



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP18/16

Reporting requirements for non-Solvency II insurance firms

May 2016

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Responses are requested by Monday 13 June 2016.

Please address any comments or enquiries to:

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1 Overview

1.1 This consultation paper (CP) sets out proposals for new reporting rules in the Prudential Regulation Authority (PRA) Rulebook that would apply to insurance firms that are outside the scope of Solvency II from 1 January 2016. Collectively, these firms are referred to as non-directive firms (NDFs).

1.2 This consultation proposes to update the current rules which apply to NDFs: transposing PRA Handbook material relevant to NDFs into the Rulebook format; amending the reporting rules following the changes to the prudential regime for non-Solvency II insurance firms published in Policy Statement 26/15 'The prudential regime, and implementation of the Senior Insurance Managers Regime, for non-Solvency II firms';¹ and rationalising and simplifying some of the requirements where possible.

1.3 In CP27/15 'The prudential regime for non-Solvency II insurance firms and consequential amendments'² the PRA consulted on transposing PRA Handbook material relevant to NDFs into the Rulebook format. These proposals included the deletion of the Handbook modules IPRU(INS) and IPRU(FSOC). CP27/15 noted that firms would be required to comply with reporting rules contained in Chapter 9 of IPRU(INS) or Chapter 5 of IPRU(FSOC) until 31 December 2015, with the PRA proposing new rules in 2016. This CP sets out those proposals.

1.4 In line with the PRA's general approach to transposing material from the PRA Handbook to the Rulebook, the PRA proposes to consolidate the Handbook material into new or existing parts. In this CP, the PRA proposes to create two new Rulebook Parts within the Non-Solvency II Firms sector:

- (i) Insurance Company – Reporting; and
- (ii) Friendly Society - Reporting.

1.5 The scope of application of each Part reflects how the rules currently apply to NDFs. Therefore there are generally separate Parts of the Rulebook for friendly societies and other insurers. This is why the PRA has separated the rules applying to friendly societies and other NDFs into two distinct parts.

1.6 The rules proposed in this CP are not intended to represent a fundamental policy change; they are, in substance, replacing the equivalent rules currently in the Handbook where appropriate, consolidating reporting requirements, deleting redundant requirements and making certain minor consequential amendments arising from changes to the prudential regime for NDFs.

Content mapping

1.7 The table below maps modules from the PRA Handbook to the corresponding Rulebook Part.

¹ November 2015; www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2615.aspx.

² August 2015; www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp2715.aspx.

Handbook Module	Rule Part
IPRU(INS) Chapter 9	Non Solvency II Firms - Insurance Company - Reporting
IPRU(INS) Appendix 9.1, 9.2, 9.3, 9.4, 9.5, 9.6, 9.8	Non Solvency II Firms - Insurance Company - Reporting and supervisory statement
IPRU(FSOC)5.2, 5.3. 5.13, 5.21-25	Non Solvency II Firms - Friendly Society - Reporting

Grandfathering of waivers

1.8 NDFs with waivers in relation to the IPRU(INS)¹ reporting rules will benefit from the automatic 'grandfathering' of these to the equivalent reporting rules in the new regime.

Consequential amendments

1.9 This CP includes a legal instrument which amends the PRA Rulebook to remove certain references to rules and provisions as at 31 December 2015.

Responses and next steps

1.10 This consultation closes on Monday 13 June 2016. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP18_16@bankofengland.co.uk.

2 Non-Solvency II firms (except friendly societies)

2.1 The draft rules for NDFs (except friendly societies) do not include substantive policy changes but rather reflect changes to the prudential regime for NDFs following PS26/15.

2.2 The proposed reporting rules will apply to all NDFs (except friendly societies) with financial years ending on or after 1 July 2016. For the purpose of comparison in the forms submitted in the first year, figures that were included in the previous financial year returns should be included in the shaded boxes. There has been no change to the frequency of reporting.

2.3 All reporting forms should be submitted to the PRA in electronic format. The structure of the reporting forms remains unchanged. The data items that are no longer required have been greyed out but the (row and column, order and numbering) format has been maintained so that existing processes used to produce the returns can be retained.

2.4 The scope of all forms has been amended to reflect the fact that the 'UK branch return' and the 'EEA Branch return' are no longer required to be submitted except for those forms which apply only to Swiss general insurers writing direct insurance business through branches in the United Kingdom.

2.5 The PRA proposes the following amendments to Forms 1, 2 and 3 which reflect the amendments made to the capital requirements in PS26/15:

- simplify the calculation of the CR Requirements (previously named CRR);
- delete adjusted solo solvency calculation approach;
- delete Guarantee fund requirements;

¹ There are no current waivers in relation to the IPRU(FSOC) reporting rules.

- delete enhanced capital requirements; and
- delete resilience capital requirements.

2.6 With regard to Form 12, the PRA proposes to amend the calculation of gross adjusted premium amount and claims amount so that only one multiplier is required. The new calculation better represents the current population of NDF insurers.

