

**INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS
(MINOR CHANGES NO 3) INSTRUMENT 2003**

Powers exercised

- A. The Financial Services Authority makes this instrument 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 rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

- C. This instrument comes into force on 1 April 2003.

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 (Minor Changes No 3) Instrument 2003.

By order of the Board
20 March 2003

Annex

Amendments to Interim Prudential Sourcebook for Insurers (IPRU(INS))

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

Rule 5.10(4) is amended as follows:

- (4) For the purposes of this rule -
- (a) ~~for contracts other than temporary assurances subject to (b) and (c), the relevant capital sum under a contract must be arrived at in accordance with rule 2.12(4) means -~~
- (i) for whole life assurances, the sum assured,
- (ii) for policies where a sum is payable on maturity (including policies where a sum is also payable on earlier death), the sum payable on maturity,
- (iii) for deferred annuities, the capitalised value of the annuity at the vesting date (or the cash option if it is greater),
- (iv) for capital redemption contracts, the sums payable at the end of the contract period, and
- (v) for linked long-term contracts, notwithstanding (i) to (iv), the lesser of -
- (A) the amount for the time being payable on death, and
- (B) the aggregate of the value for the time being of the units allocated to the contract (or, where entitlement is not denoted by means of units, the value for the time being of any other measure of entitlement under the contract equivalent to units) and the total amount of the premiums remaining to be paid during such of the term of the contract as is appropriate for zillmerising or, if such premiums are payable beyond the age of seventy-five, until that age,
- excluding in all cases any vested reversionary bonus; and
- (b) notwithstanding (a), where, under a contract relating to any such business as is mentioned in (a), the payment of premiums is to stop before the sum assured becomes due, relevant capital sum means the

mathematical reserves appropriate for that contract at the end of the premium-paying term; and

- (b)(c) notwithstanding (a), for temporary assurances, the **relevant capital sum** means ~~must be~~ the sum assured on the *relevant date*.

The instructions to Form 12 in Appendix 9.1 are amended as follows:

~~Instruction~~ Instructions for completion of Form Forms 11 and 12

1. 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 lines 15 to 17 of Form 11 and lines 32 to 35 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 the Forms.
2. If the *insurer* has not been in existence long enough to acquire a reference period, lines 21 to 41 must be ignored.

Paragraph 27 of Guidance Note 2.2 (Guidance on applications for waivers relating to implicit items) is amended as follows:

The estimated annual profit should be taken as the average annual surplus arising in the *long-term insurance fund* ~~(including the change in any investment reserve)~~ over the last five *financial years* up to the date of the most recent available valuation under rule 9.4 of *IPRU(INS)* which has been submitted to the *FSA* prior to, or together with, the application. For this purpose, deficiencies arising should be treated as negative surpluses. Where a *firm's financial year* has altered, the surplus arising in a period falling partly outside the relevant five year period should be assumed to accrue uniformly over the period in question for the purpose of estimating the profits arising within the five year period. When there has been a transfer of a block of business into the *firm* (or out of the *firm*) during the period, the impact of the transfer will need to be taken into account to reflect the remaining portfolio.