

**PRUDENTIAL REQUIREMENTS FOR INSURERS (AMENDMENT NO 6)
INSTRUMENT 2012**

Powers exercised

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

Commencement

- C. This instrument comes into force on 31 December 2012. The amendments to IPRU(FSOC) and IPRU(INS) apply to all FSA returns for financial years ending on or after 31 December 2012.

Amendments to the Handbook

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

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

Citation

- E. This instrument may be cited as the Prudential Requirements for Insurers (Amendment No 6) Instrument 2012.

By order of the Board
31 October 2012

Annex A

Amendments to the General Prudential sourcebook (GENPRU)

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

Table: Base capital resources requirement for an insurer

2.1.30 R This table belongs to *GENPRU* 2.1.29R

<i>Firm category</i>		Amount: Currency equivalent of
General insurance business		
Liability insurer (classes 10-15)	Directive mutual	€ 2.625 <u>2.775</u> million
	Non-directive insurer	€350,000
	Other (including mixed insurer but excluding pure reinsurer)	€ 3.5 <u>3.7</u> million
Other insurer	Directive mutual	€ 1.725 <u>1.875</u> million
	Non-directive insurer (classes 1 to 8, 16 or 18)	€260,000
	Non-directive insurer (classes 9 or 17)	€175,000
	Mixed insurer	€ 3.5 <u>3.7</u> million
	Other (excluding pure reinsurer)	€ 2.3 <u>2.5</u> million
Long-term insurance business		
Mutual	Directive	€ 2.625 <u>2.775</u> million
	Non-directive mutual	€700,000
Any other insurer (including mixed insurer but excluding pure reinsurer)		€ 3.5 <u>3.7</u> million
All business (<i>general insurance business</i> and <i>long-term insurance business</i>)		

<i>Pure reinsurer</i> excluding <i>captive reinsurer</i>	€ 3.5 <u>3.7</u> million
<i>Captive reinsurer</i>	€ 1.4 <u>1.2</u> million

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Calculation of the base capital resources requirement

2.3.9 R The amount of the *base capital resources requirement* for the *members* in aggregate is:

- (1) for *general insurance business*, €~~2~~ 3.7 million; and
- (2) for *long-term insurance business*, €~~2~~ 3.7 million.

Annex B**Amendments to the Prudential sourcebook for Insurers (INSPRU)**

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

1.1.45 R The *premiums amount* is:

- (1) 18% of the *gross adjusted premiums amount*; less 2% of the amount, if any, by which the *gross adjusted premiums amount* exceeds ~~€7.5~~ €1.3 million; multiplied by

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1.1.47 R The *claims amount* is:

- (1) 26% of the *gross adjusted claims amount*; less 3% of the amount, if any, by which the *gross adjusted claims amount* exceeds ~~€10.3~~ €2.9 million; multiplied by

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Annex C

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

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

Appendix 2

GENERAL INSURANCE BUSINESS SOLVENCY MARGIN

Part I: the Premiums Basis

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4. If the amount arrived at under 3 is more than ~~57.5~~ 61.3 million Euro, it must be divided into two portions, the former consisting of ~~57.5~~ 61.3 million Euro and the latter comprising the excess.

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Part II: the Claims Basis

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18. If the amount arrived at under 17 is more than ~~40.3~~ 42.9 million Euro, it must be divided into two portions, the former consisting of ~~40.3~~ 42.9 million Euro and the latter comprising the excess.

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Appendix 10

Prudential Reporting Forms

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FSC3 - FORM 11 (Sheet 1)

Returns under the Friendly Societies Prudential Rules
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General insurance business: Calculation of required margin of solvency – first method

FSC3 – Form11 (Sheet 1)

Name of Society

Period ended 31 December

	Reg No	Units £/£000
<div style="border: 1px solid black; width: 60px; height: 25px;"></div>	<div style="border: 1px solid black; width: 60px; height: 25px;"></div>	<div style="border: 1px solid black; width: 60px; height: 25px;"></div>

2 Last 12 months of previous period

Name of Fund/Summary

1 Last 12 months of this period

Gross premiums receivable	11			
Premium taxes and levies (included in line 11)	12			
Sub-total A (11 – 12)	15			
Division of Sub-total A	Other than health insurance	Up to and including sterling equivalent of 57.5 61.3 M Euro x 18/100	17	
		Excess (if any) over 57.5 61.3 M Euro x 16/100	18	
	Health insurance	Up to and including sterling equivalent of 57.5 61.3 M Euro x 6/100	19	
		Excess (if any) over 57.5 61.3 M Euro x 16/300	20	
Sub-total B (17 + 18 + 19 + 20)	21			
Gross premiums earned	22			
Premium taxes and levies (included in line 22)	23			
Sub-total H (22 – 23)	26			
Division of Sub-total H	Other than health insurance	Up to and including sterling equivalent of 57.5 61.3 M Euro x 18/100	28	
		Excess (if any) over 57.5 61.3 M Euro x 16/100	29	
	Health insurance	Up to and including sterling equivalent of 57.5 61.3 M Euro x 6/100	30	
		Excess (if any) over 57.5 61.3 M Euro x 16/300	31	
Sub-total I (28 + 29 + 30 + 31)	32			

FSC3 - FORM 11 (Sheet 2)

Returns under the Friendly Societies Prudential Rules
 General insurance business: Calculation of required margin of solvency – first method