2.7 The PRA proposes to delete the requirement to report the equalisation provisions from Forms 15 and 16.

2.8 The PRA proposes to update Form 50 with new summary categories in order to facilitate the removal of the requirement to submit the related forms.

2.9 In line with supervisory practices, the PRA proposes to delete the granular detailed Forms 18, 19, 37, 38, 39, 47- 49 and 51-59B where the aggregate data reported in other form is fit for purpose.

2.10 The PRA proposes a revised and simplified Abstract of Valuation Report (IPRU(INS) Appendix 9.4) which has been incorporated into the proposed rules and instructions.

3 Non-Solvency II firms - friendly societies

3.1 The PRA's proposals relating to NDFs that are friendly societies do not change the substance of the current policy. The simplified reporting return FSC2 will be required from all NDF friendly societies (incorporated and unincorporated) going forward to better reflect the size and complexity of the friendly societies currently in scope of NDF reporting requirements. FSC1 and FSC3 will no longer be required. The FSC4 return will still be required to be submitted annually.

3.2 The frequency of the FSC2 return will remain three-yearly. To better align the new reporting requirements and enable better comparability and benchmarking, all friendly societies will be required to submit the first FSC2 return for financial year-end 2017.

3.3 The FSC4 must still be submitted by all firms annually, starting at year-end 2016. The first submission of the FSC4 certificate for year-end 2016 should state that there has been no material change in the firm's financial condition since the last submission of its FSC1, FSC2 or FSC3 return as appropriate under IPRU(FSOC) as at 31 December 2015.

3.4 Partnership pension friendly societies and flat rate benefits society are not impacted by the proposed changes in this CP. The reporting requirements under the Friendly Societies Act 1992¹ and the Friendly Societies Act 1974² will also continue to apply.

3.5 Statutory submissions of accounts under the Friendly Societies Acts 1992¹ and 1974² are not affected by these rules.

1 Friendly Societies Act 1992: www.legislation.gov.uk/ukpga/1992/40/pdfs/ukpga_19920040_en.pdf.

2 Friendly Societies Act 1974: www.legislation.gov.uk/ukpga/1974/46/contents.

4 The PRA's statutory obligations

4.1 Before making any rules the Financial Services and Markets Act 2000 (FSMA)¹ requires the PRA to publish a draft of the proposed rules accompanied by:

- a cost benefit analysis;
- a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons;²
- an explanation of the PRA's reasons for believing that making the proposed rules is compatible with the PRA's duty to act in a way that advances its general objective,³ insurance objective⁴ (if applicable), and secondary competition objective;⁵ and
- an explanation of the PRA's reasons for believing that making the proposed rules are compatible with its duty to have regard to the regulatory principles.⁶

4.2 The PRA is also required by the Equality Act 2010⁷ to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.

Cost benefit analysis

4.3 The PRA is required to perform an analysis of the economic impact in respect of proposed rules. The purpose of this CP is to remove data requirements or templates that are redundant due to changes in the prudential regime or where the data can be sufficiently replaced. The PRA considers that the proposals in this CP do not amount to a material loss in benefit to the PRA and do not pose any material additional costs to those firms in scope. There will be a marginal cost to those friendly societies which were not required to submit an FSC2 return before year-end 2018 but which, under the current proposals, will be required to submit the return a year early for year-end 2017. The benefits to the PRA of comparability and benchmarking from having all friendly societies submit reports for the same calendar year outweigh the costs.

4.4 The proposals are compatible with the PRA's statutory objectives under FSMA to promote the safety and soundness of PRA authorised firms, and in the context of insurance, to contribute to policyholder protection. The proposals advance the PRA's general and insurance-specific objectives by assisting firms to meet the PRA's requirements.

4.5 When discharging its general rule-making function, the PRA must, so far as is reasonably possible, facilitate effective competition in the markets for services provided by PRA authorised persons in carrying on regulated activities. The PRA has assessed whether the proposals in this CP facilitate effective competition. These proposals relate to existing rules and guidance which are being carried over to the Rulebook. The PRA considers that these proposals do not give rise to any adverse effects on competition and could facilitate effective

1 Section 138J of FSMA.

2 Section 138K of FSMA.

3 Section 2B of FSMA.

4 Section 2C of FSMA.

5 Section 2H(1) of FSMA.

6 Sections 2H(2) and 3B of FSMA.

7 Section 149.

competition by reducing unnecessary regulatory burdens. The PRA therefore considers the content of this consultation to be compatible with its secondary objective.

Regulatory principles

4.6 In making its rules and establishing its practices and procedures, the PRA must have regard to the Regulatory Principles as set out in FSMA. The principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction. The PRA has followed this principle when developing the proposals outlined in this CP, and has indicated in the CP the key areas of its judgements. The PRA's approach of only proposing the imposition of reporting requirements in areas where they are really believed to be necessary is consistent with taking a proportionate approach.

