

**INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS
(AMENDMENT NO 10) INSTRUMENT 2006**

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 141 (Insurance business rules);
 - (3) section 150(2) (Actions for damages);
 - (4) section 156 (General supplementary powers);
 - (5) section 157(1) (Guidance); and
 - (6) section 340 (Appointment).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 December 2006.

Amendments to the Handbook

- D. The Interim Prudential sourcebook for Insurers (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 10) Instrument 2006.

By order of the Board
15 December 2006

Annex

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

In this Annex, underlining indicates new text and striking through indicates deleted text. Where a new section of text is inserted, this is indicated and the new text is not underlined.

INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

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Appendix 9.1 Balance sheet and profit and loss account (Forms ~~9-17~~ 1 to 3 and 10 to 19) (rules 9.12 and 9.13)

...

Chapter 3
LONG-TERM INSURANCE BUSINESS
CONTENTS

...

Part II

Linked Long-Term Contracts

...

3.7 ...
(3) Benefits payable under any *linked long-term contract* must not be determined by reference to -

 ...
(d) property of any of the descriptions specified in Part I of **Appendix 3.2**, other than the property specified in paragraph 5(a), which has the effect of a *derivative contract* other than a *permitted derivative contract*.

...

Chapter 9

FINANCIAL REPORTING

...

Deposit of accounts etc. with the FSA

9.6 (1) ...

- (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).

...

- (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.

...

...

Additional information on general insurance business: major facultative reinsurers

- 9.26 (1) ...
- (2) (a) ...
 - (b) in relation to which, in respect of any *reinsurer* (a **major facultative reinsurer**) the aggregate amounts in (1)(d) and (f) ~~(e)~~ exceeds the sum of 4,000 Euro and 1% of the *insurer's* liabilities arising from its *general insurance business*, net of *reinsurance ceded*.

...

PART V

GROUP CAPITAL ADEQUACY

...

9.42

...

- (4) An ~~insurer~~ *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) ...

...

PART VI

ENHANCED CAPITAL REQUIREMENT

9.44 ...

- (3) An *insurer* must deposit a printed copy of the report with the ~~FSA~~ *FSA* within 2 months and 15 days of the *financial year end* ~~end~~ unless, in addition to depositing a printed copy, an *insurer* also deposits an electronic copy, then the period of deposit is within 3 months of the *financial year end* ~~end~~. The copies must be sent to the appropriate addresses set out in rule 9.6(2) above.

...

- (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>

...

9.46 An electronic copy that is not a 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*. ~~Electronic copies may be sent on disk or by e-mail to eersubmissions@fsa.gov.uk.~~

...

...

Chapter 11

DEFINITIONS

PART I

DEFINITIONS

11.1 ...

<i>home foreign business</i>	<i>general insurance business</i> carried on in the United Kingdom primarily relating to risks situated outside the United Kingdom, but excluding <i>insurance business</i> in category numbers 330, 340, and 350, 500, 600 and 700 and <i>insurance business</i> where the risk commences in the United Kingdom
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...

...

ANNEX 11.1

CLASSES OF LONG-TERM INSURANCE BUSINESS

Number	Description	Nature of business
...		
VII	Pension fund management	Effecting or carrying out- (a) <i>pension fund management contracts contracts</i> ; or (b) contracts of the kind mentioned in (a) that are combined with <i>contracts of insurance</i> covering either conservation of capital or payment of a minimum interest.
...		

...

