
| Other insurance dependants | shares | 23 | | |
| | debts and loans | 24 | | |
| Non- insurance dependants | shares | 25 | | |
| | debts and loans | 26 | | |
| Other group undertakings | shares | 27 | | |
| | debts and loans | 28 | | |
| Participating interests | shares | 29 | | |
| | debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | | |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | | |
| Rights under derivative contracts | | 44 | | |
| Fixed interest securities | Approved | 45 | | |
| | Other | 46 | | |
| Variable interest securities | Approved | 47 | | |
| | Other | 48 | | |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | | |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | | |
| Other loans | | 53 | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |

**Analysis of admissible assets** **Form 13 (Sheet 2)**

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 | |

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |
| **Reinsurers' share of technical provisions** | | | | |
| Provision for unearned premiums | | 60 | | |
| Claims outstanding | | 61 | | |
| Provision for unexpired risks | | 62 | | |
| Other | | 63 | | |
| **Debtors and salvage** | | | | |
| 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 | | |
| **Other assets** | | | | |
| 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 market risk and counterparty limits (11 to 86 less 87) | | 89 | | |

**Form 13**
**(Sheet 3)**

**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 | |

| | | **As at end of this financial year** **1** | **As at end of the previous year** **2** |
|---|---|---|---|
| **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 market risk and counterparty limits (as per line 89 above) | 91 | | |
| Assets in excess of market and counterparty limits | 92 | | |
| 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 insurance 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 100) | 101 | | |

| | | | |
|---|---|---|---|
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 102 | | |

**Instructions for completion of Form 13**

1. Form 13 must be completed for the total *long-term insurance business assets* of the *insurer* or *branch* and for each fund or group of funds for which separate assets are appropriated. The words "total *long-term insurance business assets*" or the name of the fund must be shown against the heading "Category of assets". The corresponding code box must contain "10" for the total assets and, in the case of separate funds, code numbers allocated sequentially beginning with code "11".

2. Form 13 must be completed in respect of the total assets of the *insurer* or *branch* other than any *long-term insurance business assets*. The words "total other than *long-term insurance business assets*" must be shown against the heading "Category of assets", and the corresponding code box must contain "1".

3. (a) In the case of the *United Kingdom branch return* of an *external insurer* (other than a *non-EEA insurer* whose *insurance business* in the *United Kingdom* is restricted to *reinsurance* or an *insurer* whose head office is in any *EEA State* except the *United Kingdom* whose *insurance business* in the *EEA* is restricted to *reinsurance*) Form 13 must be completed for the following categories of assets -

| **Category** | **Code - other than *long-term insurance business assets*** | **Code - *long-term insurance business assets*** |
|---|---|---|
| In the case of a *non-EEA insurer*, assets *deposited* under *INSPRU* 1.5.54R | 2 | 6 |
| Assets maintained in the *United Kingdom* | 3 | 7 |
| Assets maintained in the *United Kingdom* and the other *EEA States* | 4 | 8 |

(b) In the case of an EEA *branch* return of a *UK-deposit insurer* which has made a *deposit* under *INSPRU* 1.5.54R, Form 13 must be completed for the following categories of assets -

| **Category** | **Code – other than long-*term insurance business assets*** | **Code – *long-term insurance business assets*** |
|---|---|---|
| Assets deposited under *INSPRU* 1.5.54R | 2 | 6 |
| Assets maintained in the *United Kingdom* and the other *EEA States* | 4 | 8 |
| Assets maintained in the *United Kingdom* and the *EEA States* where *insurance business* is carried on | 5 | 9 |

4. In lines 11 to 86 -

(a) for the purpose of classifying (but not valuing) assets, headings and descriptions used above, wherever they also occur in the balance sheet format in Schedule 9A to the *Companies Act*, must have the same meaning as in that Schedule,

(b) *dependants* of the *firm* must be valued in accordance with *GENPRU* 1.3.47R,

(c) a *related undertaking* that is not a *dependant* of the *firm* must be valued in accordance with *GENPRU* 1.3.47R unless:

- It is an *ancillary services undertaking* which must be valued at zero;

- It is a *related undertaking* that is not a *regulated related undertaking* which must be valued in accordance with *GENPRU* 1.3.41R; or

- [deleted]

(d) other assets must be valued in accordance with rule 9.10,

(e) assets of any particular description must be shown after deduction of assets of that description which (for any reason) fall to be left out of account under *INSPRU* 2.1.22R(3)(a), (b), (c), (g) and (h). Negative amounts should not be shown at lines 11 to 86. If a deduction is more than the value of the assets to which it relates, the excess element of the deduction should be shown at line 87; and

(f) deductions in respect of *market risk* and *counterparty* risk are to be shown in line 87, to the extent that (e) does not require them to be recognised in other lines.

5. The aggregate value of those investments which are:

(a) *unlisted* investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the *rules* in *GENPRU* 1.3;

(b) *listed* investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the *rules* in *GENPRU* 1.3 and which are not *readily realisable*;

(c) units or other beneficial interests in *collective investment schemes* that:

(i) are not schemes falling within the *UCITS Directive*;

(ii) are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the *Act*;

(iii) do not employ *derivative contracts* unless they meet the criteria in *INSPRU* 3.2.5R;

(iv) do not employ contracts or assets having the effect of *derivative contracts* unless they have the effect of *derivative contracts* that meet the criteria in *INSPRU* 3.2.5R; and

(v) do not include assets other than *admissible assets* among their property; or

(d) reversionary interests or remainders in property other than land or buildings,

must be stated by way of a supplementary note (code 1301 for other than *long-term insurance business* and code 1308 for *long-term insurance business*) to this Form, together with a description of such investments.

6. The aggregate value of those investments falling within lines 46 or 48 which are *hybrid securities* are to be stated by way of a supplementary note (code 1302 for other than *long-term insurance business* and code 1309 for *long-term insurance business*) to this Form.

7. Amounts in respect of salvage or subrogation included above other than at line 73 are to be stated by way of a supplementary note (code 1303) to this Form.

8. The entry at line 85 must be gross of any related reinsurance commission.

9. The amount to be shown in line 93 must equal the total of the relevant proportions in accordance with *GENPRU* 1.3.49R and *GENPRU* 1.3.50R of the *individual capital resources requirements* of the *regulated related undertakings*.

10. The amount to be shown in line 94 must equal the ineligible surplus capital and any restricted assets of any *regulated related undertaking* that is an *insurance undertaking* that are deducted in accordance with *GENPRU* 1.3.47R (3)(b).

11. Lines 60 to 63 and 85 relate only to *general insurance business*. The amount in lines 60-62 recoverable from *Insurance Special Purpose Vehicles* must be disclosed in a supplementary note (code 1320).

12. Lines 60 to 63 and 85 must be left blank for “Category of assets” code “2”.

13. Since the *technical provisions* for *claims* outstanding shown in **Form 15** may only be discounted or reduced to take account of investment income in limited circumstances, the amount shown at line 12 of **Form 15** may need to be increased (see instruction 4 to **Form 15**). In such cases, the *reinsurers'* share shown at line 61 must be adjusted to be consistent with the amount shown in line 12.

14. The amount of any tangible leased asset included at line 80 must be disclosed by way of a supplementary note (code 1314 for other than *long-term insurance business* and code 1316 for *long-term insurance business*) to this Form.

15. Particulars of any other assets included at line 83 must be stated by way of a supplementary note (code 1315 for other than *long-term insurance business* and code 1317 for *long-term insurance business*) to this Form.

16. Lines 98-101 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 includes the discounting adjustment for the *reinsurers'* share of claims outstanding – see instruction 4 of **Form 15**. Details of amounts in line 100 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.

**Form 14**

**Long term insurance business liabilities and margins**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
Total business / subfund
Units

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| Mathematical reserves, after distribution of surplus | | 11 | | |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus / (valuation deficit) | | 13 | | |
| Long term insurance business fund carried forward (11 to 13) | | 14 | | |
| Claims outstanding | Gross | 15 | | |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | | |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | | |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | | |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | | 36 | | |
| Creditors | Taxation | 37 | | |
| | Other | 38 | | |
| Accruals and deferred income | | 39 | | |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | | |
| Excess of the value of net admissible assets | | 51 | | |
| Total liabilities and margins | | 59 | | |

| | | | |
|---|---|---|---|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | | |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | | |

| | | | |
|---|---|---|---|
| Total liabilities (11+12+49) | 71 | | |
| Increase to liabilities – DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | | |
| Other adjustments to liabilities (may be negative) | 74 | | |
| Capital and reserves and fund for future appropriations | 75 | | |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75) | 76 | | |

**Instructions for completion of Form 14**

1. The Form must be completed for the total *long-term insurance business liabilities* and margins of the *insurer* or *branch* and for each fund or group of funds for which separate assets are appropriated and each *with-profits fund*.

2. The entry at line 11 must equal the sum of lines 21, 43, 44 and 45 of the appropriate Form or Forms 58.

3. The entry at line 12 must equal line 42 of the appropriate Form or Forms 58.

4. The entry at line 13 must equal line 49 of the appropriate Form or Forms 58.

5. The entry at line 14 must equal line 59 of the appropriate Form or Forms 40.

6. Where the provision required by *INSPRU* 3.2.17R(3) is implicit (i.e. the obligation to pay the monetary amount is recognised under the *rules* in *GENPRU* 1.3), *insurers* must state the amount of the provision, in a supplementary note (code 1404).

7. The entry at line 51 must be:

   (a) the value of the *admissible assets* (as included in line 89 of the appropriate Form 13) representing the *long-term insurance funds*, fund or group of funds to which the Form relates, less

   (b) the amount of those funds, fund or group of funds, being the sum of the amounts shown at lines 14 and 49.

8. Lines 72-76 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, and for **Forms 14** at subfund level, these lines must be left blank. The amount of DAC in line 72 must be adjusted for any associated deferred tax. Details of amounts in line 74 must be disclosed in a supplementary note (code 1405). The previous year figures must be left blank for financial years ending on or before 30 December 2006.

9. The amount of each provision, included in line 22, in respect of a deficit in a *regulated related undertaking* and the identity of the *undertaking* must be disclosed in a supplementary note (code 1403) to this Form.

**Form 15**

**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** |
|---|---|---|---|---|
| **Technical provisions (gross amount)** | | | | |
| Provisions for unearned premiums | | 11 | | |
| Claims outstanding | | 12 | | |
| Provision for unexpired risks | | 13 | | |
| Equalisation provisions | Credit business | 14 | | |
| | Other than credit business | 15 | | |
| Other technical provisions | | 16 | | |
| Total gross technical provisions (11 to 16) | | 19 | | |
| **Provisions and creditors** | | | | |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | | 31 | | |
| Creditors | Direct insurance business | 41 | | |
| | Reinsurance accepted | 42 | | |
| | Reinsurance ceded | 43 | | |
| Debenture loans | Secured | 44 | | |
| | Unsecured | 45 | | |
| Amounts owed to credit institutions | | 46 | | |
| Creditors | Taxation | 47 | | |
| | Declared dividend | 48 | | |
| | Other | 49 | | |
| Accruals and deferred income | | 51 | | |
| Total (19 to 51) | | 59 | | |
| Provision for "reasonably foreseeable adverse variations" | | 61 | | |
| Cumulative preference share capital | | 62 | | |
| Subordinated loan capital | | 63 | | |
| Total (59 to 63) | | 69 | | |
| Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance | | 71 | | |
| Reinsurers' share of DAC | | 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+81-82+83+84) | | 85 | | |

**Instructions for completion of Form 15**

1. Amounts in lines 11 to 13 and 16 must be stated gross of *reinsurers'* share.

2. The aggregate amount of any accrued dividend in respect of cumulative *preference shares* issued by the *insurer* must be shown by way of a supplementary note (code 1503) to this Form.

3. Only equalisation provisions that are created as a result of a regulatory requirement are to be included at lines 14 and 15

4. The amount shown in line 12 may only be discounted or reduced to take account of investment income:

   (a) for *Class* 1 or 2 business; or

   (b) in respect of annuities; or

   (c) if the *insurer* is a *pure reinsurer* which became a *firm in run-off* before 31 December 2006 and whose *Part IV permission* has not subsequently been varied to add back the *regulated activity* of *effecting contracts of insurance*.

   So, if the *technical provisions* for *claims* outstanding for other business are discounted or reduced to take account of investment income, then they must be increased by the difference between the undiscounted and the discounted provisions. If the *technical provisions* are increased the amount of the increase must be shown in line 82 and the corresponding increase in the *reinsurers*' share must be included as a negative item in line 99 of **Form 13**.

5. The amount of each provision, included in line 22, in respect of a deficit in a *regulated related undertaking* and the identity of the *undertaking* must be stated in a supplementary note (code 1504).

6. Where the provision required by *INSPRU* 3.2.17R(3) is implicit (i.e. the obligation to pay the monetary amount is recognised under the *rules* in *GENPRU* 1.3), the amount of the provision must be stated in a supplementary note (code 1506).

7. The amount shown in line 51 must include reinsurance commissions related to *deferred acquisition costs* corresponding to the allowance included in **Form 13** line 85.

8. Lines 81-85 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 had been declared but not paid prior to the end of the financial year. Where the previous financial year ends before 31 December 2006 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).

**Form 16**

**Profit and loss account (non-technical account)**

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

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R16 | | | | | | £000 |

| | | | **This financial year 1** | **Previous year 2** |
|---|---|---|---|---|
| Transfer (to) / from the general insurance business technical account | From Form 20 | 11 | | |
| | Equalisation provisions | 12 | | |
| Transfer from the long term insurance business revenue account | | 13 | | |
| Investment income | Income | 14 | | |
| | Value re-adjustments on investments | 15 | | |
| | Gains on the realisation of investments | 16 | | |
| Investment charges | Investment management charges, including interest | 17 | | |
| | Value re-adjustments on investments | 18 | | |
| | Loss on the realisation of investments | 19 | | |
| Allocated investment return transferred to the general insurance business technical account | | 20 | | |
| Other income and charges (particulars to be specified by way of supplementary note) | | 21 | | |
| Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21) | | 29 | | |
| Tax on profit or loss on ordinary activities | | 31 | | |
| Profit or loss on ordinary activities after tax (29-31) | | 39 | | |
| Extraordinary profit or loss (particulars to be specified by way of supplementary note) | | 41 | | |
| Tax on extraordinary profit or loss | | 42 | | |
| Other taxes not shown under the preceding items | | 43 | | |
| Profit or loss for the financial year (39+41-(42+43)) | | 49 | | |
| Dividends (paid or declared) | | 51 | | |
| Profit or loss retained for the financial year (49-51) | | 59 | | |

**Instructions for completion of Form 16**

1. In addition to the supplementary note (code 1601) required under **Appendix 9.1** paragraph 5(2), where any brought forward amounts on any Form are restated due to currency reconversion it would be appropriate to briefly state this fact in a supplementary note (code 1602) to this Form in order to facilitate the *FSA's* computerised validation of the *return*. This fact may be stated by a simple statement, e.g. 'Some of the brought forward amounts shown in the forms xx to xx have been restated from the corresponding carried forward amounts included in the previous year's *return* due to the reconversion of foreign currency amounts at a different rate of exchange'. No further details need be given.

2. Particulars of any amounts included at lines 21 must be stated by way of a supplementary note (code 1603) to this Form.

3. Particulars of any amounts included at lines 41 must be stated by way of a supplementary note (code 1604) to this Form.

4. The amount at line 51 column 1 excludes dividends which had not been declared prior to the end of the financial year. Where the previous financial year ends before 31 December 2006 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).

**Form 17**

**Analysis of derivative contracts**

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 |
|---|---|---|---|---|---|---|---|
| R17 | | | | | | £000 | |

| Derivative contracts | | | As at the end of this financial year | | As at the end of the previous year | |
|---|---|---|---|---|---|---|
| | | | Assets 1 | Liabilities 2 | Assets 3 | Liabilities 4 |
| Futures contracts | Fixed-interest securities | 11 | | | | |
| | Equity shares | 12 | | | | |
| | Land | 13 | | | | |
| | Currencies | 14 | | | | |
| | Other | 15 | | | | |
| Options | Fixed-interest securities | 21 | | | | |
| | Equity shares | 22 | | | | |
| | Land | 23 | | | | |
| | Currencies | 24 | | | | |
| | Other | 25 | | | | |
| Contracts for differences | Fixed-interest securities | 31 | | | | |
| | Equity shares | 32 | | | | |
| | Land | 33 | | | | |
| | Currencies | 34 | | | | |
| | Other | 35 | | | | |
| Adjustment for variation margin | | 41 | | | | |
| Total (11 to 41) | | 49 | | | | |

**Instructions for completion of Form 17**

1. Form 17 must be completed in respect of the total *general insurance business assets* and in respect of the total *long-term insurance business assets*, if any, of the *insurer* or branch. Form 17 must also be completed for each fund or group of funds referred to in instruction 1 to Form 13.

2. The codes specified in instructions 1 to 3 to Form 13 must be used as appropriate.

3. *Derivative contracts* must be analysed according to the description of assets shown in the second column of Form 17 which represents the principal subject of the contract.

4. *Derivative contracts* must be reported as assets in column 1 of Form 17 if their value to the *insurer* (gross of *variation margin*) is positive and as liabilities in column 2 of Form 17 if their value (gross of *variation margin*) to the *insurer* is negative.

5. All amounts included at lines 11 to 35 of Form 17 in respect of *derivative contracts* must be determined without making any allowance for *variation margin*.

6. Amounts in respect of a *derivative contract* may only be included net of amounts in respect of any other *derivative contract* if -

   (a) obligations of the *insurer* under the contracts may be set off against each other under generally accepted accounting practice; and

   (b) such other contract has the effect (in whole or in part) of closing out the obligations of the *insurer* under the first mentioned contract.

7. The effect of any *variation margin* upon amounts included at lines 11 to 35 of Form 17 must be shown at line 41.

8. The entry at 17.49.1 must be included at 13.44.1.

9. The entry at 17.49.2 must be included at 14.38.1 or 15.49.1. as appropriate.

10. Rights to recover assets transferred by way of *initial margin* must not be shown on Form 17.

**Form 18**

**With-profits insurance capital component for the fund**

Name of insurer
With-profits fund
Financial year ended
Units

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| **Regulatory excess capital** | | | | |
| Regulatory value of assets | Long-term admissible assets of the fund | 11 | | |
| | Implicit items allocated to the fund | 12 | | |
| | Mathematical reserves in respect of the fund's non-profit insurance contracts | 13 | | |
| | Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts | 14 | | |
| | Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts | 15 | | |
| | Total (11+12-(13+14+15)) | 19 | | |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profit insurance contracts | 21 | | |
| | Regulatory current liabilities of the fund | 22 | | |
| | Total (21+22) | 29 | | |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | 31 | | |
| Resilience capital requirement in respect of the fund's with-profits insurance contracts | | 32 | | |
| Sum of regulatory value of liabilities, LTICR and RCR (29+31+32) | | 39 | | |
| Regulatory excess capital (19-39) | | 49 | | |
| **Realistic excess capital** | | | | |
| Realistic excess capital | | 51 | | |
| **Excess assets allocated to with-profits insurance business** | | | | |
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | | 61 | | |
| Face amount of capital instruments attributed to the fund and included in capital resources (unstressed) | | 62 | | |
| Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed) | | 63 | | |
| Present value of future shareholder transfers arising from distribution of surplus | | 64 | | |
| Present value of other future internal transfers not already taken into account | | 65 | | |
| With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero; else greater of 61-64-65 and zero) | | 66 | | |

**Instructions for completion of Form 18**

1. The entries at lines 11, 12, 13 and 14 must equal the values determined in accordance with *INSPRU* 1.3.24R. The entry at line 15 must be left blank for financial years ending on or after 31 December 2006.

2. The entry at line 19 must equal the value determined in accordance with *INSPRU* 1.3.23R(1).

3. The entries at lines 21 and 22 must equal the values determined in accordance with *INSPRU* 1.3.29R.

4. The entries at lines 29 and 31 must equal the values determined in accordance with *INSPRU* 71.3.23R(2)(a) and (b) respectively. The entry at line 32 must be left blank for financial years ending on or after 31 December 2006.

5. The entry at line 39 must equal the value determined in accordance with *INSPRU* 1.3.23R(2).

6. The entry at line 49 must equal the value determined in accordance with *INSPRU* 1.3.23R.

7. The entry at line 51 must equal the value at Form 19, Line 66.

8. The entry at line 62 must equal C, determined in accordance with *INSPRU* 1.3.7R(3)(a).

9. The entry at line 63 must equal D, determined in accordance with *INSPRU* 1.3.7R(3)(b).

10. The entry at line 64 must equal the value determined in accordance with *INSPRU* 1.3.7R(2)(b)(ii). The previous year figure must be left blank for financial years ending on or before 30 December 2007.

11. The entry at line 65 must equal the amount determined in accordance with *INSPRU* 1.3.7R(2)(b)(iii). The previous year figure must be left blank for financial years ending on or before 30 December 2007.

12. The entry at line 66 must equal the contribution in respect of the fund to the aggregate value determined in accordance with *INSPRU* 1.3.7R(1).

**Form 19**
**(Sheet 1)**

**Realistic balance sheet**

Name of insurer
With-profits fund
Financial year ended
Units

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| **Realistic value of assets available to the fund** | | | | |
| Regulatory value of assets | | 11 | | |
| Implicit items allocated to the fund | | 12 | | |
| Value of shares in subsidiaries held in fund (regulatory) | | 13 | | |
| Excess admissible assets | | 21 | | |
| Present value of future profits (or losses) on non-profit insurance contracts written in the fund | | 22 | | |
| Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22 | | 23 | | |
| Value of shares in subsidiaries held in fund (realistic) | | 24 | | |
| Prepayments made from the fund | | 25 | | |
| Realistic value of assets of fund (11+21+22+23+24+25-(12+13)) | | 26 | | |
| Support arrangement assets | | 27 | | |
| Assets available to the fund (26+27) | | 29 | | |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefit reserve | | 31 | | |
| Future policy related liabilities | Past miscellaneous surplus attributed to with-profits benefits reserve | 32 | | |
| | Past miscellaneous deficit attributed to with-profits benefits reserve | 33 | | |
| | Planned enhancements to with-profits benefits reserve | 34 | | |
| | Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve | 35 | | |
| | Planned deductions for other costs deemed chargeable to with-profits benefits reserve | 36 | | |
| | Future costs of contractual guarantees (other than financial options) | 41 | | |
| | Future costs of non-contractual commitments | 42 | | |
| | Future costs of financial options | 43 | | |
| | Future costs of smoothing (possibly negative) | 44 | | |
| | Financing costs | 45 | | |
| | Any other liabilities related to regulatory duty to treat customers fairly | 46 | | |
| | Other long-term insurance liabilities | 47 | | |
| | Total (32+34+41+42+43+44+45+46+47 -(33+35+36)) | 49 | | |
| Realistic current liabilities of the fund | | 51 | | |
| Realistic value of liabilities of fund (31+49+51) | | 59 | | |

**Form 19**
**(Sheet 2)**

**Realistic balance sheet**

Name of insurer
With-profits fund
Financial year ended
Units

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| **Realistic excess capital and additional capital available** | | | |
| Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds | 62 | | |
| Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario | 63 | | |
| Value of relevant assets before applying the most adverse scenario (62+63) | 64 | | |
| Risk capital margin for fund (62-59) | 65 | | |
| Realistic excess capital for fund (26-(59+65)) | 66 | | |
| Realistic excess available capital for fund (29-(59+65)) | 67 | | |
| Working capital for fund (29-59) | 68 | | |
| Working capital ratio for fund (68/29) | 69 | | |

**Other assets potentially available if required to cover the fund's risk capital margin**

| | | | |
|---|---|---|---|
| Additional amount potentially available for inclusion in line 62 | 81 | | |
| Additional amount potentially available for inclusion in line 63 | 82 | | |

## Instructions for completion of Form 19

1. The entry at line 11 must equal the value at Form 18, Line 19.
2. The entry at line 12 must equal the value at Form 18, Line 12.
3. The entry at line 13 must be the amount determined in accordance with *GENPRU* 1.3 and excluded from the amount calculated in accordance with *INSPRU* 1.3.33R(1)(a).
4. The entry at line 21 must be the amount of the fund's excess *admissible assets*, determined in accordance with *INSPRU* 1.3.33R(1)(b).
5. The entry at line 22 must be the present value of future profits (or losses) on any *non-profit insurance contracts* written in the *with-profits fund*, determined in accordance with *INSPRU* 1.3.33R(1)(c).
6. The entry at line 23 must be the market value of any *derivative* or *quasi-derivative* determined in accordance with *INSPRU* 1.3.33R(1)(d).
7. The entry at line 24 must be the amount determined in accordance with *INSPRU* 1.3.33R(1)(e).
8. The entry at line 25 must be the amount determined in accordance with *INSPRU* 1.3.33R(1)(f).
9. The entry at line 26 must be the amount determined in accordance with *INSPRU* 1.3.32R(1).
10. The entry at line 27 must be any other amount providing capital support to the fund under a support arrangement, included with the prior agreement of the *FSA*.
11. The entry at line 31 must be the amount determined in accordance with *INSPRU* 1.3.40R(1).
12. The entries at lines 32, 33, 34, 35, 36, 41, 42, 43, 44, 45, 46 and 47 must be the amounts determined in accordance with *INSPRU* 1.3.137R(1) to (11).
13. The entry at line 32 is the (positive) amount determined in accordance with *INSPRU* 1.3.137R(1) if this represents a surplus.
14. The entry at line 33 is the (positive) amount determined in accordance with *INSPRU* 1.3.137R(1) if this represents a deficit.
15. The entries at lines 34, 35, 36, 41, 42, 43, 44 and 45 are the amounts determined in accordance with *INSPRU* 1.3.137R(2) to (9) respectively.
16. The entries at lines 46 and 47 are the values determined in accordance with *INSPRU* 1.3.137R(10) and (11).
17. The entry at line 49 must be the amount determined in accordance with *INSPRU* 1.3.40R(2).
18. The entry at line 51 must be the amount determined in accordance with *INSPRU* 1.3.40R(3).
19. The entry at line 59 nust be the amount determined in accordance with *INSPRU* 1.3.32R(2)(a).
20. The entry at line 62 must be the amount described as A and determined in accordance with *INSPRU* 1.3.43R(3)(a) adjusted to exclude any amount taken into consideration under *INSPRU* 1.3.45R(2)(c).
21. The entry at line 63 must be any amount taken into consideration under *INSPRU* 1.3.45R(2)(c) in determining the amount described as A in accordance with *INSPRU* 1.3.43R(3)(a).
22. The entry at line 64 must be the amount described as A and determined in accordance with *INSPRU* 1.3.43R(3)(a).
23. The entry at line 65 must be the amount determined in accordance with *INSPRU* 1.3.32R(2)(b).
24. The entry at line 66 must be the amount determined in accordance with *INSPRU* 1.3.32R.

24A. The entry at line 69 must be shown as a percentage to two decimal places.

25. The entry at line 81 must be an amount not exceeding the sum of the value of the net shareholders assets of the *firm* and the surplus assets of the *firm*'s *non-profit funds*, to the extent not included at any Form 19 line 27 or at any Form 19 line 62 and to the extent not required to meet regulatory capital requirements in respect of any business written outside the fund.
26. The entry at line 82 must be an amount not exceeding 50% of the present value of future profits arising from insurance contracts written by the *firm* outside its *with-profits funds* reduced by the sum of any amounts included at any Form 19 line 63.

**APPENDIX 9.2** (rules 9.14 to 9.22)

**GENERAL INSURANCE BUSINESS:**
**REVENUE ACCOUNT AND ADDITIONAL INFORMATION**
**(FORMS 20A and 20 TO 39)**

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**Introduction**

1. All the Forms included in the part of the *return* to which this Appendix relates (**Forms 20A and 20** to **39**) are to be laid out as shown in this Appendix, except that the instructions to Forms need not be reproduced.

2. The provisions of paragraph 1(2) and paragraphs 2 to 7 of **Appendix 9.1**, unless otherwise provided, also apply for the purposes of this Appendix.

**Cases where forms are required**

2A Table: Forms required for the *FSA general insurance business reporting categories*:

| **FSA general insurance business reporting category** | **Form** | | | |
|---|---|---|---|---|
| | **F20, F21, F22, F23, F24, F25** | **F26, F27 F28 F29** | **F31 F34** | **F32 F34** |
| *Combined categories* | √ | | | |
| *Category numbers* 160 and 350 | √ | | √ | |
| *Risk categories* with *category numbers* 121, 122, 123, 221, 222, 223 (i.e. *direct and facultative* motor) | | | | √ |
| *Risk categories* with *category numbers* below 400 other than *category numbers* 121, 122, 123, 221, 222, 223, 160 and 350 (i.e. all *direct and facultative* that is not motor, household or goods in transit and has not been allocated to a *miscellaneous category*) | | | √ | |
| *Risk categories* with *category numbers* 510 to 590 and 610 to 690 (i.e. treaty *reinsurance*) | | √ | | |
| Miscellaneous primary (direct) and facultative business (*category number* 400) | √ | | √ | |
| Miscellaneous treaty reinsurance accepted business (*category number* 700) | √ | √ | | |
| *Balancing categories* (*category numbers* 409, 709) | √ | | | |

2B (1) In the Table in (2) a Form, specified in the first column, is required for a category of business, specified in the second column, if the criteria, specified in the third column, are met for that category of business.

(2) Table: Criteria (if any) for whether a Form is required for a category of *general insurance business*. Paragraph 2C belongs to this Table.

| **Form** | **Category of business**. | **Reporting criteria (if any)** |
|---|---|---|
| | | |
| **F20** to **F25**<br><br>Technical provisions and profit & loss account | *Category number* 001 | Forms always required |
| | *Category numbers* 002,003 | Either -<br><br>(a) the *insurer's* 'gross undiscounted provisions' in the category of business at the end of the *financial year* exceed zero; or<br><br>(b) the *insurer's gross written premiums* in the category of business in the *financial year* exceed zero. |
| | *Category numbers* 110, 120, 160, 180, 220, 260, 270, 280, 330, 340, 350, 400, 500, 600, 700 | Either -<br><br>(a) the *insurer's* 'gross undiscounted provisions' in the category of business at the end of the *financial year* exceed:<br><br>(i) £100m; or<br>(ii) the higher of 5% of the *insurer's* total 'gross undiscounted provisions' and £1 million<br>or<br><br>(b) the *insurer's gross written premiums* in the category of business in the *financial year* exceed:<br><br>(i) £100m; or<br>(ii) the higher of 5% of the *insurer's* total *gross written premiums* and £1 million. |
| | *Category number* 409 | Some business in *category number* 002 is not reported on **Forms 20** to **25** for *category numbers* 110 to 400. |

| | | |
|---|---|---|
| | *Category number* 709 | Some business in *category number* 003 is not reported on **Forms 20** to **25** for *category numbers* 500, 600 and 700. |
| **F26** to **F29**<br><br>Results by year of origin for treaties accepted | *Category numbers* 510 to 590 and 610 to 690 denominated in any one currency.<br><br>*Category number* 700 | Either -<br><br>(a) the *insurer's* 'gross undiscounted provisions' in the category of business at the end of the *financial year* exceed:<br><br>(i) £100m; or<br>(ii) the higher of 5% of the *insurer's* total 'gross undiscounted provisions' and £1 million<br>or<br><br>(b) the *insurer's gross written premiums* in the category of business in the *financial year* exceed:<br><br>(i) £100m; or<br>(ii) the higher of 5% of the *insurer's* total *gross written premiums* and £1 million. |
| **F31, F32, F34**<br>Gross results by year of origin for direct and facultative business | *Category numbers* 331 to 333 and 341 to 350 denominated in any one currency.<br><br>*Category numbers* 111 to 114, 121 to 160, 181 to 187, 221 to 223, 261 to 263, 271 to 274 and 281 to 284 denominated in any one currency carried on in any 'reporting territory'<br><br>*Category number* 400 | Either -<br><br>(a) the *insurer's* 'gross undiscounted provisions' in the category of business at the end of the *financial year* exceed:<br><br>(i) £100m; or<br>(ii) the higher of 5% of the *insurer's* total 'gross undiscounted provisions' and £1 million<br>or<br><br>(b) the *insurer's gross written premiums* in the category of business in the *financial year* exceed:<br><br>(i) £100m; or<br>(ii) the higher of 5% of the *insurer's* total *gross written premiums* and £1 million. |

2C For the purpose of column 2 of the Table in Paragraphs 2B and Paragraphs 3(1) and 3(3) –

(a) a currency in which a *contract of insurance* is denominated is –

(i) the currency in which the contract requires settlement of claims or the successor to that currency if it has been superseded,

(ii) the currency in which the *insurer* records claim payments under the contract, if the contract permits settlement of claims in more than one currency or if it is the *insurer's* internal practice to convert claim payments to that currency, or

(iii) the currency in which the *insurer* maintains records of the development of *premiums* or *claims* under the contract in order to determine *technical provisions*;

(b) business denominated in British pound, converted to British pound, or British pound and converted to British pound combined are to be treated as though they were denominated in different currencies from each other; and

(c) a **reporting territory** is one of -

(i) 'United Kingdom' if the business is carried on in the United Kingdom and is not *home foreign business*,

(ii) 'Home Foreign' if the business is *home foreign business*, or

(iii) 'Non-United Kingdom' if the business is carried on outside the United Kingdom.

**Currency**

3. (1) Notwithstanding the provisions of 2, amounts on **Forms 26** to **29, 31, 32,** and **34** submitted in accordance with rules 9.17, 9.19 or 9.20A must be shown in the currency in which the business on the Form is denominated except that figures must be shown in sterling in those columns and lines which the forms indicate are always to contain figures expressed in sterling –

(a) in those columns and lines which the forms indicate are always to contain figures expressed in sterling; and

(b) if business on the form is *category number* 400 or 700.

(2) For every currency other than sterling in which amounts are shown on the Forms referred to in (1), an entry must be made on **Form 36** to show the rate used to convert those amounts to sterling for inclusion elsewhere in the *returns*.

(3) Notwithstanding the provisions of 2, all amounts included in -

(a) columns 1, 2, 3 and 11 of **Form 23**;

(b) columns 1, 2, 3, and 11 of any **Form 26** or **27** for *category number* 700;

(c) columns 3 and 10 of any **Form 31** for *category number* 400; and

(d) columns 1 and 8 of any **Form 34** for *category number* 400,

must be expressed in sterling, and these amounts that are in respect of business denominated in a non-sterling currency must be expressed in sterling as if conversion of every currency had taken place at the closing middle rate on the last day for which the appropriate rate is available in the *financial year in question*.

(4) For the purpose of (3), the currencies 'Converted to British pound' and 'British pound and converted to British pound combined' are not non-sterling currencies.

(5) A *insurer* need not apply (3) to amounts shown in any line of any of the forms mentioned in that sub-paragraph representing an accident year or underwriting year ending before 23 December 1996.

4. All amounts shown in sterling must be shown to the nearer £1,000. Amounts in any other currency on **Forms 26** to **29**, **31**, **32** and **34** must be shown to the nearer 1,000 principal monetary units of that currency except that, where the rate of exchange of the currency in relation to £1 sterling on the last day of the *financial year in question* exceeded 1,000 principal monetary units of that currency, the amounts must be shown to the nearer 1,000,000 principal monetary units and '000,000' must be inserted in the box labelled 'Monetary units'. In other cases, this box must be completed by inserting '000'.

5. [deleted]

6. [deleted]

7. (1) The following information must be stated by way of supplementary notes (codes 20Aa to 20Af) to **Form 20A** –

(a) (code 20Aa) in respect of each *risk category* (other than *risk categories* with *category numbers* 274, 590 or 690)to which an *insurer* has allocated *general insurance business* under rule 9.14B –

(i) the name of the *risk category*,

(ii) a description of the *general insurance business* allocated to the relevant *risk category*,

(iii) the rationale for the allocation decision made,

(iv) the amounts included in **Form 20A** under the risk category in respect of *general insurance business* allocated to the *risk category* under rule 9.14B, and

(v) in the case of an allocation made under rule 9.14B(4), a description of the method used to make that allocation;

(b) (code 20Ab) the *risk categories* to which any *contracts of insurance* against risks of death of, or injury to, passengers has been allocated;

(c) (code 20Ac) a detailed explanation of business allocated to each of *category numbers* 187, 223, 400 and 700 ('Other personal financial loss', 'motor other', 'miscellaneous direct' and 'miscellaneous reinsurance' categories);

(d) (code 20Ad) in respect of each *risk category* (other than *risk categories* 510 to 590, 610 to 690 and 700) for which the amounts reported in **Form 20A** contain both *claims-made policies* and policies which are not *claims-made*:

(i) the name of the *risk category*,

(ii) the amounts reported in **Form 20A** under the *risk category* that have arisen from *claims-made policies*, and

(iii) the amounts reported in **Form 20A** under the *risk category* that have arisen from policies which are not *claims-made*;

(e) (code 20Ae) the amounts reported in **Form 20A** under *category number* 002 ("Total primary (direct) and facultative business") that is *facultative business*;

(f) (code 20Af) the amounts reported in **Form 20A** under each of *category numbers* 113 (Travel), 274 (Mixed commercial package) and 343 (Energy) that has arisen from business falling within -

(i) each group of *classes* in **Annex 11.2 Part II**, and

(ii) *classes* 16, 17 and 18 combined (miscellaneous financial loss, legal expenses and assistance).

(2) The *insurer* may make reasonable estimates of the amounts required under (1)(d) to (f).

8. [deleted]

**Presentation of amounts**

8A 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 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, an explanation of the reason for the difference must be given by way of a supplementary note to that Form. For **Forms 20, 21**, **22, 23, 24, 26, 27, 28, 31, 32** or **34,** the code for the supplementary note is 2001, 2101, 2201, 2301, 2401, 2601, 2701, 2801, 3101, 3201 or 3401 respectively.

8B. Calculations must be performed using unrounded figures. Figures which are determined from other figures (whether or not on the same form) must be rounded after performing calculations on the unrounded component figures. Ratios must be reported to two decimal places.

**Premiums**

9. In **Forms 23**, **26**, **27**, **31** and **32** -

(a) *gross premiums earned* in respect of an accident year must be such proportion of *gross premiums written* as is attributable to risks borne by the *insurer* during that accident year; and

(b) the *reinsurers'* share of premiums earned must be attributed to the same accident years as the corresponding *gross premiums earned*, so as to calculate the *net earned premiums* for each accident year.

10. In **Forms 24**, **25**, **28**, **29** and **34** -

(a) *gross premiums written* in an underwriting year must be the amount of such premiums arising in respect of *contracts of insurance incepted* during that year, whether or not they are received during that year; and

(b) the *reinsurers'* share of premiums written must be attributed to the same underwriting years as the corresponding *gross premiums written*.

11. For the purposes of 10 and 14, where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

12. In all Forms to which this Appendix relates, amounts required to be shown in respect of premiums must be shown before deduction for commissions.

**Claims**

13. (1) In **Forms 23**, **26**, **27**, **31** and **32**, where an amount or number is required to be shown for *claims* in respect of an accident year, that amount or number must be determined on the basis of *claims* arising from incidents occurring during that accident year.

(2) For the purposes of (1), an incident giving rise to a claim under a *claims-made policy* is deemed to occur on the earlier of -

(a) the date on which it is notified in accordance with the terms of that *policy*; or

(b) the date on which the period for which cover is provided under that *policy* expires.

(3) For the purposes of (1), where an *insurer* has assumed, pursuant to a contract, responsibility (whether wholly or in part) for the payment or reimbursement of *claims* made under *policies* effected by another *insurer*, all incidents occurring prior to the date of such contract and giving rise to *claims* under those *policies* are deemed have occurred on the date of such contract.