Impact on mutuals

4.7 FSMA requires that PRA assesses whether, in its opinion, the impact of the proposed rules on mutuals will be significantly different from the impact on other firms. The PRA does not expect the incremental costs to differ for mutual firms compared to other firms.

Equality and diversity

4.8 The PRA may not act in an unlawfully discriminatory manner. It is required, under the Equality Act 2010, to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions. To meet this requirement, the PRA has performed an assessment of the policy proposals and does not consider them to give rise to equality or diversity implications. The PRA expects any incremental costs arising from its proposals to be only of minimal significance.

Appendices

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|----------|--|
| 1 | Draft rule: PRA Rulebook: Non-Solvency II firms: Insurance company reporting instrument available at
www.bankofengland.co.uk/pr/Pages/publications/cp/2016/cp1816.aspx |
| 2 | Draft non-Solvency II Firm (except friendly societies) reporting templates available at
www.bankofengland.co.uk/pr/Pages/publications/cp/2016/cp1816.aspx |
| 3 | Draft supervisory statement 'Reporting instructions for non-Solvency II firms' |
| 4 | Draft rule: PRA Rulebook: Friendly Society - Reporting Instrument available at
www.bankofengland.co.uk/pr/Pages/publications/cp/2016/cp1816.aspx |
| 5 | Draft non-Solvency II firm - friendly society - reporting templates available at
www.bankofengland.co.uk/pr/Pages/publications/cp/2016/cp1816.aspx |
| 6 | Draft rule: PRA Rulebook: Glossary and insurance consequential instrument available at
www.bankofengland.co.uk/pr/Pages/publications/cp/2016/cp1816.aspx |
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Appendix 3: Draft supervisory statement ‘Reporting instructions for non-Solvency II insurance firms

1 Introduction

1.1 This supervisory statement sets out the expectations on firms of the Prudential Regulation Authority (PRA) with regard to the data items required under the Insurance Company – Reporting Part of the PRA Rulebook. This will ensure a consistent reporting framework to enable the PRA to use the information collected efficiently and effectively. It allows the PRA to meet its objectives for promoting the safety and soundness for firms, as it enables the PRA to monitor firms’ compliance with the requirement to maintain adequate financial resources and with other requirements and standards under the regulatory system.

1.2 This supervisory statement is relevant to insurance firms that are outside the scope of Solvency II and are not friendly societies. Collectively, these firms are referred to as non-Directive firms (NDFs).

2 Completing data items

2.1 The guidance on completing data items is set out in the appendix to this supervisory statement.

2.2 Italicised text in the accompanying appendices has the same meaning given in the glossary in the Insurance Company – Reporting Part of the PRA Rulebook, or in the PRA Rulebook glossary.

Appendix to draft supervisory statement: Non-Directive insurance firm reporting instructions

Non-Directive insurance firm reporting instructions

Form 1 - Statement of solvency – general insurance business

Instructions for completion of Form 1

- 1 An insurer carrying on general insurance business must complete Form 1 in respect of its entire general insurance business. Form 1 is not required for Swiss general insurers.
- 2 In the case of a *marine mutual* completing an abbreviated *return* under Insurance Company – Reporting 10.2, units must be the same as those used in Form M1.
- 3 [deleted]
- 4 The entry at line 13 must be equal to the *total capital resources* after deductions at line 79, column 1 on Form 3. The entry at line 11 includes also *capital resources* allocated towards the *long-term insurance business* (and included in column 2 on Form 3) that arise outside the *long-term insurance fund*.
- 5 For a *firm* carrying on *long-term insurance business* the entry at line 12 on Form 1 must equal the entry at line 12 on Form 2. For a *firm* not carrying on *long-term insurance business* the entry at line 12 on Form 1 is nil.

Instructions 6, 7 [deleted]

- 8 The *general insurance capital requirement* at line 31 must be equal to the amount shown at line 43 of Form 12, which is calculated in accordance with Insurance Company – Capital Resources Requirements 7.1.
- 9 The *base capital resources requirement* at line 33 must be taken from Insurance Company – Capital Resources Requirements 6.1.
- 9A The capital resources requirement (CR Requirement) at line 36 is calculated in accordance with Insurance Company – Capital Resources Requirements 4.2 and is the higher of lines 31 and 33.

Instructions 9B, 9C [deleted]

- 10 The excess (deficiency) of available *capital resources* to cover 50% of the CR Requirement at line 37 is equal to line 82, column 1 on Form 3 less 50% of line 36.
- 11 The excess (deficiency) of available *capital resources* to cover 75% of the CR Requirement at line 38 is equal to line 83, column 1 on Form 3 less 75% of line 36.
- 12 The CR *requirement* at line 41 is equal to line 36.