ANNEX 11.3

DESCRIPTIONS OF FSA GENERAL INSURANCE BUSINESS REPORTING CATEGORIES

Part I

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

Category Number	FSA general insurance business reporting category	Map to classes of business in Annex A of 73/239/EE C
...		
262	<p>Consequential loss (i.e. business interruption) <i>Contracts of insurance</i> (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 in the contract).</p> <p>This category does not include <i>contracts of insurance</i> that fall within <i>category numbers</i> 261 (Commercial property) or 343 (Energy).</p>	16
...		
274	<p>Mixed commercial package <i>Contracts of insurance</i> (other than treaty reinsurance contracts) against more than one of:</p> <ul style="list-style-type: none"> (a) loss of or damage to property; (b) risks to the persons insured incurring liabilities to third parties; (c) risks of loss to the persons insured arising from the failure of debtors of theirs to pay their debts when due; (d) risks of loss to the persons insured attributable to interruptions of business carried on by them; (e) risks of loss to the persons insured attributable to their incurring unforeseen expenses; or (f) any other risk of loss to a commercial operation; <p>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.</p> <p>This category excludes <i>contracts of insurance</i> that fall within <i>category numbers</i> 261 (Commercial property) or 343 (Energy).</p>	8,9,13,14,16, 17
...		

343	<p>Energy (on and off-shore)</p> <p><i>Contracts of insurance</i> (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, <u>or against risks of loss to the persons insured attributable to interruptions of business carried on by them</u>, arising from the undertaking of energy operations on both land and sea.</p> <p><i>Contracts of insurance</i> other than treaty reinsurance that fall within the definition of <i>category number 114(p)</i> which the insurer elects to allocate to this category.</p>	6,8,9,12,13
344	<p>Protection and indemnity</p> <p><i>Contracts of insurance</i> (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 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.</p> <p><i>Contracts of insurance</i> other than treaty reinsurance that fall within the definition of <i>category number 114(p)</i> which the insurer elects to allocate to this category.</p>	13 <u>12</u>
...		

Chapter 12

TRANSITIONAL ARRANGEMENTS

...

Insert after guidance paragraph 12.7 the following transitional rules 12.8, 12.9 and 12.10:

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* 3.2.5R(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.

...

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Appendices to the Rules

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Appendix 9.1 Balance sheet and profit and loss account (Forms ~~9-17~~ 1 to 3 and 10 to 19) (rules 9.12 and 9.13)

...

APPENDIX 3.2 (rule 3.7)

PERMITTED LINKS

PART I

DESCRIPTIONS OF PROPERTY BY WHICH BENEFITS MAY BE DETERMINED

...

5. Units or other beneficial interests in -
- (a) a scheme falling within the *UCITS Directive* or an authorised fund which is a non-UCITS retail scheme; and
 - (b) a *collective investment fund* which satisfies the following conditions -
 - (i) the property of the fund comprises property of any of the descriptions in 1 to 10,
 - (ii) the units are *readily realisable* at a price which represents the net value per unit of the assets and liabilities of the fund, and
 - (iii) the price at which the units may be bought and sold is published regularly.

....

APPENDIX 9.1 (rules 9.12 and 9.13)

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

...

- 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) ~~shown as brought forward from previous year~~ differs from the corresponding amount shown in a "this financial year" column ~~as carried forward from that year 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, 16121, 1711, 1811, and 1911 respectively.)

....

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 receivable*;
 - (b) *gross earned premiums*;
 - (~~b~~c) *claims* paid;
 - (ed) *claims* outstanding; and
 - (~~d~~e) *reinsurance* recoveries,
- must be determined in accordance with *PRU 7.2.66R* and *PRU 7.2.71R*.

- (2) ...

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 ~~1314~~ 1319 for *long-term insurance business*) –

...

...

Instructions for completion of Form 1

1. ...
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 insurers*, in the *EEA States* where the *firm* carries on *insurance business*); the adjustment is the difference between form 13 line 89 for categories -4- 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. ...

Instructions for completion of Form 2

1. ...
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 ~~it would be appropriate for note 0202 (see instruction 26) to include 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. ...

Instructions for completion of Form 10

1. ...
3. ~~Line 63 must be equal to lines 13.92.2 to 13.95.2 less lines 13.92.1 to lines 13.95.1 of the Form for the total other than *long-term insurance business assets* category. [deleted]~~
4. ...
- ...

Instructions for completion of Forms 11 and 12

...

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 IV₂* 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 IV₂* ~~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).

...