(4) In the application of (3), the reference to responsibility assumed by an *insurer* includes responsibility assumed as a *reinsurer* or under a transfer under Part VII of the Act or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.

14. In **Forms 24**, **25**, **28**, **29** and **34**, where an amount is required to be shown for *claims* in respect of a *financial year*, that amount must be determined on the basis of *claims* arising under *contracts of insurance incepted* during that year.

15. In all Forms to which this Appendix relates, amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*.

**UK and overseas business**

16. (1) For each *risk category* there must be stated by way of supplementary note (code 20Ag) to **Form 20A** -

(a) if any of the *gross written premiums* reported in **Form 20A** under the *risk category* is attributable to *home foreign business* or overseas business, the amount of the *gross written premiums* in the *risk category* attributable to overseas business, *home foreign business*, and other UK business;

(b) If the risk category is not 510 to 590, 610 to 690 or 700, and any of the business reported in **Form 20A** under the *risk category* is attributable to overseas business, the countries in which the business in the *risk category* is carried on; and

(c) the name of the *risk category*.

(2) For the purposes of this Appendix, and (1)(a) in particular, *gross written premiums* must be shown or included as UK premiums if, in the case of *direct and facultative insurance business* the *contract of insurance* was effected in the United Kingdom or if, in the case of a *reinsurance* treaty, the cedant was an *insurer* having its head office in the United Kingdom or was a member of the *Society*; and overseas premiums must be construed accordingly.

(3) In a **Form 31, 32** or **34,** an *insurer* must enter in the space alongside 'reporting territory' –

(a) 'World wide' if the business on the Form is a subset of *category numbers* 330 or 340 or *category number* 350 or 400; or

(b) one of the following if the business on the Form is otherwise

(i) 'United Kingdom other than home foreign' for business carried on in the *United Kingdom* that is not *home foreign business,*

(ii) 'Home Foreign' for *home foreign business*, or

(iii) 'Overseas' for business carried on outside the United Kingdom.

**Transfers of general insurance business**

17. (1) If, during the *financial year*, *policies* already effected by another *insurer* have been transferred to the *insurer*, an *insurer* must state, in respect of each *risk category*, the following by way of supplementary note to **Form 20A** (code 20Ah) -

(a) the date of the transfer;

(b) whether the transfer was approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive* or was effected by novation;

(c) any amounts included in columns 1, 2, 3 and 4 on **Form 20A** in respect of consideration for the transfer;

(d) [deleted]

(e) the earliest and latest dates upon which the relevant *policies incept*; and

(f) whether or not any of the *policies* has a duration of longer than 12 months and, if so, the date by which all those *policies* will have expired.

(2) (1) does not apply in respect of any transfer by way of novation unless the amounts mentioned in (1)(c) exceed in aggregate 2.5% of the insurer's gross premium income for the financial year in question.

(3) (a) For each *risk category* that contains *general insurance business* for which an *insurer* is required, by rules 9.17 and 9.19, to prepare a **Form 26 to 29, 31, 32** or **34** in the *return* for the *financial year in question*, the *insurer* must, subject to (b), state the amount included in columns 2 plus 3 and the amount included in column 4 on **Form 20A** that arise from *policies* already effected by another *insurer* that have been transferred to the *insurer*, by way of supplementary note to **Form 20A** (code 20Ai).

(b) For each *risk category* (a) only applies if the amount included in columns 2 plus 3 plus 4 on **Form 20A** that arises from transferred *policies* exceeds £10m or the higher of £1m and 10% of the amount shown in columns 2 plus 3 plus 4 on **Form 20A** for that *risk category*.

**Unearned premiums**

18. In **Forms 21** and **25**, the basis on which unearned premiums are calculated and the reason for adopting this basis must be stated by way of supplementary note (code 2102 in the case of **Form 21** and code 2501 in the case of **Form 25**).

**Provision for unexpired risks**

19. (1) The amount included for the provision for unexpired risks in **Form 22** or **25** prepared in respect of an *FSA general insurance business reporting category* must be determined without taking into account any surplus expected to arise on the unexpired risks falling within other *FSA general insurance business reporting categories*.

(2) Where in determining the amount of the overall provision for unexpired risks (line 13 in **Form 15** less line 62 in **Form 13**) credit has been taken for any aggregate surplus expected to arise on the unexpired risks falling in any *FSA general insurance business reporting category*, the amount of that credit must be included as a negative amount at line 19 of **Form 22** or line 23 of **Form 25**, as appropriate, for that category.

20. (1) Where the amount included at column 3 line 19 (provision for unexpired risks) in any **Form 22** or at column 99-99 of line 23 (provision for unexpired risks) in any **Form 25** has been determined after taking into account expected

investment return, the following must be stated by way of supplementary note (code 2205 in the case of **Form 22** and code 2502 in the case of **Form 25**) -

(a) the provision for unexpired risks before taking such investment return into account;

(b) the rates of investment return assumed; and

(c) the average interval between the end of the *financial year in question* and the date at which *claims* are expected to be settled in cash.

**Cessation of business**

21. (1) If the *insurer* has effected no 'new *contracts of insurance'* of any one or more *classes* of *general insurance business* during the *financial year*, the date on which the last 'new contract' of each such *class* was effected must be stated by way of supplementary note (code 20Aj) to **Form 20A**.

(2) For the purposes of this paragraph and 22, a **new contract of insurance** is *any contract of insurance* effected by the *insurer* other than in fulfilment of its obligations under subsisting *contracts of insurance* **.**

**Claims management costs**

22. (1) In **Forms 22** and **24**, the basis used for the determination of amounts for *claims management costs* payable in the *financial year in question* and carried forward to the following *financial year* must be stated by way of supplementary note (code 2202 in the case of **Form 22** and code 2404 in the case of **Form 24**).

(2) If, in respect of any *FSA general insurance business reporting category* -

(a) no amount for *claims management costs* is shown as being carried forward to the following *financial year*; and

(b) an amount for net claims is shown as being carried forward to that year,

the reason for anticipating that there will be no *claims management costs* incurred during the following *financial years* must be included in the note required by (1) .

(3) If, within an *FSA general insurance business reporting category*, an insurer has ceased to effect 'new *contracts of insurance'* during the *financial year in question*, the basis upon which any additional costs arising as a result of such cessation have been determined or the reason for anticipating that no such additional costs will be incurred must be included in the note required by (1).

(4) Where the amount in respect of *claims management costs* carried forward and included in any Form 22 or 24 has been determined after taking into account expected investment return, there must be stated by way of supplementary note to **Form 22** (code 2203) or **Form 24** (code 2405) -

(a) the rates of investment return assumed; and

(b) the average interval between the end of the *financial year in question* and the date by which the *claims management costs* are expected to be expended.

**Acquisition costs**

23. The basis used for the determination of amounts for acquisition costs (other than commission) payable in the *financial year in question* and carried forward to the next *financial year*, as shown at line 22 of **Form 22** and line 42 of **Form 24**, must be stated by way of a supplementary note to **Form 22** (code 2204) and **Form 24** (code 2406).

**Underwriting year accounting**

24. (1) With reference to the *financial year in question* and in respect of each *FSA general insurance business reporting category*, the following information must be stated by way of supplementary note (code 2402) to **Form 24** -

(a) the reason for accounting for such business on an underwriting year basis;

(b) the basis for distinguishing between such business and any other business falling within the same *FSA general insurance business reporting category* accounted for on an accident year basis;

(c) the accounting policy adopted for determining the provision for *claims* outstanding; and

(d) if the information provided in (a) to (c) differs in respect of risks *incepted* in the *financial year in question* from risks of a similar description *incepted* in *previous financial years*, the reason for that difference.

(2) Where the provision for *claims* outstanding is set in respect of any business using the 'non-annual method', the note required by (1)(a) must include the following information -

(a) the reason for using the 'non-annual method';

(b) the basis for distinguishing between such business and other business accounted for on an underwriting year basis falling within the same *FSA general insurance business reporting category*;

(c) the normal period for which an underwriting year is left 'open' or, if that period differs for different types of business within an *FSA general insurance business reporting category* -

(i) the basis for distinguishing between the types of business,

(ii) the normal period for each type, and

(d) where an underwriting year is left 'open' for longer than the normal period, the reason for not 'closing the year'.

(3) For the purposes of this Appendix -

(a) **non-annual method** refers to the method described by paragraph 52 of the *insurance accounts rules*; and

(b) a year is **open** with respect to any business *incepted* during that year if the provision for outstanding *claims* in respect of that business is set using the 'non-annual method' and if so set previously has not now been replaced in accordance with the requirements of paragraph 52(4) of the *insurance accounts rules*, and **closed year** and **closing a year** is construed accordingly.

**Business managed together**

25. (1) For the purposes of **Forms 25** and **29**, risks may be regarded as managed together if -

(a) they *incept* in the same *financial year* and are accounted for using the 'non-annual method'; and

(b) they may be treated as managed together under generally accepted accounting practice.

(2) Where any amount is shown on **Form 25** or **29** for the transfer of anticipated surplus, the following must be stated by way of supplementary note to **Form 25** (code 2504) or **Form 29** (code 2901) -

(a) a description of the business in respect of which the anticipated surplus arises and of the business in respect of which the deficit to be offset arises (including in the case of **Form 25** the *risk categories* into which such business falls); and

(b) the reason for treating the business as managed together.

**Application of accounting practice**

26. (1) Amounts in respect of inward and outward *contracts of insurance* must be classified for inclusion in **Forms 20A, 20** to **39** according to their economic substance and in accordance with generally accepted accounting practice.

(2) Where amounts in respect of an inwards or outwards *contract of insurance* have been excluded from the revenue account, the following must be shown by way of supplementary note (code 20Ak) to **Form 20A** -

(a) a description of the terms of that contract;

(b) a description of the accounting treatment adopted and an explanation for adopting that treatment;

(c) a statement of the amounts paid and received during the *financial year* under that contract; and

(d) a statement of the amounts in respect of that contract included in each Form prepared under this Appendix or **Appendix 9.1**.

(3) A *insurer* may elect to show the information required by (1) in respect of groups of contracts which were effected in the same *financial year* with substantially the same contract terms and in respect of which the same accounting treatment has been adopted.

**Discounting**

27. (1) Sheet 2 of **Form 30** need only be completed if the provision for *claims* outstanding being discounted (before deduction for discounting) exceeds 25% of the total provision for *claims* outstanding (before deduction for discounting).

(2) Where in accordance with (1) no Sheet 2 is prepared -

(a) lines 21 and 29 of Sheet 1 need not be completed; and

(b) lines 11 to 20 need only be completed in respect of those currencies for which the provision for *claims* outstanding being discounted (before deduction for discounting) exceeds 25% of the total provision for that currency for *claims* outstanding (before deduction for discounting).

(3) For the purposes of **Form 30**, a **major currency** is a currency in respect of which the provision for *claims* outstanding (before deduction for discounting) is not less than 10% of the total provision for *claims* outstanding (before deduction for discounting).

(4) In **Form 30**, the value of an asset or liability which would be treated as an asset or liability in a particular currency for the purposes of *INSPRU* 3.1.53R (notwithstanding *INSPRU* 3.1.54R) must be shown in that currency.

(5) The following must be stated by way of supplementary note (code 3003) to **Form 30** -

(a) the *risk categories* where adjustments for discounting have been made; and

(b) in respect of each such *risk category* -

(i) the methods used in calculating the deduction for discounting,

(ii) the rate of interest used for the calculation of present values,

(iii) the expected average interval between the date for settlement of *claims* being discounted and the end of the *financial year in question*, and

(iv) the criteria adopted for estimating the period that will elapse before *claims* are settled.

**Reinsurance**

28. Where the *reinsurers'* share of *claims* incurred (as stated in any **Form 22** or **25**) includes amounts expected to be recovered from *reinsurers* more than 12 months after the payment of the underlying gross *claims* by the *insurer*, the

following must be stated by way of supplementary note to **Form 22** (code 2206) or **25** (code 2503) as appropriate -

(a) the amount of such recoveries; and

(b) the accounting treatment which has been adopted in respect of discounting such recoveries.

29. [deleted]

**Continuation sheets**

30. Continuation sheets to **Forms 31** and **34** need only be prepared in respect of *FSA general insurance business reporting categories* 271 to 274.

**Country codes**

31. The currency codes required for **Forms 26 to 29, 31, 32** and **34** and country codes must be in accordance with the following Table:

| **COUNTRY** | **CODE** | **CURRENCY** | **CODE** |
|---|---|---|---|
| Afghanistan | QS | Afghani | AFA |
| Albania | CE | Albanian Lek | ALL |
| Algeria | KA | Algerian dinar | DZD |
| Andorra | CG | Euro | EUR |
| Angola | MT | Kwanza | AOA |
| Anguilla | GY | East Caribbean Dollar | XCD |
| Antigua And Barbuda | GP | East Caribbean Dollar | XCD |
| Argentina | JA | Argentine Peso | ARP |
| Armenia | RB | Armenian dram | AMD |
| Aruba | GM | Aruban guilder | AWG |
| Australia | EA | Australian dollar | AUD |
| Austria | BL | Euro | EUR |
| Azerbaijan | RC | Azerbaijani menat | AZM |
| Bahamas | GD | Bahamian dollar | BSD |
| Bahrain | PN | Bahraini dinar | BHD |
| Bangladesh | QA | taka | BDT |
| Barbados | GA | Barbadian dollar | BBD |
| Belarus | RD | Belarusian ruble | BYR |
| Belgium | BD | Euro | EUR |
| Belize | HH | Belizean dollar | BBD |
| Benin | LK | CFA franc (BCEAO) | XOF |
| Bermuda | GE | Bermudan dollar | BMD |
| Bhutan | QX | ngultrum/Indian rupee | BTN/INR |
| Bolivia | JL | boliviano | BOB |
| Bosnia and Herzegovina | CH | marka | BAM |
| Botswana | MG | pula | BWP |
| Brazil | JC | real | BRL |

| | | | |
|---|---|---|---|
| Brunei | QY | Bruneian Dollar | BND |
| Bulgaria | CD | lev | BGN |
| Burkina Faso | LL | CFA franc (BCEAO) | XOF |
| Burundi | MW | Burundi franc | BIF |
| Cambodia | QU | riel | KHR |
| Cameroon | MV | CFA Franc (BEAC) | XAF |
| Canada | FA | Canadian dollar | CAD |
| Cape Verde | LM | Cape Verdean escudo | CVE |
| Central African Republic | MY | CFA franc (BCEAO) | XOF |
| Chad | NA | CFA franc (BCEAO) | XOF |
| Channel Islands | BA | British pound | GBP |
| Chile | JB | Chilean peso | CLP |
| China (Taiwan) | QQ | new Taiwan dollar | TWD |
| China,Peoples Rep.Of | QJ | Renminbi yuan | CNY |
| Christmas Island | ET | Australian dollar | AUD |
| Cocos Island | EU | Australian dollar | AUD |
| Colombia | JD | Colombian peso | COP |
| Comoros | MX | Comoran franc | EMF |
| Congo, Democratic Republic of | MM | Congolese franc | CDF |
| Congo (Republic of) | MU | CFA franc | XOF |
| Cook Islands | EV | New Zealand dollar | NZD |
| Costa Rica | HF | Costa Rican colon | CRC |
| Croatia | CJ | kuna | HRK |
| Cuba | GJ | Cuban peso | CUP |
| Curacao (Netherlands Antillies) | GL | Netherlands Antillean guilder | ANG |
| Cyprus | DA | Cypriot pound | CYP |
| Czech Republic | CP | Czech koruna | CZK |
| Denmark | BE | Danish krone | DKK |
| Djibouti | NB | Djiboutian franc | DJF |
| Dominica | GR | East Caribbean Dollar | XCD |
| Dominican Republic | GF | Dominican peso | DOP |
| Ecuador | JF | U.S. Dollar | USD |
| Egypt | KE | Egyptian pound | EGP |
| El Salvador | HB | Salvadoran colon, | SVC, |
| England | AC | British pound | GBP |
| Equatorial Guinea | NC | CFA franc (BCEAO) | XOF |
| Eritrea | NK | nakfa | ERN |
| Estonia | RE | kroon | EEK |
| Ethiopia | MP | birr | ETB |
| European Currencies, Weighted Average Of | CZ | European Currencies, Weighted Average Of | XBA |
| European Currency Unit | CY | European Currency Unit | XEU |
| Falkland Islands | AZ | British pound | GBP |
| Faro Islands | CT | Danish krone | DKK |
| Fiji | EC | Fijian dollar | FJD |
| Finland | BR | Euro | EUR |
| France | BF | Euro | EUR |
| French Guiana | JK | Euro | EUR |
| French Polynesia | EY | CFP Franc | XPF |

| | | | |
|---|---|---|---|
| Gabon | ND | CFA franc (BCEAO) | XOF |
| Gambia, The | LA | Dalasi | GMD |
| Georgia | RF | lari | GEL |
| Germany | BK | Euro | EUR |
| Ghana | LB | cedi | GHC |
| Gibraltar | DB | British pound | GBP |
| Grand Cayman Islands | GW | Caymanian Dollar | KYD |
| Greece | BN | Euro | EUR |
| Greenland | CS | Danish krone | DKK |
| Grenada | GQ | East Caribbean Dollar | XCD |
| Guam | RW | US dollar | USD |
| Guatemala | HD | quetzal | GTQ |
| Guinea | LN | Guinean franc | GNF |
| Guinea-Bissau | LP | CFA franc (BCEAO) | XOF |
| Guyana | JH | Guyanese dollar | GYD |
| Haiti | GK | gourde | HTG |
| Home Foreign-*United Kingdom* | AB | | |
| Honduras | HC | Lempira | HNL |
| Hong Kong | QE | Hong Kong dollar | HKD |
| Hungary | CC | Hungarian forint | HUF |
| Iceland | BU | Icelandic krona | ISK |
| India | QB | Indian rupee | INR |
| Indonesia | QM | Indonesian rupiah | IDR |
| Iran | PB | Iranian rial | IRR |
| Iraq | PJ | Iraqi dinar | IQD |
| Irish Republic | BC | Euro | EUR |
| Isle Of Man | BB | British pound | GBP |
| Israel | PC | New Israeli shekel | ILS |
| Italy | BG | Euro | EUR |
| Ivory Coast | LH | CFA franc | XOF |
| Jamaica | GB | Jamaican dollar | JMD |
| Japan | QK | yen | JPY |
| Jordan | PL | Jordanian dinar | JOD |
| Kazakhstan | RG | tenge | KZT |
| Kenya | MA | Kenyan shilling | KES |
| Kiribati | ED | Australian dollar | AUD |
| Korea, South | QR | South Korean won | KRW |
| Korea,North | QP | North Korean won | KPW |
| Kuwait | PD | Kuwaiti dinar | KWD |
| Kyrgyz, republic of (Kyrgyzstan) | RV | Kyrgyzstani som | KGS |
| Laos | RT | kip | LAK |
| Latvia | RJ | Latvian lat | LVL |
| Lebanon | PE | Lebanese pound | LBP |
| Lesotho | MH | South African Rand | ZAR |
| Liberia | LG | Liberian dollar | LRD |
| Libya | KD | Libyan dinar | LYD |
| Liechtenstein | CK | Swiss Franc | CHF |
| Lithuania | RK | litas | LTL |
| Luxembourg | BH | Euro | EUR |

| | | | |
|---|---|---|---|
| Macau | QD | pataca | MOP |
| Macedonia | BZ | denars | MKD |
| Madagascar | MS | Malagasy franc | MGF |
| Malawi | MD | Malawian kwacha | MWK |
| Malaysia | QF | ringgit | MYR |
| Maldives | RU | rufiyaa | MVR |
| Mali | LE | CFA franc (BCEAO) | XOF |
| Malta | DC | Maltese lira | MTL |
| Marshall Islands | EM | US dollar | USD |
| Mauritania | LS | Ouguiya | MRO |
| Mauritius | ML | Mauritian rupee | MUR |
| Mexico | HA | Mexican peso | MXN |
| Micronesia | EN | US Dollar | USD |
| Moldova | RL | Moldovan leu | MDL |
| Monaco | CF | Euro | EUR |
| Mongolia | RM | todrog/tugrik | MNT |
| Monserrat | GS | East Caribbean Dollar | XCD |
| Morocco | KB | Moroccan dirham | MAD |
| Mozambique | MR | metical | MZM |
| Myanmar | QH | Myanmar kyat | MMK |
| Namibia | NE | Namibian dollar | NAD |
| Nauru | EE | Australian dollar | AUD |
| Nepal | QT | Nepalese rupee | NPR |
| Netherlands | BJ | Euro | EUR |
| Netherlands Antilles | GX | Netherlands Antillean guilder | ANG |
| New Caledonia | EZ | CFP Franc | XPF |
| New Zealand | EB | New Zealand dollar | NZD |
| Nicaragua | HE | gold cordoba | NIO |
| Niger | NF | CFA franc (BCEAO) | XOF |
| Nigeria | LC | naira | NGN |
| Niue | ER | New Zealand dollar | NZD |
| Norfolk Island | ES | Australian dollar | AUD |
| Northern Ireland | AF | British pound | GBP |
| Norway | BS | Norwegian krone | NOK |
| Oman | PP | Omani rial | OMR |
| Pakistan | QC | Pakistani rupee | PKR |
| Palau | EP | US dollar | USD |
| Panama | HG | Panama dollar | PAD |
| Papua New Guinea | EF | kina | PGK |
| Paraguay | JM | guarani | PYG |
| Peru | JG | nuevo sol | PEN |
| Philippines | QL | Philippine peso | PHP |
| Pitcairn Islands | EX | New Zealand dollar | NZD |
| Poland | BV | zloty | PLN |
| Portugal | BP | Euro | EUR |
| Puerto Rico | GG | US dollar | USD |
| Qatar | PG | Qatari riyal | QAR |
| Romania | BW | leu | ROL |
| Russia | RN | rouble | RUB |

| | | | |
|---|---|---|---|
| Rwanda | NG | Rwandan franc | RWF |
| San Marino | CL | Euro | EUR |
| Sao Tome And Principle | LQ | dobra | STD |
| Saudi Arabia | PF | Saudi riyal | SAR |
| Scotland | AE | British pound | GBP |
| Senegal | LJ | CFA franc (BCEAO) | XOF |
| Serbia and Montenegro | CR | Serbian dinar | CSD |
| Seychelles | NH | Seychelles rupee | SCR |
| Sierra Leone | LD | leone | SLL |
| Singapore | QG | Singapore dollar | SGD |
| Slovakia | CQ | Slovak koruna | SKK |
| Slovenia | CM | tolar | SIT |
| Solomon Islands | EG | Solomon Islands dollar | SBD |
| Somalia | MQ | Somali shilling | SOS |
| South Africa | MK | South African Rand | ZAR |
| Spain | BQ | Euro | EUR |
| Sri Lanka | QZ | Sri Lankan rupee | LKR |
| St Helena And Dependencies | NJ | British pound | GBP |
| St Kitts-Nevis | GT | East Caribbean Dollar | XCD |
| St Lucia | GV | East Caribbean Dollar | XCD |
| St Martin | GN | Netherlands Antillean guilder / Euro | ANG / EUR |
| St Vincent and The Grenadines | GU | East Caribbean Dollar | XCD |
| Sudan | MN | Sudanese dinar | SDD |
| Surinam | JJ | Surinamese guilder | SRG |
| Svalbard | BX | Norwegian krone | NOK |
| Swaziland | MJ | Swaziland lilangeni | SZL |
| Sweden | BT | Swedish krona | SEK |
| Switzerland | BM | Swiss franc | CHF |
| Syria | PK | Syrian pound | SYP |
| Tahiti | QV | CFP Franc | XPF |
| Tajikistan | RP | somoni | TJS |
| Tanzania | MC | Tanzanian shilling | TZS |
| Thailand | QN | baht | THB |
| Togo | LR | CFA franc (BCEAO) | XOF |
| Tolelau | EQ | New Zealand dollar | NZD |
| Tonga | EH | pa'anga | TOP |
| Trinidad And Tobago | GC | Trinidad and Tobago dollar | TTD |
| Tunisia | KC | Tunisian dinar | TND |
| Turkey | PA | Turkish lira | TRL |
| Turkmenistan | RQ | Turkmen manat | TMM |
| Turks & Caicos Islands | GZ | US dollar | USD |
| Tuvalu | EJ | Australian dollar | AUD |
| Uganda | MB | Ugandan shilling | UGX |
| Ukraine | RR | hryvnia | UAH |
| United Arab Emirates | PH | Emirati dirham | AED |
| *United Kingdom* | AA | British pound | GBP |
| | | Converted to British pound | XBP |
| | | British pound and converted to | YBP |

| | | | |
|---|---|---|---|
| | | British pound combined | |
| Uruguay | JN | Uruguayan peso | UYU |
| USA | FB | US dollar | USD |
| Uzbekistan | RS | Uzbekistani sum | UZS |
| Vanuatu | EK | vatu | VUV |
| Vatican City | CN | Euro | EUR |
| Venezuela | JE | bolivar | VEB |
| Vietnam | QW | dong | VND |
| Virgin Islands | GH | US dollar | USD |
| Wales | AD | British pound | GBP |
| Wallis and Futuna | EW | CFP Franc | XPF |
| Western Sahara | KF | Moroccan dirham | MAD |
| Samoa | EL | Samoa tala | WST |
| Yemen | PM | Yemeni rial | YER |
| Zambia | ME | Zambian kwacha | ZMK |
| Zimbabwe | MF | Zimbabwean dollar | ZWD |

32. The reporting territory codes required for **Forms 30, 31, 32** and **34** must be in accordance with the following Table:

| **Reporting territory** | **Code** |
|---|---|
| *General insurance business* carried on in the *United Kingdom* that is not *home foreign business* | AA |
| *home foreign business* | AB |
| *General insurance business* carried on outside the *United Kingdom* | XX |
| World wide | WW |

**FORMS**

[**Forms 20A and 20** – **39** to follow]

**Form 20A**
**Sheet 1**

**General insurance business – summary of business carried on**

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

| | Company registration number | GL/UK/CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R20A | | | | | | £000 |

| Category number | FSA return general insurance business reporting category | | Gross premium written in this financial year | Provision for undiscounted gross claims outstanding at the end of this financial year | | Provision for gross unearned premium at the end of this financial year |
|---|---|---|---|---|---|---|
| | | | | Reported | Incurred but not reported | |
| | | | 1 | 2 | 3 | 4 |
| 001 | Total business | 1 | | | | |
| 002 | Total primary (direct) and facultative business | 2 | | | | |
| 003 | Total treaty reinsurance accepted business | 3 | | | | |
| 110 | Total primary (direct) and facultative accident and health (category numbers 111 to 114) | 4 | | | | |
| 120 | Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123) | 5 | | | | |
| 160 | Primary (direct) and facultative household and domestic all risks | 6 | | | | |
| 180 | Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187) | 7 | | | | |
| 220 | Total primary (direct) and facultative commercial motor business (category numbers 221 to 223) | 8 | | | | |
| 260 | Total primary (direct) and facultative commercial lines property (category numbers 261 to 263) | 9 | | | | |
| 270 | Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274) | 10 | | | | |
| 280 | Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284) | 11 | | | | |
| 330 | Total primary (direct) and facultative aviation (category numbers 331 to 333) | 12 | | | | |
| 340 | Total primary (direct) and facultative marine (category numbers 341 to 347) | 13 | | | | |
| 350 | Total primary (direct) and facultative goods in transit | 14 | | | | |
| 400 | Miscellaneous primary (direct) and facultative business | 15 | | | | |
| 500 | Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590) | 16 | | | | |
| 600 | Total proportional treaty reinsurance business accepted (category numbers 610 to 690) | 17 | | | | |
| 700 | Miscellaneous treaty reinsurance accepted business | 18 | | | | |
| | TOTAL (lines 4 to 18) | 20 | | | | |

**Form 20A**
**Sheet 2**

**General insurance business – summary of business carried on**

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

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R20A | | | | | | £000 |

| Category number | FSA return general insurance business reporting category | | Gross premium written in this financial year | Provision for undiscounted gross claims outstanding at the end of this financial year | | Provision for gross unearned premium at the end of this financial year |
|---|---|---|---|---|---|---|
| | | | | Reported | Incurred but not reported | |
| | | | 1 | 2 | 3 | 4 |
| PRIMARY (DIRECT) and FACULTATIVE PERSONAL LINES BUSINESS | | | | | | |
| 111 | Medical insurance | 21 | | | | |
| 112 | HealthCare cash plans | 22 | | | | |
| 113 | Travel | 23 | | | | |
| 114 | Personal accident or sickness | 24 | | | | |
| 121 | Private motor – comprehensive | 25 | | | | |
| 122 | Private motor – non-comprehensive | 26 | | | | |
| 123 | Motor cycle | 27 | | | | |
| 160 | Household and domestic all risks (equals line 6) | 28 | | | | |
| 181 | Assistance | 29 | | | | |
| 182 | Creditor | 30 | | | | |
| 183 | Extended warranty | 31 | | | | |
| 184 | Legal expenses | 32 | | | | |
| 185 | Mortgage indemnity | 33 | | | | |
| 186 | Pet insurance | 34 | | | | |
| 187 | Other personal financial loss | 35 | | | | |
| PRIMARY (DIRECT) and FACULTATIVE COMMERCIAL LINES BUSINESS | | | | | | |
| 221 | Fleets | 41 | | | | |
| 222 | Commercial vehicles (non-fleet) | 42 | | | | |
| 223 | Motor other | 43 | | | | |
| 261 | Commercial property | 44 | | | | |
| 262 | Consequential loss | 45 | | | | |
| 263 | Contractors or engineering all risks | 46 | | | | |
| 271 | Employers liability | 47 | | | | |
| 272 | Professional indemnity | 48 | | | | |
| 273 | Public and products liability | 49 | | | | |
| 274 | Mixed commercial package | 50 | | | | |
| 281 | Fidelity and contract guarantee | 51 | | | | |
| 282 | Credit | 52 | | | | |
| 283 | Suretyship | 53 | | | | |
| 284 | Commercial contingency | 54 | | | | |

Form 20A
Sheet 3

**General insurance business – summary of business carried on**

Name of insurer

Global business/UK branch business/EEA branch business

Financial year ended

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R20A | | | | | | £000 |

| Category number | FSA return general insurance business reporting category | | Gross premium written in this financial year | Provision for undiscounted gross claims outstanding at the end of this financial year: Reported | Provision for undiscounted gross claims outstanding at the end of this financial year: Incurred but not reported | Provision for gross unearned premium at the end of this financial year |
|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 |
| PRIMARY (DIRECT) and FACULTATIVE: AVIATION, MARINE and TRANSPORT | | | | | | |
| 331 | Aviation liability | 61 | | | | |
| 332 | Aviation hull | 62 | | | | |
| 333 | Space and satellite | 63 | | | | |
| 341 | Marine liability | 64 | | | | |
| 342 | Marine hull | 65 | | | | |
| 343 | Energy (on and off-shore) | 66 | | | | |
| 344 | Protection and indemnity | 67 | | | | |
| 345 | Freight demurrage and defence | 68 | | | | |
| 346 | War risks | 69 | | | | |
| 347 | Yacht | 70 | | | | |
| 350 | Total primary (direct) and facultative goods in transit (equals line 14) | 71 | | | | |
| PRIMARY (DIRECT) and FACULTATIVE: MISCELLANEOUS | | | | | | |
| 400 | Miscellaneous primary (direct) and facultative business (equals line 15) | 72 | | | | |
| NON-PROPORTIONAL TREATY | | | | | | |
| 510 | Non-proportional accident & health | 81 | | | | |
| 520 | Non-proportional motor | 82 | | | | |
| 530 | Non-proportional aviation | 83 | | | | |
| 540 | Non-proportional marine | 84 | | | | |
| 550 | Non-proportional transport | 85 | | | | |
| 560 | Non-proportional property | 86 | | | | |
| 570 | Non-proportional liability (non-motor) | 87 | | | | |
| 580 | Non-proportional financial lines | 88 | | | | |
| 590 | Non-proportional aggregate cover | 89 | | | | |
| PROPORTIONAL TREATY | | | | | | |
| 610 | Proportional accident & health | 91 | | | | |
| 620 | Proportional motor | 92 | | | | |
| 630 | Proportional aviation | 93 | | | | |
| 640 | Proportional marine | 94 | | | | |
| 650 | Proportional transport | 95 | | | | |
| 660 | Proportional property | 96 | | | | |
| 670 | Proportional liability (non-motor) | 97 | | | | |
| 680 | Proportional financial lines | 98 | | | | |
| 690 | Proportional aggregate cover | 99 | | | | |
| TREATY REINSURANCE: MISCELLANEOUS | | | | | | |
| 700 | Miscellaneous treaty reinsurance accepted business (equals line 18) | 101 | | | | |
| TOTAL (lines 21 to 101) | | 111 | | | | |

**Instructions for completion of Form 20A**

1. The amount to be shown under *gross written premiums* for an *FSA general insurance business reporting category* must equate to F21. (11+12+13+14+15). (1+2) plus F24.11.12 as if **Forms 21** or **24** were required for that *FSA general insurance business reporting category.*

2. The amount to be shown under provision for gross unearned premium for an *FSA general insurance business reporting category* must equate to F21.19.2 + F25.22.12 as if **Forms 21** or **25** were required for that *FSA general insurance business reporting category,* plus the *reinsurers*' share of provision for gross unearned premiums for business in the *FSA general insurance business reporting category* accounted for on an underwriting year basis.

3. The amounts to be shown under provisions for gross claims outstanding/ reported for an *FSA general insurance business reporting category* must equate to the sum of (F27.29.5 + F29.11.12, converted to sterling if appropriate) over all currencies or the sum of (F31 or F32.30.5 + F34.30.3) over all the currencies and territories, for that *FSA general insurance business reporting category* as if **Forms 27, 29, 31, 32** or **34** were required for all business in that *FSA general insurance business reporting category.*

4. The amounts to be shown under provisions for gross claims outstanding/incurred but not reported for an *FSA general insurance business reporting category* must equate to the sum of (F27.29.6 + F29.13.12, converted to sterling if appropriate) over all currencies or the sum of (F31 or F32.30.6 + F34.30.4) over all the currencies an territories, for that *FSA general insurance business reporting category* as if **Forms 27, 29, 31, 32** or **34** were required for all business in that *FSA general insurance business reporting category.*

5. Where the unrounded value for one of the columns is zero for a particular *FSA general insurance business reporting category,* the relevant cell should be left blank.

6. Lines 1, 20 and 111 should all be the same and equal to the total *insurance business*.

7. If the entry at line 1 column 1 does not equal the amount shown at line 11 column 1 of Form 11, or the entry at line 1 column 4 does not equal the amount shown at line 11 column 1 of Form 15, the *insurer* must provide an explanation for the difference in a supplementary note (code 20Al).

**Form 20**

**General insurance business : Technical account (excluding equalisation provisions)**

Name of insurer

Global business/UK branch business/EEA branch business

Financial year ended

FSA general insurance business reporting category

| | Company registration number | GL/ UK/ CM | day | month | year | units | Category number |
|---|---|---|---|---|---|---|---|
| R20 | | | | | | £000 | |

| Items to be shown net of reinsurance | | | This financial year 1 | Previous year 2 |
|---|---|---|---|---|
| This year's underwriting (accident year accounting) | Earned premium (21. 19. 5) | 11 | | |
| | Claims incurred (22. 17. 4) | 12 | | |
| | Claims management costs (22. 18. 4) | 13 | | |
| | Adjustment for discounting (22. 52. 4) | 14 | | |
| | Increase in provision for unexpired risks (22. 19. 4) | 15 | | |
| | Other technical income or charges (particulars to be specified by way of supplementary note) | 16 | | |
| | Net operating expenses (22. 42. 4) | 17 | | |
| | Balance of year's underwriting (11-12-13+14-15+16-17) | 19 | | |
| Adjustment for prior years' underwriting (accident year accounting) | Earned premium (21.11. 5) | 21 | | |
| | Claims incurred (22. 13. 4) | 22 | | |
| | Claims management costs (22. 14. 4) | 23 | | |
| | Adjustment for discounting (22. 51. 4) | 24 | | |
| | Other technical income or charges (particulars to be specified by way of supplementary note) | 25 | | |
| | Net operating expenses (22. 41. 4) | 26 | | |
| | Balance (21-22-23+24+25-26) | 29 | | |
| Balance from underwriting year accounting | Per Form 24 (24. 69. 99-99) | 31 | | |
| | Other technical income and charges (particulars to be specified by way of supplementary note) | 32 | | |
| | Total | 39 | | |
| Balance of all years' underwriting (19+29+39) | | 49 | | |
| Allocated investment income | | 51 | | |
| Transfer to non-technical account (49+51) | | 59 | | |

**Instructions for completion of Form 20**

1. Particulars of any amounts included at lines 16, 25 or 32 ('other technical income or charges') are required to be stated by way of a supplementary note (code 2005) to the form.

**General insurance business (accident year accounting): Analysis of premiums** **Form 21**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

| | Company registration number | GL/ UK/ CM | day | month | year | units | Category number |
|---|---|---|---|---|---|---|---|
| R21 | | | | | | £000 | |

| Premiums receivable during the financial year | | | Gross premiums written | | Reinsurers' share | | Net of reinsurance | |
|---|---|---|---|---|---|---|---|---|
| | | | Earned in previous financial years 1 | | Earned in previous financial years 3 | | Earned in previous financial years 5 | |
| In respect of risk incepted in previous financial years | | 11 | | | | | | |
| | | | Earned in this financial year | Unearned at end of this financial year | Earned in this financial year | Unearned at end of this financial year | Earned in this financial year | Unearned at end of this financial year |
| | | | 1 | 2 | 3 | 4 | 5 | 6 |
| In respect of risks incepted in previous financial years | | 12 | | | | | | |
| In respect of risks incepted in this financial year | For periods of less than 12 months | 13 | | | | | | |
| | For periods of 12 months | 14 | | | | | | |
| | For periods of more than 12 months | 15 | | | | | | |
| Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year | | 16 | | | | | | |
| Total (12 to 16) | | 19 | | | | | | |

**Instructions for completion of Form 21**

1. Lines 13 to 15 of **Form 21** should include *premiums* actually received prior to the *financial year*, but relating to risks incepted in the *financial year* and exclude *premiums* received during the *financial year*, but relating to risks incepting after the end of the *financial year*. In **Forms 13** and **15** the accounting treatment adopted for *premiums* received in respect of risks incepting in future *financial years* should be the same as that adopted in the shareholder accounts, or, if there are no shareholder accounts, should be in accordance with generally accepted accounting practice. If this results in different amounts for the provision of unearned premium (either gross or the *reinsurers*' share) being shown in **Forms 13** or **15** as compared to **Form 21**, it would be appropriate to identify, and provide an explanation, of the difference in a supplementary note (code 2103) to the form.