Instructions 13, 14, 15, 16, 16A, 16B, 17, 18 19 and 20 [deleted]

- 21 The entry at line 51 must not include provision for any liability to tax on capital gains. Amounts in affiliated companies *must* not be included.
- 22 Where a direction under section 138A of the Act has been issued dis-applying or modifying any of the provisions of the *Accounts and Statements Rules*, a note to *Form 1* explaining the effect of the order is usually required [Code 0101].
- 23 If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due to solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 0111] to Form 1 (Insurance Company – Reporting 6.13).

Form 2 - Statement of solvency – long-term insurance business

Instructions for completion of Form 2

- 1 An insurer carrying on long-term insurance business must complete Form 2 in respect of its entire long-term insurance business.
- 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*.

Instructions 3, 4, 5 and 6 [deleted]

- 7 The *long-term insurance capital requirement* at line 31 must be equal to the amount shown at line 51 of Form 60, which is calculated in accordance with the Insurance Company – Capital Resources Requirement 14.1
- 8 [deleted]
- 9 The *base capital resources requirement* at line 33 must be taken from the Insurance Company – Capital Resources Requirements 6.1.
- 9A Capital resources requirement (CR Requirement) at line 36 is calculated in accordance with the Insurance Company – Capital Resources Requirements 4.3, and is the greater of line 33 and line 31.

Instructions 9B, 9C [deleted]

- 10 The excess (deficiency) of available *capital resources* to cover 50% of the CR Requirement at line 37 is equal to line 82, column 1 on Form 3 less 50% of line 36.
- 11 The excess (deficiency) of available *capital resources* to cover 75% of the CR Requirement at line 38 is equal to line 83, column 1 on Form 3 less 75% of line 36.

Instructions 12, 13 [deleted]

- 14 The CR *Requirement* at line 41 is equal to line 36.

Instructions 15, 16, 17, 17A, 17B, 17C, 17D, 18, 19, 20, 21, 22 and 23 [deleted]

- 24 The entry at line 51 must not include provision for any liability to tax on capital gains. Amounts in affiliated companies *must* not be included.
- 25 Where a direction under section 138A of the *Act* has been issued disapplying or modifying any of the provisions of the *Accounts and Statements Rules*, a note to Form 2 explaining the effect of the direction is usually required. The requirement for such a note would be specified in the direction

itself [Code 0201].

- 26 If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due to solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 0211] to Form 2 (Insurance Company – Reporting 6.13).

Form 3 - Components of capital resources

Instructions for completion of Form 3

- 1 An *insurer* other than a *Swiss general insurer* must complete Form 3 in respect of its entire business.
- 2 An *insurer* that is carrying on *long-term insurance business*, other than a *mutual* not carrying on *general insurance business*, that includes within its *capital resources* any capital instruments issued by its *long-term insurance fund*, must include a supplementary note [Code 0302] analysing those instruments.
- 3 In the case of a *marine mutual* completing an abbreviated *return* under the Insurance Company – Reporting 10.2, units must be the same as those used in Form M1. If units are in US\$ or US\$000, then the bases of conversion used in determining the *base capital resources requirement* must be those used in Forms 11 and 12.
- 4 Amounts in columns 1 and 2 refer to capital supporting the *general insurance business* and the *long-term insurance business* respectively. For a *firm* carrying on only *general insurance business* column 2 should be blank. For a *firm* carrying on only *long-term insurance business* column 1 should be blank. All items relating to the *long-term insurance fund* should be included in column 2. For a *composite firm* capital items arising outside the *long-term insurance fund* should be allocated between *general insurance business* and *long-term insurance business* in a manner consistent with the firm's view of what business that capital supports. Where there is a material change in way capital items are allocated from one year to the next, the *firm* should explain the change in a supplementary note [Code 0303].
- 5 Column 3 is the sum of columns 1 and 2.
- 6 [deleted]
- 7 Amounts at lines 11-13 should be taken from the *firm's* stand-alone accounts prepared under the Companies Acts 1985 or 2006, as appropriate, or (for firms not preparing accounts under the Companies Act legislation) equivalent overseas legislation or the applicable UK legislation.
- 8 The entry at line 15.2 must be the FFA taken from the *firm's* stand-alone accounts prepared under the Companies Acts 1985 or 2006, as appropriate, or (for *firms* not preparing accounts under the Companies Act legislation) equivalent overseas legislation or the applicable *United Kingdom* legislation. The entry at line 15 column 1 must be blank.
- 9 The Insurance Company – Capital Resources 5.7 explains how to calculate the valuation differences for inclusion at line 14 or 35. Inadmissible assets or assets in excess of *market risk* and *counterparty* limits are not to be included in the valuation differences. Net valuation differences are shown at line 14 if positive or in line 35 if negative. The *firm* must state in a supplementary note [Code 0310] to this form –
 - (a) The amount of positive valuation differences included within line 14 or 35 in respect of assets where valuation in accordance with the *specific valuation*

rules exceeds the valuation that the *firm* uses for external financial reporting purposes, together with a brief explanation indicating the nature of those assets;