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*. ~~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 be completed with the same entries as were used on the corresponding Form 40.~~

2. ...

...

Liabilities (other than long term insurance business)

...

Creditors	Taxation	47		
	Recommended Declared dividend	48		
	Other	49		
...				

...

Instructions for completion of Form 15

1. ...

...

8. Lines 81-8485 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).

Profit and loss account (non-technical account)

...

Dividends (paid and proposed or declared)	51		
...			

...

Instructions for completion of Form 16

1. ...

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).

...

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 written in the fund	13		
	Long-term admissible assets of the fund covering the <u>LTICR</u> long-term insurance capital requirement allocated in respect of the fund's non-profit insurance contracts written in the fund	14		
	Long-term admissible assets of the fund covering the <u>RCR</u> resilience capital requirement allocated in respect of the fund's non-profit insurance contracts written in fund	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, <u>LTICR</u> and <u>RCR</u> long-term insurance capital requirement and resilience capital requirement (29+31+32)	39		
	Regulatory excess capital (19-39)	49		

Realistic excess capital

Realistic excess capital	51		
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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	65		

<u>already taken into account</u>			
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)	6-4- 6		

Instructions for completion of Form 18

1. The entries at lines 11, 12, 13, and 14 ~~and 15~~ must equal the values determined in accordance with *PRU 7.4.24R*. The entry at line 15 must be left blank for financial years ending on or after 31 December 2006.

...

4. The entries at lines 29, and 31 ~~and 32~~ must equal the values determined in accordance with *PRU 7.4.23R(2)(a)*, and (b) ~~and (c)~~ respectively. The entry at line 32 must be left blank for financial years ending on or after 31 December 2006.

...

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.

102. The entry at line ~~6-4-6~~ must equal the contribution in respect of the fund to the aggregate value determined in accordance with *PRU 7.4.7R(1)*.

...

APPENDIX 9.2 (rules 9.14 to 9.22)

**GENERAL INSURANCE BUSINESS:
REVENUE ACCOUNT AND ADDITIONAL INFORMATION
(FORMS 20A and 20 TO 39)**

...

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 Technical provisions and profit & loss account	<i>Category number 001</i>	Forms always required
	<i>Category numbers 002,003</i>	Either - (a) the <i>insurer's</i> 'gross undiscounted provisions' in the category of business at the end of the <i>financial year</i> exceed zero; or (b) the <i>insurer's gross written premiums</i> in the category of business in the <i>financial year</i> exceed zero.
	<i>Category numbers 110, 120, 160, 180, 220, 260, 270, 280, 330, 340, 350, 400, 500, 600, 700</i>	Either - (a) the <i>insurer's</i> 'gross undiscounted provisions' in the category of business at the end of the <i>financial year</i> exceed: (i) £100m; or (ii) the higher of 5% of the <i>insurer's</i> total 'gross undiscounted provisions' and £1 million or (b) the <i>insurer's gross written premiums</i> in the category of business in the <i>financial year</i> exceed: (i) £100m; or (ii) the higher of 5% of the <i>insurer's</i> total <i>gross written premiums</i> and £1 million.
	<i>Category number 409</i>	Some business in <i>category number 002</i> is not reported on Forms 20 to 25 for <i>category numbers 110 to 400</i> .
	<i>Category number 709</i>	Some business in <i>category number 003</i> is not reported on Forms 20 to 25 for <i>category numbers 500, 600 and 700</i> .