**Form 22**

**General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions**

Name of insurer

Global business/UK branch business/EEA branch business

Financial year ended

FSA general insurance business reporting category

| | Company registration number | GL/ UK/ CM | day | month | year | units | Category number |
|---|---|---|---|---|---|---|---|
| R22 | | | | | | £000 | |

| | | | Amount brought forward from previous financial year | Amount payable / receivable in this financial year | Amount carried forward to next financial year | Amount attributable to this financial year |
|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 |
| Claims incurred in respect of incidents occurring prior to this financial year | Gross amount | 11 | | | | |
| | Reinsurers' share | 12 | | | | |
| | Net (11-12) | 13 | | | | |
| | Claims management costs | 14 | | | | |
| Claims incurred in respect of incidents occurring in this financial year | Gross amount | 15 | | | | |
| | Reinsurers' share | 16 | | | | |
| | Net (15-16) | 17 | | | | |
| | Claims management costs | 18 | | | | |
| Provision for unexpired risks | | 19 | | | | |
| Net operating expenses | Commissions | 21 | | | | |
| | Other acquisition expenses | 22 | | | | |
| | Administrative expenses | 23 | | | | |
| | Reinsurance commissions and profit participations | 24 | | | | |
| | Total (21+22+23-24) | 29 | | | | |
| Adjustments for discounting in respect of the items shown at lines 11 to 18 above | Gross amount | 31 | | | | |
| | Reinsurers' share | 32 | | | | |
| | Claims management costs | 33 | | | | |
| | Total (31-32+33) | 39 | | | | |
| Split of line 29 | Prior financial years | 41 | | | | |
| | This financial year | 42 | | | | |
| Split of line 39 | Incidents occurring prior to this financial year | 51 | | | | |
| | Incidents occurring in this financial year | 52 | | | | |

**Instructions for completion of Form 22**

1. Amounts included at lines 11 to 18 must be shown undiscounted and related adjustments for discounting must be shown at lines 31 to 39.

2. The values in column 4 are calculated as follows:

   for lines 11 to 18 values in columns 2+3-1;
   for lines 21 to 29 and lines 41 to 42 values in columns 1+2-3;
   for line 19, lines 31 to 39 and lines 51 to 52 values in columns 3-1.

3. Amounts shown at lines 11 to 13, lines 15 to 17 and lines 31 and 32 must exclude amounts in respect of *claims management costs*.

**General insurance business (accident year accounting): Analysis of net claims and premiums** **Form 23**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

| | Company registration number | GL/ UK/ CM | day | month | year | units | Category number |
|---|---|---|---|---|---|---|---|
| R23 | | | | | | £000 | |

| Accident year ended: Month | Accident year ended: Year | | Claims paid (net) during the accident year | Claims outstanding (net) as at end of the accident year | Total claims paid (net) since the end of the accident year but prior to this financial year | Claims paid (net) during this financial year | Claims outstanding carried forward: Reported (net) | Claims outstanding carried forward: Incurred but not reported (net) | Claims outstanding brought forward: Reported (net) | Claims outstanding brought forward: Incurred but not reported (net) | Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8) | Deduction for discounting from claims outstanding carried forward (net) | Earned premiums (net) | Deterioration / (surplus) of original claims reserve % | Claims ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | | 11 | | | | | | | | | | | | | |
| | | 12 | | | | | | | | | | | | | |
| | | 13 | | | | | | | | | | | | | |
| | | 14 | | | | | | | | | | | | | |
| | | 15 | | | | | | | | | | | | | |
| | | 16 | | | | | | | | | | | | | |
| | | 17 | | | | | | | | | | | | | |
| | | 18 | | | | | | | | | | | | | |
| | | 19 | | | | | | | | | | | | | |
| | | 20 | | | | | | | | | | | | | |
| Prior accident years | | 21 | | | | | | | | | | | | | |
| Reconciliation | | 22 | | | | | | | | | | | | | |
| Total (11 to 22) | | 29 | | | | | | | | | | | | | |

**Instructions for completion of Form 23**

1. All figures are to be shown net of the *reinsurers*' share.

2. The accident years shown at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.

3. Columns 1 to 9 must be shown before deduction for discounting.

4. All amounts shown must exclude *claims management costs*.

5. The percentage shown at column 12 must be the ratio of the columns 3+4+5+6-2 to column 2.

6. The percentage shown at column 13 must be the ratio of columns 1+3+4+5+6 to column 11.

7. 23.29.5 + 23.29.6 = 22.13.3 + 22.17.3; 23.29.7 + 23.29.8 = 22.13.1;
   23.29.10 = 22.31.3 - 22.32.3; and 23.29.4 = 22.13.2 + 22.17.2.

8. [deleted]

9. [deleted]

10. The percentages shown at columns 12 and 13 must be expressed as percentages to one place of decimals.

11. Line 22 is to be left blank.

**General insurance business (underwriting year accounting): Analysis of premiums, claims and expenses** **Form 24**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

| | Company registration number | GL/ UK/ CM | day | month | year | units | Category number |
|---|---|---|---|---|---|---|---|
| R24 | | | | | | £000 | |

| Underwriting year ended | | | | Prior underwriting years | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | Total all previous columns |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 29 29 | | | | | | | | | | | 99 99 |
| Premiums written | Gross amount | | 11 | | | | | | | | | | | | |
| | Reinsurers' share | | 12 | | | | | | | | | | | | |
| | Net (11-12) | | 19 | | | | | | | | | | | | |
| Claims paid | Gross amount | | 21 | | | | | | | | | | | | |
| | Reinsurers' share | | 22 | | | | | | | | | | | | |
| | Net (21-22) | | 29 | | | | | | | | | | | | |
| Claims management costs | | | 39 | | | | | | | | | | | | |
| Net operating expenses | Commissions | | 41 | | | | | | | | | | | | |
| | Other acquisition expenses | | 42 | | | | | | | | | | | | |
| | Administrative expenses | | 43 | | | | | | | | | | | | |
| | Reinsurers' commissions and profit participations | | 44 | | | | | | | | | | | | |
| | Payable net (41+42+43-44) | | 49 | | | | | | | | | | | | |
| Technical provisions | Brought forward | Undiscounted | 51 | | | | | | | | | | | | |
| | | Adjustment for discounting | 52 | | | | | | | | | | | | |
| | Carried forward | Undiscounted | 53 | | | | | | | | | | | | |
| | | Adjustment for discounting | 54 | | | | | | | | | | | | |
| | Increase (decrease) in the financial year (53-54-51+52) | | 59 | | | | | | | | | | | | |
| Balance on each underwriting year (19-29-39-49-59) | | | 69 | | | | | | | | | | | | |

**Instructions for completion of Form 24**

1. The underwriting years shown between the columns headed "29 29" and "99 99" must correspond (in reverse order) to the *financial year in question* and the nine *previous financial years* respectively.

2. Amounts shown in lines 21 to 29 must exclude *claims management costs*.

3. [deleted]

4. The amounts shown at lines 51 to 54 must exclude equalisation provisions.

   The amounts shown at lines 11 to 49 must be amounts payable or *receivable* during the *financial year in question*.

**General insurance business (underwriting year accounting): Analysis of technical provisions** **Form 25**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

| | Company registration number | GL/ UK/ CM | day | month | year | units | Category number |
|---|---|---|---|---|---|---|---|
| R25 | | | | | | £000 | |

| Underwriting year ended | | | Prior underwriting years | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | Total all previous columns |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 29 29 | | | | | | | | | | | 99 99 |
| Reported claims outstanding | Gross amount | 11 | | | | | | | | | | | | |
| | Reinsurers' share | 12 | | | | | | | | | | | | |
| Claims incurred but not reported | Gross amount | 13 | | | | | | | | | | | | |
| | Reinsurers' share | 14 | | | | | | | | | | | | |
| Claims management costs | | 15 | | | | | | | | | | | | |
| Adjustment for discounting | Gross amount | 16 | | | | | | | | | | | | |
| | Reinsurers' share | 17 | | | | | | | | | | | | |
| | Claims management costs | 18 | | | | | | | | | | | | |
| Allocation to / (from) another risk category of anticipated surplus | | 19 | | | | | | | | | | | | |
| Balance of the fund | | 20 | | | | | | | | | | | | |
| Claims outstanding (11-12+13-14+15-16+17-18+19+20) | | 21 | | | | | | | | | | | | |
| Provision for unearned premiums | | 22 | | | | | | | | | | | | |
| Provision for unexpired risks | | 23 | | | | | | | | | | | | |
| Deferred acquisition costs | | 24 | | | | | | | | | | | | |
| Other technical provisions (particulars to be specified by way of supplementary note) | | 25 | | | | | | | | | | | | |
| Total (21+22+23-24+25) | | 29 | | | | | | | | | | | | |

**Instructions for the completion of Form 25**

1. The underwriting years shown between the columns headed "29 29" and "99 99" must correspond (in reverse order) to the *financial year in question* and the nine *previous financial years*, respectively.

2. Lines 11 to 15, 19 to 21 and 29 must be completed for open years and lines 11 to 18 and 21 to 29 for closed years.

3. Line 29 must equal line 53 less 54 on Form 24.

4. Lines 11 to 15 must be shown before adjustment for *discounting*.

5. Lines 11 to 14, 16 and 17 must exclude *claims management costs*.

6. [deleted]

7. Amounts may only be included at line 19 in so far as they arise from the offset of anticipated surpluses and deficits on *insurance business* managed together as defined by paragraph 25 of Appendix 9.2.

8. Particulars of any amounts included at line 25 on must be stated in a supplementary note (code 2505) to the form.

**General insurance business (accident year accounting): Analysis of net claims and premiums by risk category for treaty reinsurance** **Form 26**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category Currency

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code |
|---|---|---|---|---|---|---|---|---|
| R26 | | | | | | | | |

| Accident year ended | | | Claims paid (net) during the accident year | Claims outstanding (net) as at end of the accident year | Total claims paid (net) since the end of the accident year but prior to this financial year | Claims paid (net) during this financial year | Claims outstanding carried forward | | Claims outstanding brought forward | | Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8) | Deduction for discounting from claims outstanding carried forward (net) | Earned premiums (net) | Deterioration / (surplus) of original claims reserve % | Claims ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Year | | | | | | Reported (net) | Incurred but not reported (net) | Reported (net) | Incurred but not reported (net) | | | | | |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | | 11 | | | | | | | | | | | | | |
| | | 12 | | | | | | | | | | | | | |
| | | 13 | | | | | | | | | | | | | |
| | | 14 | | | | | | | | | | | | | |
| | | 15 | | | | | | | | | | | | | |
| | | 16 | | | | | | | | | | | | | |
| | | 17 | | | | | | | | | | | | | |
| | | 18 | | | | | | | | | | | | | |
| | | 19 | | | | | | | | | | | | | |
| | | 20 | | | | | | | | | | | | | |
| Prior accident years | | 21 | | | | | | | | | | | | | |
| Reconciliation | | 22 | | | | | | | | | | | | | |
| Total (11 to 22) | | 29 | | | | | | | | | | | | | |

**Form 26**
**General insurance business (accident year accounting): Analysis of net claims and premiums by risk category for treaty reinsurance (continuation sheet)**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code |
|---|---|---|---|---|---|---|---|---|
| R26 | | | | | | | | |

| Accident year ended | | Claims paid (net) during the accident year | Claims outstanding (net) as at end of the accident year | Total claims paid (net) since the end of the accident year but prior to this financial year | Claims paid (net) during this financial year | Claims outstanding carried forward | | Claims outstanding brought forward | | Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8) | Deduction for discounting from claims outstanding carried forward (net) | Earned premiums (net) | Deterioration / (surplus) of original claims reserve % | Claims ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Year | | | | | Reported (net) | Incurred but not reported (net) | Reported (net) | Incurred but not reported (net) | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
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**Instructions for completion of Form 26**

1. All figures are to be shown net of the *reinsurers'* share.

2. The accident years shown at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.

3. Columns 1 to 9 must be shown before deduction for *discounting*.

4. All amounts shown must exclude *claims management costs*.

5. The percentage shown at column 12 must be the ratio of the columns 3+4+5+6-2 to column 2.

6. The percentage shown at column 13 must be the ratio of columns 1+3+4+5+6 to column 11.

7. [deleted]

8. The percentages shown at columns 12 and 13 must be expressed as percentages to one place of decimals.

9. The amounts shown in line 21 must be analysed on continuation sheets by accident year subject to instructions 10, 10A and 10B below.

10. On the continuation sheet, for *category numbers* 590 and 690, the amounts in columns 4 to 10 for accident years ending prior to 31 December 1996 may be shown in the aggregate and columns 1 to 3, 11 to 13 need not be completed for accident years ending prior to 31 December 1996.

10A. On the continuation sheet, for *category numbers* 610, 620, 650, 660 and 680 the amounts in columns 4 to 10 for accident years ending prior to 23 December 1993 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not be completed for accident years ending prior to 23 December 1993.

10B. On the continuation sheet, for *category numbers* other than those listed in 10 and 10A above, the amounts in columns 4 to 10 for accident years ending prior to 31 December 1983 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not be completed for accident years ending prior to 31 December 1983.

11. The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *FSA general insurance business reporting category* relates.

12. The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.

13. Line 22 is to be left blank.

**Form 27**

**General insurance business (accident year accounting): Analysis of gross claims and premiums by risk category for treaty reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code |
|---|---|---|---|---|---|---|---|---|
| R27 | | | | | | | | |

| Accident year ended | | | Claims paid (gross) during the accident year | Claims outstanding (gross) as at end of the accident year | Total claims paid (gross) since the end of the accident year but prior to this financial year | Claims paid (gross) during this financial year | Claims outstanding carried forward | | Claims outstanding brought forward | | Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8) | Deduction for discounting from claims outstanding carried forward (gross) | Earned premiums (gross) | Deterioration / (surplus) of original claims reserve % | Claims ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Year | | | | | | Reported (gross) | Incurred but not reported (gross) | Reported (gross) | Incurred but not reported (gross) | | | | | |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | | 11 | | | | | | | | | | | | | |
| | | 12 | | | | | | | | | | | | | |
| | | 13 | | | | | | | | | | | | | |
| | | 14 | | | | | | | | | | | | | |
| | | 15 | | | | | | | | | | | | | |
| | | 16 | | | | | | | | | | | | | |
| | | 17 | | | | | | | | | | | | | |
| | | 18 | | | | | | | | | | | | | |
| | | 19 | | | | | | | | | | | | | |
| | | 20 | | | | | | | | | | | | | |
| Prior accident years | | 21 | | | | | | | | | | | | | |
| Reconciliation | | 22 | | | | | | | | | | | | | |
| Total (11 to 22) | | 29 | | | | | | | | | | | | | |

**Form 27**
**(continuation sheet)**

**General insurance business (accident year accounting): Analysis of gross claims and premiums by risk category for treaty reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code |
|---|---|---|---|---|---|---|---|---|
| R27 | | | | | | | | |

| Accident year ended | | Claims paid (gross) during the accident year | Claims outstanding (gross) as at end of the accident year | Total claims paid (gross) since the end of the accident year but prior to this financial year | Claims paid (gross) during this financial year | Claims outstanding carried forward | | Claims outstanding brought forward | | Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8) | Deduction for discounting from claims outstanding carried forward (gross) | Earned premiums (gross) | Deterioration / (surplus) of original claims reserve % | Claims ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Year | | | | | Reported (gross) | Incurred but not reported (gross) | Reported (gross) | Incurred but not reported (gross) | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | | | | | | | | | | | | | | |
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**Instructions for completion of Form 27**

1. All figures must be shown gross of the *reinsurers'* share.

2. The accident years shown at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.

3. Columns 1 to 9 are to be shown before deduction for *discounting.*

4. All amounts shown must exclude *claims management costs*.

5. The percentage shown at column 12 must be the ratio of the columns 3+4+5+6-2 to column 2.

6. The percentage shown at column 13 must be the ratio of columns 1+3+4+5+6 to column 11.

7. [deleted]

8. The percentages shown at columns 12 and 13 must be expressed as percentages to one place of decimals.

9. The amounts shown in line 21 must be analysed on continuation sheets by accident year subject to instruction 10, 10A and 10B below.

10. On the continuation sheet, for *category numbers* 590 and 690, the amounts in columns 4 to 10 for accident years ending prior to 31 December 1996 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not be completed for accident years ending prior to 31 December 1996.

10A. On the continuation sheet, for *category numbers* 610, 620, 650, 660 and 680 the amounts in columns 4 to 10 for accident years ending prior to 23 December 1993 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not be completed for accident years ending prior to 23 December 1993.

10B. On the continuation sheet, for *category numbers* other than those listed in 10 and 10A above, the amounts in columns 4 to 10 for accident years ending prior to 31 December 1983 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not be completed for accident years ending prior to 31 December 1983.

11. The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *FSA general insurance business reporting category* relates.

12. The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.

13. Line 22 is to be left blank.

**Form 28**

**General insurance business (underwriting year accounting): Analysis of premiums, claims and expenses by risk category for treaty reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code |
|---|---|---|---|---|---|---|---|---|
| R28 | | | | | | | | |

| Underwriting year ended | | | | Prior underwriting years | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | Total all previous columns |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 29 29 | | | | | | | | | | | 99 99 |
| Premiums written | Gross amount | | 11 | | | | | | | | | | | | |
| | Reinsurers' share | | 12 | | | | | | | | | | | | |
| | Net (11-12) | | 19 | | | | | | | | | | | | |
| Claims paid | Gross amount | | 21 | | | | | | | | | | | | |
| | Reinsurers' share | | 22 | | | | | | | | | | | | |
| | Net (21-22) | | 29 | | | | | | | | | | | | |
| Claims management costs | | | 39 | | | | | | | | | | | | |
| Net operating expenses | Commissions | | 41 | | | | | | | | | | | | |
| | Other acquisition expenses | | 42 | | | | | | | | | | | | |
| | Administrative expenses | | 43 | | | | | | | | | | | | |
| | Reinsurers' commissions and profit participations | | 44 | | | | | | | | | | | | |
| | Payable net (41+42+43-44) | | 49 | | | | | | | | | | | | |
| Technical provisions | Brought forward | Undiscounted | 51 | | | | | | | | | | | | |
| | | Adjustment for discounting | 52 | | | | | | | | | | | | |
| | Carried forward | Undiscounted | 53 | | | | | | | | | | | | |
| | | Adjustment for discounting | 54 | | | | | | | | | | | | |
| | Increase (decrease) in the financial year (53-54-51+52) | | 59 | | | | | | | | | | | | |
| Balance on each underwriting year (19-29-39-49-59) | | | 69 | | | | | | | | | | | | |

**Form 28**
**General insurance business (underwriting year accounting): Analysis of premiums, claims and expenses by risk category for treaty reinsurance** **(continuation sheet)**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended Currency
FSA general insurance business reporting category

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code |
|---|---|---|---|---|---|---|---|---|
| R28 | | | | | | | | |

| Underwriting year ended | | | | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY | MM YY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | |
| Premiums written | Gross amount | | 11 | | | | | | | | | | | | |
| | Reinsurers' share | | 12 | | | | | | | | | | | | |
| | Net (11-12) | | 19 | | | | | | | | | | | | |
| Claims paid | Gross amount | | 21 | | | | | | | | | | | | |
| | Reinsurers' share | | 22 | | | | | | | | | | | | |
| | Net (21-22) | | 29 | | | | | | | | | | | | |
| Claims management costs | | | 39 | | | | | | | | | | | | |
| Net operating expenses | Commissions | | 41 | | | | | | | | | | | | |
| | Other acquisition expenses | | 42 | | | | | | | | | | | | |
| | Administrative expenses | | 43 | | | | | | | | | | | | |
| | Reinsurers' commissions and profit participations | | 44 | | | | | | | | | | | | |
| | Payable net (41+42+43-44) | | 49 | | | | | | | | | | | | |
| Technical provisions | Brought forward | Undiscounted | 51 | | | | | | | | | | | | |
| | | Adjustment for discounting | 52 | | | | | | | | | | | | |
| | Carried forward | Undiscounted | 53 | | | | | | | | | | | | |
| | | Adjustment for discounting | 54 | | | | | | | | | | | | |
| | Increase (decrease) in the financial year (53-54-51+52) | | 59 | | | | | | | | | | | | |
| Balance on each underwriting year (19-29-39-49-59) | | | 69 | | | | | | | | | | | | |

**Instructions for completion of Form 28**

1. The underwriting years shown between the columns headed "29 29" and "99 99" must correspond (in reverse order) to the *financial year in question* and the nine *previous financial years*.

2. Amounts shown in lines 21 to 29 must exclude *claims management costs*.

3. The amounts shown at lines 51 to 54 must exclude equalisation provisions.

4. [deleted]

5. The amounts shown in the first column must be analysed on continuation sheets by underwriting year (although for *category numbers* 590 and 690 amounts in respect of underwriting years ended before 31 December 1996 may be shown in aggregate, for *risk categories* 610, 620, 650, 660 and 680 amounts in respect of underwriting years ended before 23 December 1993 may be shown in aggregate and for other business amounts in respect of underwriting years beginning prior to 1 January 1983 may be shown in aggregate).

6. The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *FSA general insurance business reporting category* relates.

7. The amounts shown at lines 11 to 49 must be amounts payable or *receivable* during the *financial year in question*.

8. The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.

**Form 29**

**General insurance business (underwriting year accounting): Analysis of technical provisions by risk category for treaty reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code |
|---|---|---|---|---|---|---|---|---|
| R29 | | | | | | | | |

| Underwriting year ended | | | Prior underwriting years | | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | Total all previous columns | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 29 | 29 | | | | | | | | | | | | | | | | | | | | | 99 | 99 |
| Reported claims outstanding | Gross amount | 11 | | | | | | | | | | | | | | | | | | | | | | | | |
| | Reinsurers' share | 12 | | | | | | | | | | | | | | | | | | | | | | | | |
| Claims incurred but not reported | Gross amount | 13 | | | | | | | | | | | | | | | | | | | | | | | | |
| | Reinsurers' share | 14 | | | | | | | | | | | | | | | | | | | | | | | | |
| Claims management costs | | 15 | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjustment for discounting | Gross amount | 16 | | | | | | | | | | | | | | | | | | | | | | | | |
| | Reinsurers' share | 17 | | | | | | | | | | | | | | | | | | | | | | | | |
| | Claims management costs | 18 | | | | | | | | | | | | | | | | | | | | | | | | |
| Allocation to / (from) another risk category of anticipated surplus | | 19 | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance of the fund | | 20 | | | | | | | | | | | | | | | | | | | | | | | | |
| Claims outstanding (11-12+13-14+15-16+17-18+19+20) | | 21 | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for unearned premiums | | 22 | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for unexpired risks | | 23 | | | | | | | | | | | | | | | | | | | | | | | | |
| Deferred acquisition costs | | 24 | | | | | | | | | | | | | | | | | | | | | | | | |
| Other technical provisions (particulars to be specified by way of supplementary note) | | 25 | | | | | | | | | | | | | | | | | | | | | | | | |
| Total (21+22+23-24+25) | | 29 | | | | | | | | | | | | | | | | | | | | | | | | |

**Form 29**
**(continuation sheet)**

**General insurance business (underwriting year accounting): Analysis of technical provisions by risk category for treaty reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code |
|---|---|---|---|---|---|---|---|---|
| R29 | | | | | | | | |

| Underwriting year ended | | | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY | MM | YY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reported claims outstanding | Gross amount | 11 | | | | | | | | | | | | | | | | | | | | | | | | |
| | Reinsurers' share | 12 | | | | | | | | | | | | | | | | | | | | | | | | |
| Claims incurred but not reported | Gross amount | 13 | | | | | | | | | | | | | | | | | | | | | | | | |
| | Reinsurers' share | 14 | | | | | | | | | | | | | | | | | | | | | | | | |
| Claims management costs | | 15 | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjustment for discounting | Gross amount | 16 | | | | | | | | | | | | | | | | | | | | | | | | |
| | Reinsurers' share | 17 | | | | | | | | | | | | | | | | | | | | | | | | |
| | Claims management costs | 18 | | | | | | | | | | | | | | | | | | | | | | | | |
| Allocation to / (from) another risk category of anticipated surplus | | 19 | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance of the fund | | 20 | | | | | | | | | | | | | | | | | | | | | | | | |
| Claims outstanding (11-12+13-14+15-16+17-18+19+20) | | 21 | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for unearned premiums | | 22 | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for unexpired risks | | 23 | | | | | | | | | | | | | | | | | | | | | | | | |
| Deferred acquisition costs | | 24 | | | | | | | | | | | | | | | | | | | | | | | | |
| Other technical provisions (particulars to be specified by way of supplementary note) | | 25 | | | | | | | | | | | | | | | | | | | | | | | | |
| Total (21+22+23-24+25) | | 29 | | | | | | | | | | | | | | | | | | | | | | | | |

**Instructions for completion of Form 29**

1. The underwriting years shown between the columns headed "29 29" and "99 99" must correspond (in reverse order) to the *financial year in question* and the nine *previous financial years*, respectively.

2. Lines 11 to 15, 19 to 21 and 29 must be completed for open years and lines 11 to 18 and 21 to 29 for closed years.

3. Line 29 equals line 53 less 54 on Form 28.

4. Lines 11 to 15 must be shown before adjustment for *discounting.*

5. Lines 11 to 14, 16 and 17 must exclude *claims management costs*.

6. [deleted]

7. The amounts shown in the first column must be analysed on continuation sheets by underwriting year (although for *category numbers* 590 and 690 amounts in respect of underwriting years ended before 31 December 1996 may be shown in aggregate, for *category numbers* 610, 620, 650, 660 and 680 amounts in respect of underwriting years ended before 23 December 1993 may be shown in aggregate, and for other business amounts in respect of underwriting years beginning prior to 1 January 1983 may be shown in aggregate).

8. The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *FSA general insurance business reporting category* relates.

9. Amounts may only be included at line 19 in so far as they arise from the offset of anticipated surpluses and deficits on business managed together (as defined by paragraph 25 of Appendix 9.2).

10. The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.

**Form 30**
**(Sheet 1)**

**General insurance business : Expected income and yield from admissible assets covering discounted provisions**

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

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R30 | | | | | | £000 |

| Major currencies | Reporting territory code | | Total admissible assets as shown on Form 13 | Admissible assets hypothecated to cover the provision for outstanding claims being discounted | Expected income from assets included in column 2 | Yield % | Technical provisions | Provision for outstanding claims being discounted | | Unwind in the discount in the next financial year | Rates of interest at which the provision is being discounted | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Before deduction for discounting | Deduction for discounting | | Highest | Lowest | Average rate |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | | 11 | | | | | | | | | | | |
| | | 12 | | | | | | | | | | | |
| | | 13 | | | | | | | | | | | |
| | | 14 | | | | | | | | | | | |
| | | 15 | | | | | | | | | | | |
| | | 16 | | | | | | | | | | | |
| | | 17 | | | | | | | | | | | |
| | | 18 | | | | | | | | | | | |
| | | 19 | | | | | | | | | | | |
| | | 20 | | | | | | | | | | | |
| Other currencies | | 21 | | | | | | | | | | | |
| Total | | 29 | | | | | | | | | | | |

**Form 30**
**(Sheet 2)**

**General insurance business : Expected income and yield from admissible assets covering discounted provisions**

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

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R30 | | | | | | £000 |

| **Type of asset** | | | Value of admissible assets as shown on Form 13 | Admissible assets hypothecated to cover the provision for outstanding claims being discounted | Expected income from assets included in column 2 | Yield % |
|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 |
| Land and buildings | | 31 | | | | |
| Fixed interest securities | Approved securities | 32 | | | | |
| | Other | 33 | | | | |
| Variable interest and variable yield securities (excluding items shown at line 36) | Approved securities | 34 | | | | |
| | Other | 35 | | | | |
| Equity shares and holding in collective investment schemes | | 36 | | | | |
| Loans secured by mortgages | | 37 | | | | |
| All other assets | Producing income | 38 | | | | |
| | Not producing income | 39 | | | | |
| Total | | 49 | | | | |

**Instructions for completion of Form 30**

1. The entry at-

   30.31.1 must equal 13.11.1
   30.32.1 must equal 13.45.1 + the appropriate part of 13.84.1
   30.33.1 must equal 13.46.1 + the appropriate part of 13.84.1
   30.34.1 must equal 13.47.1 + the appropriate part of 13.84.1
   30.35.1 must equal 13.42.1 +13.48.1 + the appropriate part of 13.84.1
   30.36.1 must equal 13.41.1 +13.43.1
   30.37.1 must equal 13.50.1 + the appropriate part of 13.84.1
   30.49.1 must equal 13.87.1 +13.89.1 - 13.60.1 - 13.61.1 - 13.62.1 - 13.63.1 – 13.85.1.

2. The hypothecated assets shown in column 2 must not be less than (but need not equal) the provision for outstanding *claims* being discounted (column 6 less column 7 on sheet 1). Where specific assets are not hypothecated to cover the provision for outstanding *claims* being discounted, column 2 equals column 1.

3. The income in column 3 must be the amounts before deduction of tax which would be received in the next *financial year* on the assumption that-

   (i) the assets are held throughout that year, and

   (ii) the factors which affect income remain unchanged but account is to be taken of any changes in those factors known to have occurred.

4. The yield in column 4 must be-

   (i) for *securities* with a redemption value, the rate of interest which, when used to obtain a present value of expected future income or capital payments, gives the current asset value, and

   (ii) for all other assets the ratio of the income included in column 3 to the value included in column 2,

   or where appropriate an average of the above weighted by reference to the values included in column 2.

5. The methods and assumptions used in determining the yield in accordance with instruction 4 must be stated by way of a supplementary note (code 3001) to this Form.

6. Where a particular asset is required to be taken into account only to a specified extent by the application of admissibility limits, the expected income and capital payments from that asset must be included only to the same extent.

7. The treatment of expected income payments from any asset where such payment is in default must be stated by way of a supplementary note (code 3002) to this Form.

8. In column 8 "Unwind in discount in the next *financial year*" refers to the expected reduction in the deduction for the discounting between-

   (i) that shown at the end of the *financial year in question*, and

   (ii) that expected to be shown at the end of the next *financial year* but in respect of *claims* incurred prior to the end of the *financial year in question*.

9. Columns 4 and 9 to 11 must be expressed as a percentage to one place of decimals.

10. In the above instructions, income excludes capital gains or losses or value adjustments.

11. The discount rate in column 11 must be the average rate of interest at which the provisions are being discounted, weighted by the provisions contained in column 6.

12. The references in the Form to "outstanding claims" and "technical provisions" are to those amounts net of *reinsurance*.

13. The entry under the column headed 'reporting territory code' must be one of the codes listed in **Appendix 9.2 Paragraph 32.**

**Form 31**

**General insurance business (accident year accounting): Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

Reporting territory

| | Company registration number | GL/UK/CM | day | month | year | Monetary units | Category number | Currency code | Reporting territory code |
|---|---|---|---|---|---|---|---|---|---|
| R31 | | | | | | | | | |

| Accident year ended | | | Number of claims | | Gross claims paid | | Gross claims outstanding carried forward | | Gross claims outstanding brought forward | | Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8) | Gross earned premiums | Claims ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Year | | Closed at some cost during this or previous financial years | Reported claims outstanding | In previous financial years | In this financial year | Reported | Incurred but not reported | Reported | Incurred but not reported | | | |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | | 11 | | | | | | | | | | | |
| | | 12 | | | | | | | | | | | |
| | | 13 | | | | | | | | | | | |
| | | 14 | | | | | | | | | | | |
| | | 15 | | | | | | | | | | | |
| | | 16 | | | | | | | | | | | |
| | | 17 | | | | | | | | | | | |
| | | 18 | | | | | | | | | | | |
| | | 19 | | | | | | | | | | | |
| | | 20 | | | | | | | | | | | |
| Prior accident years | | 21 | | | | | | | | | | | |
| Total (11 to 21) | | 29 | | | | | | | | | | | |
| Line 29 expressed in sterling | | 30 | | | | | | | | | | | |

**Form 31**
**(continuation sheet)**

**General insurance business (accident year accounting): Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

Reporting territory

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code | Reporting territory code |
|---|---|---|---|---|---|---|---|---|---|
| R31 | | | | | | | | | |

| Accident year ended | | Number of claims | | Gross claims paid | | Gross claims outstanding carried forward | | Gross claims outstanding brought forward | | Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8) | Gross earned premiums | Claims ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Year | Closed at some cost during this or previous financial years | Reported claims outstanding | In previous financial years | In this financial year | Reported | Incurred but not reported | Reported | Incurred but not reported | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
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| | | | | | | | | | | | | |

**Instructions for completion of Form 31**

1. All figures must be shown gross of the *reinsurers*' share and before any deduction for *discounting.*

2. The accident years at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.

3. All amounts shown must exclude *claims management costs.*

4. The percentage shown at column 11 is the ratio of the sum of columns 3 to 6 to column 10.

5. Columns 10 and 11 need not be completed in respect of accident years ended before 23 December 1994.

6. The percentages shown at column 11 must be expressed as percentages to one place of decimals.

7. For *risk categories* 271 to 274 the amounts shown in line 21 must be analysed by accident year on continuation sheets subject to instructions 8 to 9A below.

8. On the continuation sheet columns 10 and 11 need not be completed in respect of accident years ended before 23 December 1994.

9. On the continuation sheet, for *category number* 274, the amounts in columns 2 and 4 to 8 for accident years ending prior to 31 December 1996 may be shown in the aggregate and columns 1 and 3 need not be completed for accident years ending prior to 31 December 1996.

9A. On the continuation sheet, for *category numbers* 271 to 273, the amounts in columns 2 and 4 to 8 for accident years ending prior to 31 December 1976 may be shown in the aggregate and columns 1 and 3 need not be completed for accident years ending prior to 31 December 1976.

10. Columns 1 and 2 need not be completed in respect of *risk categories* 331 to 400.

11. The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *FSA general insurance business reporting category* relates.

12. The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.

13. The entry alongside "reporting territory" must be that required by **Appendix 9.2 Paragraph 16(3)** and the entry in the box marked "reporting territory code" must be the relevant 2 character code from the list in the Table in **Appendix 9.2 Paragraph 32**.

**Form 32**

**General insurance business (accident year accounting): Analysis of gross claims and premiums for motor vehicle direct insurance and facultative reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

Reporting territory

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code | Reporting territory code |
|---|---|---|---|---|---|---|---|---|---|
| R32 | | | | | | | | | |

| Accident year ended | | | Number of claims | | Gross claims paid | | Gross claims outstanding carried forward | | Gross claims outstanding brought forward | | Claims incurred (latest year) or developed (other years) during this financial year | Gross earned premiums | Claims ratio % | Vehicle years (000s) | Claims frequency % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Year | | Closed at some cost during this or previous financial years | Reported claims outstanding | In previous financial years | In this financial year | Reported | Incurred but not reported | Reported | Incurred but not reported | (4+5+6-7-8) | | | | |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | | 11 | | | | | | | | | | | | | |
| | | 12 | | | | | | | | | | | | | |
| | | 13 | | | | | | | | | | | | | |
| | | 14 | | | | | | | | | | | | | |
| | | 15 | | | | | | | | | | | | | |
| | | 16 | | | | | | | | | | | | | |
| | | 17 | | | | | | | | | | | | | |
| | | 18 | | | | | | | | | | | | | |
| | | 19 | | | | | | | | | | | | | |
| | | 20 | | | | | | | | | | | | | |
| Prior accident years | | 21 | | | | | | | | | | | | | |
| Total (11 to 21) | | 29 | | | | | | | | | | | | | |
| Line 29 expressed in sterling | | 30 | | | | | | | | | | | | | |

**Instructions for completion of Form 32**

1. All figures must be shown gross of the *reinsurers'* share and before any deduction for *discounting*.

2. The accident years at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.

3. All amounts shown must exclude *claims management costs*.

4. The percentage shown at column 11 must be the ratio of the sum of columns 3 to 6 to column 10.

5. Columns 10 to 13 need not be completed in respect of accident years ended before 23 December 1994.

6. The number of vehicle years insured in any accident year is the aggregate of the product for each *contract of insurance* of the period (being the period during that accident year when the contract was in force) and the number of vehicles insured under the contract. Figures are to be rounded to the nearest thousand-vehicle years only after aggregating component figures.

7. For accident years ended on or after 31 December 2006, the percentage shown at column 13 must be the ratio of the sum of columns 1 and 2 to unrounded number of years underpinning column 12. For accident years ended before 31 December 2006, the percentage shown at column 13 must be the ratio of the sum of columns 1 and 2 to either the unrounded number of years underpinning column 12 or the product of 1000 and column 12.

8. The percentages shown at columns 11 and 13 must be expressed as percentages to one place of decimals.

9. The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *FSA general insurance business reporting category* relates.

10. The entry alongside "currency code" must be the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.

11. The entry alongside "reporting territory" must be that required by **Appendix 9.2 Paragraph 16(3)** and the entry in the box marked "reporting territory code" must be the relevant 2 character code from the list in the Table in **Appendix 9.2 Paragraph 32**.

**Form 33 [deleted]**

**Form 34**

**General insurance business (underwriting year accounting): Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

Reporting territory

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code | Reporting territory code |
|---|---|---|---|---|---|---|---|---|---|
| R34 | | | | | | | | | |

| Underwriting year ended | | | Gross claims paid | | Gross claims outstanding carried forward | | Gross claims outstanding brought forward | | Claims incurred (latest year) or developed (other years) during this financial year (2+3+4-5-6) | Gross written premiums | Claims ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Year | | In previous financial years | In this financial year | Reported | Incurred but not reported | Reported | Incurred but not reported | | | |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | 11 | | | | | | | | | |
| | | 12 | | | | | | | | | |
| | | 13 | | | | | | | | | |
| | | 14 | | | | | | | | | |
| | | 15 | | | | | | | | | |
| | | 16 | | | | | | | | | |
| | | 17 | | | | | | | | | |
| | | 18 | | | | | | | | | |
| | | 19 | | | | | | | | | |
| | | 20 | | | | | | | | | |
| Prior underwriting years | | 21 | | | | | | | | | |
| Total (11 to 21) | | 29 | | | | | | | | | |
| Line 29 expressed in sterling | | 30 | | | | | | | | | |

**Form 34**
**(continuation sheet)**

**General insurance business (underwriting year accounting): Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance**

Name of insurer
Global business/UK branch business/EEA branch business
Financial year ended
FSA general insurance business reporting category

Currency

Reporting territory

| | Company registration number | GL/ UK/ CM | day | month | year | Monetary units | Category number | Currency code | Reporting territory code |
|---|---|---|---|---|---|---|---|---|---|
| R34 | | | | | | | | | |

| Underwriting year ended | | Gross claims paid | | Gross claims outstanding carried forward | | Gross claims outstanding brought forward | | Claims incurred (latest year) or developed (other years) during this financial year (2+3+4-5-6) | Gross written premiums | Claims ratio % |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Year | In previous financial years | In this financial year | Reported | Incurred but not reported | Reported | Incurred but not reported | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | | | | | | | | | |
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**Instructions for completion of Form 34**

1. All figures must be shown gross of the *reinsurers'* share and before any deduction for *discounting*.

2. The underwriting years at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.

*3.* All amounts shown must exclude *claims management costs.*

4. The percentage shown at column 9 must be the ratio of the sum of columns 1 to 4 to column 8.

5. Columns 8 and 9 need not be completed in respect of *financial years* ended before 23 December 1994.

6. The percentages shown at column 9 must be expressed as percentages to one place of decimals.

7. For risk categories 271 to 274, the amounts shown in line 21 must be analysed by underwriting year on continuation sheets subject to instructions 8 to 9A below.

8. On the continuation sheet columns 8 and 9 need not be completed in respect of underwriting years ended before 23 December 1994.

9. On the continuation sheet, for *category number* 274, the amounts in columns 2 to 6 for underwriting years ending prior to 31 December 1996 may be shown in the aggregate and column 1 need not be completed for underwriting years ending prior to 31 December 1996.

9A On the continuation sheet, for *category numbers* 271 to 273, the amounts in columns 2 to 6 for underwriting years ending prior to 31 December 1976 may be shown in the aggregate and column 1 need not be completed for underwriting years ending prior to 31 December 1976.

10. The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *FSA general insurance business reporting category* relates.

11. The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in **Appendix 9.2 Paragraph 31**.

12. The entry alongside "reporting territory" must be that required by **Appendix 9.2 Paragraph 16(3)** and the entry in the box marked "reporting territory code" must be the relevant 2 character code from the list in the Table in **Appendix 9.2 Paragraph 32**.