- (b) The amount of positive valuation differences included within line 14 or 35 in respect of liabilities where valuation in accordance with the *specific valuation rules* is lower than the valuation that the *firm* uses for external financial reporting purposes, together with a brief explanation indicating the nature of those liabilities;
- (c) The amount of negative valuation included within line 14 or 35 in respect of assets where valuation in accordance with the *specific valuation rules* is lower than the valuation that the *firm* uses for external financial reporting purposes (excluding inadmissible assets and assets in excess of *market risk* and *counterparty* limits), together with a brief explanation indicating the nature of those assets; and
- (d) The amount of negative valuation included within line 14 or 35 in respect of liabilities where valuation in accordance with the *specific valuation rules* exceeds the valuation that the *firm* uses for external financial reporting purposes (excluding amounts deducted from *technical provisions* for discounting shown at line 34), together with a brief explanation indicating the nature of those liabilities.

The amount in (a) plus the amount in (b) less the amount in (c) less the amount in(d) should equal the amount shown at line 14 if positive or at line 35 if negative."

- 10 [deleted]
- 11 Amounts may only appear in lines 21 and 22 if the *PRA* has issued a *waiver* permitting these amounts to count as *tier one capital* (tier one waivers). These amounts are restricted by the Insurance Company – Capital Resources 2.3, so that amounts in line 24 may not be greater than the sum of the corresponding amounts in lines 19 and 37. If the *PRA* has issued a *waiver* permitting amounts to count as *tier two capital* (tier two waivers), these are to be included at line 41, together with any amounts that arise from the restriction at Insurance Company – Capital Resources 2.3.
- 12 [deleted]
- 13 The entries at lines 25 and 27 must be restricted to comply with the Insurance Company – Capital resources 2.3 and 2.4, so that the total of the amounts in lines 24, 25 and 27 is not greater than the total amount in line 19 plus line 37, and the amount in line 27 is not greater than 15/85 of the total of the amounts in lines 19, 24 and 25 minus line 37. Amounts in excess of the limits are entered at lines 42 and 43 respectively.
- 14 [deleted]
- 15 The entries at line 32 for investments in own *shares* should, in the majority of cases, be zero.
- 16 For the purpose of completing line 33, the *firm* should refer to the Insurance Company – Capital Resources 8.1.

- 17 The amounts in line 34 must be calculated in accordance with Insurance Company – Capital Resources 5.8 and 5.9.
- 18 [deleted]
- 19 The entries at lines 45 and 46 for perpetual cumulative *preference shares*, subordinated *debt* and *securities* must be the total, unrestricted, amounts that the *firm* can include in *upper tier two capital* in accordance with the Insurance Company – Capital Resources 9.1 to 9.6 and 10.1 to 10.2.
- 20 [deleted]
- 21 The types of capital instrument that a *firm* can include within its *lower tier two capital* are set out in the Insurance Company – Capital Resources 9.1 to 9.6 and I 11.1 to 11.2. These should be split between fixed term *preference shares* and other *tier two instruments* and entered at lines 51 and 52 respectively.
- 22 [deleted]
- 23 The effect of the restrictions at the Insurance Company – Capital Resources 2.5 applying to *tier two capital* is shown at lines 62 and 63. Line 62 relates to *tier two capital* as a whole and equals the excess (if any) of line 61 over line 39. Line 63 relates to *lower tier two capital* and equals the excess (if any) of line 59 over the sum of line 62 and 1/2 line 39.
- 24 Line 71 must show positive adjustments for affiliated companies that are *regulated undertakings* (other than *insurance undertakings*) required by the Insurance Company – Capital Resources 12.3.
- 25 Line 73 must show the deductions for assets that are not *admissible assets* required by the Insurance Company – Capital resources 12.1.
- 26 Line 74 must show the assets in excess of *market risk* and *counterparty limits* in Insurance Company – Exposure Limits 7.2 to 7.4.
- 27 Line 75 must show negative adjustments for affiliated company *that are ancillary services undertakings* required by the Insurance Company – Capital Resources 12.2.
- 28 Line 76 must show negative adjustments for affiliated companies *that are regulated undertakings* (other than *insurance undertakings*) required by the Insurance Company – Capital Resources 12.3.
- 29 The entries at line 77 must be nil.
- 30 [deleted]
- 31 The entry at line 82 is determined as the amount of the *firm's capital resources* available to meet 50% of its capital resources requirement. Line 82 must be either:
- line 79; or
 - (if less) the sum of lines 19, 24, 25 and 42 less line 37.

- 32 The entry at line 83 is determined as the amount of the *firm's capital resources* available to meet 75% of its requirement. Unless some *innovative tier one capital* does not meet the conditions for it to be treated as *upper tier two capital* (when an adjustment may be needed), line 83 must be either:
- line 79; or
 - (if less) the sum of lines 19, 24, 25, 27, 41, 42, 43, 45 and 46 less the sum of line 37 and any excess of the sum of lines 27, 37, 41, 43, 45 and 46 over the sum of lines 19, 24, 25 and 42.