<p>F26 to F29 Results by year of origin for treaties accepted</p>	<p><i>Category numbers 510 to 590 and 610 to 690</i> denominated in any one currency. <i>Category number 700</i></p>	<p>Either -</p> <p>(a) the <i>insurer's</i> 'gross undiscounted provisions' in the category of business at the end of the <i>financial year</i> exceed:</p> <p>(i) £100m; or (ii) the higher of 5% of the <i>insurer's</i> total 'gross undiscounted provisions' and £1 million or</p> <p>(b) the <i>insurer's gross written premiums</i> in the category of business in the <i>financial year</i> exceed:</p> <p>(i) £100m; or (ii) the higher of 5% of the <i>insurer's</i> total <i>gross written premiums</i> and £1 million.</p>
<p>F31, F32, F34 Gross results by year of origin for direct and facultative business</p>	<p><i>Category numbers 330 to 350 <u>331 to 333</u> and <u>341 to 350</u></i> denominated in any one currency. <i>Category numbers 110 to 140 <u>111 to 114</u>, <u>121 to 160</u>, <u>181 to 187</u>, <u>221 to 223</u>, <u>261 to 263</u>, <u>271 to 274</u> and <u>281 to 284</u></i> denominated in any one currency carried on in any 'reporting territory' <i>Category number 400</i></p>	<p>Either -</p> <p>(a) the <i>insurer's</i> 'gross undiscounted provisions' in the category of business at the end of the <i>financial year</i> exceed:</p> <p>(i) £100m; or (ii) the higher of 5% of the <i>insurer's</i> total 'gross undiscounted provisions' and £1 million or</p> <p>(b) the <i>insurer's gross written premiums</i> in the category of business in the <i>financial year</i> exceed:</p> <p>(i) £100m; or (ii) the higher of 5% of the <i>insurer's</i> total <i>gross written premiums</i> and £1 million.</p>

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, ~~or~~
 - (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 ~~converted sterling~~ is are to be treated as though they ~~it~~ were denominated in a different currencies ~~currency~~ from each other ~~business denominated in sterling~~; and

...

...
3

- (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) ~~{deleted}~~ 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.

...

...

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 -
 - ...
 - (d) (code 20Ad) in respect of each *risk category* (other than *risk categories 510 to 590, 610 to 690 and 700*) for which amounts reported in **Form 20A** contain both *claims-made policies* and policies which are not *claims-made*:
 - ...

...

...

...

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 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 ~~in accordance with Appendix 9.1 paragraph 7.~~ For **Forms 20, 21, 22, 23, 24, 26, 27, 28, 31, 32, 33, or 34 or 35,** the code for the supplementary note is 2001, 2101, 2201, 2301, 2401, 2601, 2701, 2801, 3101, 3201, ~~3301, or 3401 or 3501~~ respectively.

...

- 16 (1) ...
- (a) ...
 - (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) ...
- (2) ...
- (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) ...

...

Instructions for completion of Form 20A

...

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.

...

7. If the entry at Where line 1 column 1 does not equal the amount shown at ~~is different~~ to 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~~ *insurer* must provide an explanation for the difference ~~reason~~ in a supplementary note (code 20A1).

...

Instructions for completion of Form 26

...

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 ~~2 and~~ 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 underwriting 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.

...
...

Instructions for completion of Form 27

- ...
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 ~~2 and~~ 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 underwriting 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.

...
...

Instructions for completion of Form 31

- ...
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 and ~~9~~ below.
- ...
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.

...
...

Instructions for completion of Form 34

- ...
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 and ~~9~~ below.

8. On the continuation sheet columns 8 and 9 need not be completed in respect of *financial years* underwriting years ended before 23 December 1994.

...

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.

...

...

Instructions for completion of Form 38

...

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 ~~23~~ 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 ~~23~~ 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)**

...

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;

...

...

Instructions for completion of Form 40

...

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.

...

12. Transfers of contracts from or to other funds or from 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 transfers must be excluded from the total Form 40.

...

...

Long-term insurance business: Analysis of expenses

Form 43

...

Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	32 3					
Management - maintenance	34					

...

...

Instructions for completion of Form 46

...

3. 'New' regular premiums and 'new' single premiums are premiums from new *policy holders* and scheme members, and ~~may~~ must also include new increments on existing *policies* accepted by the *insurer*, in the *financial year in question*.

...

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 ('UKL');
- (b) UK pension ('UKP'); and
- (c) overseas ('OS').