**Form 35 [deleted]**

**Form 36**

**Currency rates**

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

| | Company registration number | GL/ UK/ CM | day | month | year |
|---|---|---|---|---|---|
| R36 | | | | | |

| Name of currency | Currency code | no. of units to £ sterling |
|---|---|---|
| | | |
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**Instructions for completion of Form 36**

1. Where any of Forms 26 to 29 or 31, 32 or 34 contains a figure in a currency other than sterling the rate of conversion of those figures into sterling must be stated in column 1 to this Form.

2. Where the rate of conversion differs according to whether it applies to income and expenditure items, or asset and liability items, the former rate must be used

**Equalisation provisions** **Form 37**

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

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R37 | | | | | | £000 |

| | | Business grouping A (property) | Business grouping B (business interruption) | Business grouping C (marine and aviation) | Business grouping D (nuclear) | Business grouping E (non-proportional treaty) | All business groupings | | Credit insurance business |
|---|---|---|---|---|---|---|---|---|---|
| **Calculation of the maximum provision** | | 1 | 2 | 3 | 4 | 5 | 6 | | 7 |
| Total net premiums written in the previous 4 years | 11 | | | | | | | | |
| Net premiums written in the current year | 12 | | | | | | | | |
| Maximum provision | 13 | | | | | | | | |
| **Calculation of the transfer to/from the provision** | | | | | | | | | |
| Equalisation provision brought forward | 21 | | | | | | | | |
| Transfers in | 22 | | | | | | | | |
| Total abnormal loss | 23 | | | | | | | | |
| Provisional transfers out | 24 | | | | | | | | |
| Excess of provision transfer out over fund available | 25 | | | | | | | | |
| Provisional amount carried forward (21+22-24+25) | 26 | | | | | | | | |
| Excess, if any, of 26 over 13 | 27 | | | | | | | | |
| Equalisation provision carried forward (26-27) | 28 | | | | | | | | |
| Transfer in/(out) for financial year (28-21) | 29 | | | | | | | | |

**Instructions for completion of Form 37**

1. Lines 11 & 12, columns 1 to 5, must include net written premium from Form 21 (accident year *insurance business*) and/or Form 24 (underwriting year *insurance business*) that in whole or in part covers each *insurance business grouping*.

2. Only premium for *financial years* covered by the scheme may be included in lines 11 & 12, columns 1 to 5 (see *INSPRU* 1.4.20R). Adjustments in respect of prior years must be included at line 12.

3. Any *insurance business* that has been transferred must be excluded from lines 11 & 12, columns 1 to 5 (see *INSPRU* 1.4.32R to *INSPRU* 1.4.37G).

4. Line 13, columns 1 to 5 must show the maximum provision for each *insurance business grouping* calculated in accordance with *INSPRU* 1.4.24R. If *insurance business* in a group has been written for less than 5 years, the average of the qualifying years must be used.

5. If all rights and obligations in an *insurance business grouping* have been transferred, line 13 columns 1 to 5 must be left blank at the appropriate column.

6. Line 22, columns 1 to 5 must be calculated by multiplying the figure at line 12 for each *insurance business grouping* by the % in *INSPRU* 1.4.27R.

7. Line 23 must be, for each *insurance business grouping*, the total of abnormal losses, if any, brought forward from Forms 38 and 39, line 19. These must be entered in the same columns as they were on Forms 38 and 39.

8. The transfer out for each *insurance business grouping* at line 24, columns 1 to 5 must not exceed the line 13 maximum provision for that group.

9. The sum of columns 1 to 5 of lines 13, 22 and 24 must be entered in column 6 of the relevant line.

10. In the first year of the scheme, line 21 column 6 must be left blank. In subsequent years this figure must be brought forward from the previous year's figure (normally the figure at Form 15, line 15). Only equalisation provisions required by the *rules* in *INSPRU* 1.4.11R to *INSPRU* 1.4.37G may be included.

11. The calculations for lines 25 to 29, column 6 must be carried out and the net transfer in or out for the year must be entered at Form 16, line 12, and the provision carried forward entered at Form 15, line 15.

12. Line 13, column 7 must be 150% of the highest annual amount of net premiums written in the last 5 years.

13. Line 21, column 7 must equal the statutory credit equalisation provision, if any, brought forward from the previous year at Form 15, line 14.

14. Line 22, column 7 must be 75% of the technical surplus, if any, brought forward from Forms 38 and/or 39, line 29, subject to a limit of 12% of line 12.

15. Line 24, column 7 must equal the technical deficit, if any, brought forward from Forms 38 and/or 39, line 29.

16. The calculations for lines 25 to 29, column 7 must be carried out and the net transfer in or out for the year must be entered at Form 16, line 12, and the provision carried forward entered at Form 15, line 14.

**Equalisation provisions technical account: Accident year accounting** **Form 38**

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

| | Company registration number | GL/UK/CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R38 | | | | | | £000 |

| Other than credit business | | Business grouping A (property) | Business grouping B (business interruption) | Business grouping C (marine and aviation) | Business grouping D (nuclear) | Business grouping E (non-proportional treaty) |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| Net premiums earned | 11 | | | | | |
| Claims incurred net of reinsurance | 12 | | | | | |
| Trigger claims value | 13 | | | | | |
| Abnormal loss | 19 | | | | | |
| Trigger claims ratio | | 72.5% | 72.5% | 95% | 25% | 100% |

**Credit business**

| | | |
|---|---|---|
| Net premiums earned | 21 | |
| Claims incurred net of reinsurance | 22 | |
| Claims management costs | 23 | |
| Net operating expenditure | 24 | |
| Technical surplus / (deficit) (21-22-23-24) | 29 | |

**Instructions for completion of Form 38**

1. Apart from *credit insurance business*, any *insurance business* transferred to an *insurer* by novation or under Part VII of the *Act* (or the *1982 Act*) must be accounted for in accordance with *INSPRU*1.45.34R

2. The entries at line 11 must be the part of the amount that would appear on Form 21 at line 11, column 5 and line 19, column 5, that in whole or in part covers the *insurance business grouping* (whether or not a Form 21 for that business is required).

3. The entries at line 12 must be the part of the amount that would appear on Form 22 at line 13 and 17 column 4, that in whole or part covers the *insurance business grouping* (whether or not a Form 21 for that business is required).

4. The entries at line 13 must be line 11 (or nil if line 11 is negative) multiplied by the trigger *claims* ratio for the *insurance business grouping*.

5. For each *insurance business grouping* the entry at line 19 must be the amount, if any, by which the entry at line 12 for that *insurance business grouping* exceeds the entry at line 13. If the entry at line 12 does not exceed the entry at line 13, line 19 must be left blank.

6. The entry at line 21 must be the part of the amount that would appear on Form 21 for *combined categories* 180 and 280, at line 11 column 5 and line 19 column 5 (whether or not a Form 21 for *combined categories* 180 or 280 is required) that relates only to *credit insurance business*.

7. The entry at line 22 must be the part of the amount that would appear on Form 22 for *combined categories* 180 and 280, at lines 13 and 17 column 4 (whether or not a Form 22 for *combined categories* 180 or 280 is required) that relates only to *credit insurance business*.

8. The entry at line 23 must be the part of the amount that would appear on Form 22 for *combined categories* 180 and 280, at lines 14 and 18 column 4 (whether or not a Form 22 for *combined categories* 180 or 280 is required) that relates only to *credit insurance business*.

9. The entry at line 24 must be the part of the amount that would appear on Form 22 for *combined categories* 180 and 280, at lines 19 and 29 column 4 (whether or not a Form 22 for *combined categories* 180 or 280 is required) that relates only to *credit insurance business*.

**Equalisation provisions technical account: Underwriting year accounting** **Form 39**

Name of insurer

Global business/UK branch business/EEA branch business

Financial year ended

| | Company registration number | GL/ UK/ CM | day | month | year | units |
|---|---|---|---|---|---|---|
| R39 | | | | | | £000 |

| **Other than credit business** | | Business grouping A (property) | Business grouping B (business interruption) | Business grouping C (marine and aviation) | Business grouping D (nuclear) | Business grouping E (non-proportional treaty) |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| Net premiums written | 11 | | | | | |
| Claims net of reinsurance | 12 | | | | | |
| Trigger claims value | 13 | | | | | |
| Abnormal loss | 19 | | | | | |
| Trigger claims ratio | | 72.5% | 72.5% | 95% | 25% | 100% |

**Credit business**

| | | |
|---|---|---|
| Net premiums written | 21 | |
| Claims net of reinsurance | 22 | |
| Claims management costs | 23 | |
| Net operating expenditure | 24 | |
| Technical surplus / (deficit) (21-22-23-24) | 29 | |

**Instructions for completion of Form 39**

1. Apart from *credit insurance business*, any *insurance business* transferred to an insurer by novation or under Part VII of the *Act* (or the *1982 Act*) must be accounted for in accordance with *INSPRU* 1.4.34R

2. The entries at line 11 must be that part of the amount that would appear on Form 24 at line 19, column 99-99, that in whole or in part covers the *insurance business grouping* (whether or not a Form 24 for that business is required).

3. The entries at line 12 must be that part of the amount that would appear on Forms 24 and 25 at column 99-99, that in whole or part covers the *insurance business grouping* (whether or not Forms 24 and 25 for that business is required), as follows:

   line 29 on Form 24 plus line 29 less line 15 plus line 24 on Form 25 less line 29 plus line 15 less line 24 on Form 25 for the *preceding financial year*.

4. The entries at line 13 must be line 11 (or nil if line 11 is negative) multiplied by the trigger *claims* ratio for the *insurance business grouping*.

5. For each *insurance business grouping* the entry at line 19 must be the amount, if any, by which the entry at line 12 for that *insurance business grouping* exceeds the entry at line 13. If the entry at line 12 does not exceed the entry at line 13, line 19 must be left blank.

6. The entry at line 21 must be that part of the amount that would appear on Form 24 for *combined categories* 180 and 280, at line 19 column 99-99 (whether or not a Form 24 for *combined categories* 180 or 280 is required) that relates only to *credit insurance business*.

7. The entry at line 22 must be that part of the amount that would appear on Form 24 for *combined categories* 180 and 280, at line 29, column 99-99, plus line 53, column 99-99 less line 51 column 99-99 (whether or not a Form 24 for *combined categories* 180 or 280 is required) that relates only to *credit insurance business*.

8. The entry at line 23 must be that part of the amount that would appear on Form 24 for *combined categories* 180 and 280, at line 39, column 99-99 (whether or not a Form 24 for *combined categories* 180 or 280 is required) that relates only to *credit insurance business*.

9. The entry at line 24 must be that part of the amount that would appear on Form 24 for *combined categories* 180 and 280, at line 49 column 99-99 (whether or not a Form 24 for *combined categories* 180 or 280 is required) that relates only to *credit insurance business*.

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

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

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1. All the Forms included in the part of the *return* to which this Appendix relates (**Forms 40** to **60**) are to be laid out as shown in this Appendix, except that the instructions to Forms need not be reproduced.

2. The provisions of paragraph 1(2) and paragraphs 3 to 7 of **Appendix 9.1** must, unless otherwise provided, also apply for the purposes of this Appendix. All amounts must be shown in sterling to the nearer £1,000 except valuation unit prices in Form 55 where the currency and rounding must be that used in the valuation. Calculations must be performed using unrounded figures. Figures which are determined from other figures (whether or not on the same form) must be rounded after performing calculations on the unrounded component figures. Percentages must be shown to two decimal places.

3. For the purposes of this Appendix:

   (a) "overseas business" means *long-term insurance business* which is Overseas Life Assurance Business or Overseas PHI and Sickness Business as defined by the Income and Corporation Taxes Act 1988 or business written overseas by an *insurer* which does not report its Overseas Life Assurance Business separately for taxation purposes;

   (b) "regular premiums" means premiums under *contracts of insurance* which are payable at regular intervals during the *policy* year, including repeated or recurring single premiums where the level of premium is defined;

   (c) "single premiums" means premiums under *contracts of insurance* under which there is no expectation of continuing premiums being paid at regular intervals, additional single premiums paid in respect of existing individual contracts and National Insurance rebates received from the Department of Work and Pensions;

   (d) "UK life business" means *long-term insurance business* which is not overseas business or UK pension business;

   (e) "UK pension business" means *long-term insurance business* which is Pension Business as defined by the Income and Corporation Taxes Act 1988.

4. (1) Where an *insurer* maintains more than one *long-term insurance fund*, there must be stated by way of a supplementary note to **Form 40** the principles and methods applied to apportioning the investment income, increase or decrease in the value of assets brought into account, expenses and taxation between the different funds.

5. Where arrangements have been made for the provision of management services to an *insurer* by another *company* (whether an *insurer* or not) which are a substantial part of the day-to-day administration of the undertaking receiving the services -

(a) the *insurer* receiving the services must state, by way of a supplementary note to **Form 40**; and

(b) the *company* (if an *insurer*) providing the services must state, by way of a supplementary note to **Form 40**,

that the arrangements have been in force in the *financial year* and naming the parties to them.

6. Where neither the *mathematical reserves* nor the *gross premiums* with respect to the total overseas business exceeds £50m or 5% of the total *mathematical reserves*, an *insurer* may treat that business –

(a) in the case of business which would fall within 3(e) if it were business effected in the United Kingdom, as UK pension business, or

(b) otherwise, as UK life business.

7. For *financial years* ending on or before 30 December 2006, an *insurer* is not required to complete entries in the 'previous year' column in **Forms 40** to **46**, **50** and **58** if the entry cannot be obtained directly from the previous year's *return*.

8. The full amount of *premiums* and *claims* under a *contract of insurance* must be reported under heading relating to these items. **Forms 40** to **60** must not be completed on the basis of deposit accounting, regardless of whether the *insurer* or any *group* of which it is part uses this basis in accordance with *international accounting standards*.

**FORMS**

[**Forms 40** – **60** follow]

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**Long-term insurance business: Revenue account** **Form 40**

Name of insurer
Total business / subfund
Financial year ended
Units

| | | Financial year | Previous year |
|---|---|---|---|
| | | 1 | 2 |
| **Income** | | | |
| Earned premiums | 11 | | |
| Investment income receivable before deduction of tax | 12 | | |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | | |
| Increase (decrease) in the value of linked assets | 14 | | |
| Other income | 15 | | |
| **Total income** | 19 | | |
| | | | |
| **Expenditure** | | | |
| Claims incurred | 21 | | |
| Expenses payable | 22 | | |
| Interest payable before deduction of tax | 23 | | |
| Taxation | 24 | | |
| Other expenditure | 25 | | |
| Transfer to (from) non technical account | 26 | | |
| **Total expenditure** | 29 | | |
| | | | |
| Business transfers-in | 31 | | |
| Business transfers-out | 32 | | |
| Increase (decrease) in fund in financial year (19 - 29 + 31 – 32) | 39 | | |
| Fund brought forward | 49 | | |
| Fund carried forward (39+49) | 59 | | |

**Instructions for completion of Form 40**

1. The entry at 40.11.1 must be equal to 41.21.4,
the entry at 40.21.1 must be equal to 42.46.4, and
the entry at 40.22.1 must be equal to 43.46.4.

2. Line 13 is the amount of the increase or decrease (realised or unrealised) in the admissible value of assets (other than linked assets) or, where advantage has been taken by virtue of Rule 9.10 to apply a different value for the purposes of the Actuarial investigation under rule 9.4, the increase or decrease in that value.

3. Line 14 must include all gains and losses in respect of *linked assets.*

4. Any item of income which cannot properly be allocated to lines 11, 12, 13 or 14 must be entered at line 15, and similarly, any item of expenditure which cannot properly be allocated to lines 21, 22, 23 or 24 must be entered at line 25. Particulars of such items must be specified in a supplementary note [Code 4002]. Lines 15 and 25 must be used for transfers of unit management charges into or out of the fund or subfund. Where there are subfunds, inter-subfund other income and other expenditure must be excluded from the total Form 40.

5. Where an *insurer* decides to allocate to the *long-term insurance business* the whole or any part of investment income or net capital gains arising from assets not attributable to its *long-term insurance business*, the amounts in question must first be shown in Form 16 at lines 14 to 16, and then as a transfer at line 26 and particulars must be specified in a supplementary note [Code 4003].

6. Interest payable must be included at line 23 and not line 22.

7. Taxation at line 24 is that attributable to the *long-term insurance business* including payments received in consideration of surrendering losses as group relief.

8. Where a transfer is made to the non-technical account, the entry at line 26 must show amounts which have been included at line 47 of Form 58. However, if there is a net transfer into the fund the entry at line 26 will be negative. The sum of Form 58 lines 32 and 33 will be positive, lines 13, 14 and 47 remaining blank.

9. The entry at line 12 must exclude value re-adjustments on investments and gains on the realisation of investments, which must be shown at lines 13 or 14 as appropriate.

10. The entry at line 11 must exclude any change in the provision for unearned premiums, even though it may be included in statutory (e.g., *Companies Act*) accounts.

11. The entry at line 21 must exclude *claims management costs*, which must be included at line 22, and any change in the provision for *claims*.

12. Transfers of contracts from or to other funds or from <u>or to</u> another insurer must be included at line 31 or 32, with details specified in a supplementary note [Code 4004]. Where there are subfunds, inter-subfund transfer must be excluded from the total Form 40.

13. If any of the brought forward amounts differs from the corresponding carried forward amounts in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 4001].

14. If the bases of conversion adopted in respect of foreign currency for income and expenditure have not already been stated in a note to Form 16, the bases must be stated in a supplementary note as specified in paragraph 5(2) of Appendix 9.1 [Code 4005].

15. Where an *insurer* maintains more than one *long-term insurance business fund*, the principles and methods applied to apportioning the investment income, the increase or decrease in the value of assets brought into account, expenses and taxation between the different funds must be stated in a supplementary note as specified in paragraph 4(1) of Appendix 9.3 [Code 4006].

16. Where arrangements have been in force during the *financial year* for the provision either by or to the *insurer* of management services, this fact must be stated in a supplementary note together with the name of the other party (to whom or from whom such services were provided or received) - see paragraph 5 of **Appendix 9.3**. This statement is only needed where a substantial part of the day-to-day administration of an *insurer* is undertaken by another company or vice versa. [Code 4008]

17. Details of any *material connected-party transactions* as required under rule 9.39 must be stated in a supplementary note [Code 4009].

**Long-term insurance business: Analysis of premiums** **Form 41**

Name of insurer
Total business / subfund
Financial year ended
Units

| | | UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **Gross** | | | | | | |
| Regular premiums | 11 | | | | | |
| Single premiums | 12 | | | | | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | 13 | | | | | |
| Single premiums | 14 | | | | | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | 15 | | | | | |
| Single premiums | 16 | | | | | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | 17 | | | | | |
| Single premiums | 18 | | | | | |
| | | | | | | |
| **Total** | | | | | | |
| Gross | 19 | | | | | |
| Reinsurance | 20 | | | | | |
| Net | 21 | | | | | |

**Instructions for completion of Form 41**

1. Single and regular premiums must include that part of the premium which was or will be recoverable from H.M. Revenue and Customs.

2. The entries in line 17 must equal line 11 less the sum of lines 13 and 15.
The entries in line 18 must equal line 12 less the sum of lines 14 and 16.
The entries at line 19 must equal the sum of lines 11 and 12.
The entries at line 20 must equal the sum of lines 13 to 16.
The entries at line 21 must equal line 19 less line 20.

**Long-term insurance business: Analysis of claims** **Form 42**

Name of insurer
Total business / subfund
Financial year ended
Units

| | | UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **Gross** | | | | | | |
| Death or disability lump sums | 11 | | | | | |
| Disability periodic payments | 12 | | | | | |
| Surrender or partial surrender | 13 | | | | | |
| Annuity payments | 14 | | | | | |
| Lump sums on maturity | 15 | | | | | |
| **Total** | 16 | | | | | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | | | | | |
| Disability periodic payments | 22 | | | | | |
| Surrender or partial surrender | 23 | | | | | |
| Annuity payments | 24 | | | | | |
| Lump sums on maturity | 25 | | | | | |
| **Total** | 26 | | | | | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Death or disability lump sums | 31 | | | | | |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | | | | | |
| Annuity payments | 34 | | | | | |
| Lump sums on maturity | 35 | | | | | |
| **Total** | 36 | | | | | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Death or disability lump sums | 41 | | | | | |
| Disability periodic payments | 42 | | | | | |
| Surrender or partial surrender | 43 | | | | | |
| Annuity payments | 44 | | | | | |
| Lump sums on maturity | 45 | | | | | |
| **Total** | 46 | | | | | |

**Instruction for completion of Form 42**

1. In the case of *industrial assurance business, claims* incurred on survival in respect of periodical endowment benefits must be shown in line 13.

2. Maturity payments are lump sums paid to *policy holders*. Amounts paid to another *insurer* must be included in ‘surrender or partial surrender’.

3. The entries in line 41 must equal line 11 less the sum of lines 21 and 31.
The entries in line 42 must equal line 12 less the sum of lines 22 and 32.
The entries at line 43 must equal line 13 less the sum of lines 23 and 33.
The entries at line 44 must equal line 14 less the sum of lines 24 and 34.
The entries at line 45 must equal line 15 less the sum of lines 25 and 35.
The entries at line 46 must equal line 16 less the sum of lines 26 and 36.

**Long-term insurance business: Analysis of expenses** **Form 43**

Name of insurer
Total business / subfund
Financial year ended
Units

| | | UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **Gross** | | | | | | |
| Commission - acquisition | 11 | | | | | |
| Commission - other | 12 | | | | | |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | | | | | |
| Management - other | 15 | | | | | |
| **Total** | 16 | | | | | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Commission - acquisition | 21 | | | | | |
| Commission - other | 22 | | | | | |
| Management - acquisition | 23 | | | | | |
| Management - maintenance | 24 | | | | | |
| Management - other | 25 | | | | | |
| **Total** | 26 | | | | | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Commission - acquisition | 31 | | | | | |
| Commission - other | 32 | | | | | |
| Management - acquisition | 33 | | | | | |
| Management - maintenance | 34 | | | | | |
| Management - other | 35 | | | | | |
| **Total** | 36 | | | | | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Commission - acquisition | 41 | | | | | |
| Commission - other | 42 | | | | | |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | | | | | |
| Management - other | 45 | | | | | |
| **Total** | 46 | | | | | |

**Instructions for completion of Form 43**

1. In allocating *management expenses* to the relevant lines:

   (a) subject to (b), costs of a non-recurring nature, such as those incurred in developing new systems or new premises, or the costs of corporate restructuring, must be reported as 'management – other';

   (b) where they do not exceed 2% of the total *management expenses*, non-recurring costs may be included as 'management – acquisition' or 'management - maintenance';

   (c) the costs incurred in writing new business (or in obtaining incremental (but not indexed) premiums on existing business), such as underwriting, *policy* issue, setting up (or amending) records, and the maintenance and development of the sales and marketing organisation must be reported as management – acquisition'; and

   (d) the balancing item will be expenses related to the ongoing costs throughout the year of maintaining the business in force (including any investment management costs) which must be reported as 'management – maintenance'.

2. Commission payable to employees of the *insurer* whose job is to sell *policies* must be included as 'management – acquisition' or 'management – maintenance'. Commission payable to employees who sell *policies* on a casual basis must be treated in the same way as that paid to *intermediaries* and to *cedents* and so must be included as 'commission – acquisition' or 'commission – other', as the case may be.

3. Expenses must be those which relate only to the *insurer's long-term insurance business*. Those relating to any other business of the *insurer* cannot, by virtue of *INSPRU* 1.5.30R, be paid out of the *long-term insurance fund* and must therefore be shown in the *general insurance business* technical account (Form 20) or the non-technical account (Form 16).

4. The entries in line 41 must equal line 11 less the sum of lines 21 and 31.
   The entries in line 42 must equal line 12 less the sum of lines 22 and 32.
   The entries at line 43 must equal line 13 less the sum of lines 23 and 33.
   The entries at line 44 must equal line 14 less the sum of lines 24 and 34.
   The entries at line 45 must equal line 15 less the sum of lines 25 and 35.
   The entries at line 46 must equal line 16 less the sum of lines 26 and 36.

**Long-term insurance business: Linked funds balance sheet** **Form 44**

Name of insurer
Total business
Financial year ended
Units

| | | Financial year | Previous year |
|---|---|---|---|
| | | **1** | **2** |
| **Internal linked funds (excluding cross investment)** | | | |
| Directly held assets (excluding collective investment schemes) | 11 | | |
| Directly held assets in collective investment schemes of connected companies | 12 | | |
| Directly held assets in other collective investment schemes | 13 | | |
| **Total assets (excluding cross investment) (11+12+13)** | 14 | | |
| Provision for tax on unrealised capital gains | 15 | | |
| Secured and unsecured loans | 16 | | |
| Other liabilities | 17 | | |
| **Total net assets (14-15-16-17)** | 18 | | |
| | | | |
| **Directly held linked assets** | | | |
| Value of directly held linked assets | 21 | | |
| | | | |
| **Total** | | | |
| Value of directly held linked assets and units held (18+21) | 31 | | |
| Surplus units | 32 | | |
| Deficit units | 33 | | |
| **Net unit liability (31-32+33)** | 34 | | |

**Instructions for completion of Form 44**

1. Double counting of items arising from cross investment between *internal linked funds* must be eliminated.

2. The basis on which the assets have been valued must be stated in a supplementary note [Code 4401].

3. The aggregate value of rights (gross of *variation margin*) and the aggregate amount of liabilities (gross of *variation margin*) under *derivative contracts* (or in respect of contracts or assets which have the effect of a *derivative contract*) must each be stated in a supplementary note. The corresponding figures net of *variation margin* must also be stated [Code 4402]. For this purpose, rights and liabilities must not be set off against one another unless-

   (a) such rights and liabilities may be set off against each other in accordance with generally accepted accounting practice; and

   (b) such set off results (in whole or in part) from the closing out of obligations under a *contract of insurance*.

4. Where there is a liability to repay *variation margin* and there are no arrangements for netting of amounts outstanding, or the arrangements would not permit the accounting of such amounts on a net basis in accordance with generally accepted accounting practice, it must be so stated in a supplementary note [Code 4403].

5. The total of the net asset value at line 18 must equal line 59 of Form 45.

6. If the surplus units exceed 1% of the net unit liability, a statement of the purpose of the surplus units must be given in a supplementary note [Code 4404].

7. A supplementary note setting out the name of the fund, the net asset value and the liquidity ratio [Code 4405] must be provided for any fund –

   (a) whose net asset value is greater than £10m, and with respect to which there is negative liquidity (i.e., liabilities of the fund less *approved securities*, short term deposits and cash held in the fund is a negative amount) exceeding 5% of the net asset value of the fund; and

   (b) whose net asset value is greater than £500,000, and with respect to which there is negative liquidity exceeding 50% of the net asset value of the fund.

8. ‘Connected company’ has the meaning given in rule 11.1.

**Long-term insurance business: revenue account for internal linked funds** **Form 45**

Name of insurer
Total business
Financial year ended
Units

| | | Financial year | Previous year |
|---|---|---|---|
| | | 1 | 2 |
| **Income** | | | |
| Value of total creation of units | 11 | | |
| Investment income attributable to the funds before deduction of tax | 12 | | |
| Increase (decrease) in the value of investments in the financial year | 13 | | |
| Other income | 14 | | |
| **Total income** | 19 | | |
| | | | |
| **Expenditure** | | | |
| Value of total cancellation of units | 21 | | |
| Charges for management | 22 | | |
| Charges in respect of tax on investment income | 23 | | |
| Taxation on realised capital gains | 24 | | |
| Increase (decrease) in amount set aside for tax on capital gains not yet realised | 25 | | |
| Other expenditure | 26 | | |
| **Total expenditure** | 29 | | |
| | | | |
| Increase (decrease) in funds in financial year (19-29) | 39 | | |
| Internal linked fund brought forward | 49 | | |
| Internal linked funds carried forward (39+49) | 59 | | |

**Instructions for completion of Form 45**

1. Double counting of items arising from cross investment between *internal linked funds* must be eliminated.

2. If any of the brought forward amounts differs from the corresponding carried forward amounts in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason for the difference must be stated in a supplementary note [Code 4501].

3. Any item of income which cannot properly be allocated to lines 11, 12, or 13 must be entered at line 14, and similarly, any item of expenditure which cannot properly be allocated to lines 21, 22, 23, 24 or 25 must be entered at line 26. Particulars of such items must be specified in a supplementary note [Code 4502].

4. The gross value of units created must be shown at line 11. The gross value of units cancelled must be shown at line 21. Each day's movements must be netted or recorded as two separate entries, one positive and one negative. The total net positive and negative movements must be recorded at lines 11 or 21 as appropriate.

**Long-term insurance business: Summary of new business** **Form 46**

Name of insurer
Total business
Financial year ended
Units

| | | UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **Number of new policyholders / scheme members for direct insurance business** | | | | | | |
| Regular premium business | 11 | | | | | |
| Single premium business | 12 | | | | | |
| **Total** | 13 | | | | | |
| | | | | | | |
| **Amount of new regular premiums** | | | | | | |
| Direct insurance business | 21 | | | | | |
| External reinsurance | 22 | | | | | |
| Intra-group reinsurance | 23 | | | | | |
| **Total** | 24 | | | | | |
| | | | | | | |
| **Amount of new single premiums** | | | | | | |
| Direct insurance business | 25 | | | | | |
| External reinsurance | 26 | | | | | |
| Intra-group reinsurance | 27 | | | | | |
| **Total** | 28 | | | | | |

**Instructions for completion of Form 46**

1. Line 11 is the sum of column 3 of Form 47.
   Line 12 is the sum of column 5 of Form 47.
   Lines 21, 22 and 23 are the sum of column 4 of Form 47 for that business.
   Lines 25, 26 and 27 are the sum of column 6 of Form 47 for that business.

2. 'New' *policy holders* or scheme members are those who have effected a new individual contract or joined the scheme during the *financial year in question*.

3. 'New' regular premiums and 'new' single premiums are premiums from new *policy holders* and scheme members, and must also include new increments on existing *policies* accepted by the *insurer*, in the *financial year in question*.

**Long-term insurance business: Analysis of new business** **Form 47**

Name of insurer
Total business
Financial year ended
Units
UK Life / UK Pension / Overseas (State or Territory) / Direct Insurance Business / Reinsurance accepted external / Reinsurance accepted intra-group

| | | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| **Product code number** | **Product description** | **Number of policyholders / scheme members** | **Amount of premiums** | **Number of policyholders / scheme members** | **Amount of premiums** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| | | | | | |

**Instructions for completion of Form 47**

1. Information must be shown separately for each type of *insurance business* in the sequence specified below:

   (a) UK life;

   (b) UK pension; and

   (c) overseas.

   Overseas business may, at the discretion of the insurer, be subdivided by state or territory.

2. The information must be shown separately within each type of *insurance business* in the sequence specified below:

   (a) *direct insurance business;*

   (b) *reinsurance* accepted which is external to the *insurance group*; and

   (c) *reinsurance* accepted which is from within the *insurance group*.

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

| **Code** | **Product description** |
|---|---|
| 100 | Conventional whole life with-profits OB |
| 105 | Conventional whole life with-profits IB |
| 110 | Conventional whole life with-profits (ISA) |
| 115 | Conventional whole life with-profits (tax exempt) |
| 120 | Conventional endowment with-profits OB savings |
| 125 | Conventional endowment with-profits OB target cash |
| 130 | Conventional endowment with-profits IB |
| 135 | Conventional endowment with-profits (ISA) |
| 140 | Conventional endowment with-profits (tax exempt) |
| 145 | Income protection with-profits |
| 150 | Income protection with-profits (Holloway) |
| 155 | Conventional pensions endowment with-profits |
| 160 | Conventional pensions endowment with-profits - increments |
| 165 | Conventional deferred annuity with-profits |
| 170 | Conventional deferred annuity with-profits - increments |
| 175 | Group conventional deferred annuity with-profits |
| 180 | Group conventional deferred annuity with-profits - increments |
| 185 | Group conventional pensions endowment with-profits |
| 190 | Group conventional pensions endowment with-profits - increments |
| 195 | Annuity with-profits (PLA) |
| 200 | Annuity with-profits (CPA) |
| 205 | Miscellaneous conventional with-profits |
| 210 | Additional reserves with-profits OB |
| 215 | Additional reserves with-profits IB |
| | |
| 300 | Regular premium non-profit WL/EA OB |
| 305 | Single premium non-profit WL/EA OB |
| | |
| 310 | Non-profit IB |

| | |
|---|---|
| 315 | Individual deposit administration non-profit |
| 320 | Group deposit administration non-profit |
| 325 | Level term assurance |
| 330 | Decreasing term assurance |
| 335 | Decreasing term assurance (rider benefits) |
| 336 | Mortality risk premium reinsurance |
| 340 | Accelerated critical illness (guaranteed premiums) |
| 345 | Accelerated critical illness (reviewable premiums) |
| 350 | Stand-alone critical illness (guaranteed premiums) |
| 355 | Stand-alone critical illness (reviewable premiums) |
| 360 | Income protection non-profit (guaranteed premiums) |
| 365 | Income protection non-profit (reviewable premiums) |
| | |
| 370 | Long-term care policy |
| 375 | Protection menu policy |
| 380 | Miscellaneous protection rider |
| 385 | Income protection claims in payment |
| 390 | Deferred annuity non-profit |
| 395 | Annuity non-profit (PLA) |
| 400 | Annuity non-profit (CPA) |
| 405 | Annuity non-profit (CPA impaired life) |
| 410 | Group Life |
| 411 | Group death in service dependants' annuities |
| 415 | Collective Life |
| 420 | Group income protection |
| 425 | Group income protection claims in payment |
| 430 | Group critical illness |
| 435 | Miscellaneous non-profit |
| 440 | Additional reserves non-profit OB |
| 445 | Additional reserves non-profit IB |
| | |
| 500 | Life UWP single premium |
| 505 | Life UWP whole life regular premium |
| 506 | Life UWP whole life regular premium (ISA) |
| 510 | Life UWP endowment regular premium - savings |
| 515 | Life UWP endowment regular premium – target cash |
| 516 | Life UWP endowment regular premium (ISA) |
| 520 | Holloway member accounts |
| 525 | Individual pensions UWP |
| 530 | Individual pensions UWP - increments |
| 535 | Group money purchase pensions UWP |
| 540 | Group money purchase pensions UWP - increments |
| 545 | Individual deposit administration with-profits |
| 550 | Individual deposit administration with-profits - increments |
| 555 | Group deposit administration with-profits |
| 560 | Group deposit administration with-profits - increments |
| 565 | DWP National Insurance rebates UWP |
| 570 | Income drawdown UWP |
| 571 | Trustee investment plan UWP |
| 574 | UWP investment only reinsurance |
| 575 | Miscellaneous UWP |
| 580 | Term assurance rider |
| 585 | Accelerated critical illness rider |

| | |
|---|---|
| 590 | Stand-alone critical illness rider |
| 595 | Income protection rider |
| 605 | Miscellaneous protection rider |
| 610 | Additional reserves UWP |
| | |
| 700 | Life property linked single premium |
| 705 | Life property linked single premium quasi index linked |
| 710 | Life property linked whole life regular premium |
| 715 | Life property linked endowment regular premium - savings |
| 720 | Life property linked endowment regular premium – target cash |
| 725 | Individual pensions property linked |
| 730 | Individual pensions property linked - increments |
| 735 | Group money purchase pensions property linked |
| 740 | Group money purchase pensions property linked - increments |
| 745 | DWP National Insurance rebates property linked |
| 750 | Income drawdown property linked |
| 755 | Trustee investment plan |
| 760 | Small self administered schemes |
| 765 | Group managed fund |
| 770 | Term assurance rider |
| 775 | Accelerated critical illness rider |
| 780 | Stand-alone critical illness rider |
| 785 | Income protection rider |
| 790 | Miscellaneous protection rider |
| 794 | Property linked investment only reinsurance |
| 795 | Miscellaneous property linked |
| 800 | Additional reserves property linked |
| | |
| 900 | Life index linked single premium |
| 901 | Index linked income protection claims in payment |
| 902 | Group index linked income protection claims in payment |
| 905 | Index linked annuity |
| 910 | Miscellaneous index linked |
| 915 | Additional reserves index linked |

Codes 100-215 are for with-profits business in Form 51.
Codes 300-445 are for non-profits business in Form 51.
Codes 500-610 are for Form 52.
Codes 700-800 are for Form 53.
Codes 900-915 are for Form 54.

Life regular *premium product codes* include paid-up policies.
CPA annuities include those arising from group death in service *policies* and bulk purchase of annuities from occupational pension schemes.
For the purposes of allocation to product codes (e.g. code 175), group business is where there is another party in the arrangement, normally an employer. An *insurer* may use an internal definition to allocate between individual and group business for schemes with less than ten members.

Group money purchase pensions product codes (535, 540, 735, 740) cover policies where the *insurer* holds details at member level. Trustee investment plan product codes (571, 755) cover policies which are not in the name of or earmarked for an individual member. Group managed fund product code (765) covers unit-linked investments for final salary pension schemes.

4. There may be more than one line for the same *product code* within a type and source of business to identify specific brands.

5. For direct individual *policies*, columns 3 and 5 are the number of new plans, i.e. eliminating the effect of multiple policies being issued as part of the same premium, identifiable increments and rider benefits. A *policy holder* who takes out plans of the same product code during the year will contribute to column 3 or 5 for each such plan. For direct group scheme business, where the *insurer* has records of benefits at member level, columns 3 and 5 are the number of new members. For group scheme business, where the *insurer* has no records of benefits at member level, columns 3 and 5 must be zero. For business without such records, the number of new group schemes, divided by *product code,* must be set out in a supplementary note (code 4701). Details of approximations made in determining columns 3 and 5 must be given in a note (code 4703). For reinsurance accepted columns 3 and 5 are nil.

6. To avoid double counting, a new scheme member for a plan offering a choice of funds may be treated as contributing to column 3 or 5 for unitised with-profits business if all the premiums in the plan are invested in the *with-profits fund*. For *policies* with protection rider benefits, the entry in column 3 or 5 must be for the main benefit in the plan.

7. Details must be given in a supplementary note (code 4702) of approximations used to apportion between product codes.

**Long-term insurance business: Non-linked assets** **Form 48**

Name of insurer
Category of assets
Financial year ended
Units

| | | Unadjusted assets | Economic exposure | Expected income from assets in column 2 | Yield before adjustment | Return on assets in financial year |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **Assets backing non-profit liabilities and non-profit capital requirements** | | | | | | |
| Land and buildings | 11 | | | | | |
| Approved fixed interest securities | 12 | | | | | |
| Other fixed interest securities | 13 | | | | | |
| Variable interest securities | 14 | | | | | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | | | | | |
| **Total** | 19 | | | | | |
| | | | | | | |
| **Assets backing with-profits liabilities and with-profits capital requirments** | | | | | | |
| Land and buildings | 21 | | | | | |
| Approved fixed interest securities | 22 | | | | | |
| Other fixed interest securities | 23 | | | | | |
| Variable interest securities | 24 | | | | | |
| UK listed equity shares | 25 | | | | | |
| Non-UK listed equity shares | 26 | | | | | |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | | | | | |
| **Total** | 29 | | | | | |
| | | | | | | |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | |
| Return allocated to non taxable 'asset shares' | 32 | | | | | |
| Return allocated to taxable 'asset shares' | 33 | | | | | |

**Instructions for completion of Form 48**

1. Line 11.1 + 21.1 must equal 13.11.1.
   Line 12.1 + 22.1 must equal 13.45.1 + the relevant part of 13.84.1.
   Line 13.1 + 23.1 must equal 13.46.1 + the relevant part of 13.84.1.
   Line 14.1 + 24.1 must equal 13.47.1 + 13.48.1 + the relevant part of 13.84.1.
   Line 15.1 + 25.1 must equal the relevant part of 13.41.1.
   Line 16.1 + 26.1 must equal the relevant part of 13.41.1
   Line 17.1 + 27.1 must equal the relevant part of 13.41.1 + 13.21.1 + 13.23.1 + 13.25.1 + 13.27.1.
   Line 19.1 must equal line 19.2
   Line 29.1 must equal line 29.2
   Line 19.1 + 29.1 must equal Form 13.89.1 – 13.58.1 – 13.59.1.