Instructions: 33 to 57 [deleted]

- 58 Any arrangement relating to *long-term insurance business* which is not entered in lines 91 to 95, but which falls within the definition of financing arrangement, must be disclosed in a supplementary note [Code 0305] to this Form.
- 59 The entry at line 91 (implicit items) must equal the sum of the entries at lines 22 and 41. Lines 92 to 95 do not apply to *general insurance business* and line 91 is only likely to apply to *long-term insurance business*.
- 60 The entry at line 92 must equal the gross amount of any contingent liability to repay a *debt* to or recapture a liability from a *reinsurer* not already recognised in Form 14. The *firm* must provide in a supplementary note [Code 0306] to this Form the following information on each material *reinsurance* arrangement:
- the amount of any *reinsurance* offset (i.e. the amount of the difference between the *mathematical reserves* at the end of the *financial year in question* were that *reinsurance* to be ignored and the amount of the *mathematical reserves* after deducting the *mathematical reserves* reinsured);
 - the amount of the contingent liability for payment to the *reinsurer*; and
 - the commutation value, at the end of the *financial year in question*, of the *reinsurance* arrangement.
- 61 The entry at line 93 must equal the amount of any contingent asset receivable from a *cedant* not already recognised in Form 13 or 14. The *firm* must provide in a supplementary note [Code 0307] to this Form the following information on each material outgoing *reinsurance* arrangement:
- the amount of any *reinsurance* liability (i.e. the amount of the difference between the *mathematical reserves* at the end of the *financial year in question* including the *mathematical reserves* reinsured 'in', and the amount of the *mathematical reserves* were that *reinsurance* to be ignored);
 - the amount of the contingent asset for payments from *cedants*; and
 - the commutation value at the end of the *financial year in question* of the *reinsurance* arrangement.

- 62 The amount to be shown for contingent loans at line 94 must be the amount, including any interest accrued, still to be repaid from future profits under the arrangements, as at the end of the *financial year in question*, not already recognised in Form 14.
- 63 Line 95 must include the potential charge against future profits in respect of any other types of financial engineering not included in lines 91 to 94 where the gross amount of any contingent liability is not already recognised in Form 14.
- 64 The *firm* must provide an explanation of the nature of the adjustments in line 94 and 95 in a supplementary note [Code 0308] to this Form, together with the amount of the adjustment for each material arrangement. As part of this note, the commutation value of each of the items included at lines 94 and 95, to the extent that value is not already a component of line 79, must be disclosed.
- 65 Details of any promises to *long-term insurance business policyholders* conditional upon future profits (other than bonuses not yet declared), or other charges to future profits not already disclosed, must be provided in a supplementary note [Code 0309] to this Form.
- 66 A reconciliation of net *admissible assets* to *total capital resources* after deductions (line 79) must be provided as a supplementary note [Code 0301]. The reconciliation must contain the following items:
- (i) Net *admissible assets* [Form 13 line 89 (other than long-term business) plus Form 13 line 89 (long-term) less the sum of lines 11, 12 and 49 in Form 14 less Form 15 line 69]
 - (ii) Any components of *capital resources* that are treated as a liability in Form 14 or 15 (each to be specified and identified to the entries on Forms 3 and 14/15). (In particular this would include any subordinated loan capital.) [These items would be added to net *admissible assets* in the reconciliation]
 - (iii) Any components of *capital resources*, not included in (ii), that arise as a result of a *waiver* and are not represented by *admissible assets* included in Form 13 (each to be specified and identified to the entries on Form 3). (In particular this would include any *implicit items* included as a result of a *waiver* within *capital resources*.) [These items would be added to net *admissible assets* in the reconciliation]
 - (iv) Any other items, each such item to be separately specified. An explanation of each such item is to be provided together with, if applicable, the reference to where the item is included elsewhere in the *return* or in the *firm's* stand-alone accounts prepared under the Companies Acts 1985 or 2006, as appropriate, or (for *firms* not preparing accounts under the Companies Act legislation) equivalent overseas legislation or the applicable *United Kingdom* legislation). [These items would be added to or deducted from net *admissible assets* in the reconciliation as appropriate.]

The net *admissible assets* in item (i) plus or minus the additions and deductions in items (ii) to (iv), should equal line 79 (Total capital resources after deductions).

- 67 Where a direction under section 138A of the *Act* has been issued to an

insurer permitting it to take into account *implicit items* on *long-term insurance business*, that direction may specify that a note is to be included in the *return* explaining such items. That note must be included as a note to *Form 3* [Code 0312].