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* ('DB');
- (b) *reinsurance* accepted which is external to the *insurance group* ('RE'); and
- (c) *reinsurance* accepted which is from within the *insurance group* ('RG').

3. ...

571	Trustee investment plan UWP
574	UWP investment only reinsurance
575	Miscellaneous UWP

...

790	Miscellaneous protection rider
794	Property linked investment only reinsurance
795	Miscellaneous property linked
...	

...

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. ...
5. ... 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.

...

...

Instructions for completion of Form 48

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~~ *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.

...

10. ... Where *securities* may be redeemed over a period at the option of the guarantor or the issuer, ~~they must be classified~~ the yield must be determined on the assumption that they will be redeemed at the latest possible date implied by the market valuation. ~~or, if it is assumed that they will be redeemed at any earlier date, a~~ 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 ~~what assumption has been made.~~ ...

...

...

Instructions for completion of Form 49

...

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.

...

Instructions for completion of Form 50

...

5. Separate Forms must be completed for the total business and each subfund.

...

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

1. ...
2. Information must be shown separately for each type of *insurance business* for each of the following:
 - (a) UK life (~~'UKL'~~);
 - (b) UK pension (~~'UKP'~~); and
 - (c) overseas (~~'OS'~~).

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* (~~'GR'~~);
 - (b) *reinsurance ceded* which is external to the *insurance group* (~~'RE'~~); and
 - (c) *reinsurance ceded* which is ~~from~~ to another member of within the *insurance group* (~~'RG'~~).

...

6. ... For business without such records, the number of group schemes, divided analysed by the *product code*, must be set out in a supplementary note (codes 5101-5401). ...
7. To avoid double counting, if all the premiums in the plan are invested in the *with-profits fund*, a member of a plan offering a choice of funds may be treated as contributing to column 3 for unitised with-profits business. For *policies* with protection rider benefits, the entry in column 3 must be for the main benefit in the plan. 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. ...
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.
- ...
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.
- ...

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.

...

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 $100 \times (\text{column 7} - \text{column 6}) / \text{column 6}$ shown to 2 decimal places, e.g. 20.00 for a 20% increase in unit price during the year.

...

Instructions for completion of Form 56

1. ...
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. ...

...

Instructions for completion of Form 57

...

5. The product group in column 1 must be a narrative description of the products included in the line sufficient to give a ~~n~~ easy-cross reference to Forms 51-54, e.g. 'UK L&GA WP Form 51 assurances'.

...

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.

...

...			
Surplus including contingency and other reserves held towards the <u>solvency margin capital requirements</u> (deficiency) (15-21)	29		
...			

...

Instructions for completion of Forms 59A and 59B

...

3. The date of the maturity value, open market option or surrender value is ~~the 1st of the month preceding the date that the submission of the return is due~~ two months and one day after the valuation date, for example 1st March for a 31st December valuation.

...

...

ABSTRACT OF VALUATION REPORT

...

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) ...

...

Valuation basis (other than for special reserves)

...

4.

...

- (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 ~~The table must~~ 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. ~~For non-unit liability calculations, the expense bases must be shown only for the main products (e.g. life regular premium, life single premium, pensions regular premium, and pensions single premium).~~

(78) ...

(89) ~~Any other material basis assumptions not stated elsewhere (e.g. persistency).~~ A summary of the lapse, surrender and paid-up assumptions using the format of the table below.