2. *Collective investment schemes* (in line 13.43) and collective investment pools (in line 13.49) must be allocated in column 1 to line 18 or 28. In column 2 they must be allocated according to the underlying assets, but holdings of a type of asset within a collective investment scheme or pool of less than 5% of the assets for that collective investment scheme or pool may be grouped with the main type of underlying asset for that collective investment scheme or pool. An amount of *collective investment scheme* and collective investment pool assets not exceeding 1% of the total non-linked assets may be reallocated from column 1 to column 2 based on the stated investment objective instead of the actual underlying assets at the valuation date.

3. *Equity shares* (lines 21, 23, 25 and 27 of Form 13) must be allocated in column 2 to lines 11, 15, 16, 21, 25 or 26 as appropriate if the undertaking is principally a holding company for *equity shares* or property. An amount of unlisted *equity shares* not exceeding 1% of the total non-linked assets may be reallocated from column 1 to column 2 based on the stated investment objective instead of the actual underlying assets at the valuation date.

4. Where there is an obligation to purchase any of the underlying assets or they are 'in the money' at the *relevant date*, *derivative contracts* must be allocated in column 2 as if the underlying asset had been purchased on the *relevant date*.

5. For a *with-profits fund* the assets backing the non-profit business must equal the amount of the non-profit *mathematical reserves* (lines 42, 45 and 47 of Form 50), plus the relevant part of the *long- term insurance capital requirement* and *resilience capital requirement* if these are backed by assets in that fund). The remaining assets must be treated as backing the with-profits business. For a fund without with-profits business all assets are to be included in lines 11-19. Allocation of assets to back *mathematical reserves* in the base scenario between lines 11-19 and 21-29 does not prevent switches between these lines for the purposes of the *market risk scenario* used in calculating the *resilience capital requirement*.

6. Where part of the with-profits business is with respect to business which falls within paragraph (1)(b) of the definition of *with-profits fund* and that part represents more than 10% of the total with-profits *mathematical reserves,* the *insurer* must set out in a supplementary note (code 4801):

   (a) where the *insurer's* 'asset share' philosophy for the block of business assumes a variation of asset mix by duration of *policy*, the brand names of the bonus series in the block of business; and

   (b) where the *insurer's* 'asset share' philosophy for the block of business assumes an asset mix which is 5% more or less for any of the asset categories in lines 21 to 28 than the asset mix derived from lines 21 to 29 of column 2, the brand names of the bonus series in, and the asset mix for, the block of business.

7. The expected income in column 3 must be the amounts before deduction of tax which would be received in the next *financial year* on the assumption that the assets will be held throughout the year and that the factors which affect income will remain unchanged, but account must be taken of any changes in those factors known to have occurred by the *relevant date* (in particular changes of the type (1), (2), (3), (4), (5) and (6) in *INSPRU* 3.1.33R). The expected income shown in this Form must be that determined before any adjustments considered necessary because of rule *INSPRU* 3.1.41R and *INSPRU* 3.1.44R.

8. Where a particular asset is required to be taken into account only to a specified extent by the application of the admissibility limits, the expected income from that asset must be included only to the same extent.

9. The treatment of the expected income from any asset where the payment of interest is in default and the amount of interest involved must be stated in a supplementary note (code 4802).

10. The gross redemption yield in column 4 for fixed and variable interest securities must be calculated as in *INSPRU* 3.1.34R(2) before any allowance for tax required by *INSPRU* 3.1.29R, leaving out of account any adjustment considered necessary because of *INSPRU* 3.1.41R and *INSPRU* 3.1.46R. Where a number of assets with different gross redemption yields are held, the weighted average gross redemption yield must be calculated using as weights the value of the asset applicable for entry into column 2. Where *securities* may be redeemed over a period at the option of the guarantor or the issuer, the yield must be determined on the assumption that they will be redeemed at the date implied by the market valuation. If these *securities* represent more than 1% of fixed and variable interest assets (Form 49 line 61) a supplementary note (code 4803) must be provided explaining how the assumed redemption date was determined and stating the value of these assets. Subject to paragraphs 13 and 14, the yields to be inserted in column 4 for other categories of asset must be the running yields determined in accordance with *INSPRU* 3.1.33R to *INSPRU* 3.1.34R before any allowance for tax required by *INSPRU* 3.1.29R. The entries at 48.19.4 and 48.29.4 must be the weighted average of the yields in column 4, where the weight given to each asset is the value of that asset applicable for entry into column 2. Assets not producing income must be included in the calculation.

11. Where the yield in column 4 for a type of asset shown at line 18 or 28 is significantly different from the weighted average of the yields for each asset of that type determined in accordance with *INSPRU* 3.1.34R(2) before any allowance for tax required by *INSPRU* 3.1.29R, then the latter yield figure must be shown in a supplementary note (code 4804). For this purpose, the weighted average of the yields means an average yield weighted by the value of each asset of that type as entered in column 2.

12. Where an entry at 13.87.1 has resulted from excess *exposure* to a c*ounterparty* or *excess concentration with a number of counterparties*, the aggregate value of the assets of the *insurer* giving rise to *exposure* to such c*ounterparties* must be stated in a supplementary note (code 4805), together with the expected income from those assets.

13. To the extent that *INSPRU* 3.1.34R(2) has not been, or would otherwise not be required to be, applied to calculate the yield on equity *shares* or holdings in *collective investment schemes*, that rule may be ignored (in which case *INSPRU* 3.1.33R and *INSPRU* 3.1.34R(1) will apply, before any allowance for tax required by *INSPRU* 3.1.29R) for an amount up to the higher of £5 million or 5% of the value of equity *shares* and holdings in *collective investment schemes* required to be reported in Form 48.

14. To the extent that a yield greater than zero on equity *shares* or holdings in *collective investment schemes* is not needed for the purpose of determining rates of interest under *INSPRU* 3.1.28R, *INSPRU* 3.1.33R and *INSPRU* 3.1.34R may be ignored for an amount of up to 1% of the value of equity *shares* and holdings in *collective investment schemes* required to be reported in Form 48, and the relevant yield will be taken as zero.

15. Firms must state in a supplementary note (code 4806) which assets have been used to calculate the investment returns shown in lines 21-29 column 5. If the firm identifies a portfolio of assets to back asset shares the returns must be based on these assets. If there are several asset share portfolios the return must be based on the largest. The assets used to calculate the investment returns in column 5 will not necessarily be the same as those assets in columns 1 and 2. The returns in lines 21-29 are before allowance for tax and investment costs, as is the return disclosed in Appendix 9.4A paragraph 4(7).

**Long-term insurance business: Fixed and variable interest assets** **Form 49**

Name of insurer
Category of assets
Financial year ended
Units

| | | Value of assets | Mean term | Yield before adjustment | Yield after adjustment |
|---|---|---|---|---|---|
| | | **1** | **2** | **3** | **4** |
| **UK government approved fixed interest securities** | 11 | | | | |
| | | | | | |
| **Other approved fixed interest securities** | 21 | | | | |
| | | | | | |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | 31 | | | | |
| AA/Aa | 32 | | | | |
| A/A | 33 | | | | |
| BBB/Baa | 34 | | | | |
| BB/Ba | 35 | | | | |
| B/B | 36 | | | | |
| CCC/Caa | 37 | | | | |
| Other (including unrated) | 38 | | | | |
| **Total other fixed interest securities** | 39 | | | | |
| | | | | | |
| **Approved variable interest securities** | 41 | | | | |
| | | | | | |
| **Other variable interest securities** | 51 | | | | |
| | | | | | |
| **Total** (11+21+39+41+51) | 61 | | | | |

**Instructions for completion of Form 49**

1. Where non-linked *fixed interest securities* (which are not *approved securities*) for the *long-term insurance fund* (48.13.2 + 48.23.2) exceed £100m, fixed and variable interest assets must be reported in Form 49.

2. The value of assets in column 1 must correspond to the value of assets in column 2 of Form 48.

3. The mean term in column 2 may be calculated by using the expected yearly cashflows discounted by the internal rate of return, or an alternative actuarial method. Undated stocks must be assumed to be redeemed after 40 years.

4. The gross redemption yield in column 3 must be calculated in accordance with instruction 10 to Form 48.

5. The gross redemption yield after adjustment in column 4 makes allowance for the risk adjustment required by *INSPRU* 3.1.41R and *INSPRU* 3.1.44R.

6. A supplementary note (code 4901) must be provided stating which rating agency has been used to provide the split by credit rating.

7. Other fixed interest securities held in *collective investment schemes* may be allocated to line 38 provided their value does not exceed 1% of the amount in line 39.

**Long-term insurance business: Summary of mathematical reserves** **Form 50**

Name of insurer
Total business / subfund
Financial year ended
Units

| | | UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **Gross** | | | | | | |
| Form 51 - with-profits | 11 | | | | | |
| Form 51 - non-profit | 12 | | | | | |
| Form 52 | 13 | | | | | |
| Form 53 - linked | 14 | | | | | |
| Form 53 - non-linked | 15 | | | | | |
| Form 54 - linked | 16 | | | | | |
| Form 54 - non-linked | 17 | | | | | |
| **Total** | 18 | | | | | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | | | | | |
| Form 51 - non-profit | 22 | | | | | |
| Form 52 | 23 | | | | | |
| Form 53 – linked | 24 | | | | | |
| Form 53 - non-linked | 25 | | | | | |
| Form 54 – linked | 26 | | | | | |
| Form 54 - non-linked | 27 | | | | | |
| **Total** | 28 | | | | | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Form 51 - with-profits | 31 | | | | | |
| Form 51 - non-profit | 32 | | | | | |
| Form 52 | 33 | | | | | |
| Form 53 – linked | 34 | | | | | |
| Form 53 - non-linked | 35 | | | | | |
| Form 54 – linked | 36 | | | | | |
| Form 54 - non-linked | 37 | | | | | |
| **Total** | 38 | | | | | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Form 51 - with-profits | 41 | | | | | |
| Form 51 - non-profit | 42 | | | | | |
| Form 52 | 43 | | | | | |
| Form 53 – linked | 44 | | | | | |
| Form 53 - non-linked | 45 | | | | | |
| Form 54 – linked | 46 | | | | | |
| Form 54 - non-linked | 47 | | | | | |
| **Total** | 48 | | | | | |

**Instructions for completion of Form 50**

1. Lines 11 to 18 are just for gross business.

   Line 11 is the sum of column 9 of Form 51 for *product codes* 100-299.
   Line 12 is the sum of column 9 of Form 51 for *product codes* 300-499.
   Line 13 is the sum of column 9 of Form 52.
   Line 14 is the sum of column 7 of Form 53.
   Line 15 is the sum of column 8 of Form 53.
   Line 16 is the sum of column 7 of Form 54.
   Line 17 is the sum of column 8 of Form 54.

2. Lines 21 to 28 are just for reinsurance ceded external.

   Line 21 is the sum of column 9 of Form 51 for *product codes* 100-299.
   Line 22 is the sum of column 9 of Form 51 for *product codes* 300-499.
   Line 23 is the sum of column 9 of Form 52.
   Line 24 is the sum of column 7 of Form 53.
   Line 25 is the sum of column 8 of Form 53.
   Line 26 is the sum of column 7 of Form 54.
   Line 27 is the sum of column 8 of Form 54.
   Line 28 is the sum of lines 21 to 27.

3. Lines 31 to 38 are just for reinsurance ceded intra-group.

   Line 31 is the sum of column 9 of Form 51 for *product codes* 100-299.
   Line 32 is the sum of column 9 of Form 51 for *product codes* 300-499.
   Line 33 is the sum of column 9 of Form 52.
   Line 34 is the sum of column 7 of Form 53.
   Line 35 is the sum of column 8 of Form 53.
   Line 36 is the sum of column 7 of Form 54.
   Line 37 is the sum of column 8 of Form 54.
   Line 38 is the sum of lines 31 to 37.

4. Line 41 = line 11 – line 21 – line 31.
   Line 42 = line 12 – line 22 – line 32.
   Line 43 = line 13 – line 23 – line 33.
   Line 44 = line 14 – line 24 – line 34.
   Line 45 = line 15 – line 25 – line 35.
   Line 46 = line 16 – line 26 – line 36.
   Line 47 = line 17 – line 27 – line 37.
   Line 48 = line 18 – line 28 – line 38.

5. Separate Forms must be completed for the total business and each subfund.

**Long-term insurance business: Valuation summary of non-linked contracts** (other than accumulating with-profits contracts) **Form 51**

Name of insurer
Total business / subfund
Financial year ended
Units
UK Life / UK Pension / Overseas (State or Territory) / Gross / Reinsurance ceded external / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | | | | n/a | n/a | n/a | |
| | | | | | n/a | n/a | n/a | |

**Long-term insurance business: Valuation summary of accumulating with-profits contracts** **Form 52**

Name of insurer
Total business / subfund
Financial year ended
Units
UK Life / UK Pension / Overseas (State or Territory) / Gross / Reinsurance ceded external / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | | | | | | | |

**Long-term insurance business: Valuation summary of property linked contracts** **Form 53**

Name of insurer
Total business / subfund
Financial year ended
Units
UK Life / UK Pension / Overseas (State or Territory) / Gross / Reinsurance ceded external / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | | | | | | | |

**Long-term insurance business: Valuation summary of index linked contracts** **Form 54**

Name of insurer
Total business / subfund
Financial year ended
Units
UK Life / UK Pension / Overseas (State or Territory) / Gross / Reinsurance ceded external / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | | | | | | | |

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

1. Separate valuation summaries must be completed in respect of each separate fund or part of a fund for which a surplus is determined.

2. Information must be shown separately for each type of *insurance business* for each of the following:

   (a) UK life;

   (b) UK pension; and

   (c) overseas.

   Overseas business may, at the discretion of the insurer, be subdivided by state or territory.

3. The information must be shown separately for each source of business for each type of *insurance business* in the sequence specified below:

   (a) *gross insurance business*;

   (b) *reinsurance ceded* which is external to the *insurance group*; and

   (c) *reinsurance ceded* which is to another member of the *insurance group*.

4. Subject to 11, information must be further divided by *product code*. 'Product description' in column 2 is the narrative description beside the number of the product code in the table in paragraph 3 of the Instructions for completion of Form 47 but may, at the discretion of the *insurer*, include the brand name. Subdivision of pensions business into increments and DWP National Insurance rebates is not required in Forms 51-54.

5. There may be more than one line for the same *product code* within a type and source of business to identify specific brands or *policies* with special features.

6. For direct individual *policies*, column 3 is the number of plans, i.e. eliminating the effect of multiple policies being issued as part of the same premium, identifiable increments and rider benefits. A *policy holder* who holds plans of the same product code taken out at different dates will contribute to column 3 for each such plan. For direct group scheme business, where the *insurer* has records of benefits at member level, column 3 is the number of members. For group scheme business, where the *insurer* has no records of benefits at member level, column 3 must be zero. For business without such records, the number of group schemes, analysed by the *product code*, must be set out in a supplementary note (codes 5101-5401). Details of approximations made in estimating the number of policyholders from the number of contracts must be given in a supplementary note (codes 5102-5402). For reinsurance accepted and reinsurance ceded column 3 is nil.

7. A plan must only contribute once to column 3 in Forms 51-54. The total of *premiums* for the plan shown in Forms 51-54 must equal the total *premiums* for the plan. For plans where the *policyholder* has the option for *premiums* to be invested in both with-profits and internal linked funds, the preferred presentation is as follows. If all the *premiums* are invested in with-profits units and the plan is written in the *with-profits fund* the contribution to column 3 should be shown in Form 52, otherwise the contribution to column 3 should be shown in Form 53. The entry in column 3 is for the investment element of the plan, and the entry in column 3 for protection rider benefits is nil. The annual *premium* in column 5 should be allocated between Form 52 and Form 53 based on the current *premium* allocation percentages. If all the *premiums* are invested in with-profits units and the plan is written in the *with-profits fund* the protection rider benefits should be shown in Form 52, otherwise the protection rider benefits should be shown in Form 53. Where the protection rider benefits are paid for by

cancelling units the entry in column 5 for the riders should be shown as nil, and all the *premiums* for the plan should be reported in column 5 under the *product code(s)* for the investment element.

8. Columns 6, 7 and 8 must be left blank on Form 51. The purpose of the unused columns in Form 51 is the standardisation of column headings in Forms 51-54.

9. For *non-linked contracts* the amount of benefit in column 4 is the current death benefit (excluding any interim and terminal bonus) for assurances, the amount payable on claim for stand-alone critical illness, the annual amount of annuity for deferred annuities and annuities in payment and the annual amount of benefit for income protection and waiver of premium. For *linked long-term contracts* including life assurance, column 4 must be the current amount payable on death.

10. For *property linked long-term contracts*, unitised *with-profits policies* and deposit administration contracts, column 6 must be the current value of the units or fund as presented to the *policy holder*. For *index linked contracts* column 6 must be the index linked liability with no allowance for discounting. The amount in column 7 is the amount in column 6 allowing for any discounting in the valuation. The amount in column 9 is the sum of columns 7 and 8.

11. Notwithstanding 4, where neither the gross *mathematical reserves* nor the gross annual premiums with respect to products with the same product code exceed the lesser of £10m and 1% of the total gross *mathematical reserves*, the products may be entered as the appropriate miscellaneous product code in column 1 and 2. The test of whether the appropriate miscellaneous product code may be used must be carried out at firm level combining all subfunds. The product code for reinsurance must correspond to the product code for the related gross business.

12. Where a product does not appear to fit into any other product code, the miscellaneous product code can be used. Details must be disclosed in a supplementary note (codes 5103-5403) if the amount of business for the product exceeds the threshold in instruction 11.

13. Details must be given in a supplementary note (codes 5104-5404) of approximations used to apportion between product codes.

14. Reserves for non-attributable expenses must be included with the appropriate additional reserves product code, i.e. they are not allocated back to and included with reserves at product code level.

**Long-term insurance business: Unit prices for internal linked funds** **Form 55**

Name of insurer
Total business
Financial year ended
Units

| Fund name | Type of fund | Net assets | Main series | Unit mgmt charge | Price at previous valuation date | Price at current valuation date | Change in price during year |
|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
| | | | | | | | |

**Instructions for completion of Form 55**

1. Where the net assets held by the *insurer* for all the *internal linked funds* sharing the same underlying assets for pricing purposes exceed the lesser of £100m and 10% of the total *internal linked funds* (line 59 of Form 45), with the exception of share index tracker funds, any such *internal linked fund* which is in one of the categories listed in 2 must be reported in Form 55. Where a life fund and a pension fund share the same underlying assets, the fund must be reported for the main life series and the main pension series.

2. The fund types for column 2 are as follows:

   01 - life - stock market managed fund
   02 - life - balanced managed fund
   03 - life - defensive managed fund
   04 - life - other managed fund
   05 - life - UK equity
   06 - life - overseas equity
   07 - life - property
   11 - individual pension - stock market managed fund
   12 - individual pension - balanced managed fund
   13 - individual pension - defensive managed fund
   14 - individual pension - other managed fund
   15 - individual pension - UK equity
   16 - individual pension - overseas equity
   17 - individual pension - property
   21 - group managed fund - stock market managed fund
   22 - group managed fund - balanced managed fund
   23 - group managed fund - defensive managed fund
   24 - group managed fund - other managed fund
   25 - group managed fund - UK equity
   26 - group managed fund - overseas equity
   27 - group managed fund - property.

3. The amount in column 3 is the total net assets attributable to the fund.

4. Column 4 is the name of the largest series (by unit liability).

5. Column 5 is the annual unit management charge shown to 2 decimal places for the largest series, e.g. 0.75 for an annual charge of 0.75%.

6. Columns 6 and 7 are the prices used to value the unit liabilities. Where there has been a transfer of business during the financial year, the price shown in column 6 is from the previous *insurer*.

7. Column 8 is 100 x (column 7 – column 6) / column 6 shown to 2 decimal places, e.g. 20.00 for a 20% increase in unit price during the year.

**Long-term insurance business: index linked business**

**Form 56**

Name of insurer
Total business
Financial year ended
Units

| Type of assets and liabilities | Name of index link | Value of assets or liabilities | Gross derivative value |
|---|---|---|---|
| | 1 | 2 | 3 |
| | | | |
| | | | |
| | | | |
| | | | |
| **Total assets** | | | n/a |
| Total liabilities | | | n/a |
| Net total assets | | | n/a |

**Instructions for completion of Form 56**

1. Assets and liabilities in column 2 must be listed individually except that where a group of assets of similar type is held which is intended to mirror the performance of an index, a description of the type of assets held may be given. Liabilities must be shown between round brackets and must be fully described.

2. Assets and liabilities for each index link and for each combination of assets and liabilities matching the *insurer's* liability under any *deposit back arrangement* must be shown separately. Links to different percentages of an index must be treated as different index links.

3. For each index link, the sub-total of values in column 2 (excluding those held in respect of any *deposit back arrangement*) must match the sum of the appropriate entries in column 7 of Form 54 net of *reinsurance ceded*. These sub-totals are not shown on Form 56.

4. Assets and liabilities arising from *derivative contracts* (or contracts or assets which have the effect of a *derivative contract*) must be shown separately. Amounts must be shown net of *variation margin* in column 2 and gross of *variation margin* in column 3. Rights to recover assets transferred by way of *initial margin* must not be shown on Form 56.

5. Where there is a liability to repay *variation margin* and there are no arrangements for netting of amounts outstanding or the arrangements would not permit the accounting of such amounts on a net basis in accordance with generally accepted accounting practice, it must be so stated in a supplementary note (code 5601).

6. Any provision for "reasonably foreseeable adverse variations" must be determined in accordance with *INSPRU* 3.2.17R(3) and shown in a supplementary note (code 5602).

7. The *insurer* must include a supplementary note (code 5603) of any circumstances which make the natural relationships break down (e.g., particular tax treatments).

8. Where unit liabilities are *reinsured* and deposited back with the *ceding insurer*, the amounts deposited back which are either unit liabilities in respect of *property linked benefits* or investment liabilities in respect of *index linked benefits* must be treated as though they are unit liabilities.

**Form 57**

**Long-term insurance business – analysis of valuation interest rate**

Name of insurer
Total business / subfund
Financial year ended
Units

| Product group | Net mathematical reserves | Net valuation interest rate | Gross valuation interest rate | Risk adjusted yield on matching assets |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| **Total** | | n/a | n/a | n/a |

**Instructions for completion of Form 57**

1. This Form must be completed for each fund or subfund where *mathematical reserves* for non-linked business exceed £100m. Form 57 must not be completed for the total business where the firm has subfunds.

2. Separate lines are required for UK Life, UK Pension and overseas business and for with-profits and non-profit business.

3. Separate lines are required for each separate asset mix determined by the notional allocation of assets to contracts.

4. Separate lines are required for each valuation interest rate.

5. The product group in column 1 must be a narrative description of the products included in the line sufficient to give a cross reference to Forms 51-54, e.g. 'UK L&GA WP Form 51 assurances'.

6. The *mathematical reserves* in column 2 must include any increase in reserves resulting from the bonus declaration for the year and must be net of *reinsurance ceded*.

7. Up to 10% of the total relevant liabilities for the fund may be shown in a line labelled 'Misc' in column 1. In this case columns 3 and 4 must be 'n/a'. The relevant liabilities are the total *mathematical reserves* including cost of bonus plus any deposit back, less property linked unit liabilities and index linked investment liabilities.

8. The risk adjusted yield in column 5 must allow for the adjustments from *INSPRU* 3.1.41R.

9. The *insurer* must include a supplementary note (code 5701) where negative *mathematical reserves* on one group of products have been used to offset positive *mathematical reserves* on another group of products, giving details of the amounts and products involved.

**Long-term insurance business: distribution of surplus** **Form 58**

Name of insurer
Total business / subfund
Financial year ended
Units

| | | Financial year | Previous year |
|---|---|---|---|
| | | 1 | 2 |
| **Valuation result** | | | |
| Fund carried forward | 11 | | |
| Bonus payments in anticipation of a surplus | 12 | | |
| Transfer to non-technical account | 13 | | |
| Transfer to other funds / parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | | |
| Mathematical reserves | 21 | | |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 | | |
| | | | |
| **Composition of surplus** | | | |
| Balance brought forward | 31 | | |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds / parts of fund | 33 | | |
| Surplus arising since the last valuation | 34 | | |
| Total | 39 | | |
| | | | |
| **Distribution of surplus** | | | |
| Bonus paid in anticipation of a surplus | 41 | | |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | | |
| Other bonuses | 44 | | |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | | |
| Net transfer out of fund / part of fund | 47 | | |
| Total distributed surplus (46+47) | 48 | | |
| Surplus carried forward | 49 | | |
| Total (48+49) | 59 | | |
| | | | |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | 61 | | |
| Current year - 1 | 62 | | |
| Current year - 2 | 63 | | |
| Current year - 3 | 64 | | |

**Instructions for completion of Form 58**

1. Separate Forms must be completed for the total business and each subfund.

2. The entry at line 11 must be equal to the entry at line 59 in Form 40 for the relevant subfund.

3. Where interim, mortuary or terminal bonuses are determined in advance of a valuation and are paid in anticipation of surplus arising at the valuation, the amounts of such bonus actually paid in the period up to the *relevant date* must be entered at lines 12 and 41. To the extent that it is the practice of the *insurer* to make special provision for the cost of such bonuses payable on future *claims* out of surplus arising at a valuation, such amounts must be treated as amounts allocated to *policy holders* at the valuation in question and included at line 44, and the actual amounts paid must not appear at lines 12 and 41 at future valuations. An appropriate supplementary note (code 5801) must identify the various items where necessary.

4. Where *policies* have been transferred from one subfund to another, the associated transfer of reserves must not be included as a "transfer" in this Form. Where any other transfer has been made, only one block of lines must be used (lines 13 and 14 or 32 and 33, depending on the direction of the net transfer) leaving the other block blank.

5. When the *insurer* records a transfer to the non-technical account or to another fund or part fund in a revenue account (Form 40) for a particular period, the amount of which has been derived from a valuation completed at the end of that period, that transfer must be shown at line 13 or 14 as appropriate, so that the true surplus appears in line 29.

6. Where the *insurer* decides to allocate to the *long-term insurance business* the whole or any part of the investment income or net capital gains arising from assets not attributable to its *long-term insurance business*, the allocation must be included in Form 58 as a transfer from the non-technical account. This transfer must be included at lines 13 or 32, depending on whether, for the *financial year in question*, there is an overall net transfer out of, or into, the fund (or part fund).

7. Where the entry at line 14 or line 33 represents more than one transaction, each transfer must be separately identified in a supplementary note (code 5802).

8. Line 61 is line 46 expressed as a percentage of line 48.

9. For each fund/subfund, the entry at line 21 must equal the total liabilities shown at line 48 in column 4 of Form 50.

10. The figure at lines 39 and 59 must equal the figure at line 29.

11. The figure at line 47 must equal the sum of lines 13 and 14.

12. Lines 61-64 are not applicable for the total business where there is more than one subfund.

**Long-term insurance business: With-profits payouts on maturity (normal retirement)** **Form 59A**

Name of insurer
Original insurer
Date of maturity value / open market option

| Category of with-profits policy | Original term (years) | Maturity value / open market option | Terminal bonus | MVA | CWP / UWP | MVA permitted? | Death benefit |
|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
| Endowment assurance | 10 | | | | | | |
| Endowment assurance | 15 | | | | | | |
| Endowment assurance | 20 | | | | | | |
| Endowment assurance | 25 | | | | | | |
| Regular premium pension | 5 | | | | | | |
| Regular premium pension | 10 | | | | | | |
| Regular premium pension | 15 | | | | | | |
| Regular premium pension | 20 | | | | | | |
| Single premium pension | 5 | | | | | | |
| Single premium pension | 10 | | | | | | |
| Single premium pension | 15 | | | | | | |
| Single premium pension | 20 | | | | | | |

**Long-term insurance business: With-profits payouts on surrender** **Form 59B**

Name of insurer
Original insurer
Date of surrender value

| Category of with-profits policy | Duration at surrender (years) | Surrender value | Terminal bonus | MVA | CWP / UWP | MVA permitted? | Death benefit |
|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
| Endowment assurance | 5 | | | | | | |
| Endowment assurance | 10 | | | | | | |
| Endowment assurance | 15 | | | | | | |
| Endowment assurance | 20 | | | | | | |
| With-profits bond | 2 | | | | | | |
| With-profits bond | 3 | | | | | | |
| With-profits bond | 5 | | | | | | |
| With-profits bond | 10 | | | | | | |
| Single premium pension | 2 | | | | | | |
| Single premium pension | 3 | | | | | | |
| Single premium pension | 5 | | | | | | |
| Single premium pension | 10 | | | | | | |

**Instructions for completion of Forms 59A and 59B**

1. 'Original insurer' means the insurance undertaking which effected the *policy* (which may be same entity as the *insurer*).

2. Where the with-profits *mathematical reserves* relating to the business of the original insurer exceed £100m, Forms 59A and 59B must be completed for the original insurer.

3. The date of the maturity value, open market option or surrender value is two months and one day after the valuation date, for example 1st March for a 31st December valuation.

4. In Form 59A, column 3 is the maturity value for endowment assurances or the open market option for regular and single premium pension business.

5. Maturity values for endowment assurances must be based on a £50 monthly premium paid by a male non-smoker aged 30 next birthday at the date the *policy* commenced.

6. Open market options for regular premium pension must be based on a personal pension or s226 *policy* with a £200 monthly premium paid by a male aged 65 at retirement, for a selected retirement age of 65 at outset. The *insurer* must assume that the *policy* commenced on the relevant birthday date appropriate to the term of the *policy* with the final premium payable one month before retirement aged 65.

7. Open market options for single premium pensions must be based on a personal pension or s226 *policy* with a £10,000 single premium paid by a male aged 65 at retirement, for a selected retirement age of 65 at outset. The *insurer* must assume that the *policy* commenced on the relevant birthday date appropriate to the term of the *policy*.

8. Surrender values for endowment assurances must be based on a £50 monthly premium paid by a male non-smoker aged 30 next birthday with an original term of 25 years at the date the *policy* commenced.

9. Surrender values for with-profits bonds must be based on a £10,000 single premium paid by a male aged 50 at the date the *policy* commenced. The *insurer* must assume that no prior withdrawals have taken place.

10. Surrender values for single premium pensions must be based on a personal pension or s226 *policy* with a £10,000 single premium paid by a male aged 40 at the date the *policy* commenced.

11. Where the *insurer* did not effect *policies* in a particular category or the *policy* category was not open to new business (apart from increments) at the date the *policy* is assumed to have commenced, the entry in columns 3 to 8 must be 'n/a'.

12. Column 4 is the amount of terminal bonus included in column 3. If a market value (or similar) adjustment has been applied, then that amount must be shown as a negative amount in column 5.

13. Column 6 is CWP (conventional with-profits) or UWP (unitised with-profits).

14. Column 7 is Y if an MVA is permitted by the policy conditions at the date of maturity / date of surrender for that policy, otherwise N.

15. Where there is more than one version or premium rate for one of the data lines, the data shown must be for the version where there is the largest amount of business.

**Lloyd's Return**

**Long term insurance capital requirement** **Form 60**

The Society of Lloyd's
Financial year ended
Units

| | | | | | | Financial year ended | Units |
|---|---|---|---|---|---|---|---|
| | | | | L60 | Global | 31/12/xx | £000 |
| | | **LTICR factor** | **Gross reserves / capital at risk** | **Net reserves / capital at risk** | **Reinsurance factor** | **LTICR Financial year** | **LTICR Previous year** |
| | | **1** | **2** | **3** | **4** | **5** | **6** |
| **Insurance death risk capital component** | | | | | | | |
| Life protection reinsurance | 11 | 0.0% | | | | | |
| Classes I (other), II and IX | 12 | 0.1% | | | | | |
| Classes I (other), II and IX | 13 | 0.15% | | | | | |
| Classes I (other), II and IX | 14 | 0.3% | | | | | |
| Classes III, VII and VIII | 15 | 0.3% | | | | | |
| **Total** | 16 | | | | | | |
| | | | | | | | |
| **Insurance health risk and life protection reinsurance capital component** | | | | | | | |
| Class IV, supplementary classes 1 and 2 and life protection reinsurance | 21 | | | | | | |
| | | | | | | | |
| **Insurance expense risk capital component** | | | | | | | |
| Life protection and permanent health reinsurance | 31 | 0% | | | | | |
| Classes I (other), II and IX | 32 | 1% | | | | | |
| Classes III, VII and VIII (investment risk) | 33 | 1% | | | | | |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 34 | 1% | | | | | |
| Classes III, VII and VIII (other) | 35 | 25% | | | | | |
| Class IV (other) | 36 | 1% | | | | | |
| Class V | 37 | 1% | | | | | |
| Class VI | 38 | 1% | | | | | |
| **Total** | 39 | | | | | | |
| | | | | | | | |
| **Insurance market risk capital component** | | | | | | | |
| Life protection and permanent health reinsurance | 41 | 0% | | | | | |
| Classes I (other), II and IX | 42 | 3% | | | | | |
| Classes III, VII and VIII (investment risk) | 43 | 3% | | | | | |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 44 | 0% | | | | | |
| Classes III, VII and VIII (other) | 45 | 0% | | | | | |
| Class IV (other) | 46 | 3% | | | | | |
| Class V | 47 | 0% | | | | | |
| Class VI | 48 | 3% | | | | | |
| **Total** | 49 | | | | | | |
| | | | | | | | |
| **Long term insurance capital requirement** | 51 | | | | | | |

**Instructions for completion of Form 60**

1. The *insurance death risk capital component* in lines 11-15 column 5 is based on capital at risk for those contracts where it is not negative. Capital at risk is the benefit payable as a result of death less the *mathematical reserves* after distribution of surplus. *Life protection reinsurance business* written by a *pure reinsurer* or a *mixed insurer* is reported in line 11. Other business in classes I, II and IX must be split between lines 12, 13 and 14 in accordance with *INSPRU* 1.1.82R. Line 12 is for temporary insurance on death where the original term of the contract is 3 years or less. Line 13 is for temporary insurance where the original term is 5 years or less but more than 3 years. Line 14 is for other *class* I, II or IX business. For a *pure reinsurer* the factor of 0.3% in column 1 of line 15 must be replaced by 0.1%.

2. In lines 11-15 columns 2 and 3 are the gross and net capital at risk in accordance with *INSPRU* 1.1.83R. For lines 12-14 the reinsurance factor is calculated in aggregate, so column 4 is the sum of lines 12-14 column 3 divided by the sum of lines 12-14 column 2, subject to a minimum of 0.5 in accordance with *INSPRU* 1.1.81R. For line 15 column 4 is column 3 divided by column 2, subject to a minimum of 0.5 in accordance with *INSPRU* 1.1.81R. Column 5 is column 1 x column 2 x column 4.

3. The *insurance health risk and life protection reinsurance capital component* in line 21 column 5 must be equal to the entry at line 43 in Form 12 for *long-term insurance business*, unless an estimate has been made in accordance with instruction 2 to Forms 11 and 12. In this case a supplementary note (code 6001) is required as described in that instruction.

4. For the purpose of calculating the *insurance expense risk capital component* and the *insurance market risk capital component* linked contracts must be allocated to:
   • lines 33 and 43 where the *firm* bears an investment risk,
   • lines 34 and 44 where the *firm* does not bear an investment risk but where the allocation to cover *management expenses* is fixed for a period exceeding 5 years from the commencement of the contract, and
   • lines 35 and 45, otherwise.
   *Life protection reinsurance business* and *permanent health reinsurance business* written by a *pure reinsurer* or a *mixed insurer* must be allocated to lines 31 and 41.

5. The *insurance expense risk capital component* for linked contracts where the *firm* bears no investment risk and the allocation to cover *management expenses* does not have a fixed upper limit for a period exceeding 5 years from the commencement of the contract in line 35 is 25% of net *administrative expenses* in accordance with *INSPRU* 1.1.88R(1).

6. The *insurance expense risk capital component* for *class V* in line 37 column 5 is 1% of the assets of the tontine in accordance with *INSPRU* 1.1.88R(2).

7. The *insurance expense risk capital component* for other business in lines 32, 33, 34, 36 and 38 column 5 is 1% of adjusted *mathematical reserves* after distribution of surplus in accordance with *INSPRU* 1.1.88R(3). Column 4 is column 3 divided by column 2, subject to a minimum of 85% (50% for a pure reinsurer) in accordance with *INSPRU* 1.1.90R. Column 5 is column 1 x column 2 x column 4.

8. The *insurance market risk capital component* in lines 44 and 45 column 5 for class III, VII and VIII contracts where the *firm* does not bear any investment risk and in line 46 for class V contracts is nil in accordance with *INSPRU* 1.1.89R.

9. The *insurance market risk capital component* in line 42, 43, 46 and 48 column 5 is 3% of adjusted *mathematical reserves* after distribution of surplus in accordance with *INSPRU* 1.1.89R. Column 4 is column 3 divided by column 2 subject to a minimum of 85% (50% for a pure reinsurer) in accordance with *INSPRU* 1.1.90R. Column 5 is column 1 x column 2 x column 4. The amount in line 49 column 3 must equal the amount in Form 14 line 11.

10. The *long term insurance capital requirement* in line 51 column 5 is the sum of column 5 in lines 16, 21, 39 and 49.

11. The ratios in column 4 must be shown to 2 decimal places, but the unrounded ratios must be used for the purposes of calculating column 5.

12. Where the previous financial year ends before 31 December 2006, column 6 must be completed using the corresponding figures from the previous return, e.g. line 12 column 6 contains the amount previously shown in line 11 column 5.

**APPENDIX 9.4** (rule 9.31)

**ABSTRACT OF VALUATION REPORT**

The following information must be provided in the abstract of the report required under rule 9.31, the answers being numbered to accord with the numbers of the corresponding paragraphs of this Appendix. For the purposes of this Appendix, the "report period" means the period from the date to which the previous investigation under rule 9.4 related to the 'valuation date' (as defined in 1).

**Introduction**

1. (1) The date to which the actuarial investigation relates, namely, the **valuation date**.

(2) The previous valuation.

(3) The dates of any interim valuations (for the purposes of rule 9.4) carried out since the previous 'valuation date'.

**Product range**

2. Any significant changes in products during the *financial year* (new products, new bonus series, products withdrawn, changes to options or guarantees under existing products), including product brand names and charging methods, but not the amounts of the charges where these form part of the product terms. A statement for each with-profits subfund categorising that subfund into one of the categories (a), (b), (c) or (d) below:

(a) open to new with-profits business;
(b) open only to new non-profit business;
(c) open but was not actively marketing in the previous *financial year*; or
(d) closed to new business except by increment.

**Discretionary charges and benefits**

3. (1) For each accumulating with-profits product where the *insurer* has the option to apply a market value reduction (or equivalent), a statement of the period when

this has been applied during the year and a summary of the policy years of entry to which it applied.