- 68 A reconciliation of profit and loss account and other reserves (line 12) as at the end of this financial year and the end of the previous financial year (columns 3 and 4) to the profit and loss retained (*Form 16* line 59) must be provided as a supplementary note [Code 0313].
- 69 If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due to solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 0311] to *Form 3* (the Insurance Company – Reporting 6.13).

Form 10 - Statement of net assets

Instructions for completion of Form 10

- 1 *Swiss general insurer* must complete Form 10 in respect of business carried on through a *branch* in the *United Kingdom*.
- 2 [deleted]
- 3 [deleted]
- 4 Line 64 must be Form 15.61.2 less 15.61.1.
- 5 Line 65 should include transfers from or to head office note [Code 1002].
- 6 If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due to solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 1011] to Form 10 (the Insurance Company – Reporting 6.13).

Form 11 - Calculation of general insurance capital requirement – premiums amount and brought forward amount

Instructions for completion of Forms 11

Long-term insurance business

- 1 [deleted]
- 2 When Form 11 and 12 do not need to be completed in relation to long – term insurance business, in accordance with the Insurance Company – Reporting 3.4, 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 *mixed insurer* and supplementary accident and sickness insurance, must be given in a supplementary note [Code 6001].
- 3 When completing Forms 11 and 12 for *long-term insurance business* the accounting conventions for *general insurance business* should be followed, but reasonable approximations may be used if they are unlikely to result in an underestimate of the *insurance health risk and life protection reinsurance capital component*.

Marine mutuals

- 4 In the case of a *marine mutual* completing an abbreviated *return* under Insurance Company - Reporting 10.2. , units must be the same as those used in Form M1. If units are in US\$ or US\$000, the bases of conversion adopted must be stated by way of a supplementary note to Form 11 [Code 1101].
- 5 [deleted}

Prior year figures

- 6 Insurance Company – Capital Resources Requirements 12.3 requires re-calculation of the *gross adjusted premiums amount* and the *gross adjusted claims amount* when there has been a significant change to the business portfolio. This may alter the *claims amount* or the *premiums amount* used in calculating the *general insurance capital requirement* for the *financial year* in question. For this reason, entries in column 2 (but not the *brought forward amount*: this should (errors excepted) equal the *brought forward amount* calculated in the previous year's return) may differ from the corresponding entries from the previous year. Any restatement of the figures should be explained by way of a supplementary note to Form 11 [Code 1102].
- 7 The amounts to be shown in column 2 must be the amounts shown in column 1 for the previous *financial year*, unless Forms 11 was not completed for the previous *financial year*. In that event column 2 must be left blank, apart from the amounts in 11.51.2 and 11.52.2. The amounts in 11.51.2 must be calculated in accordance with the rules in force at the date to which they relate.
- 7A If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due to solely to the use of a different rate to express other currencies in sterling then the reason

must be stated in a supplementary note [Code 1111] to Form 11(the Insurance Company – Reporting 6.13).

Instruction 8, 9 [deleted]

Premiums and claims

10 *Premiums and claims* are defined by references to *contracts of insurance* and these, themselves, are defined by the *Regulated Activities Order* so that *premiums* or *claims* may be included for contracts that would not be treated as insurance under normal accounting conventions. All direct and indirect costs related to the *claims* must be included. For *life protection reinsurance business* and *permanent health reinsurance business* the discount to the *premium*, during any initial period, to allow for acquisition expenses of the cedant, must be ignored, i.e. an adjustment must be made to *premiums* written and *premiums* earned as if the *premium* is the amount excluding the discount and the discount had been accounted for as an expense.

10A Notwithstanding the requirements of the *insurance accounts rules*, amounts included in *Forms 11* in respect of –
 (a) *gross written premiums*;
 (b) *gross earned premiums*;
 (c) *claims* paid;
 (d) *claims* outstanding; and
 (e) *reinsurance recoveries*,

must be determined in accordance with the Insurance Company – Capital Resources Requirements 12.1 and 12.3.

10B Where any amount included in *Form 11* pursuant to (10A) differs from the aggregate of the corresponding amounts included in *Forms 21,22, 24* and *25*, there must be stated by way of supplementary note to *Form 11* [Code 1105], as the case may be –
 (a) the amount of such difference; and
 (b) an explanation for such difference.

11 [deleted]

Actuarial health insurance

12 “Actuarial health insurance” refers to health insurance business that meets the conditions of set out in Insurance Company – Capital Resources Requirements 13.1(3) or for *class IV insurance business* those conditions as modified by Insurance Company – Capital Resources Requirements Rule 16.3.

13 Line 30 represents the *gross adjusted premiums amount* calculated in accordance with the Insurance Company – Capital Resources Requirements Rule 8.2, if the *financial year* has 12 months. Otherwise line 31 represents the *gross adjusted premiums amount*.

14 In accordance with Insurance Company – Capital Resources Requirements 11.1, the reinsurance ratio calculated at line 49 must be:

- 1.00 if sub-total C is zero

- 1.00 if sub-total D / sub-total C exceeds 1.00;
- 0.50 if sub-total D / sub-total C is less than 0.50; and
- sub-total D / sub-total C, otherwise.