<u>Product</u>		<u>Average lapse / surrender / paid-up rate for the policy years</u>			
		<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>
<u>Level term</u>	<u>lapse</u>				
<u>Decreasing term</u>	<u>lapse</u>				
<u>Accelerated critical illness</u>	<u>lapse</u>				
<u>Income protection</u>	<u>lapse</u>				
<u>CWP savings endowment</u>	<u>surrender</u>				
<u>CWP target cash endowment</u>	<u>surrender</u>				
<u>UWP savings endowment</u>	<u>surrender</u>				
<u>UWP target cash endowment</u>	<u>surrender</u>				
<u>UL savings endowment</u>	<u>surrender</u>				
<u>UL target cash endowment</u>	<u>surrender</u>				
<u>UWP bond</u>	<u>surrender</u>				
<u>UWP bond</u>	<u>automatic withdrawals</u>				
<u>UL bond</u>	<u>surrender</u>				
<u>UL bond</u>	<u>automatic withdrawals</u>				
<u>CWP pension regular premium</u>	<u>PUP</u>				
<u>CWP pension regular premium</u>	<u>surrender</u>				
<u>CWP pension single premium</u>	<u>surrender</u>				
<u>UWP indiv pension regular premium</u>	<u>PUP</u>				
<u>UWP indiv pension regular premium</u>	<u>surrender</u>				
<u>UWP indiv pension single premium</u>	<u>surrender</u>				
<u>UL indiv pension regular premium</u>	<u>PUP</u>				
<u>UL indiv pension regular premium</u>	<u>surrender</u>				
<u>UL group pension regular premium</u>	<u>PUP</u>				
<u>UL group pension regular premium</u>	<u>surrender</u>				
<u>UL indiv pension single premium</u>	<u>surrender</u>				

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.

(911) How the valuation of liabilities ...

(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 ~~or~~ and 1% of the total gross *mathematical reserves*, ...

5. (1) ...
- (2) Guaranteed surrender values and guaranteed unit-linked maturity values, including:
- ...

...

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. ~~explicit and implicit allowances, the amount of investment expenses and the amount of any 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.

<u>Homogeneous risk group</u>	<u>Implicit allowances</u>	<u>Explicit allowances (investment)</u>	<u>Explicit allowances (other)</u>	<u>Non – attributable expenses</u>	<u>Total</u>
<group 1>					
...					
<u>All expenses attributable</u>				n/a	
<u>Total</u>					

- (2) ...
- (3) ...
- (4) ...
- (5) ...

(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.

...

Reinsurance

9. (1) ...

(2) Where:

(a) the treaty is a 'financing arrangement'; or

...

...

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

...

With-profits benefits reserve – Retrospective method

4. (1) ...
- (2) ...
- (3) ...
- (4) ...
- (5) ...
- (6) For each *with-profits fund*, a statement ~~of the average~~ (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 ~~with that ratio disclosed at the end of the preceding financial year~~, details should be disclosed as to the change in procedures.

...

Costs of guarantees, options and smoothing

6. (1) ...

- (2) ...
- (3) ...
- (4) ...
- (5) ...
- (6) ~~For material types of product or classes (as identified in 3 above) a statement of the persistency assumptions~~ 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.

<u>Product</u>		<u>Average surrender / paid-up rate for the policy years</u>			
		<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>
<u>CWP savings endowment</u>	<u>surrender</u>				
<u>CWP target cash endowment</u>	<u>surrender</u>				
<u>UWP savings endowment</u>	<u>surrender</u>				
<u>UWP target cash endowment</u>	<u>surrender</u>				
<u>UWP bond</u>	<u>surrender</u>				
<u>UWP bond</u>	<u>automatic withdrawals</u>				
<u>CWP pension regular premium</u>	<u>PUP</u>				
<u>CWP pension regular premium</u>	<u>surrender</u>				
<u>CWP pension single premium</u>	<u>surrender</u>				
<u>UWP indiv pension regular premium</u>	<u>PUP</u>				
<u>UWP indiv pension regular premium</u>	<u>surrender</u>				
<u>UWP indiv pension single premium</u>	<u>surrender</u>				

The instructions for completing the table are as for Appendix 9.4 paragraph 4(9).

- (7) ...

...

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 must at least include investment return, tax, significant costs (of expenses, guarantees or smoothing) and enhancements or charges to retrospective reserve(s) may be grouped by the underlying cause of the 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) mismatch profits or 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 the 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 impacts.

...

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.

...