(2) Any changes to premiums on reviewable non-linked protection policies, including for each product affected, the range of the changes (x% to y%), the amount of business affected by a change, and the amount of business where a change was permitted but did not occur at this review date. For yearly renewable term assurance a change means a change in the underlying premium rates.

(3) For non-profit deposit administration benefits, the interest rate added during the year.

(4) For service charges on linked *policies*, the percentage changes to service charges for in force *policies*.

(5) For benefit charges on linked *policies*, any changes to benefit charges (mortality, morbidity, etc) on linked *policies*, including for each product affected the range of the changes (x% to y%), and the amount of business affected by the change.

(6) Any changes to unit management charges or notional charges to accumulating with-profits *policies*, and the amount of business affected by the change.

(7) For unit pricing of *internal linked funds*:

(a) a description of the methods, and the types of unit to which each applies, used for:

(i) the creation and cancellation of units in *internal linked funds,* and

(ii) determining unit prices for the allocation of units to, and the de-allocation of units from, *policies*

including information on:

(iii) the basis of the valuation of assets and how the basis is selected (for example, offer basis for net creations of units and bid basis for net cancellations), and

(iv) the timing of the asset valuation used in respect of such operations in relation to the time at which the operation is decided upon and effected;

(b) when at any one time different pricing bases apply to different *policies*, details of the circumstances which give rise to the difference; and

(c) where assets are units in *collective investment schemes* or similar assets, the price used and the relationship between the last opportunity to deal at that price and the time of the valuation.

(8) For tax deductions from *internal linked funds*, the allowance and timing of withdrawal from the fund for tax on realised and unrealised gains and losses, including notional gains on unit trusts, specifying the tax rate used.

( 9) For tax provisions for *internal linked funds*, a description of the methods and the types of unit to which each applies, used to determine the provision for tax on realised and unrealised capital gains and the percentage of these gains deducted or provided for during the report period.

( 10) Wherever units of the type referred to in paragraph 5 of Part I of **Appendix 3.2** are held in an *internal linked fund*, or where *property linked benefits* are linked to such units, the rate of discount, commission or other allowance made to the *insurer* on the purchase, sale or holding of units and the extent to which the *policy holder* benefits from such discount, commission or other allowance.

**Valuation basis (other than for special reserves)**

Where either the gross *mathematical reserves* or the gross annual premiums for a group of products using the same valuation method and basis exceed the lesser of £10m and 1% of the total gross *mathematical reserves*, the method and basis of valuation must be given in accordance with 4(1) to 4(9). Where a prospective method has not been used, the basis reported must be the basis used by the *insurer* to test the adequacy of the reserves.

4. (1) The valuation methods used and the types of product to which each method applies, including a description of any non-standard method. See 5 to 8 for special reserves.

(2) A table of the interest rates used, showing the product group, the rate used at the end of the *financial year in question*, and the rate used at the end of the previous *financial year*. Where the valuation with respect to a product involves more than one interest rate (e.g. a rate in deferment and a rate in possession), both interest rates must be shown.

(3) How the yield was adjusted to allow for risk for equity *shares*, property and other *fixed interest securities* to determine the risk adjusted yield in **Form 57**.

(4) A table of mortality bases used, showing the product group and the bases used at the end of the *financial year in question* and at the end of the previous *financial year*. If a mortality basis cannot be expressed as a flat percentage of a standard table or as a standard table subject to a flat age rating, then the mortality basis should be shown as 'modified <name of table>'. For assurance where the 'modified table' description is used, rates must be provided for ages 25, 35, 45 and 55. For all annuitant mortality bases covered by this paragraph, the expectation of life at age 65 and 75 for annuities in payment and the

expectation of life at age 65 for current ages 45 and 55 for deferred annuities must be provided. Allowances made for future changes in mortality where not implicit in the basis, and details of any allowance made and the amount of any reserve held, for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality experience of the *insurer* assumed in the valuation of the *contracts of insurance* must be provided.

(5) A table of morbidity bases used, showing the product group and the bases used at the end of the *financial year in question* and at the end of the previous *financial year*. If a basis cannot be expressed as a simple modification to a standard table (e.g. flat percentage, age rating), the basis must be shown as ‘modified <name of table>’. Where the 'modified table' description is used the morbidity rates and recovery rates must be provided for ages 25, 35, 45 and 55. Inception and recovery rates for income protection business are only required for the most common deferred period in the firm's business and for occupation class 1. The deferred period must be stated. Recovery rates must be provided at durations of 2 and 5 years. Allowances made for future changes in morbidity, and details of any allowance made and the amount of any reserve held, for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the morbidity experience of the *insurer* assumed in the valuation of the *contracts of insurance* must be provided.

(6) A table of expense bases used, showing the product group, the basis for the *financial year in question*, and the basis for the previous *financial year*. The table must show zillmer adjustments, expense assumptions for prospective methods where no further premiums are payable, expense assumptions for gross premium valuations of with-profits and non-profit premium paying business and expense assumptions for non-unit liability calculations for linked business, identifying monetary amounts and the percentages of premiums.

Per policy amounts are only required for the following classes:

CWP savings endowment (product code 120)
CWP target cash endowment (125)
CWP pensions (155 / 165)
Term assurance (325 / 330)
Critical illness (340/ 345 / 350/ 355)
Income protection (360 / 365)
Income protection claims in payment (385)
Annuity (400)
UWP bond (500)
UWP savings endowment (510)
UWP target cash endowment (515)
UWP regular premium pension (525 / 545)
UWP single premium pension (525 / 545)
UWP group regular premium pension (535)

UWP group single premium pension (535)
UL bond (700)
UL savings endowment (715)
UL target cash endowment (720)
UL regular premium pension (725)
UL single premium pension (725)
UL group regular premium pension (735)
UL group single premium pension (735).

Where different expense bases apply to variants within the classes shown above in the same subfund, the basis shown must be that applicable to the largest category by number of policies. Where the expense basis varies by subfund, the table is required at subfund level. Expense bases are not required for other products. Where the *insurer* has treated some expenses as non-attributable, the amount to be shown in the table is the attributable expenses.

Expenses must be shown before adjustment for tax relief and the assumed rate of tax relief must be stated.

(7) A table showing the unit growth rates for gross and net linked business before management charges and the inflation rates assumed for future expenses and future increases in *policy* charges.

(8) Future bonus rates for gross premium valuations of with-profits business and for valuations of unitised with-profits business.

(9) A summary of the lapse, surrender and paid-up assumptions using the format of the table below.

| **Product** | | Average lapse / surrender / paid-up rate for the policy years | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| Level term | lapse | | | | |
| Decreasing term | lapse | | | | |
| Accelerated critical illness | lapse | | | | |
| Income protection | lapse | | | | |
| CWP savings endowment | surrender | | | | |
| CWP target cash endowment | surrender | | | | |
| UWP savings endowment | surrender | | | | |
| UWP target cash endowment | surrender | | | | |
| UL savings endowment | surrender | | | | |
| UL target cash endowment | surrender | | | | |
| UWP bond | surrender | | | | |
| UWP bond | automatic withdrawals | | | | |
| UL bond | surrender | | | | |
| UL bond | automatic withdrawals | | | | |

| | | | | | |
|---|---|---|---|---|---|
| CWP pension regular premium | PUP | | | | |
| CWP pension regular premium | surrender | | | | |
| CWP pension single premium | surrender | | | | |
| UWP indiv pension regular premium | PUP | | | | |
| UWP indiv pension regular premium | surrender | | | | |
| UWP indiv pension single premium | surrender | | | | |
| UL indiv pension regular premium | PUP | | | | |
| UL indiv pension regular premium | surrender | | | | |
| UL group pension regular premium | PUP | | | | |
| UL group pension regular premium | surrender | | | | |
| UL indiv pension single premium | surrender | | | | |

The *insurer's* lapse, surrender and paid-up rates must be converted into average annual rates over the 5 year period. A simple arithmetic average of the individual annual rates is acceptable. For example, the figure for the period 6-10 means the average of the lapse rates in policy years 6, 7, 8, 9 and 10. For pension business assume age 40 at entry and retirement at age 65, e.g. 16-20 represents surrenders from age 55 to 60. Surrender rates exclude additional surrenders at the end of the period where surrender penalties no longer apply. These additional surrenders must be disclosed in a separate note. For automatic bond withdrawals enter 'x% of current' where the current amount of withdrawal is used at policy level.

The distinction between individual and group pension business is the same as in Form 47 instruction 3 to allocate between product codes.

Where the *insurer* uses alternative bases for the same product (e.g. a basis which differentiates by source of business or subdivisions of that product), the lapse rates in an individual cell may be calculated from a basis which is used by at least 50% of the business for that product. In other circumstances an estimated weighted average must be calculated. The basis is not required for cells where the assumption will not apply to any business other than increments, or where the business is reported under a miscellaneous product code.

Where the *insurer* uses lapse rates which vary with calendar year, the rates in the table must be the average of the rates which apply to a policy of exact duration 0, 5, 10 or 15 in the five years following the valuation. A note must be provided explaining how lapse rates vary with calendar year.

Where the *insurer* uses lapse rates which vary according to whether the *mathematical reserves* are positive or negative, the table must show both sets of rates. A note must be provided explaining how the *insurer* determines which set of rates is applied.

The lapse basis is not required for products not shown in the table above. Where no allowance is made for lapses in the valuation, this must be stated.

(10) Any other material basis assumptions not stated elsewhere.

(11) How the valuation of liabilities allowed for *derivative contracts* (or contracts or assets having the effect of *derivative contracts*). Derivatives held in connection with options or guarantees must be included in 5. If the valuation does not correspond to the **Form 48** presentation, an explanation and reconciliation must be provided. A statement of how any out-of-the-money derivatives have been used to back liabilities must be provided.

(12) An estimate in £m of the effect on *mathematical reserves* of specified changes in valuation methodology as at the valuation date arising from changes in *INSPRU* valuation rules effective from 31 December 2006. The effect of the changes must be analysed into the categories below.

Allowance for lapses on valuation of protection business
Allowance for negative reserves on valuation of protection business
Allowance for lapses on valuation of unit-linked business
Allowance for attributable expenses on valuation of unit-linked business

For protection business, the changes are assumed to be applied in the order shown, e.g. the effect of negative reserves is after the effect of lapses.

**Options and guarantees**

Where the basic reserve exceeds the lesser of £10m and 1% of the total gross *mathematical reserves,* the methods and bases used for the calculation of the reserves options and guarantees must be given in accordance with 5(1) to 5(4). The bases must include the assumptions for the take-up of the options and guarantees. For the purposes of 5, guarantees do not include those which have already been explicitly valued (e.g. the guaranteed sum assured on endowment contracts).

5. (1) Guaranteed annuity rate options (where the 'asset share' or amount of benefit may be converted, at the option of the *policy holder* from cash to annuity at a guaranteed rate), including:

(a) a description of the method used; and

(b) a table showing:

(i) product name,

(ii) basic reserve,

(iii) spread of outstanding durations,

(iv) guarantee reserve,

(v) guaranteed annuity rate (expressed as a percentage of the cash sum for a male age 65). If there are categories of business with guaranteed annuity rates differing by more than one percentage point, these categories must be shown separately,

(vi) whether *policy holders* may make increments to the *policy*

(vii) form of the annuity (e.g. yearly in arrears, single or joint life, and so on), and

(viii) retirement ages.

(2) Guaranteed surrender values and guaranteed unit-linked maturity values, including:

(a) a description of the method and basis used; and

(b) a table showing:

(i) product name,

(ii) basic reserve,

(iii) spread of outstanding durations,

(iv) guarantee reserve,

(v) guaranteed amount,

(vi) MVA free conditions,

(vii) in force premiums, and

(viii) whether *policy holders* may make increments to the *policy*.

(3) Guaranteed insurability options, including:

(a) a description of the method and basis used; and

(b) for conversion and renewal options where the total sum assured exceeds £1b, a table showing:

(i) product name,

(ii) in force premiums,

(iii) sum assured,

(iv) description of the option, and

(v) guarantee reserve.

(4) The nature of any other guarantees and options, including a description of the method and basis used, the amount of business (premium, sum assured or reserve), and the amount of additional reserve.

**Expense reserves**

6. (1) The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' from implicit and explicit reserves made at the 'valuation date' to meet expenses in fulfilling contracts in force at the 'valuation date'. Where all expenses for the *insurer* are attributable, the amounts arising from each of the implicit allowances, explicit allowances for investment expenses and explicit allowances for other maintenance expenses. Where the *insurer* has treated some expenses as non-attributable (*INSPRU* 1.2.54AG), the *insurer* must complete the table below. The name of each risk group must be sufficient to identify the products in the group. The penultimate line is for products where all expenses are attributable.

| Homogeneous risk group | Implicit allowances | Explicit allowances (investment) | Explicit allowances (other) | Non – attributable expenses | Total |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| <group 1> | | | | | |
| … | | | | | |
| | | | | | |
| All expenses attributable | | | | n/a | |
| Total | | | | | |

(2) A brief statement of the basis of calculating implicit allowances.

(3) Where the amount of maintenance expenses is significantly different from the maintenance expenses shown at line 14 of **Form 43**, an explanation of this.

(4) New business expense overrun reserve, including the method and basis of calculation (whether or not a reserve is required) in respect of the expenses of continuing to transact new business during the 12 months following the 'valuation date' and the amount of the reserve so calculated.

(5) The maintenance expense overrun reserve or, where an explicit reserve has not been made for meeting the expenses likely to be incurred in future in fulfilling the existing contracts on the basis of specific assumptions in regard to the relevant factors, details of the basis used to test the adequacy of the reserves to satisfy *INSPRU* 1.2.50R, in either case stating whether redundancy costs or costs of terminating management agreements have been taken into account (with or without stating the amount of such costs).

(6) Where the *insurer* has treated some expenses as non-attributable, details of the method used to calculate the reserve for these expenses and a table showing the reserve for each homogeneous risk group.

**Mismatching reserves**

7. (1) Subject to (2), a table of the sum of the *mathematical reserves* (other than liabilities for *property linked benefits*) and the liabilities in respect of the deposits received from *reinsurers* as shown in **Form 14**, analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match the liabilities.

(2) Liabilities totalling up to 2% of the total under (1) may be grouped together as 'other currencies', and the assets matching those liabilities are not required to be analysed by reference to currencies as long as the proportion of such liabilities which are matched by assets in the same currency is stated.

(3) The amount of reserve for currency mismatching and a description of the method used to calculate the reserve.

(4) A statement of the most onerous scenario under *INSPRU* 3.1.16R for assets invested in the UK and other assets that fall under *INSPRU* 3.1.16R for the purposes of calculating the resilience capital requirement in *INSPRU* 3.1.10R.

(5) A statement of the most onerous scenario under *INSPRU* 3.1.23R for each significant territory in which assets are invested outside the UK for the purposes of calculating the resilience capital requirement in *INSPRU* 3.1.10R.

(6) In respect of the scenarios described under (4) and (5) which produce the most onerous requirement (whether or not a resilience capital requirement is required),

(a) the amount of the *resilience capital requirement* if such a requirement arises,

(b) the change in the aggregate amount of the *long-term insurance liabilities*, and

(c) the aggregate amount by which the assets allocated to match such liabilities in the scenario have changed in value from the amount of those assets shown in Form 13.

(7) A statement of any further reserve made arising from the test on assets in *INSPRU* 1.1.34R together with a brief description of the method used and assumptions made to calculate any such reserve.

**Other special reserves**

8. For other special reserves which exceed the lesser of £10m and 0.1% of total *mathematical reserves*, the nature and amount of the reserves, including (where the reserve is greater than the lesser of £10m and 0.5% of total *mathematical reserves*) a description of the method and basis used to calculate each reserve.

**Reinsurance**

9. (1) For *long-term insurance business ceded* on a facultative basis to a *reinsurer* who is not authorised to carry on *insurance business* in the United Kingdom at any time during the report period –

(a) the aggregate of premiums payable by the *insurer* to all such *reinsurers* (sub-divided according to financial years, if appropriate) and the aggregate amount deposited at the 'valuation date' under any *deposit back arrangement*; and

(b) the amount of any such premiums payable by the *insurer* to any *reinsurer* which is a *connected company* of the *insurer* and the aggregate amount deposited at the 'valuation date' under any *deposit* back arrangement.

(2) Where:

(a) the treaty is a 'financing arrangement'; or

(b) premiums under (f) exceed the lesser of £10m and 1% of *gross premiums*; or

(c) reserves under (j) exceed the lesser of £10m and 1% of total *mathematical reserves*,

a table showing for each treaty, or group of similar treaties, of *reinsurance* where the *insurer* is the *cedent* and under which business is in force at the 'valuation date':

(d) the name of the *reinsurer*;

(e) an indication of the nature and extent of the cover given under the treaty;

(f) the premiums payable by the *insurer* under the treaty during the report period;

(g) the amount deposited at the 'valuation date' in respect of the treaty under any *deposit back arrangements*;

(h) whether the treaty is closed to new business.

(i) the amount of any undischarged obligation of the *insurer;*

(j) the amount of *mathematical reserves* ceded under the treaty; and

(k) the retention by the *insurer* (e.g., x% up to £Y) for new *policies* being *reinsured*,

with a note setting out:

(l) whether the *reinsurer* is authorised to carry on *insurance business* in the United Kingdom;

(m) whether the *reinsurer* is a *connected company* of the *insurer*;

(n) a description of any material contingencies, such as credit risk or legal risk, to which the treaty is subject;

(o) the extent to which provision has been made for any liability of the *insurer* to refund any amounts of *reinsurance* commission in the event of lapses or surrender of the contract; and

(p) for each 'financing arrangement':

(i) a brief description of the conditions for the discharge of any undischarged obligation of the *insurer*, and

(ii) a description of how, if at all, all such undischarged obligations have been taken into account in the valuation, including a description of the impact of the arrangement on the reported valuation result and any allowance made for contingencies, such as credit risk or legal risk, associated with the financing arrangement for the purposes of the *return*.

(3) In this paragraph 9:

(a) **financing arrangement** means any contract entered into by the *insurer*, in respect of *contracts of insurance* of the *insurer*, which has the effect of increasing the long term capital resources in line 11 of **Form 2**, and which includes terms for -

(i) the transfer of assets to the *insurer,* the creation of a *debt* to the *insurer* or the transfer of liabilities to *policy holders* from the *insurer* (or any combination of these), and

(ii) either an obligation for the *insurer* to return (with or without interest) some or all of such assets, a provision for the diminution of such *debt* or a provision for the recapture of such liabilities, in each case, in specified circumstances; and

(b) paragraphs (1), (2) and (3)(a) of rule 9.28 (which relate to connected persons) have effect for the purposes of this paragraph as they have effect for the purposes of those rules.

**Reversionary (or annual) bonus**

10. (1) Where the *mathematical reserves* under (b) exceed the lesser of £10m and 1% of the total *mathematical reserves*, a table showing (by bonus series):

(a) name of bonus series;

(b) amount of *mathematical reserves;*

(c) reversionary bonus rate for the *financial year in question;*

(d) reversionary bonus rate for the preceding *financial year*; and

(e) total guaranteed bonus rate for the *financial year in question* (whether in the form of a guaranteed cash benefit, guaranteed investment return or reversionary bonus).

(2) For unitised with-profits business, the table under (1) must show the percentage increase in unit price during the year or the equivalent in bonus units added.

(3) For super compound bonuses, the table under (1) must show both rates (e.g., 2%/3% for 2% bonus on the sum assured and 3% bonus on the existing bonus).

(4) For bonus series where bonus rates vary (e.g., by age or term), the table must show an approximate weighted average reversionary bonus and a note must be included stating the factors by which reversionary bonus rates vary. If they vary according to premium paying status, bonus rates must be shown in separate lines.

**APPENDIX 9.4A** (rule 9.31(b))

**ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION**

The following information must be provided in the abstract of the report required under rule 9.31(b), the answers being numbered to accord with the numbers of the corresponding paragraphs of this Appendix. For the purposes of this Appendix, the "report period" means the period from the date to which the previous calculation of the *with-profits insurance capital component* under rule 9.4(2)(c) related to the 'valuation date' (as defined in 1).

**Introduction**

1. (1) The date to which the actuarial investigation relates, namely, the **valuation date**.

(2) The date of the previous valuation.

(3) The dates of any interim valuations carried out since the previous 'valuation date'.

**Assets**

2. (1) For each *with-profits fund* in which any *non-profit insurance contracts* are written, a table of the economic assumptions used to determine the value of future profits (or losses) on those contracts, showing the economic assumptions used at the end of the *financial year in question*, and used at the end of the *preceding financial year*.

(2) For each *with-profits fund* in respect of which the *realistic value of the assets* includes an amount determined under *INSPRU* 1.3.33R(2), a table of the economic assumptions used to determine any additional amount by reference to the value of future profits (or losses) on *non-profit insurance contracts* according to *INSPRU* 1.3.33R(3)(b)(iii).

(3) For each *with-profits fund* in respect of which an asset not exceeding 50 % of the present value of future profits arising from insurance contracts written outside the *with-profits funds* is included in the relevant assets for the purpose of *INSPRU* 1.3.43R in accordance with *INSPRU* 1.3.45R(2)(c) and *INSPRU* 1.3.45R(5), a table of the economic assumptions used to determine that present value.

(4) Where the valuation of the future profits (or losses) on *non-profit insurance contracts* in (1) or of any additional amount in (2) or of any present value in (3) involves more than one set of economic assumptions, (for example, different sets of economic assumptions are used for different *with-profits funds*), each different set of economic assumptions must be shown.

(5) The separate disclosure of economic assumptions used to determine the valuation of future profits (or losses) on *non-profit insurance contracts* in (1)

or of any additional amount in (2) or of any present value in (3) is not required to the extent the total of the values derived by reference to assumptions which are not disclosed is less than £20 million.

**With-Profits Benefits Reserve Liabilities**

3. (1) For each *with-profits fund*, a table of the retrospective methods (see *INS*PRU 1.3.119R) and/or prospective methods (see *INS*PRU 1.3.128R) used to calculate the *with-profits benefits reserve* for that fund, showing:

(a) the types of product or classes of *with-profits insurance contracts* to which each of the retrospective methods and/or prospective methods applies;

(b) for each type of product or class of *with-profits insurance contracts* and method, the corresponding amounts of the *with-profits benefits reserve* and the *future policy related liabilities*; and

(c) the aggregate amount of the *with-profits benefits reserve* and the *future policy related liabilities* for those types of product or classes of *with-profits insurance contracts* which are not required to be disclosed separately (in accordance with 3(3)).

(2) If the total of the amounts of the *with-profits benefits reserve* and *future policy related liabilities* shown in the table under (1) do not correspond to the respective amounts shown at lines 31 and 49 of the appropriate **Form 19**, an explanation and reconciliation must be provided.

(3) The separate disclosure of the retrospective methods and prospective methods used to calculate the *with-profits benefits reserve* of a *with-profits fund* is not required for types of products and/or classes of *with-profits insurance contracts* to the extent the aggregate amount of the *realistic value of liabilities* for all types of products and/or classes of *with-profits insurance contracts* in respect of which the valuation methods are not disclosed is less than the higher of 5% of the *realistic value of liabilities* for that fund and £20 million.

(4) References in paragraph 3 of this Appendix to types of product and/or classes should be taken as meaning the constituent elements of a division of the portfolio of *with-profits insurance contracts* by grouping those contracts having regard to materially different guarantees and options such as pension contracts with minimum bonuses and annuity rate options, pension contracts with minimum bonuses, pension contracts with no minimum bonuses, life bonds issued with no Market Value Reduction / Market Value Adjustment type clauses (MVR/MVAs), life bonds with spot MVR/MVA free dates (dates on which the MVR/MVAs do not apply), life bonds with no MVR/MVA free dates, etc.. The extent of disclosure should be sufficient to permit an identification of material groupings of contracts which offer significant variance in terms of the nature of benefits provided to *policyholders*.

**With-profits benefits reserve – Retrospective method**

4. (1) For each *with-profits fund*, a table of the retrospective methods used to calculate the *with-profits benefits reserve* showing for each retrospective method:

(a) the proportion of the *with-profits benefit reserve* calculated using that retrospective method for which contracts have been valued on an individual basis;

(b) the proportion of the *with-profits benefit reserve* calculated using that retrospective method for which contracts have been valued on a grouped basis; and

(c) in relation to any *with-profits insurance contracts* that have been grouped:

(i) a statement of the basis used to group contracts;

(iii) the number of individual contracts and the number of model points used to represent them; and

(iii) the nature of the validations made to ensure that significant attributes of the contract groupings have not been lost.

(2) For each *with-profits fund*:

(a) a description of any significant changes to the valuation method for any types of product or classes of *with-profits insurance contracts* written in that fund compared to the previous valuation; and

(b) where the changes in (a) have resulted in any types of product or classes of *with-profits insurance contracts* written in that fund being valued using approaches more approximate than used for the previous valuation, a statement of the types of product or classes of *with-profits insurance contracts* affected.

(3) For each *with-profits fund*, a description of the basis of allocating expenses to that fund during the *financial year in question* identifying:

(a) the date of the previous expense investigation;

(b) the frequency of expense investigations;

(c) a table of the total expenses allocated to the *with-profits benefits reserve* during the *financial year in question* showing:

(i) the nature and amount of expenses identified as initial expenses;

(ii) the nature and amount of expenses identified as maintenance expenses;

(iii) how expenses are charged to the *with-profits benefits reserve* in respect of individual contracts (for example, by way of an average expense charge deducted from all contracts); and

(iv) the nature and amount of any expenses charged other than to the *with-profits benefits reserve*.

(4) For each *with-profits fund*, a description of the nature and amount of any significant charges (for example for the costs of guarantees or the use of capital) deducted from the *with-profits benefits reserve* during the *financial year in question* and a comparison to the charges in the *preceding financial year*.

(5) For each *with-profits fund*, a description of the nature and amount of any charges deducted from that fund for non-insurance risk (for example, charges deducted from investment only accumulating with-profit business).

(6) For each *with-profits fund*, a statement (expressed as a percentage) of the ratio of A to B for each of the three *preceding financial years* where:

A is the total *claims* paid during the financial year on *with-profits insurance contracts* written in that fund; and

B is the sum of:

(i) *with-profits benefits reserve* for those *claims*; plus

(ii) any past miscellaneous surplus attributed to the *with-profits benefits reserve* in respect of those *claims*; less

(iii) any past miscellaneous deficit attributed to the *with-profits benefits reserve* in respect of those *claims*;

Where there has been a change in procedures such that the ratio of A to B would not be directly comparable from year to year, details should be disclosed as to the change in procedures.

(7) For each *with-profits fund*, the investment return before tax and expenses allocated to the *with-profits benefits reserve* in respect of the *financial year in question*. If the investment return allocated to the *with-profits benefits reserve* in respect of any types of product or classes of *with-profits insurance contracts* differs materially from that allocated to the *with-profits benefits reserve* in respect of other types of product or classes of *with-profits insurance contracts*, other than because of tax, an explanation and reconciliation must be provided.

**With-profits benefits reserve – Prospective method**

5. (1) For each *with-profits fund*, a table of the key assumptions used in the prospective method(s) of calculating the *with-profits benefits reserve* showing:

(a) the discount rate, together with an explanation of any difference between this rate and the risk free rates denoted "r" in the table required by 6(4)(a)(iii) below;

(b) the investment returns and risk adjustments made to assets (categorised as in **Form 48)**;

(c) expense inflation;

(d) future assumed *annual* and *final bonus* rates for major types of products and/or classes of *with-profits insurance contracts*;

(e) assumptions as to future expenses and future charges for expenses for major types of products and/or classes of *with-profits insurance contracts*; and

(f) any significant persistency assumptions at quinquennial durations.

(2) Where any of the prospective methods in (1) involves more than one set of key assumptions, each different set of key assumptions must be shown.

**Costs of guarantees, options and smoothing**

6. (1) For each *with-profits fund*, where the costs of guarantees, options and smoothing do not exceed the lesser of £50m and 0.5% of the total *realistic value of liabilities*, disclosure of the valuation methods in accordance with the following sub-paragraphs is not required.

(2) For each *with-profits fund*, a table of the valuation methods used to calculate the costs of guarantees, options and smoothing showing:

(a) the types of product and/or classes of *with-profits insurance contracts* to which each valuation method applies;

(b) for each valuation method and each type of product and/or class of *with-profits insurance contract*:

(i) the proportion, measured by reference to the underlying asset shares, of the *with-profits insurance contracts* being valued for which costs have been valued on an individual basis;

(ii) the proportion, measured by reference to the underlying asset shares, of the *with-profits insurance contracts* being valued for which costs have been valued on a grouped basis; and

(iii) in relation to any *with-profits insurance contracts* that have been grouped,

– a statement of the basis used to group contracts;
– the number of individual contracts and the number of model points used to represent them; and
– the nature of the validations made to ensure that significant attributes of the contract groupings have not been lost;

(c) if applicable to the disclosures in (a) and (b), a description of any significant approximations in method used for any residual types of product or classes of *with-profits insurance contracts*.

(3) A description of any significant changes to the valuation methods for valuing the costs of guarantees, options or smoothing since the previous valuation.

(4) For each of the valuation methods under (2)(b), the following information must be disclosed:

(a) for each of the costs of guarantees, options and smoothing which have been valued using a full stochastic approach:

(i) the nature of the guarantee, option or smoothing being valued, including a description of the extent to which the guarantee or option is in or out of the money at the valuation date;

(ii) a description of the nature of the asset model(s), including the choice of parameters for each model (including the assumed volatility of assets both short term and long term) and any assumed correlations between asset classes and/or between asset classes and economic indicators (such as inflation), and a justification for these assumptions;

(iii) completion of the following table showing the annualised compound equivalent of the risk free rate(s) assumed for each duration (n) and values derived from the asset model(s) of specified assets/options as shown in the table:

| | | Asset type (all UK assets) | K=0.75 | | | | K=1 | | | | K=1.5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | n | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| | r | Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places) | | | | | x | x | x | x | x | x | x | x |
| | | | | | | | | | | | | | | |
| 1 | | Risk-free zero coupon bond | | | | | x | x | x | x | x | x | x | x |
| | | | | | | | | | | | | | | |
| 2 | | FTSE All Share Index (p=1) | | | | | | | | | | | | |
| 3 | | FTSE All Share Index (p=0.8) | | | | | | | | | | | | |
| 4 | | Property (p=1) | | | | | | | | | | | | |
| 5 | | Property (p=0.8) | | | | | | | | | | | | |
| 6 | | 15 year risk free zero coupon bonds (p=1) | | | | | | | | | | | | |
| 7 | | 15 year risk free zero coupon bonds (p=0.8) | | | | | | | | | | | | |
| 8 | | 15 year corporate bonds (p=1) | | | | | | | | | | | | |
| 9 | | 15 year corporate bonds (p=0.8) | | | | | | | | | | | | |
| 10 | | Portfolio of 65% FTSE All Share and 35% property (p=1) | | | | | | | | | | | | |
| 11 | | Portfolio of 65% FTSE All Share and 35% property (p=0.8) | | | | | | | | | | | | |
| 12 | | Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1) | | | | | | | | | | | | |
| 13 | | Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8) | | | | | | | | | | | | |
| 14 | | Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1) | | | | | | | | | | | | |
| 15 | | Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8) | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| | | | **L=15** | | | | **L=20** | | | | **L=25** | | | |
| 16 | | Receiver swaptions | | | | | | | | | | | | |

Notes to Table

Row 1 should be completed showing the value of cash payments of £1,000,000 due n years after the valuation date.

Rows 2 to 15 inclusive should be completed for the appropriate asset classes showing the value of a put option on a portfolio worth £1,000,000 on the valuation date exercisable n years after the valuation date with strike price of K*£1,000,000*(1+r*p)^n.

All references to 15 year bonds mean rolling bonds traded to maintain the 15 year duration at all future dates. The corporate bonds should be assumed to be rolling AA rated zero coupon bonds.

Row 16 should be completed showing the value of sterling receiver swaptions with a strike of 5% exercisable n years after the valuation date with swap durations on exercise of L years. The values should be expressed as a percentage of nominal.

In carrying out the calculations required to complete the table above firms must assume, where appropriate, that the options for which a value is to be included in the table are options which, where appropriate, are based on underlying asset portfolios which are continuously rebalanced to the stated proportions. Swaptions in relation to which a value must be included in the table must be based on swaptions with monthly payments. Firms must include in the table the value that their liability model would produce for such options and values will thus reflect the actual time-intervals underlying their valuation models The property put options should be assumed to relate to a well diversified portfolio of *United Kingdom* commercial property.

A zero trend growth in property prices should be assumed where this is relevant.

In each case the options should be valued with reinvestment of any dividend income into the FTSE All Share index and reinvestment of any rental or other property income into *United Kingdom* property.

Tax should be ignored in all calculations.

All options should be assumed to be European-style.

A *firm* may consider that its model does not need to be calibrated to produce a reasonable value for a particular entry in the table because that entry is insignificant to the valuation of its assets and liabilities. In such circumstances the *firm* may leave an entry in the table blank, but must give an explanation as a note to the table.

(iv) a statement of the initial equity and property rental yields assumed for the *United Kingdom* and each significant territory as applicable;

(v) for each significant territory other than the *United Kingdom* a statement of the entries that would be appropriate (for K=1 only) for the risk free rate and lines 1 and 2;

(vi) a table showing the outstanding durations of significant guarantees within material types of products and/or classes of *with-profits insurance contracts* together with the details of the fit of the asset model(s) to specimen relevant market-traded instruments at these durations;

(vii) a statement of the nature of the validations of the asset model(s) by projecting future income, gains and losses on asset values and comparing the net present value of these amounts to the current asset values;

(viii) a statement of the number of projections of assets and liabilities carried out and the nature of the validations to ensure reasonable convergence of the model results;

(b) for each of the costs of guarantees, options and smoothing which have been valued using the market costs of hedging:

(i) a description of the method and assumptions used to determine the option points and amounts implied by the underlying guarantee or option or smoothing;

(ii) a description of the method and assumptions used to value the implied options and hence to determine the costs of the underlying guarantee, option or smoothing (including the assumed volatility of assets both short term and long term and any assumed correlations between asset classes and/or between asset classes and economic indicators (such as inflation) and also including a description as to how those assumptions relate to available market traded instruments and have been assumed to apply in respect of non-available instruments);

(iii) completion of a table as at 6(4)(a)(iii) above showing the risk free rate(s) assumed and values derived from the asset model(s) of assets/options as shown in the table;

(iv) a statement of the equity and property rental yields assumed for the *United Kingdom* and each significant territory as applicable;

(v) a table showing the outstanding durations of significant guarantees within material types of products and/or classes of *with-profits insurance contracts*;

(c) for each of the costs of guarantees, options and smoothing which have been valued using a series of deterministic projections using attributed probabilities:

(i) a description of the number of projections of assets and liabilities carried out, the attributed probability to each projection and the range of key assumptions underlying the projections of assets and liabilities;

(ii) a description of how the range of projections was selected and how the attributed probabilities were determined;

(iii) completion of a table as at 6(4)(a)(iii) above showing the risk free rate(s) assumed and values derived from the asset model(s) of assets/options as shown in the table;

(iv) a table showing the outstanding durations of significant guarantees within material types of products and/or classes of *with-profits insurance contracts*.

(5) Where management actions have been assumed in the projection of assets and liabilities used to determine the costs in (4) (a), (b) and (c):

(a) a description of the nature of the management actions assumed in the projection of assets and liabilities; and

(b) a table of the *firm's* best estimates as to the future proportions of the assets backing the *with-profits benefits reserve* which would consist of equities (whether UK or non-UK) and as to future bonus rates, in each case as at the end of the *financial year in question*, in 5 years time and in 10 years time, making the three sets of assumptions described in this paragraph as to annual investment returns over the periods in question. The table must show, in addition to the specimen equity backing ratios (for the fund), *annual bonus* rates on significant accumulating with-profits business (for each of life and pensions business separately). Calculations should be made assuming that the annual investment return on all assets over the period in question is (i) based on forward rates derived from the risk free interest rate curve as calibrated at the valuation date (ii) based on forward rates derived from the risk free interest rate curve increased across the period by 17.5 % of the long-term gilt yield and (iii) based on forward rates derived from the risk free interest rate curve reduced across the period by 17.5 % of the long-term gilt yield. The effect of any significant assumed equity *derivative contracts* or contracts having the effect of *derivative contracts* on the values disclosed in the table should be described by note. The long-term gilt yield is as defined in *INSPRU* 1.3.11R.

(6) A summary of the surrender and paid-up assumptions used to determine the costs in (4) (a), (b) and (c) using the format of the table below, and where appropriate a statement of the assumed take-up rates of guaranteed annuity options and the rates of annuitant mortality assumed.

| **Product** | | Average surrender / paid-up rate for the |
|---|---|---|

| | | policy years | | | |
|---|---|---|---|---|---|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| CWP savings endowment | surrender | | | | |
| CWP target cash endowment | surrender | | | | |
| UWP savings endowment | surrender | | | | |
| UWP target cash endowment | surrender | | | | |
| UWP bond | surrender | | | | |
| UWP bond | automatic withdrawals | | | | |
| CWP pension regular premium | PUP | | | | |
| CWP pension regular premium | surrender | | | | |
| CWP pension single premium | surrender | | | | |
| UWP indiv pension regular premium | PUP | | | | |
| UWP indiv pension regular premium | surrender | | | | |
| UWP indiv pension single premium | surrender | | | | |

The instructions for completing the table are as for Appendix 9.4 paragraph 4(9).

(7) A statement of the assumptions made, regarding the foreseeable actions that would be taken by *policyholders*, in the projection of assets and liabilities in (4) (a), (b) and (c).

**Financing costs**

7. Where financing arrangements exist in connection with any *with-profits fund(s)*, a statement of the type of financing, the sources available for repayment of capital and interest, the extent to which repayments are subordinated to *policyholders'* interests, the face amount outstanding, the rate of interest payable, the level of fees payable, the expected amount to be repaid and the expected time period for such repayment (or, in the case of *reinsurance* arrangements, recapture).

**Other long-term insurance liabilities**

8. For each *with-profits fund*, a statement of the nature and amount of *long-term insurance liabilities* which have been included within the amounts of ‘any other liabilities related to regulatory duty to treat customers fairly’ and ‘any other long-term insurance liabilities’ shown at lines 46 and 47 of **Form 19**, including disclosure of any value attributed to future tax relief.

**Realistic current liabilities**

9. A statement of the nature and amount of current liabilities which have been included within the amount of the *realistic current liabilities* shown at line 51 of **Form 19** together with a reconciliation to the amount of the *regulatory current liabilities*.