Name of Society

Period ended 31 December

Reg No

Units £/£000

Name of Fund/Summary <input style="width: 260px; height: 25px;" type="text"/>		1 Last 12 months of this period	2 Last 12 months of this period
Sub-total J (greater of sub-total B and sub-total I)	40	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
Claims paid in 3 year period	41	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
Claims outstanding carried forward at the end of the period	43	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
Claims outstanding brought forward at the beginning of the period	45	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
Sub-total C (41 + 43 – 45)	46	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	47	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
Sub-total D (46 – 47)	48	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
First result $\text{Sub-total J} \times \frac{\text{Sub-total D}}{\text{Sub-total C}} \quad (\text{or, if } 0.5 \text{ is greater, } \times 0.5)$	49	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
Provisions for claims outstanding (before discounting and net of reinsurance)	50	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
Brought forward amount (12.43.2 x 50.1 / 50.2 or, if less, 12.43.2)	51	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>
Greater of lines 49 and 51	52	<input style="width: 100%; height: 25px;" type="text"/>	<input style="width: 100%; height: 25px;" type="text"/>

NOTES

1. Entries in column 2, lines 17-20 and 28-31 must be the corresponding entries in column 1 of the Form for the previous year, even if the amount of Euro in the description of the line has changed.
2. 51.2 must be 11.51.2 from the previous year's return.

FSC 3 – FORM 12**Returns under the Friendly Societies Prudential Rules**

General insurance business: Calculation of required margin of solvency – second method, and statement of required minimum margin

Name of Society

Period ended 31 December

	Reg No	Units £/£000
<input style="width: 60%; height: 20px;" type="text"/>	<input style="width: 60%; height: 20px;" type="text"/>	<input style="width: 60%; height: 20px;" type="text"/>

Name of Fund/Summary		1 Last 12 months of this period	2 Last 12 months of the previous period		
Reference period (means the three last preceding financial years) (Note 1)	11				
Claims paid in reference period	21				
Claims outstanding carried forward at the end of the period	23				
Claims outstanding brought forward at the beginning of the period	25				
Sub-total E (21 + 23 – 25)	29				
Sub-total F: Conversion of Sub-total E to annual figure (multiply by 12 and divide by the number of months in the reference period)	31				
Division of Sub-total F	Other than health insurance	Up to and including sterling equivalent of 40.3 42.9M Euro x 26/100 (note 3)	32		
		Excess (if any) over 40.3 42.9M Euro x 23/100 (note 3)	33		
	Health insurance	Up to and including sterling equivalent of 40.3 42.9M Euro x 26/300 (note 3)	34		
		Excess (if any) over 40.3 42.9M Euro x 23/300 (note 3)	35		
Sub-total G (32 to 35)	39				
Second result Sub-total G x $\frac{\text{Sub-total D}}{\text{Sub-total C}}$ (or, if 0.5 is greater, x 0.5)	41				
Higher of first result and brought forward amount (Note 2)	42				
Required margin of solvency (the higher of lines 41 and 42)	43				
Minimum guarantee fund	44				
Required minimum margin (the higher of lines 43 and 44)	49				

NOTES

1. If the society has not been in existence long enough to acquire a reference period, this must be stated and lines 11 to 41 ignored.
2. The entry at line 42 must be equal to the entry at line 52 on Form 11.
3. Entries in column 2, lines 32-35 must be the corresponding entries in column 1 of the Form for the previous year, even if the amount of Euro in the description of the line has changed.

Annex D

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

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

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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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

2/3

	This financial year		Previous year
	1		2
Gross premiums written	11		
Premium taxes and levies (included in line 11)	12		
Premiums written net of taxes and levies (11-12)	13		
Premiums for classes 11, 12 or 13 (included in line 13)	14		
Premiums for "actuarial health insurance" (included in line 13)	15		
Sub-total A (13 + ½ 14 - ⅔ 15)	16		
Gross premiums earned	21		
Premium taxes and levies (included in line 21)	22		
Premiums earned net of taxes and levies (21-22)	23		
Premiums for classes 11, 12 or 13 (included in line 23)	24		
Premiums for "actuarial health insurance" (included in line 23)	25		
Sub-total H (23 + ½ 24 - ⅔ 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: x 0.18	32		
sub-total I (or adjusted sub-total I if appropriate) Excess (if any) over 57.5 61.3M 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		
	43		
Claims outstanding brought forward at the beginning of the 3 year period For insurance business accounted for on an accident year basis	44		
	45		
	46		
	47		
Sub-total C (41+42+43-44-45)	48		
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	49		
Sub-total D (46-47)	50		
Reinsurance ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)	51		
Premiums amount (Sub-total J x reinsurance ratio)	52		
Provision for claims outstanding (before discounting and net of reinsurance)	53		
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero.	54		
Brought forward amount (See instruction 4)			
Greater of lines 50 and 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 <i>INSPRU</i> 1.1.63R			11			
Claims paid in reference period			21			
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		22			
	For insurance business accounted for on an accident year basis		23			
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		24			
	For insurance business accounted for on an accident year basis		25			
Claims incurred in reference period (21+22+23-24-25)			26			
Claims incurred for classes 11, 12 or 13 (included in 26)			27			
Claims incurred for "actuarial health insurance" (included in 26)			28			
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 40.3 42.9M EURO x 0.03		33			
			39			
Sub-total G (32 - 33)			41			
Claims amount Sub-total G x reinsurance ratio (11.49)			42			
Higher of premiums amount and brought forward amount (11.54)			43			
General insurance capital requirement (higher of lines 41 and 42)						