5. For each *combined category* (other than *category numbers* 500 and 600) and *risk category* with *category numbers* 160, 350, 400, 510 to 590, and 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 9.10 (rule 9.44 to guidance 9.45)

ENHANCED CAPITAL REQUIREMENT

(FORM ECR1)

ECR Calculation - Summary

Name of insurer

Financial year ended

		£000	Source:
Capital Resources	<u>1</u>		<i>Form:1 Line:13 Col:1</i>
Individual Minimum Capital Requirement (MCR)	<u>2</u>		<i>Form:1 Line:34 Col:1</i>

ECR Calculation

Asset Charge	<u>3</u>		<i>Sheet 2: Asset-related Capital Requirement</i>
Premium Charge - Accident Year Business	<u>4</u>		<i>Sheet 3: Insurance-related Capital Requirement Accident Year <u>Business Charge</u></i>
Technical Provision Charge - Accident Year Business	<u>5</u>		<i>Sheet 3: Insurance-related Capital Requirement Accident Year <u>Business Charge</u></i>
Premium Charge - Underwriting Year Business	<u>6</u>		<i>Sheet 4: Insurance-related Capital Requirement Underwriting Year <u>Business Charge</u></i>
Technical Provision Charge - Underwriting Year Business	<u>7</u>		<i>Sheet 4: Insurance-related Capital Requirement Underwriting Year <u>Business Charge</u></i>
Less Claims Equalisation Provisions Reserve	<u>8</u>		<i>Form:15 Line:14+15 Col:1</i>

ECR (3+4+5+6+7-8)	<u>9</u>	
ECR gross of Equalisation Provisions (3+4+5+6+7)	<u>10</u>	
ICG (if given)	<u>11</u>	
Capital Resources / ECR (1 / 9)	<u>12</u>	
Capital Resources plus Equalisation Provisions / ICG ([1+8] / 11, if ICG given)	<u>13</u>	
ICG / ECR gross of Equalisation Provisions (11 / 10, if ICG given)	<u>14</u>	

Asset-Related Capital Requirement (Category of assets 1 only)

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)
		(1)	(2)	(3)	Max [0, (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				

Insurance-Related Capital Requirement Charge - 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	Net Technical provision capital charge	
	FSA return source	1	FSA return source	2	FSA return source	3	4	5	Max[0,(1)] *(4)	Max[0,(2)+(3)] *(5)	
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	Form21 . Lines(11+12+ 13+14+ 15). Column s(5+6)					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					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 Treaty Business accepted (sum of lines 14 to 22)	23	F21L(1 1+ 12+13+ 14+15) C(5+6)			F22L(13 +14+17+ 18)C3		F21L19C 6+F22L(19-29)C3				
610: Proportional accident and health	24	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 Treaty Business accepted (sum of lines 24 to 32)	33		F21L(1 1+ 12+13+ 14+15) C(5+6)		F22L(13 +14+17+ 18)C3		F21L19C 6+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(1 1+ 12+13+ 14+15) C(5+6)		F22L(13 +14+17+ 18)C3		F21L19C 6+F22L(19-29)C3					
001: Total Business (sum of lines 1 to 12, 14 to 22, 24 to 32 and 34)	36	F21L(1 1+ 12+13+ 14+15) C(5+6)		F22L(13 +14+17+ 18)C3		F21L19C 6+F22L(19-29)C3					

Insurance-Related Capital Requirement Charge - 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 (£ 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
Direct and facultative business													
110: Total primary (direct) and facultative accident and health	1	Form 24. Line 19. Column 99		Form 25. Lines(11-12+13-14+15). Column 99		Form 25. Lines (22+23-24). Column 99		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	Form 28. Line 19. Column 99		Form 29. Lines (11-12+13-14+15). Column 99		Form 29. Lines (22+23-24). Column 99		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 Treaty 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	Form 28. Line 19. Column 99		Form 29. Lines (11-12+13-14+15). Column 99		Form 29. Lines (22+23-24). Column 99		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 Treaty 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

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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)

...

7. ...
- 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)

...

10. ...
- 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 1.1.77 R (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.

...