**Risk capital margin**

10. For the calculation of the *risk capital margin* for each *with-profits fund*:

(c) a statement of the amount of the *risk capital margin* and of information relating to the individual scenarios in *INSPRU* 1.3.44R which comprise the most adverse scenario for the purposes of calculating that margin in accordance with *INSPRU* 1.3.43R, including:

(i) the percentage change assumed in accordance with *INSPRU* 1.3.68R for each of the market values of equities and real estate for the purpose of the *market risk* scenario for *United Kingdom* assets and each significant territory in *INSPRU* 1.3.62R(1)(a), and a statement as to whether a rise or fall was the most onerous in each case;

(ii) the nominal change in yields assumed in accordance with *INSPRU* 1.3.68R for fixed interest securities for the purpose of the *market risk* scenario for *United Kingdom* assets and each significant territory in *INSPRU* 1.3.62R(1) together with a statement of the percentage change in and level of the long-term gilt yield or nearest equivalent assumed in each case and a statement as to whether a fall or rise in yields is the more onerous in each case);

(iii) the average change in spread for bonds (weighted by value) and the total percentage change in asset value separately for (a) bonds, (b) debts, (c) *reinsurance* (d) analogous non-*reinsurance* financing agreements and (e) other assets (by reference to *INSPRU* 1.3.78R), where the total percentage change is, in each case, calculated as the overall percentage change that results from applying the credit risk scenario to the actual assets of each type held by a *firm*;

(iv) the overall percentage change in the *realistic value of liabilities* that results from applying the persistency risk scenario according to *INSPRU* 1.3.100R, that is, the impact of the persistency risk scenario assuming the market and credit risk stress scenarios have occurred; and

(v) to the extent any change in asset value in (iii) is not materially independent of the change in liability values in (iv), a description of the approach to deriving the disclosed changes in asset and liability values;

(b) (i) a statement of the nature of any management actions assumed in the *risk capital margin* calculation that are in addition to those set out in 6(5)(a) above; and any material changes to other assumptions;

(ii) a statement of the impact of such actions and assumption changes on the *risk capital margin*; namely the difference between the *risk capital margin* with such actions and assumption changes, and without. An approximate split of the effect of actions and the effect of actions and the effect of assumption changes must be given;

(iii) a statement of the approximate change to the table in 6(5)b, that shows future proportions of equity assets and bonus rates, resulting from any such additional actions and assumptions changes being integrated into the projection of assets and liabilities and thus disclosed in 6(5)(a);

(iv) a statement as to whether the requirements of *INSPRU* 1.3.188R would be met if any such additional actions and assumptions changes had been integrated into the protection of assets and liabilities and thus disclosed in 6(5)(a);

(c) (i) a statement of the nature of the assets (categorised as in **Form 48**) and location of assets held to cover the *risk capital margin*;

(ii) if any of the assets to cover the *risk capital margin* are located outside of the *with-profits fund,* a statement as to the way the *firm* would intend to make such assets available to the *with-profits fund* should the need arise.

**Tax**

11. A statement of the *firm's* treatment of tax included on assets backing (i) the *with-profits benefits reserve(s)*, (ii) any *future policy related liabilities* and (iii) any *realistic current liabilities*, including any simplifying assumptions.

**Derivatives**

12. A full description of any major positions in relation to *derivative contracts* or contracts having the effect of *derivative contracts* held by the *with-profits fund* or located outside the *with-profits fund* to cover the *risk capital margin* in part or in full at the valuation date.

**Analysis of change in working capital**

13. For each *with-profits fund*, a reconciliation of the significant movements in the working capital of the *with-profits fund* from that shown at line 68 of **Form 19** at the end of the *preceding financial year* and that same entry shown for the *financial year in question*. Such movements may be grouped by the underlying cause of movements such as investment market changes and insurance variation. However, the analysis should at least include, where material:

(a) the investment return on the opening working capital;

(b) mismatched profits and losses on assets backing the *future policy related liabilities* (may include associated assumption changes);

(c) assumption changes split by economic, non-economic and *policyholder* actions assumptions;

(d) other variances split at least as to economic and non-economic variances;

(e) the impact of new business;

(f) changes in other liabilities of lines 47 and 51 of **Form 19**;

(g) modelling changes and opening adjustments.

Where a closed fund zeroises its working capital (e.g. by assigning any balance to planned enhancements or financial reinsurance), it should analyse the change in working capital prior to such zeroisation showing the opening and closing zeroisation impact.

**Optional disclosure**

14. At the option of the *firm*, a statement may be made for each *with-profits fund* of the amount of the *realistic value of liabilities* which relates to contractual obligations to *policyholders*, with a description of the approach taken to distinguishing contractual and non-contractual obligations to *policyholders*.

**Instructions to the report**

Adhere to numbering above, enter ‘not applicable’ or ‘de minimis’ for sections where there is nil or de minimis data.

**APPENDIX 9.5** (rule 9.32)

**GENERAL INSURANCE BUSINESS**
**ADDITIONAL INFORMATION ON BUSINESS CEDED**

For the purposes of rule 9.32, an *insurer* which carries on *general insurance business* must, in respect of the *financial year in question*, prepare a statement of the following information.

1. Subject to 2, for each *contract of insurance* entered into or modified during the *financial year in question* under which *general insurance business* has been *ceded* by the *insurer* on a non-facultative basis, the *insurer* must prepare a statement of -

   (a) the type of business covered by reference to *risk categories* and if only part of a *risk category* is covered, a description of that part;

   (b) the type of cover, including such details of the terms and conditions of the contract as are necessary for a proper understanding of the nature of the cover;

   (c) details of any limits on cover as are necessary for a proper understanding of the contract, including any event limits, limits on the amount of business *ceded*, limits on the number of reinstatements and aggregate limits; and

   (d) the period of cover.

2. Where a contract of *reinsurance* has been modified during the *financial year in question* -

   (a) no information need be supplied pursuant to 1 in respect of a contract of reinsurance which was entered into before the beginning of the *financial year* of the *insurer* to which the Insurance Companies (Accounts and Statements) Regulations 1996 first applied; and

   (b) in any other case, the information to be supplied pursuant to 1 must be limited to any changes to the information previously supplied pursuant to that paragraph or its predecessor legislation in respect of that contract.

3. For every contract reported pursuant to 1, whether in the *return* for the *financial year in question* or any previous *return*, the *insurer* must also prepare, if relevant, a statement of -

   (a) in the case of contracts which are subject to no or a limited number of reinstatements, any contract not previously reported pursuant to this provision (or its predecessor) under which it is anticipated that such limit will be exhausted by claims (including claims incurred, but not reported, in respect of any specific occurrence for which provisions have been allocated);

(b) the percentage of cover, if in excess of 10% and if such information has not already been included in the return of the insurer for any previous financial year, which has been ceded to reinsurers which have ceased to pay claims to their reinsureds in full, whether because of insolvency or for any other reason; and

(c) if the percentage specified in (b) has increased by more than 10 percentage points since the previous financial year in which it was included in the insurer's return, a statement of that percentage unless, in the opinion of the directors, the likelihood of any claim being incurred under that policy is minimal.

4. (1) For each *risk category*, or part thereof, in respect of which separate non-facultative *reinsurance* cover has been obtained, the *insurer* must prepare a statement of the 'maximum net probable loss' to the *insurer* from any one *contract of insurance* effected by it and from all such contracts taken together.

(2) For the purposes of (1), the **maximum net probable loss** is the maximum loss (net of *reinsurance*) arising from any one incident, or any one series of incidents from the same originating cause, which -

(a) the *directors*, at the time they decided upon the *reinsurance* cover in respect of the *financial year in question*, reasonably contemplated to be of a type which might take place during that *financial year*; or

(b) has actually occurred during the *financial year in question*.

(3) The disclosure required by (1) must be given in respect of all *risk categories*, or parts thereof, of the *insurance business* carried on by the *insurer* whether or not the *insurer* has purchased any *reinsurance* cover for that *risk category*, or part thereof, and in (2) deciding upon the *reinsurance* cover includes deciding not to obtain any *reinsurance* cover.

5. For each *combined category* (other than *category numbers* 500 and 600) and *risk category* with *category numbers* 160, 350, 400, 510 to 590, 610 to 690 and 700 and separately for contracts of facultative and non-facultative *reinsurance ceded* in respect of the *financial year in question* the amount of the *reinsurers'* share of *gross premiums* must be stated.

**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) that the *return* has been properly prepared in accordance with the requirements in *IPRU(INS), GENPRU* and *INSPRU*; and

(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) it is reasonable to believe that the *insurer* has continued so to comply subsequently, and will continue so to comply in future.

(2) An *insurer* does not comply in all material respects with the requirements specified in (1)(b) if it commits a breach of any of those requirements which is significant, having regard to the potential financial loss to *policyholders* or to the *insurer*, frequency of the breach, implications for the *insurer's* systems and controls and if there were any delays in identifying or rectifying the breach.

2. Subject to 3, if the *insurer* carries on *long-term insurance business*, the certificate required by rule 9.34(1) must also state that -

(a) in the *directors'* opinion, *premiums* for contracts entered into during the *financial year* and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the *insurer* that are available for the purpose, to enable the *insurer* to meet its obligations in respect of those contracts and, in particular, to establish adequate *mathematical reserves*;

(b) the sum of the *mathematical reserves* and the deposits received from *reinsurers* as shown in **Form 14** constitute proper provision at the end of the *financial year in question* for the *long-term insurance liabilities* (including all liabilities arising from *deposit back arrangements*, but excluding other liabilities which had fallen due before the end of the *financial year*) including any increase in those liabilities arising from a distribution of surplus as a result of an *actuarial investigation* as at that date into the financial condition of the *long-term insurance business*;

(c) the *with-profits fund* has been managed in accordance with the *Principles and Practices of Financial Management*, as established, maintained and recorded under *COB* 6.10; and

(d) the *directors* have, in preparing the *return*, taken and paid due regard to-

(i) advice from every *actuary* appointed by the *insurer* to perform the *actuarial function* in accordance with *SUP* 4.3.13R; and

(ii) if applicable, advice from every *actuary* appointed by the *insurer* to perform the *with-profits actuary function* in accordance with *SUP* 4.3.16AR.

3. (1) Where, in the opinion of those signing the certificate, the circumstances are such that any of the statements required by 1 and 2 cannot truthfully be made, the relevant statements must be omitted.

(2) Where, by virtue of (1), any statements have been omitted from the certificate, this fact, and the reasons for omission, must be stated in a note to the certificate.

**Part IA**

**Certificate by a director on the half-yearly balance sheet and report for realistic valuation**

3A. Subject to 3C, the certificate required by rule 9.34(2) must state that the *return* has been properly prepared in accordance with the requirements in *IPRU(INS)*, *GENPRU* and *INSPRU*.

3B. Subject to 3C, the certificate required by rule 9.34(2) must also state that –

(a) the amount provided for *long-term insurance liabilities* for the purpose of determining the *insurer's capital resources* as shown in **Form 2** constitutes proper provision at the end of the six month period referred to in rule 9.3A(1) for those liabilities (including all liabilities arising from *deposit back arrangements*); and

(b) the *director* has, in preparing the *return*, taken and paid due regard to –

(i) advice from every *actuary* appointed by the *insurer* to perform the *actuarial function* in accordance with *SUP* 4.3.13R; and

(ii) advice from every *actuary* appointed by the *insurer* to perform *with-profits actuary function* in accordance with *SUP* 4.3.16AR.

3C. (1) Where, in the opinion of the *director* signing the certificate, the circumstances are such that any of the statements required by 3A and 3B cannot truthfully be made, the relevant statements must be omitted.

(2) Where, by virtue of (1), any statements have been omitted from the certificate, this fact, and the reasons for omission, must be stated in a note to the certificate.

**Part II**

**Auditor's report**

4. The report required by rule 9.35 must, in addition to any statement required under rule 9.35, state:

(a) whether, in the auditor's opinion:

(i) the documents referred to in rules 9.12, 9.13 and 9.14, together with **Forms 40** to **45, 48, 49, 56, 58** and **60** and the statements, analyses and reports annexed pursuant to rules 9.24 to 9.27, 9.29 and 9.31 have been properly prepared in accordance with the *Accounts and Statements Rules, GENPRU* and *INSPRU*; and

(ii) the methods and assumptions determined by the *insurer* and used to perform the *actuarial investigation* (as set out in the valuation reports) appropriately reflect the requirements of *INSPRU* 1.2 and *INSPRU* 1.3.

(b) that, in accordance with rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be audited under rule 9.35(1) contains amounts or information abstracted from the *actuarial investigation* performed pursuant to rule 9.4, the auditor has obtained and paid due regard to advice from a suitably qualified *actuary* who is independent of the *insurer*.

5. [deleted]

6. [deleted]

7. [deleted]

8. [deleted]

9. [deleted]

10. [deleted

11. [deleted]

12. Where the auditors refer in their report or in any note attached to it to any uncertainty, the report must state whether, in the auditors' opinion, that uncertainty is material to determining whether the *insurer* has available assets in excess of its *capital resources requirement*.

**APPENDIX 9.7** (rule 9.37)

## INSURANCE STATISTICS: OTHER EEA STATES (FORMS 91 TO 94)

The statements to be provided under rules 9.37 and 9.38 must be given in the form set out in **Forms 91** to **94**.

Form 91

**General insurance business : Analysis of financial particulars - branches**

Name of insurer

EEA State in which branch is situated

| | Company registration number | Calendar year ended day | month | year | Units | EEA State in which branch is situated |
|---|---|---|---|---|---|---|
| F91 | | 31 | 12 | | £000 | |

| | | Groups of Classes | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Accident and sickness<br>1 | Land vehicles, goods in transit and motor vehicle liability (carrier's liability only)<br>2 | Motor vehicle liability (excluding carrier's liability)<br>3 | Fire and other damage to property<br>4 | Aviation, marine and transport<br>5 | General liability<br>6 | Credit and suretyship<br>7 | Other classes<br>8 | **Total** (1+2+3+4+5+6+7+8)<br>9 |
| **Income** | | | | | | | | | | |
| Gross premiums written | **11** | | | | | | | | | |
| Other technical income (net of reinsurance) | **12** | | | | | | | | | |
| **Total** (11+12) | **19** | | | | | | | | | |
| **Expenditure** | | | | | | | | | | |
| Commission payable in calendar year | **21** | | | | | | | | | |
| Gross claims paid in calendar year | **22** | | | | | | | | | |
| **Total** (21+22) | **29** | | | | | | | | | |

**Instruction for completion of Form 91**

1. The box described as "EEA State in which branch is situated" must be completed by inserting the appropriate Code from the *FSA* list of "Country Codes".

**Form 92**

**General insurance business : Analysis of financial particulars - provision of services**

Name of insurer

EEA State in which risk is situated

| | Company registration number | Calendar year ended day | month | year | Units | EEA State in which risk is situated |
|---|---|---|---|---|---|---|
| **F92** | | **31** | **12** | | **£000** | |

| | | Groups of Classes | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Accident and sickness<br>**1** | Land vehicles, goods in transit and motor vehicle liability (carrier's liability only)<br>**2** | Motor vehicle liability (excluding carrier's liability)<br>**3** | Fire and other damage to property<br>**4** | Aviation, marine and transport<br>**5** | General liability<br>**6** | Credit and suretyship<br>**7** | Other classes<br>**8** |
| Gross premiums written in calendar year | **11** | | | | | | | | |
| Cost of gross claims paid in calendar year | **12** | | | | | | | | |
| Cost of gross commission attributable to premiums shown at line 11 | **13** | | | | | | | | |

**Instructions for completion of Form 92**

1. The box described as "EEA State in which risk is situated" must be completed by inserting the appropriate Code from the *FSA* list of "Country Codes".

2. Gross commission attributable equals gross commission paid in the *financial year in question* plus gross commission brought forward less gross commission carried forward.

**Form 93**

**Long term insurance business : Analysis of financial particulars - branches**

Name of insurer

EEA State in which risk is situated

| | Company registration number | Calendar year ended day | month | year | Units | EEA State in which branch is situated |
|---|---|---|---|---|---|---|
| F93 | | 31 | 12 | | £000 | |

| | | Authorisation classes | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | I Life and annuity 1 | II Marriage and birth 2 | III Linked long term 3 | IV Permanent health 4 | V Tontines 5 | VI Capital redemption 6 | VII Pension fund management 7 | VIII Collective insurance etc. 8 | IX Social insurance 9 | **Total** (1+2+3+4+5+6+7+8+9) 10 |
| **Income** | | | | | | | | | | | |
| Gross premiums written | **11** | | | | | | | | | | |
| Net income from investments | **12** | | | | | | | | | | |
| Other technical income net of reinsurance | **13** | | | | | | | | | | |
| **Total** (11+12+13) | **19** | | | | | | | | | | |
| **Expenditure** | | | | | | | | | | | |
| Claims paid, gross amount | **21** | | | | | | | | | | |
| Change in provision for claims and mathematical reserves, gross amount | **22** | | | | | | | | | | |
| Bonuses | **23** | | | | | | | | | | |
| Management expenses: Acquisition costs, change in deferred acquisition costs and administrative expenses | **24** | | | | | | | | | | |
| Management expenses: Commissions | **25** | | | | | | | | | | |
| **Total** (21+22+23+24+25) | **29** | | | | | | | | | | |

**Instructions for completion of Form 93**

1. The box described as "EEA State in which branch is situated" must be completed by inserting the appropriate Code from the *FSA* list of "Country Codes".

2. The headings used in this Form are taken from the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 (S.I. 1993/3246).

**Form 94**

**Long term insurance business : Analysis of financial particulars - provision of services**

Name of insurer

EEA State of commitment

| | Company registration number | Calendar year ended day | month | year | Units | EEA State of commitment |
|---|---|---|---|---|---|---|
| **F94** | | **31** | **12** | | **£000** | |

| | | Authorisation classes | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | I<br>Life and annuity<br>**1** | II<br>Marriage and birth<br>**2** | III<br>Linked long term<br>**3** | IV<br>Permanent health<br>**4** | V<br>Tontines<br>**5** | VI<br>Capital redemption<br>**6** | VII<br>Pension fund management<br>**7** | VIII<br>Collective insurance etc.<br>**8** | IX<br>Social insurance<br>**9** |
| Gross premiums receivable for services business in calendar year | **11** | | | | | | | | | |

**Instruction for completion of Form 94**

1. The box described as "*EEA State* of commitment" must be completed by inserting the appropriate Code from the *FSA* list of "Country Codes".

**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.*

### Part II

### Directors' certificates

2. Subject to 4, every *return* provided by a *marine mutual* under rule 9.36A must include a certificate signed by the persons required by rule 9.33 to sign the documents to which the certificate relates –

   (a) confirming that –

      (i) the *return* has been prepared in accordance with the requirements in *IPRU(INS)*, *GENPRU* and *INSPRU*,

      (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 that it is reasonable to believe that the *marine mutual* has continued so to comply subsequently, and will continue so to comply in future,

      (iii) each member of the *marine mutual* which is subject to them has accepted those parts of the *marine mutual's* rules which oblige members to pay their share of any supplementary calls for the year and of calls to meet the *minimum capital requirement* (including any sum needed to make good failure by other members to pay calls made on them), and

      (iv) the *marine mutual* is empowered to make supplementary calls on its members which, if met, would produce sufficient assets to meet the *minimum capital requirement*; and

(b) giving information about the number of –

(i) members of the *marine mutual* which are not reinsured members,

(ii) fixed premium members (on which supplementary calls may not be made),

(iii) reinsured members (that is, members whose *contract of insurance* with the *marine mutual* is a contract of *reinsurance*), and

(iv) the tonnage of shipping attributable to each of the above classes of members, taken separately, and covered by the *marine mutual* at the end of the *financial year in question.*

3. [deleted]

4. (1) Where, in the opinion of the *directors*, the circumstances are such that any of the matters specified in 2 cannot be confirmed or provided, the relevant statements or information must be omitted.

(2) Where any statements or information have been omitted from the certificate in accordance with (1), this fact, and the reasons for omission, must be explained in a note to the certificate.

**Part III**

**Auditor's reports**

5. Every *marine mutual* must procure an auditor's report, pursuant to *SUP*, stating whether, in the auditors' opinion –

(a) the Forms, information and statements required (except for the directors' certificate prepared in accordance with Part II of this Appendix) have been properly prepared in accordance with the *Accounts and Statements Rules*; and

(b) where the auditors refer in their report or in any note to any uncertainty, that uncertainty is material to determining whether the *marine mutual* has *available assets* in excess of its *capital resources requirement*.

**Forms M1** to **M5** follow

**Form M1**

**Marine mutuals : Revenue account**

Name of insurer

Financial year ended

| | Company registration number | Period ended day | month | year | Units (See instruction 1) |
|---|---|---|---|---|---|
| M1 | | | | | |

| | | | | This financial year 1 | Previous year 2 | Source |
|---|---|---|---|---|---|---|
| Income | Gross income from contributions etc | | 11 | | | |
| | Reinsurance premiums paid | | 12 | | | |
| | Net income from contributions and premiums | | 13 | | | |
| | Investments | Income before tax | 14 | | | |
| | | Value re-adjustments on investments | 15 | | | |
| | | Gains on realisation of investments | 16 | | | |
| | Other income | | 17 | | | See instruction 2 |
| | Total (13 to 17) | | 19 | | | |
| Expenditure | Claims paid | | 21 | | | |
| | Reinsurance recoveries received | | 22 | | | |
| | Net claims paid (21-22) | | 23 | | | |
| | Claims outstanding carried forward | | 24 | | | |
| | Claims outstanding brought forward | | 25 | | | |
| | Increase (decrease) in claims outstanding (24-25) | | 26 | | | |
| | Unexpended contributions and unearned premiums (if any) and any amounts set aside for unexpired risks carried forward | | 27 | | | See instruction 3 |
| | Unexpended contributions and unearned premiums (if any) and any amounts set aside for unexpired risks brought forward | | 28 | | | See instruction 3 |
| | Increase (decrease) in unexpended contributions and unearned premiums (if any) and any additional amounts set aside for unexpired risks (27-28) | | 29 | | | See instruction 3 |
| | Administrative expenses | | 30 | | | |
| | Acquisition costs including commission | | 31 | | | |
| | Taxation | | 32 | | | |
| | Other expenditure | | 33 | | | See instruction 4 |
| | Total (23+26+29 to 33) | | 39 | | | |
| Surplus/deficit of income over expenditure (19-39) | | | 49 | | | |

**Instructions for completion of Form M1**

1. Units must in £, £000, US$, or US$000 as appropriate.

2. Particulars of other income shown in line 17 must be stated in a supplementary note.

3. Unexpended contributions, unearned premiums, etc shown in lines 27, 28 or 29 must be recorded net of *reinsurance* and deferred acquisition costs.

4. Particulars of other expenditure shown in line 33 must be stated in a supplementary note.

Form M2

**Marine mutuals : Statement of assets and liabilities**

Name of insurer

Financial year ended

| | Company registration number | Period ended day | month | year | Units (See instruction 1) |
|---|---|---|---|---|---|
| M2 | | | | | |

| | | As at the end of the financial year 1 | As at the end of the previous financial year 2 | Source Form | Line | Column |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Admissible assets | **11** | | | M3 | 89 | |
| Calls approved by the Board but unmade at the end of the financial year | **12** | | | | | |
| Total (11+12) | **19** | | | | | |
| **LIABILITIES** | | | | | | |
| Unexpended contributions and unearned premiums and any additional amounts set aside for unexpired risks, gross of reinsurance and deferred acquisition costs | **21** | | | See instruction 2 | | |
| Gross provision for outstanding claims | **22** | | | See instruction 3 | | |
| Creditors | **23** | | | | | |
| Taxation | **24** | | | | | |
| Other liabilities | **25** | | | See instruction 4 | | |
| Total (21 to 25) | **29** | | | | | |

**Instructions for completion of Form M2**

1. Units must be the same as those used in Form M1.

2. The amount shown at line 21 must equal the sum of M1.27+M3.60+M3.62+M3.85.

3. The amount shown at line 22 must equal the sum of M4.29.8+M4.29.9 for all marine *classes*.

4. Details of the amount shown in line 25 must be stated in a supplementary note.

**Form M3**
**(Sheet 1)**

**Marine mutuals : Analysis of admissible assets**

Name of insurer

Financial year ended

| | Company registration number | Period ended day | month | year | Units (See instruction 1) |
|---|---|---|---|---|---|
| M3 | | | | | |

| **Investments** | | | | As at the end of this financial year **1** | As at the end of the previous year **2** |
|---|---|---|---|---|---|
| Land and buildings | | | **11** | | |
| Investments in group undertakings and participating interests | UK insurance dependants | Shares | **21** | | |
| | | Debt securities issued by, and loans to, dependants | **22** | | |
| | Other insurance dependants | Shares | **23** | | |
| | | Debt securities issued by, and loans to, dependants | **24** | | |
| | Non-insurance dependants | Shares | **25** | | |
| | | Debt securities issued by, and loans to, dependants | **26** | | |
| | Other group undertakings and participating interests | Shares | **27** | | |
| | | Debt securities issued by, and loans to, group undertakings | **28** | | |
| | | Participating interests | **29** | | |
| | | Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest | **30** | | |
| Total sheet 1 (11 to 30) | | | **39** | | |

**Form M3**
**(Sheet 2)**

**Marine mutuals : Analysis of admissible assets**

Name of company

Financial year ended

| | Company registration number | Period ended day | month | year | Units (See instruction 1) |
|---|---|---|---|---|---|
| M3 | | | | | |

| **Investments (continued)**<br>**Deposits with ceding undertakings**<br>**Assets held to cover linked liabilities** | | | | | As at the end of this financial year<br>**1** | As at the end of the previous year<br>**2** |
|---|---|---|---|---|---|---|
| Other financial investments | Equity shares | | | **41** | | |
| | Other shares and other variable yield securities | | | **42** | | |
| | Holdings in collective investment schemes | | | **43** | | |
| | Rights under derivative contracts | | | **44** | | |
| | Debt securities and other fixed income securities | Fixed interest | Approved securities | **45** | | |
| | | | Other | **46** | | |
| | | Variable interest | Approved securities | **47** | | |
| | | | Other | **48** | | |
| | Participation in investment pools | | | **49** | | |
| | Loans secured by mortgages | | | **50** | | |
| | Other loans | Loans to public or local authorities and nationalised industries or undertakings | | **51** | | |
| | | Loans secured by policies of insurance issued by the company | | **52** | | |
| | | Other | | **53** | | |
| | Deposits with approved credit institutions and approved financial institutions | Withdrawal subject to a time restriction of one month or less | | **54** | | |
| | | Withdrawal subject to a time restriction of more than one month | | **55** | | |
| | Other | | | **56** | | |
| Deposits with ceding undertakings | | | | **57** | | |
| Assets held to match linked liabilities | | Index linked | | **58** | | |
| | | Property linked | | **59** | | |
| Reinsurers' share of technical provisions | | Provision for unearned premiums | | **60** | | |
| | | Claims outstanding | | **61** | | |
| | | Provision for unexpired risks | | **62** | | |
| | | Other | | **63** | | |
| Total sheet 2 (41 to 63) | | | | **69** | | |

**Form M3**
**(Sheet 3)**

**Marine mutuals : Analysis of admissible assets**

Name of insurer

Financial year ended

| | Company registration number | Period ended day | month | year | Units (See instruction 1) |
|---|---|---|---|---|---|
| M3 | | | | | |

| **Debtors** **Other assets** | | | | As at the end of this financial year **1** | As at the end of the previous year **2** |
|---|---|---|---|---|---|
| Debtors arising out of direct insurance operations | Policyholders | | **71** | | |
| | Intermediaries | | **72** | | |
| Salvage and subrogation recoveries | | | **73** | | |
| Debtors arising out of reinsurance operations | Due from ceding insurers and intermediaries under reinsurance business accepted | | **74** | | |
| | Due from reinsurers and intermediaries under reinsurance contracts ceded | | **75** | | |
| Other debtors | Due from dependants | Due in 12 months or less after the end of the financial year | **76** | | |
| | | Due more than 12 months after the end of the financial year | **77** | | |
| | Other | Due in 12 months or less after the end of the financial year | **78** | | |
| | | Due more than 12 months after the end of the financial year | **79** | | |
| Tangible assets | | | **80** | | |
| Cash at bank and in hand | Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities | | **81** | | |
| | Cash in hand | | **82** | | |
| Other assets (particulars to be specified by way of supplementary note) | | | **83** | | |
| Prepayments and accrued income | Accrued interest and rent | | **84** | | |
| | Deferred acquisition costs | | **85** | | |
| | Other prepayments and accrued income | | **86** | | |
| Deductions (under Rules 4.14(2)(b) and 4.14(3) [Regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations1994)] from the aggregate value of assets | | | **87** | | |
| Total sheet 3 (71 to 86 less 87) | | | **88** | | |
| Grand total of admissible assets (39+69+88) | | | **89** | | |

**Reconciliation to asset values determined in accordance with the shareholder accounts rules**

| | | | |
|---|---|---|---|
| Total admissible assets (as per line 89 above) | **91** | | |
| Total assets in excess of the admissibility limits of Appendix 4.2 [Schedule 12 of the Insurance Companies Regulations 1994], (as valued in accordance with those [Rules] before applying admissibility limits) | **92** | | |
| Solvency margin deduction for insurance dependants | **93** | | |
| Other differences in the valuation of assets (other than for assets not valued above) | **94** | | |
| Assets of a type not valued above, (as valued in accordance with the shareholder accounts rules) | **95** | | |
| Total assets determined in accordance with the shareholder accounts rules (91 to 95) | **99** | | |

| | | | |
|---|---|---|---|
| Amounts included in line 89 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance | **100** | | |

**Instructions for completion of Form M3**

1. Units must be the same as those used in Form M1.

2. In lines 11 to 85 -
   (a) for the purpose of classifying (but not valuing) assets, headings and descriptions used above, wherever they also occur in the balance sheet format in the *insurance accounts rules*, have the same meaning as in those rules,

   (b) asset*s* must be valued in accordance with rule 9.10; and

   (c) assets of any particular description must be shown after deduction of assets of that description which (for any reason) fall to be left out of account under the rules in *INSPRU* 2.1.

3. The aggregate value of those investments which are:
   (a) *unlisted* investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the rules in *GENPRU* 1.3;

   (b) *listed* investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the rules in *GENPRU* 1.3 and which are not *readily realisable*;

   (c) units or other beneficial interests in *collective investment schemes* that:

      (i) are not schemes falling within the *UCITS Directive*;

      (ii) are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the *Act*;

      (iii) do not employ *derivative contracts* unless they meet the criteria in *INSPRU* 3.2.5R;

      (iv) do not employ contracts or assets having the effect of *derivative contracts* unless they have the effect of *derivative contracts* that meet the criteria in *INSPRU* 3.2.5R; and

      (v) do not include assets other than *admissible assets* among their property; or

   (d) reversionary interests or remainders in property other than land or buildings, must be stated by way of a supplementary note (code 1301), together with a description of such investments.

4. The aggregate value of those investments falling within lines 46 or 48 which are *hybrid securities* must be stated by way of a supplementary note to this Form.

5. Amounts in respect of salvage or subrogation included above other than at line 73 must be stated by way of a supplementary note to this Form.

6. The amount to be shown in line 93 must equal the total of the relevant proportions in accordance with *GENPRU* 1.3.49R and *GENPRU* 1.3.50R of the *individual capital resources requirements* of the *regulated related undertakings*.

7. The amount to be shown in line 94 must equal the ineligible surplus capital and any restricted assets of any *regulated related undertaking* that is an *insurance undertaking* that are deducted in accordance with *GENPRU* 1.3.47R (3)(b).

8. Lines 98-101 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 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.

**Form M4**

**Marine mutuals : Annual analysis of calls, premiums and claims**

Name of insurer

Financial year ended

Marine class
(See instruction 1)

| | Company registration number | Period ended day | Period ended month | Period ended year | Class code | Units (See instruction 2) |
|---|---|---|---|---|---|---|
| **M4** | | | | | | |

| Policy year ended Month | Policy year ended Year | | Calls made/refunded in financial year 1 | Anticipated future calls/refunds 2 | Reinsurance premiums paid/ payable in financial year 3 | Outstanding net claims reserve b/f (including IBNR) 4 | Net payments made in financial year 5 | Outstanding net claims reserve c/f (including IBNR) 6 | Gross payments made in financial year 7 | Estimate of gross payments remaining on reported claims 8 | Estimate of gross payments for IBNR claims 9 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **11** | | | | | | | | | |
| | | **12** | | | | | | | | | |
| | | **13** | | | | | | | | | |
| | | **14** | | | | | | | | | |
| | | **15** | | | | | | | | | |
| | | **16** | | | | | | | | | |
| | | **17** | | | | | | | | | |
| | | **18** | | | | | | | | | |
| | | **19** | | | | | | | | | |
| | | **20** | | | | | | | | | |
| | | **21** | | | | | | | | | |
| | | **22** | | | | | | | | | |
| | | **23** | | | | | | | | | |
| | | **24** | | | | | | | | | |
| | | **25** | | | | | | | | | |
| Prior years | | **26** | | | | | | | | | |
| Totals (11 to 26) | | **29** | | | | | | | | | |

**Instructions for completion of Form M4**

1. Separate Forms must be completed for each *class* of *insurance business*. The relevant description below must be entered against the 'Marine class' heading and the corresponding *class* code entered in the M4 box.

| Code | Description |
|---|---|
| 01 | Protection and Indemnity |
| 02 | Hull and Machinery |
| 03 | Freight Demurrage and Defence |
| 04 | War risks |
| 05 | Strikes |
| 06 | Other - nature of business to be detailed in a supplementary note. |

2. Units must be the same as those used in Form M1.

3. The *financial year in question* must be stated at line 11 and *preceding financial years* must be listed in reverse chronological order in lines 12 to 25.

Form M5

**Marine mutuals : Analysis of derivative contracts**

Name of insurer

Financial year ended

| | Company registration number | Period ended day | month | year | Units (See instruction 1) |
|---|---|---|---|---|---|
| **M5** | | | | | |

| **Derivative contracts** | | | As at the end of this financial year | | As at the end of the previous year | |
|---|---|---|---|---|---|---|
| | | | Assets 1 | Liabilities 2 | Assets 3 | Liabilities 4 |
| Futures contracts | Fixed-interest securities | **11** | | | | |
| | Equity shares | **12** | | | | |
| | Land | **13** | | | | |
| | Currencies | **14** | | | | |
| | Other | **15** | | | | |
| Options | Fixed-interest securities | **21** | | | | |
| | Equity shares | **22** | | | | |
| | Land | **23** | | | | |
| | Currencies | **24** | | | | |
| | Other | **25** | | | | |
| Contracts for differences | Fixed-interest securities | **31** | | | | |
| | Equity shares | **32** | | | | |
| | Land | **33** | | | | |
| | Currencies | **34** | | | | |
| | Other | **35** | | | | |
| Adjustments for variation margin | | **41** | | | | |
| Total (11 to 41) | | **49** | | | | |

**Instructions for completion of Form M5**

1. Units must be the same as those used in Form M1.

2. *Derivative contracts* must be analysed according to the description of assets shown in the second column of Form M5 which represents the principal subject of the contract.

3. *Derivative contracts* must be reported as assets in column 1 of Form M5 if their value to the *marine mutual* (gross of *variation margin*) is positive and as liabilities in column 2 of Form M5 if their value to the *marine mutual* (gross of *variation margin*) is negative.

4. All amounts included at lines 11 to 35 of Form M5 in respect of *derivative contract*s are to be determined without making any allowance for *variation margin*.

5. Amounts in respect of a *derivative contract* may only be included net of amounts in respect of any other *derivative contract* if -

   (a) obligations of the *marine mutual* under the contracts may be set off against each other under generally accepted accounting practice; and

   (b) such other contract has the effect (in whole or in part) of closing out the obligations of the *marine mutual* under the first mentioned contract.

6. The effect of any *variation margin* upon amounts included at lines 11 to 35 of Form M5 must be shown at line 41.

7. The entry at M5.49.1 must be shown at M3.44.1.

8. The entry at M5.49.2 must be included at M2.23.1.

9. Rights to recover assets transferred by way of *initial margin* must not be shown on Form M5.

**APPENDIX 9.9** (rule 9.40 to guidance 9.43)

**GROUP CAPITAL ADEQUACY**

(Form 95)

This appendix contains guidance as to how the report to be provided under rule 9.40 may be set out.

