

**INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS  
(AMENDMENT No 2) INSTRUMENT 2002**

**Powers exercised**

- A. The Financial Services Authority amends the Interim Prudential sourcebook for insurers in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (the "Act"):
- (1) section 138 (General rule-making power);
  - (2) section 150(2) (Actions for damages);
  - (3) section 156 (General supplementary powers); and
  - (4) section 157 (Guidance).
- B. The provisions of the Act relevant to making rules and listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

**Commencement**

- C. This instrument comes into force immediately.

**Amendment of the Interim Prudential sourcebook for insurers**

- D. IPRU(INS) is amended in accordance with the Annex to this instrument.

**Citation**

- E. This instrument may be cited as the Interim Prudential Sourcebook for Insurers (Amendment No 2) Instrument 2002.

By order of the Board  
21 February 2002

## Annex

1. Rule 4.2(2)(b)(i) is substituted by the following:

“the *group undertaking*’s own capital (as defined in the *relevant regulatory requirements* for that undertaking), or”.

2. The definition of *future profits* in rule 11.1 is deleted.

3. The first line of the definition of *relevant regulatory requirements* in rule 11.1 is substituted by the following:

“for the purposes of rule 4.2(2)(b) and (3)(a):”.

4. That part of paragraph 11 (2) of Appendix 9.1 which precedes subparagraph (a) is substituted by the following:

“In each case where the *exposure* of the *insurer* to a *counterparty* at the end of the *financial year in question* exceeds 5% of its *long-term insurance business amount* or *general insurance business amount*, as appropriate – ”.

5. The heading “Implicit items admitted under Rule 2.10 [Regulation 23(5) of the Insurance Companies Regulations 1994]” between line 25 and line 31 of Form 9 in Appendix 9.1 is substituted by the following:

“Implicit items admitted under rule 2.10(5) as modified”.

6. The phrase with line 87 of Form 13 (Sheet 3) in Appendix 9.1 “Deductions (under rules 4.14(2)(b) and 4.14(3)) [regulations 57(2)(b) and 57(3) of the Insurance Companies Regulation 1994] from the aggregate value of assets” is substituted by the following:

“Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets”.

7. The heading “Reconciliation to asset values determined in accordance with the shareholder accounts rules” between line 89 and line 91 of Form 13 (Sheet 3) in Appendix 9.1 is substituted by the following:

“Reconciliation to asset values determined in accordance with the *insurance accounts rules*”.

8. The phrase with line 92 of Form 13 (Sheet 3) in Appendix 9.1 “Total assets in excess of the admissibility limits of Appendix 4.2 [Schedule 12 of the Insurance Regulations 1994] (as valued in accordance with those Rules before applying admissibility)” is substituted by the following:

“Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those rules before applying admissibility limits)”.

9. The phrase with line 93 of Form 13 (Sheet 3) in Appendix 9.1 “Solvency margin deduction for insurance dependants” is substituted by the following:

“Solvency margin deduction for *subsidiary undertakings* which are *insurance undertakings*”.

10. The phrase with line 95 of Form 13 (Sheet 3) in Appendix 9.1 “Assets of a type not valued above, (as valued in accordance with the shareholder accounts rules)” is substituted by the following:

“Assets of a type not valued above (as valued in accordance with the *insurance accounts rules*)”.

11. The phrase with line 99 of Form 13 (Sheet 3) in Appendix 9.1 “Total assets determined in accordance with the shareholder accounts rules (91 to 95)” is substituted by the following:

“Total assets determined in accordance with the *insurance accounts rules* (91 to 95)”.

12. Paragraph 3 of “Instructions for completion of Form 39” in Appendix 9.2 is substituted by the following:

“The entries at line 12 must be derived from column 99-99 of Forms 24 and 25, that in whole or part covers the *business group*, 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*.”.

13. Paragraph 5 (iii) of “Instructions for completion of Form 13” in Appendix 9.1 is substituted by the following:

“units or other beneficial interests in *collective investment schemes* falling within rule 4.9 (1)(c); or”.

14. Paragraph 9 of “Instructions for completion of Form 13” in Appendix 9.1 is substituted by the following:

“In line 93 “Solvency margin deduction for *subsidiary undertakings* which are *insurance undertakings*” refers to deductions under rule 4.2.”.

15. The phrase with line 41 of Form 14 in Appendix 9.1 “Provision for adverse changes (calculated in accordance with rule 5.3) [Regulation 61 of the Insurance Companies Regulations 1994]” is substituted by the following:

“Provision for adverse changes (calculated in accordance with rule 5.3)”.

16. Paragraph 2 of Appendix 9.6 is substituted by the following:

“Subject to 7, the certificate required by rule 9.34(a) must also, in the case of an *insurer* which is required by rule 2.1 to maintain a *margin of solvency*, *EEA margin of solvency* or *UK margin of solvency*, state that the required margin has been so maintained throughout the *financial year in question*.”.

17. Paragraph 3(b)(ii) of Appendix 9.6 is substituted by the following:

“that the *deposit* has been maintained throughout that year at a level equal to at least *the minimum*; and”.

18. Paragraph 3(c)(ii) of Appendix 9.6 is substituted by the following:

“that the *deposit* has been maintained throughout that year at a level equal to at least *the minimum*”.