Form 95

**INSURANCE GROUP CAPITAL ADEQUACY (page 1)**

| | |
|---|---|
| Name of reporting insurance firm: | |
| Name of insurance parent undertaking: | |

## Calculation of Consolidated Position:

| | | **Limits on capital (see notes)** | £'000 | |
|---|---|---|---|---|
| 1. TIER 1 | | | | |
| Group core tier one | Sum of column G1 (page 4) | | | H1 |
| Group perpetual non-cumulative preference shares | Sum of column G2 (page 4) | | | H2 |
| Group innovative tier one | Sum of column G3 (page 4) | | | H3 |
| Deductions from tier one | Sum of column C (page 2) | | | H4 |
| 2. Total group tier one capital | = H1 + H2 + H3 – H4 | Limits 1, 2 & 3 | | TT1 |
| 3. TIER 2 | | | | |
| Group upper tier two | Sum of column G4 (page 4) | | | H5 |
| Group lower tier two | Sum of column G5 (page 4) | | | H6 |
| 4. Total group tier two capital | = H5 + H6 | Limits 4 & 5 | | TT2 |
| **5.** | | | | |
| **6. Group capital resources before deductions** | = TT2 + TT2 | Limit 6 | | TCR |
| Total group capital resources deductions | Sum of column D1 & D2 (page 2) | | | H7 |
| **Group capital resources:** | = TCR – H7 | | | GCR |
| **Group capital resources requirement:** | Sum of column B (page 2) | | | GCRR |
| **Group surplus/ (deficit)** | = GCR – GCRR | | | I |

FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

**INSURANCE GROUP CAPITAL ADEQUACY (page 2)**

| | |
|---|---|
| Name of reporting insurance firm: | |
| Name of insurance parent undertaking: | |

| A | A1 | A2 | B | C | D1 | D2 |
|---|---|---|---|---|---|---|
| Name of related undertaking | % interest | Type of firm | CRR | Deductions from Tier 1 | Inadmissible assets | Ancillary services undertakings deduction |
| Related undertaking 1 | | | | | | |
| Related undertaking 2 | | | | | | |
| Related undertaking 3 | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Parent: | | | | | | |

| | | | | |
|---|---|---|---|---|
| Totals: | | | | |

FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

| | |
|---|---|
| Name of reporting insurance firm: | |
| Name of insurance parent undertaking: | |

| A<br>Name of related undertaking | E1<br>**Group's investment in the capital resources of related undertaking**<br>Core tier 1 | E2<br><br>Perpetual non-cumulative preference shares | E3<br><br>Innovative tier 1 | E4<br><br>Upper tier 2 | E5<br><br>Lower tier 2 | F1<br>**Components of the capital resources of related undertakings**<br>Core tier 1 | F2<br><br>Perpetual non-cumulative preference shares | F3<br><br>Innovative tier 1 | F4<br><br>Upper tier 2 | F5<br><br>Lower tier 2 |
|---|---|---|---|---|---|---|---|---|---|---|
| Related undertaking 1 | | | | | | | | | | |
| Related undertaking 2 | | | | | | | | | | |
| Related undertaking 3 | | | | | | | | | | |
| | | | | | | | | | | |
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| | | | | | | | | | | |

**INSURANCE GROUP CAPITAL ADEQUACY (page 4)**

Name of reporting insurance firm:

Name of insurance parent undertaking:

| A<br>Name of related undertaking | G1<br>**Net Contribution to Group Capital Resources**<br>Core tier 1 | G2<br>Perpetual non-cumulative preference shares | G3<br>Innovative tier 1 | G4<br>Upper tier 2 | G5<br>Lower tier 2 |
|---|---|---|---|---|---|
| | =F1-E1 | =F2-E2 | =F3-E3 | =F4-E4 | =F5-E5 |
| Related undertaking 1 | | | | | |
| Related undertaking 2 | | | | | |
| Related undertaking 3 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Parent's Capital Resources (by class of capital) | | | | | |
| Totals | | | | | |

Insurance Group Capital Adequacy

| *Ref* | *Instructions* |
|---|---|
| A<br>(pages 2, 3 & 4) | List the name of each *related undertaking* of the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* (as applicable) which is a *regulated related undertaking* or an *ancillary services undertaking*.<br><br>Pursuant to *INSPRU* 6.1.18R to *INSPRU* 6.1.22R, several entities may be combined where these are not material in relation to the *insurance group*. The *firm* should list the relevant entities in a note to the return and should be able to demonstrate the contribution of the individual entities to the group calculation. |
| A1<br>(page 2) | List the percentage interest in the *regulated related undertaking* listed in A held by the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* (as applicable).<br><br>For the purposes of calculating the percentage interest in accordance with *INSPRU* 6.1.28R and 6.1.29R, if the interest is not held directly by the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* but by another member of the *insurance group*, enter the effective percentage interest of the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* in that *undertaking* (e.g. where a *parent* has a 50% holding in a *subsidiary* which in turn has a 50% holding in another *subsidiary*, the ultimate *parent undertaking's* effective percentage interest in the second *subsidiary* is 25% etc.).<br><br>Where the entity is a *subsidiary* of a *subsidiary* of the *parent undertaking* (etc.), indicate (S) after the effective percentage interest. Such an entity should be treated as a *subsidiary* of the *parent undertaking* and will be included in the calculations in proportion to the *parent undertaking's* effective percentage interest (or in full if there is a capital resources deficit) (see *INSPRU* 6.1.30R and 6.1.31R). |

| *Ref* | *Instructions* |
|---|---|
| A2 (page 2) | State if the *related undertaking* listed in A is a *regulated insurance entity, pure reinsurer, insurance undertaking* that is not a *regulated insurance entity*, *insurance holding company, investment firm*, *credit institution, financial institution* which is not either a *credit institution* or *investment firm, financial holding company, asset management company* or *ancillary services undertaking*.<br><br>For *related undertakings* which are *ancillary services undertakings* entries should only be made in this column and column D2 on page 2. |
| B (page 2) | State the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking*'s share (i.e multiplied by the percentage in A1) of the *individual capital resources requirement* of the *regulated related undertaking*, or the full amount if there is a capital resources deficit. This is the requirement set out in *INSPRU* 6.1.34R. |
| C (page 2) | State the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking's* share (or the full amount if there is a capital resources deficit) of the *regulated related undertaking's* Tier 1 deductions calculated under the *sectoral rules* that apply to it. |
| D1 (page 2) | State the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking*'s share (or the full amount if there is a capital resources deficit) of any inadmissible assets held by the *regulated related undertaking* (see *INSPRU* 6.1.60R) |
| D2 (page 2) | This column should be completed only for *related undertakings* which are *ancillary services undertakings.* The entry is the higher of: the book value of the direct or indirect investment by the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* in the *ancillary services undertaking*; and the *ancillary services undertaking's* notional capital resources requirement (see *INSPRU* 6.1.62R to 6.1.64R) |

| *Ref* | *Instructions* |
|---|---|
| E1<br>E2<br>E3<br>E4<br>E5<br>(page 3) | The entries in E1 to E5 should be the book value of the investments of all members of the *insurance group* in the *solo capital resources* of each *regulated related undertaking* listed in A (this represents internal group holdings of the *solo capital resources* of each *regulated related undertaking* to be excluded from *group capital resources* under *INSPRU* 6.1.49R, 6.1.51R, 6.1.54R, 6.1.56R and 6.1.58R).<br><br>The book value of the group's investment in *core tier one capital resources** should be shown in E1; investments in perpetual non-cumulative *preference shares** should be shown in E2; and investments in *innovative tier 1 capital resources** should be shown in E3.<br><br>The book value of the group's investment in *tier two capital resources* should be shown in E4 (*upper tier two capital resources**) and E5 *(lower tier two capital resources**).<br><br>[* these terms should be applied in accordance with *INSPRU* 6.1.37R to the *undertaking* in question]. |
| F1<br>F2<br>F3<br>F4<br>F5<br>(page 3) | The entries in F1 to F5 should be the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking's* share (or the full amount if there is a capital resources deficit) of the components of the *solo capital resources* of the *regulated related undertaking* (see *INSPRU* 6.1.48R(2), 6.1.50R(2), 6.1.53R(2), 6.1.55R(2) and 6.1.57R(2)). |

| *Ref* | *Instructions* |
|---|---|
| G1<br>G2<br>G3<br>G4<br>G5<br>(page 4) | These entries represent the contribution to *group capital resources* of the *regulated related undertaking.* G1 is calculated as the difference between column F1 and E1. (G1 can be positive or negative. A negative figure would principally represent goodwill on acquisition).<br><br>Similarly G2 is the difference between F2 and E2, G3 is the difference between F3 and E3 etc. (G2, G3, G4 & G5 would normally be positive).<br><br>The totals of columns GI, G2 and G3 respectively represent the group's *core tier one capital,* perpetual non-cumulative *preference shares* and *innovative tier one capital resources* (see H1 to H3 on page 1).<br><br>The sum of columns G4 and G5 represent the group's *tier two capital resources* (see H5 and H6). |
| Parent's capital resources (page 4) | The entries in this line represent the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking's capital resources*, after deduction of the book value of the investments taken together of the individual members of the *insurance group* in those *capital resources*. The deduction excludes any holding by the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* (as applicable) of its own *shares*; such holdings are deducted in calculating the parent's *tier one capital resources*. |
| H1<br>H2<br>H3<br>H4<br>(page 1) | H1 to H3 represent the total contribution of the *regulated related undertakings* and the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* to *total group tier one capital*. H4 represents the sum of the Tier 1 deductions for all members of the *insurance group*. |

| *Ref* | *Instructions* |
|---|---|
| TT1<br>(page 1) | This entry is *total group tier one capital* (see stage A of *INSPRU* 6.1.43R) after application of limits 1, 2 and 3 below:<br><br>Limit 1: *Total group tier one capital*, less *innovative tier one capital resources* included in *total group tier one capital*, must account for at least 50% of the *group capital resources requirement* less any *with-profits insurance capital components* included in the *group capital resources requirement* (see *INSPRU* 6.1.45R(1)(a)).<br>Limit 2: *Core tier one capital resources* included in *total group tier one capital* must account for at least 50% of *total group tier one capital* (see *INSPRU* 6.1.45R(1)(c)).<br>Limit 3: *Innovative tier one capital resources* included in *total group tier one capital* must not exceed 15% of *total group tier one capital* (see *INSPRU* 6.1.45R(1)(d)).<br><br>Any capital item excluded by limit 3 may form part of *total group tier two capital* (see *INSPRU* 6.1.46G). |
| H5<br>H6<br>(page 1) | These entries represent the total contribution of the *regulated related undertakings* and the *ultimate insurance parent undertaking* or *ultimate EEA insurance parent undertaking* to *total group tier two capital*. |
| TT2<br>(page 1) | This entry is calculated as the sum of H5 and H6 which represents *total group tier two capital* (stage B in *INSPRU* 6.1.43R) after application of limits 4 and 5 as follows:<br><br>Limit 4: *Total group tier two capital* must not exceed *total group tier one capital* (see *INSPRU* 6.1.45R(1)(e)).<br>Limit 5: *Lower tier two capital resources* calculated in accordance with *INSPRU* 6.1.57R included in *total group tier two capital* must not exceed 50% of *total group tier one capital* (see *INSPRU* 6.1.45R(1)(f)). |

| *Ref* | *Instructions* |
|---|---|
| TCR (page 1) | This entry is calculated as the sum of TT1 and TT2 and represents group capital resources before deductions (stage C in *INSPRU* 6.1.43R) after application of limit 6 as follows:<br><br>Limit 6: *Total group tier one capital* less *innovative tier one capital resources* included in *total group tier one capital,* plus *total group tier two capital* less any *lower tier two capital resources* included in *total tier two capital* must account for at least 75% of the *group capital resources requirement* less any *with-profits insurance capital components* included in the *group capital resources requirement* (*INSPRU* 6.1.45R(1)(b)). |
| H7 (page1) | This entry is the sum of columns D1 and D2 on page 2 which represent deductions to be made from total *group capital resources* in respect of the group's interest in inadmissible assets (see 8.3.59R), and *ancillary services undertakings* (see *INSPRU* 6.1.62R). |
| GCR (page1) | This entry is calculated as TCR less H7. This represents *group capital resources* (stage H in *INSPRU* 6.1.43R). |
| GCRR (page 1) | This entry is calculated as the sum of column B on page 2 which represents the *group capital resources requirement* (*INSPRU* 6.1.33R). |
| I (page 1) | This is calculated as total *group capital resources* less total *group capital resources requirement* (GCR – GCRR). This represents the amount by which *group capital resources* exceed or fail to exceed the *group capital resources requirement*. |

**APPENDIX 9.10** (rule 9.44 to guidance 9.45)

**ENHANCED CAPITAL REQUIREMENT**
**(FORM ECR1)**

**ECR Calculation - Summary** Form **ECR1**
**Sheet 1**

Name of insurer

Financial year ended

| | | £000 | *Source:* |
|---|---|---|---|
| Capital Resources | 1 | | *Form:1 Line:13 Col:1* |
| Individual Minimum Capital Requirement | 2 | | *Form:1 Line:34 Col:1* |

**ECR Calculation**

| | | | |
|---|---|---|---|
| Asset Charge | 3 | | *Sheet 2: Asset-related Capital Requirement* |
| Premium Charge - Accident Year Business | 4 | | *Sheet 3: Insurance-related Capital Requirement Accident Year Business* |
| Technical Provision Charge - Accident Year Business | 5 | | *Sheet 3: Insurance-related Capital Requirement Accident Year Business* |
| Premium Charge - Underwriting Year Business | 6 | | *Sheet 4: Insurance-related Capital Requirement Underwriting Year Business* |
| Technical Provision Charge - Underwriting Year Business | 7 | | *Sheet 4: Insurance-related Capital Requirement Underwriting Year Business* |
| Less Equalisation Provisions | 8 | | *Form:15 Line:14+15 Col:1* |

| | |
|---|---|
| **ECR** (3+4+5+6+7+8) | 9 |
| **ECR gross of Equalisation Provisions** (3+4+5+6+7) | 10 |
| **ICG** (if given) | 11 |
| **Capital Resources / ECR** (1 / 9) | 12 |
| **Capital Resources plus Equalisation Provisions / ICG** ( [1+8] / 11, if ICG given) | 13 |
| **ICG / ECR gross of Equalisation Provisions** (11 / 10, if ICG given) | 14 |

## Asset-Related Capital Requirement (Category of assets 1 only)

**Form ECR1**

**Sheet 2**

Name of insurer

Financial Year ended

| Asset item | FSA return source (Form13 Column 1) | Assets (£ 000) | Derivative adjustment (£ 000) | Asset-related capital charge factor | Asset-related capital charge (£ 000)<br><br>Max [ 0, (1)+(2) ] * (3) |
|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) |
| Land & buildings | L11 | | | 7.5% | |
| Shares in group undertakings excluding participating interests - insurance dependants | L21+23 | | | 0.0% | |
| Shares in group undertakings excluding participating interests - other | L25+27 | | | 7.5% | |
| Debt securities issued by & loans to group undertakings | L22+L24+L26+L28 | | | 3.5% | |
| Participating interests | L29 | | | 7.5% | |
| Debt securities issued by & loans to undertakings in which the insurer has a participating interest | L30 | | | 3.5% | |
| Shares, other variable-yield securities, units in unit trusts and Participation in investment pools | L41+L42+L43+L49 | | | 16.0% | |
| Money market funds | | | | 0.0% | |
| Debt securities and other fixed income securities: approved securities | L45+L47 | | | 3.5% | |
| Debt securities and other fixed income securities: other | L46+L48 | | | 3.5% | |
| Loans secured by mortgages | L50 | | | 2.5% | |
| Other loans | L51+L52+L53 | | | 2.5% | |
| Deposits with approved credit institutions and approved financial institutions | L54+L55 | | | 0.0% | |

| | | | | | |
|---|---|---|---|---|---|
| Other financial investments: other | L56+L58+L59 | | | 7.5% | |
| Deposits with ceding undertakings | L57 | | | 3.5% | |
| Reinsurers' share of technical provisions: Provision for unearned premiums | L60 | | | 2.5% | |
| Reinsurers' share of technical provisions: Claims outstanding | L61 | | | 2.5% | |
| Reinsurers' share of technical provisions: Other | L62+63 | | | 2.5% | |
| Debtors arising out of direct insurance operations: policyholders | L71 | | | 4.5% | |
| Debtors arising out of direct insurance operations: intermediaries | L72 | | | 3.5% | |
| Debtors arising out of reinsurance operations | L74+L75 | | | 2.5% | |
| Other debtors | L73+L76+L77+L78+L79 | | | 1.5% | |
| Tangible assets | L80 | | | 7.5% | |
| Cash at bank and in hand | L81+L82 | | | 0.0% | |
| Other Assets | L83 | | | 0.0% | |
| Accrued interest and rent | L84 | | | 0.0% | |
| Deferred acquisition costs | L85 | | | 0.0% | |
| Other prepayments and accrued income | L86 | | | 0.0% | |
| **TOTAL** | L89+L87-L44 | | | | |

Form ECR1
Sheet 3

**Insurance-Related Capital Requirement - Accident Year Business**

**Name of insurer**
**Financial Year ended**

| FSA Combined Category or Risk Category | | Net Written Premium (£ 000) | | Net claims outstanding carried forward (£ 000) | | Net unearned premium and unexpired risks less deferred acquisition costs (£ 000) | | Net Written Premium capital charge factor | Net technical provision capital charge factor | Net Written Premium capital charge Max (0, 1) * (4) | Net Technical provision capital charge Max[0, (2)+(3) ] * (5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FSA return source | 1 | FSA return source | 2 | FSA return source | 3 | 4 | 5 | 6 | 7 |
| **Direct and facultative business** | | | | | | | | | | | |
| 110: Total primary (direct) and facultative accident and health | 1 | Form 21. Lines(11+12+13+14+15). Columns (5+6) | | Form22. Lines(13+14+17+18). Column3 | | Form21. Line19. Column6 + Form 22. Line(19-29). Column3 | | 5.0% | 7.5% | | |
| 120: Total primary (direct) and facultative personal lines motor business | 2 | | | | | | | 10.0% | 9.0% | | |
| 160: Primary (direct) and facultative household and domestic all risks | 3 | | | | | | | 10.0% | 10.0% | | |
| 180: Total primary (direct) and facultative personal lines financial loss business | 4 | | | | | | | 25.0% | 14.0% | | |
| 220: Total primary (direct) and facultative commercial motor business | 5 | | | | | | | 10.0% | 9.0% | | |
| 260: Total primary (direct) and facultative commercial lines property business | 6 | | | | | | | 10.0% | 10.0% | | |
| 270: Total primary (direct) and facultative commercial lines liability business | 7 | | | | | | | 14.0% | 14.0% | | |
| 280: Total primary (direct) and facultative commercial lines financial loss business | 8 | | | | | | | 25.0% | 14.0% | | |
| 330: Total primary (direct) and facultative aviation business | 9 | | | | | | | 32.0% | 14.0% | | |
| 340: Total primary (direct) and facultative marine business | 10 | | | | | | | 22.0% | 17.0% | | |
| 350: Primary (direct) and facultative goods in transit | 11 | | | | | | | 12.0% | 14.0% | | |
| 400: Miscellaneous primary (direct) and facultative business | 12 | | | | | | | 25.0% | 14.0% | | |
| 002: Total Primary (Direct) and Facultative Business (sum of lines 1 to 12) | 13 | | | | | | | | | | |
| **Treaty reinsurance business** | | | | | | | | | | | |
| 510: Non-proportional accident and health | 14 | N/A | | N/A | | N/A | | 35.0% | 16.0% | | |
| 520: Non-proportional motor | 15 | | | | | | | 10.0% | 14.0% | | |
| 530: Non-proportional aviation | 16 | | | | | | | 61.0% | 16.0% | | |
| 540: Non-proportional marine | 17 | | | | | | | 38.0% | 17.0% | | |
| 550: Non-proportional transport | 18 | | | | | | | 16.0% | 15.0% | | |
| 560: Non-proportional property | 19 | | | | | | | 53.0% | 12.0% | | |
| 570: Non-proportional liability (non-motor) | 20 | | | | | | | 14.0% | 14.0% | | |
| 580: Non-proportional financial lines | 21 | | | | | | | 39.0% | 14.0% | | |
| 590: Non-proportional aggregate cover | 22 | | | | | | | 53.0% | 12.0% | | |
| 500: Total Non-Proportional Treaty Reinsurance Business accepted (sum of lines 14 to 22) | 23 | F21L(11+12+13+14+15)C(5+6) | | F22L(13+14+17+18)C3 | | F21L19C6+F22L(19-29)C3 | | | | | |
| 610: Proportional accident and health | 24 | N/A | | N/A | | N/A | | 12.0% | 16.0% | | |
| 620: Proportional motor | 25 | | | | | | | 10.0% | 12.0% | | |
| 630: Proportional aviation | 26 | | | | | | | 33.0% | 16.0% | | |
| 640: Proportional marine | 27 | | | | | | | 22.0% | 17.0% | | |
| 650: Proportional transport | 28 | | | | | | | 12.0% | 15.0% | | |
| 660: Proportional property | 29 | | | | | | | 23.0% | 12.0% | | |
| 670: Proportional liability (non-motor) | 30 | | | | | | | 14.0% | 14.0% | | |
| 680: Proportional financial lines | 31 | | | | | | | 25.0% | 14.0% | | |
| 690: Proportional aggregate cover | 32 | | | | | | | 23.0% | 12.0% | | |
| 600: Total Proportional Treaty Reinsurance Business accepted (sum of lines 24 to 32) | 33 | F21L(11+12+13+14+15)C(5+6) | | F22L(13+14+17+18)C3 | | F21L19C6+F22L(19-29)C3 | | | | | |
| 700: Miscellaneous treaty reinsurance business accepted | 34 | N/A | | N/A | | N/A | | 39.0% | 14.0% | | |
| 003: Total Treaty Reinsurance Business (sum of lines 14 to 22, 24 to 32 and 34) | 35 | F21L(11+12+13+14+15)C(5+6) | | F22L(13+14+17+18)C3 | | F21L19C6+F22L(19-29)C3 | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **001: Total Business** (sum of lines 1 to 12, 14 to 22, 24 to 32 and 34) | 36 | F21L(11+12+13+14+15)C(5+6) | | F22L(13+14+17+18)C3 | | F21L19C6+F22L(19-29)C3 | | | | | |

Form ECR1
Sheet 4

## Insurance-Related Capital Requirement - Underwriting Year Business

**Name of insurer**
**Financial Year ended**

| FSA Combined Category or Risk Category | | Net Written Premium (£ 000) | | Net claims outstanding carried forward (£ 000) | | Net unearned premium and unexpired risks less deferred acquisition costs (£ 000) | | Net Written Premium capital charge factor | Net technical provision capital charge factor | Net Written Premium capital charge Max[0,(1)] * (4) | Net Technical provision capital charge Max[0, (2)+(3) ] * (5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FSA return source | 1 | FSA return source | 2 | FSA return source | 3 | 4 | 5 | 6 | 7 |
| **Direct and facultative business** | | | | | | | | | | | |
| 110: Total primary (direct) and facultative accident and health | 1 | | | | | | | 5.0% | 7.5% | | |
| 120: Total primary (direct) and facultative personal lines motor business | 2 | | | | | | | 10.0% | 9.0% | | |
| 160: Primary (direct) and facultative household and domestic all risks | 3 | | | | | | | 10.0% | 10.0% | | |
| 180: Total primary (direct) and facultative personal lines financial loss business | 4 | | | | | | | 25.0% | 14.0% | | |
| 220: Total primary (direct) and facultative commercial motor business | 5 | | | | | | | 10.0% | 9.0% | | |
| 260: Total primary (direct) and facultative commercial lines property business | 6 | | | | | | | 10.0% | 10.0% | | |
| 270: Total primary (direct) and facultative commercial lines liability business | 7 | Form24. Line19. Column99 | | Form25. Lines(11-12+13-14+15). Column99 | | Form25. Lines(22+23-24). Column99 | | 14.0% | 14.0% | | |
| 280: Total primary (direct) and facultative commercial lines financial loss business | 8 | | | | | | | 25.0% | 14.0% | | |
| 330: Total primary (direct) and facultative aviation business | 9 | | | | | | | 32.0% | 14.0% | | |
| 340: Total primary (direct) and facultative marine business | 10 | | | | | | | 22.0% | 17.0% | | |
| 350: Primary (direct) and facultative goods in transit | 11 | | | | | | | 12.0% | 14.0% | | |
| 400: Miscellaneous primary (direct) and facultative business | 12 | | | | | | | 25.0% | 14.0% | | |
| 002: Total Primary (Direct) and Facultative Business (sum of lines 1 to 12) | 13 | | | | | | | | | | |
| **Treaty reinsurance business** | | | | | | | | | | | |
| 510: Non-proportional accident and health | 14 | | | | | | | 35.0% | 16.0% | | |
| 520: Non-proportional motor | 15 | | | | | | | 10.0% | 14.0% | | |
| 530: Non-proportional aviation | 16 | | | | | | | 61.0% | 16.0% | | |
| 540: Non-proportional marine | 17 | | | | | | | 38.0% | 17.0% | | |
| 550: Non-proportional transport | 18 | Form28. Line19. Column99 | | Form29. Lines(11-12+13-14+15). Column99 | | Form29. Lines(22+23-24). Column99 | | 16.0% | 15.0% | | |
| 560: Non-proportional property | 19 | | | | | | | 53.0% | 12.0% | | |
| 570: Non-proportional liability (non-motor) | 20 | | | | | | | 14.0% | 14.0% | | |
| 580: Non-proportional financial lines | 21 | | | | | | | 39.0% | 14.0% | | |
| 590: Non-proportional aggregate cover | 22 | | | | | | | 53.0% | 12.0% | | |
| 500: Total Non-Proportional Treaty Reinsurance Business accepted (sum of lines 14 to 22) | 23 | F24L19C99 | | F25L(11-12+13-14+15)C99 | | F25L(22+23-24)C99 | | | | | |
| 610: Proportional accident and health | 24 | | | | | | | 12.0% | 16.0% | | |
| 620: Proportional motor | 25 | | | | | | | 10.0% | 12.0% | | |
| 630: Proportional aviation | 26 | | | | | | | 33.0% | 16.0% | | |
| 640: Proportional marine | 27 | | | | | | | 22.0% | 17.0% | | |
| 650: Proportional transport | 28 | Form28. Line19. Column99 | | Form29. Line(11-12+13-14+15). Column99 | | Form29. Lines(22+23-24). Column99 | | 12.0% | 15.0% | | |
| 660: Proportional property | 29 | | | | | | | 23.0% | 12.0% | | |
| 670: Proportional liability (non-motor) | 30 | | | | | | | 14.0% | 14.0% | | |
| 680: Proportional financial lines | 31 | | | | | | | 25.0% | 14.0% | | |
| 690: Proportional aggregate cover | 32 | | | | | | | 23.0% | 12.0% | | |
| 600: Total Proportional Treaty Reinsurance Business accepted (sum of lines 24 to 32) | 33 | F24L19C99 | | F25L(11-12+13-14+15)C99 | | F25L(22+23-24)C99 | | | | | |
| 700: Miscellaneous treaty reinsurance business accepted | 34 | F28L19C99 | | F29L(11-12+13-14+15)C99 | | F29L(22+23-24) | | 39.0% | 14.0% | | |
| 003: Total Treaty Reinsurance Business (sum of lines 14 to 22, 24 to 32 and 34) | 35 | F24L19C99 | | F25L(11-12+13-14+15)C99 | | F25L(22+23-24)C99 | | | | | |
| **001: Total Business** (sum of lines 1 to 12, 14 to 22, 24 to 32 and 34) | 36 | F24L19C99 | | F25L(11-12+13-14+15)C99 | | F25L(22+23-24)C99 | | | | | |

**Instructions for completion of Form ECR1**

1. The amounts entered in the cells in column 1 of sheet 2 and columns 1, 2 and 3 of sheets 3 and 4 must reconcile to the 'FSA return source' column, shown alongside that cell, except where:

   (a) no FSA return source is shown e.g. sheet 3, lines 14 to 22, columns 1 and 3;

   (b) in the case of sheets 3 and 4 column 1, the *return* for the *financial year* ended, shown on sheet 1, is for a non 12 month period; or

   (c) in the case of a cell in sheet 3 or 4, the Form referred to in the 'FSA return source' column, was not prepared for the relevant *combined category* or *risk category* in that *return*.

   Where the latter exception applies, the amount entered in that cell must be the amount that would have been reported in that *return* at the 'FSA return source' had the *insurer* prepared that Form for that *combined category* or *risk category*

**ECR Calculation – Summary (Sheet 1)**

2. The amount shown on the ICG line must be the most recent Individual Capital Guidance (ICG) amount given by the FSA. The ICG will usually be based on a percentage of the ECR gross of Equalisation Provisions. In this case the percentage should be applied to the current ECR gross of Equalisation Provisions to obtain the ICG amount. If no ICG has been given, enter "N/A".

2A. If ICG is based on a percentage of the ECR gross of Equalisation Provisions and that percentage is different to the ratio that appears on line 14, an explanation for the difference must be provided in a supplementary note.

**Asset-related Capital Requirement Sheet (Sheet 2)**

3. The amounts shown in column 1 must be the value, in accordance with *GENPRU* 1.3, of the listed asset items as at the *financial year* ended date shown on sheet 1.

4. In column 2, derivative adjustments, where a *firm* has entered into a *derivative* then, for the purposes of applying the appropriate capital charge factor as set out in *INSPRU* 2.2.16R, it must treat the value of the *derivative* and the value of the asset associated with the *derivative* as a single asset of a type and value which most closely reflects the economic risk to the *firm* of the combined rights and obligations associated with the *derivative* and the asset associated with the *derivative* (*INSPRU* 2.2.11R(4)).
5. Include money market funds as defined in *INSPRU* 2.2.14R in the line for the asset item "Money market funds".
6. The amount shown under the columns for "Assets" and "Derivative adjustment" for the asset item "Shares, other variable-yield securities, units in unit trusts and Participation in investment pools" should be after deductions of amounts held in money market funds included in **Form 13** at column 1 lines 41, 42, 43 or 49 of the *return* or the *financial year in question*.
7. The sum of the amounts shown in the "Asset" column for the asset items "Shares, other variable-yield securities, units in unit trusts and Participation in investment pools" and "Money market funds" should be equal to the sum of lines 41, 42, 43 and 49 at column of **Form 13** of the *return* for the *financial year in question*.

7A. To give effect to *INSPRU* 2.2.11R (2), the asset related capital charge shown in column 4 is the asset related capital charge factor in column 3 multiplied by the higher of:

(a) the sum of columns 1 and 2; and

(b) zero

**Insurance-related Capital Requirement - Accident and Underwriting Year Accounted Business (Sheets 3-4)**

8. Amounts shown in the "Net Written Premium" column must be *net written premiums* before any deduction for commissions in the twelve months preceding the financial year ended date shown on sheet 1.
9. Amounts shown in the "Net claims outstanding carried forward" column must be net of reinsurance and comprise: outstanding claims, provisions for incurred but not reported (IBNR) claims, provisions for incurred but not enough reported (IBNER) claims and related claims management costs as at the financial year ended date shown on sheet 1.
10. Amounts shown in the "Net unearned premium and unexpired risks net of deferred acquisition costs" column must be net of reinsurance and comprise provision for unexpired risk and unearned premium less deferred acquisition costs as at the financial year ended date shown on sheet 1.

10A. To give effect to *INSPRU* 1.1.77R (2), the amount derived in the "Net Written Premium capital charge" column is the net-written premium capital charge factor in column 4 multiplied by the higher of:

(a) the net written premium in column 1; and

(b) zero

11. To give effect to *INSPRU* 1.1.77R (2), the amount derived in the "Net technical provision capital charge" column is the net technical provision capital charge factor in column 5 multiplied by the higher of:

(a) the sum of the net claims outstanding carried forward and the net unearned premium less deferred acquisition costs; and

(b) zero.

Appendix 9.11

Reporting Forms

1. This appendix consist of only one or more forms or templates. Forms and templates are to be found through the 'Forms' link under Useful Links section at www.fsahandbook.info or on the Handbook CD-ROM.

Appendix 9.12 (rule 9.58 (1)(a))

<u>Certificate by the Council</u>

1 Subject to 5, the certificate required by *IPRU (INS)* 9.58 (1) must state:

(a) in relation to Forms 1 to 3, 13 to 17, 20 to 42, the supplementary notes to the forms and the statements required under rules 9.51 (1), 9.52 (1) and 9.53 (1), 9.54 (1), and 9.57 (1), that:

(i) the *Lloyd's Return* has been prepared in accordance with *IPRU (INS)* Chapter 9 Part VII, *INSPRU* and *GENPRU*;

(ii) proper accounting records have been maintained and adequate information has been obtained by the *Society*; and

(iii) an appropriate system of control has been established and maintained by the *Society* over its transactions and records;

(b) that, as applicable, the assets held by *members* throughout the *financial year* in question enabled the *Society* to comply with *INSPRU* 1.1.30R (Localisation (UK firms only)) and *INSPRU* 1.1.34R (Matching of assets and liabilities); and

(c) in relation to the statement required by rule 9.58 (1)(b) to be made by the *Lloyd's actuary*, that:

(i) for the purpose of preparing the statement, proper accounts and records have been maintained; and

(ii) the information given has been ascertained in conformity with *IPRU (INS)* 9.58 (1).

2 Subject to 5, the certificate required by rule 9.58 (1) (a) must state that *capital resources* at least equal to the *capital resources requirements* under *GENPRU* 2, have been maintained at all times during the *financial year* in question.

3 Subject to 5, the certificate required by rule 9.58 (1)(a) must also state in relation to the *long-term insurance business* carried on by *members*:

(a) that the requirements of *INSPRU* 1.5.18R to *INSPRU* 1.5.33R have been fully complied with and in particular that, subject to the provisions of *INSPRU* 1.5.27R assets attributable to *long-term insurance business*, the income arising, the proceeds of any realisation of such assets and any other income or proceeds allocated to the *long-term insurance fund* or *funds* have not been applied otherwise than for the purpose of the *long-term insurance business*;

(b) that all guarantees given by a *member* of the performance by a related *insurer* which would fall to be met by any *long-term insurance fund* have been disclosed in the *Lloyd's Return*, and that the fund or funds on which each of those guarantees would fall has been identified in it;

(c) that the return in respect of *long-term insurance business* is not distorted by agreements between the *members* concerned or by any arrangements which could affect the apportionment of expenses and income; and

4 Subject to 5, where the *Council* is satisfied that:

(a) the systems of control established and maintained by *managing agents* complied, at the end of the *financial year* in question, with any relevant guidance and it is reasonable to believe that those systems continued so to comply and will continue to so comply; or

(b) the *Lloyd's Return* has been prepared in accordance with any relevant guidance; this must be so stated, by listing that guidance, in the certificate required by *IPRU (INS)* 9.58 (1)(a).

5 Where, in the opinion of those signing the certificate, the circumstances are such that any of the statements required by 1 to 4 cannot truthfully be made, the relevant statements must be omitted.

6 Where, by virtue of 5, any statements have been omitted from the certificate this fact must be stated in a note.

**Appendix 9.13** (rule IPRU (INS) 9.58 (1)(b))

**<u>Statement by the Lloyd's actuary</u>**

1 The statement required by *IPRU (INS)* 9.58 (1)(b) must be prepared and signed by the *Lloyd's actuary*, and must:

(a) state whether, for every *syndicate year* in which members carry on *general insurance business* either:

(i) the *syndicate actuary* has provided an unqualified opinion, which:

(1) is in a form conforming to guidance from the *actuarial bodies*; and

(2) confirms that the *technical provisions* set by the *managing agent* are at least equal to the *syndicate actuary's* best estimate; or

(ii) the *Lloyd's actuary* has set the *technical provisions* (both gross and net of reinsurance recoveries); and

(b) describe any source of uncertainty in the liabilities covered by the *technical provisions*, which in his opinion is material to the *Society* as a whole:

(i) which any *syndicate actuary* mentions in his opinion; or

(ii) which affects any *syndicate year* for which the *Lloyd's actuary* has set the *technical provisions*.

2 If the *Lloyd's actuary* has set the *technical provisions* for any *syndicate year*, the statement must include an opinion covering those *technical provisions*, which:

(a) confirms that they are at least equal to his best estimate; and

(b) is in a form conforming to guidance for *syndicate actuaries* from the *actuarial bodies*, modified to show:

(i) that he is retained by the *Society* and not the *managing agent*;

(ii) that he, and not the *managing agent*, set the *technical provisions*; and

(iii) separately, the *technical provisions* of each *syndicate year* covered.

3 If the *Lloyd's actuary* considers it necessary, such qualification, amplification or explanation as may be appropriate must be added to the statement.

**Appendix 9.14** (rule IPRU (INS) 9.58 (1)

**<u>Certificate by syndicate actuary</u>**

1 The certificate required by *IPRU (INS)* 9.58 (1)(c) to be signed by the *syndicate actuary* appointed to a *syndicate* in which *members* carry on *long-term insurance business* must state:

(a) whether in his opinion, proper records have been kept by the *managing agent* adequate for the purpose of the valuation of the liabilities of the *syndicate*;

(b) whether the sum of the *mathematical reserves* and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the *financial year* for the *long-term insurance liabilities* where these liabilities:

(i) include any increase in liabilities arising from a distribution of surplus as a result of an investigation as at the end of the *financial year* into the financial condition of the *long-term insurance business*; and

(ii) include all liabilities arising from *deposit back arrangements*;

but exclude liabilities which had fallen due before the end of the *financial year*, other than those arising from deposit back arrangements;

(c) whether the liabilities have been valued in accordance with *INSPRU* and *GENPRU* in the context of assets valued in accordance with *GENPRU*, as shown in Form 14;

(d) by way of a list, the professional guidance that has been complied with;

(e) whether in his opinion, premiums for contracts entered into during the *financial year* and the income earned on them are sufficient on reasonable actuarial assumptions, taking into account other financial resources of the *members* and the *Society* that are available for the purpose, to enable the *members* to meet their commitments and, in particular, to establish adequate *mathematical reserves*; and

(f) whether the amounts in Form 60 are accurate.

2 If the *syndicate* actuary considers it necessary, such qualification, amplification or explanation as may be appropriate must be added to the certificate.

**Appendix 9.15** (rule IPRU (INS) 9.58 (3))

**<u>Auditors' report</u>**

1 The certificate required by *IPRU (INS)* 9.58 (2) must, in addition to any statement required by section 237(2) and (3) of the Companies Act, state:

(a) that in the auditors' opinion, Forms 9 to 17, 20 to 42, the supplementary notes to the forms and the statements required under *IPRU (INS)* 9.51 (1), *IPRU (INS)* 9.52 (1), *IPRU (INS)* 9.53 (1) and *IPRU (INS)* 9.54 (1) have been properly prepared in accordance with *IPRU (INS)* Chapter 9 Part VI, *INSPRU* and *GENPRU*;

(b) that according to the information and explanations that the auditors have received:

(i) in their opinion, the certificate required to be signed in accordance with *IPRU (INS)* 9.58 (1)(a), otherwise than in relation to statements to which paragraph 1(c) of this table relates, has been properly prepared in accordance with *IPRU (INS)* Chapter 9 Part VII, *INSPRU* and *GENPRU*; and

(ii) subject to paragraph 1(c), it was or was not unreasonable for the persons giving the certificate to have made the statements in it (other than statements to which paragraph 1(c) relates); and

(c) the extent to which, in giving their opinion, the auditors have relied:

(i) in respect of financial information supplied to the *Society* by *managing agents* on behalf of *syndicate*s, on work carried out by *syndicate* auditors; and

(ii) in respect of *long-term insurance business* carried on by *members*, on the certificates of the *syndicate actuaries* given in accordance with the requirements of *IPRU (INS)* Chapter 9 Part VII, *INSPRU* and *GENPRU* with respect to the amounts in Form 60.

2 The audit opinion required by 1(b)(i) does not extend to cover the statements required under:

(a) *IPRU (INS)* 9.55 (1) and ; and *IPRU (INS)* 9.57 (1)

(b) *IPRU (INS)* Appendix 9.12 1(d), but only in so far as it relates to relevant guidance which either states that compliance with the guidance need not be audited or which relates to controls with respect to money laundering.

3 To the extent that the information and explanations they have received do not allow the auditors to express an opinion on whether it was or was not unreasonable for the *Council* to have made the statement required by *IPRU (INS)* Appendix 9.12 1(a)(iii) the auditors must add to their report such qualification, amplification or explanation as may be appropriate.

4 Where the auditors refer in their report or in any note attached to their report to any uncertainty, the report must state whether, in the auditors' opinion, that uncertainty is material to determining whether the *Society* is able to meet the solvency requirements of *IPRU (INS)* Chapter 9 Part VII, *INSPRU* and *GENPRU*.

Appendix 9.16 (rule IPRU (INS) 9.49 (1)(b))

Accounting classes

1 For the purposes of *IPRU (INS)* Chapter 9 Part VII, the accounting classes for *general insurance business* are those set out in the following table:

| Accounting class | Description | Corresponding classes of *general insurance business* |
|---|---|---|
| 1 | Accident and health | 1 (other than 1(p) and 2 |
| 2 | Motor | 1(p), 3 and 10 |
| 3 | Aviation | 1(p), 5 and 11 |
| 4 | Marine | 1(p), 6 and 2 |
| 5 | Transport | 7 |
| 6 | Property | 4, 8, and 9 |
| 7 | Third-party liability | 13 |
| 8 | Miscellaneous and pecuniary loss | 14, 15, 16, 17 and 18 |
| 9 | Non-proportional treaty | |
| 10 | Proportional treaty | |
| 11 | Marine, aviation and transport treaty | |

**Appendix 9.17** (rule IPRU (INS) 9.60 (3))

**<u>Accounting records</u>**

1 The certificate in *IPRU(INS)* 9.60 (3) must state that:

(a) the return has been properly prepared in accordance with the instructions referred to in *IPRU(INS)* 9.60 (2);

(b) proper accounting records have been maintained and adequate information has been obtained by the *managing agent*;

(c) an appropriate system of control has been established and maintained by the *managing agent* over the *syndicate's* transactions and records;

(d) in relation to the statement by the *syndicate actuary* of a *syndicate* carrying on *long-term insurance business* required by *IPRU(INS)* 9.58 (1)(c):

(i) proper accounts and records have been maintained for the purpose of preparing the statement; and

(ii) the information given has been ascertained in conformity with *IPRU(INS)* Appendix 9.14.

**Appendix 9.18** (rule IPRU (INS) 9.60 (7))

**Auditors' report**

1 The certificate in *IPRU(INS)* 9.60 (7) must state:

(a) that in the auditors' opinion, the return has been properly prepared in accordance with the instructions referred to in *IPRU(INS)* 9.60 (2);

(b) that according to the information and explanations that the auditors have received:

(i) in their opinion, the certificate required to be signed in accordance with *IPRU(INS)* 9.60 (3) (other than statements to which paragraph 1(c) relates) has been properly prepared in accordance with the instructions; and

(ii) it was or was not unreasonable for the *persons* giving the certificate to have made the statements in it (other than statements to which paragraph 1(c) relates);

(c) the extent to which, in giving their opinion, the auditors have relied, in respect of *long-term insurance business*, on the work of the *syndicate actuary.*

2 The audit opinion required by paragraph 1 does not extend to cover information on major treaty reinsurers or major facultative reinsurers.

3 To the extent that the information and explanations they have received do not allow the auditors to express an opinion as to whether it was or was not unreasonable for the persons giving the certificate required to be signed in accordance with *IPRU(INS)* 9.60 (3) to have made the statements therein, the auditors must add to their report such qualification, amplification or explanation as may be appropriate.

# INTERIM PRUDENTIAL SOURCEBOOK

## INSURERS

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### GUIDANCE

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