The ratio at line 49 must be shown to two decimal places, but the unrounded ratio must be used for calculating *Form 11* line 50 and *Form 12* line 41.

- 15 The provisions in line 51 must be net of *reinsurance* and must not be discounted or reduced to take account of investment income, except for:

- risks in *classes* 1 or 2;
- reductions to reflect the discounting of annuities; and

For these exceptions, the discount must be calculated in accordance with the Insurance Company – Overall Resources and Valuation 3.1 and, if any amounts in line 51 are discounted, a supplementary note to the *Form 11* [Code 1104] must describe the items that are discounted.

- 16 The *Form 11* line 53 column 1 is determined as follows:

- If *Form 11* line 51 columns 1 and 2 and line 52 column 2 are all zero then *Form 11* line 53 column 1 equals *Form 12* line 43 column 2.
- If *Form 11* line 51 columns 1 and 2 are both zero but line 52 column 2 is non-zero then *Form 11* line 53 column 1 equals the lesser of *Form 12* line 43 column 2 and (*Form 12* line 43 column 2 multiplied by the ratio of *Form 11* line 52 column 1 to line 52 column 2).
- If *Form 11* line 51 column 2 is zero but line 51 column 1 is non-zero then *Form 11* line 53 column 1 equals *Form 12* line 43 column 2.
- If *Form 11* line 51 column 2 is non-zero then *Form 11* line 53 column 1 equals the lesser of *Form 12* line 43 column 2 and (*Form 12* line 43 column 2 multiplied by the ratio of *Form 11* line 51 column 1 to line 51 column 2)

Form 12 - Calculation of general insurance capital requirement – claims amount and result

Instructions for completion of Form 12

Long-term insurance business

- 1 [deleted]
- 2 When Form 11 and 12 do not need to be completed in relation to long – term insurance business, in accordance with the Insurance Company – Reporting 3.4, 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 *mixed insurer* and supplementary accident and sickness insurance, must be given in a supplementary note [Code 6001].
- 3 When completing Forms 11 and 12 for *long-term insurance business* the accounting conventions for *general insurance business* should be followed, but reasonable approximations may be used if they are unlikely to result in an underestimate of the *insurance health risk and life protection reinsurance capital component*.

Marine mutuals

- 4 In the case of a *marine mutual* completing an abbreviated *return* under Insurance Company - Reporting 10.2 , units must be the same as those used in Form M1. If units are in US\$ or US\$000, the bases of conversion adopted must be stated by way of a supplementary note to Form 12 [Code 1201].
- 5 [deleted]

Prior year figures

- 6 Insurance Company – Capital Resources Requirements 12.3 requires re-calculation of the *gross adjusted premiums amount* and the *gross adjusted claims amount* when there has been a significant change to the business portfolio. This may alter the *claims amount* or the *premiums amount* used in calculating the *general insurance capital requirement* for the *financial year* in question. For this reason, entries in column 2 (but not the *brought forward amount*: this should (errors excepted) equal the *brought forward amount* calculated in the previous year's return) may differ from the corresponding entries from the previous year. Any restatement of the figures should be explained by way of a supplementary note to Form 12 [Code 1202].
- 7 The amounts to be shown in column 2 must be the amounts shown in column 1 for the previous *financial year*, unless Form 12 was not completed for the previous *financial year*. In that event column 2 must be left blank, apart from the amount in 12.43.2. The amount in 12.43.2 must be calculated in accordance with the rules in force at the date to which they relate.
- 7A If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due to solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 1211] to Form 12 (the

Insurance Company – Reporting 6.13).

Instruction 8, 9 [deleted]

Premiums and claims

10 *Premiums and claims* are defined by references to *contracts of insurance* and these, themselves, are defined by the *Regulated Activities Order* so that *premiums* or *claims* may be included for contracts that would not be treated as insurance under normal accounting conventions. All direct and indirect costs related to the *claims* must be included. For *life protection reinsurance business* and *permanent health reinsurance business* the discount to the *premium*, during any initial period, to allow for acquisition expenses of the cedant, must be ignored, i.e. an adjustment must be made to *premiums* written and *premiums* earned as if the *premium* is the amount excluding the discount and the discount had been accounted for as an expense.

10A Notwithstanding the requirements of the *insurance accounts rules*, amounts included in *Forms 12* in respect of –

- (a) *gross written premiums*;
- (b) *gross earned premiums*;
- (c) *claims* paid;
- (d) *claims* outstanding; and
- (e) *reinsurance* recoveries,

must be determined in accordance with the Insurance Company – Capital Resources Requirements 12.1 and 12.3.

10B Where any amount included in *Form 12* pursuant to (10A) differs from the aggregate of the corresponding amounts included in *Forms 21, 22, 24* and *25*, there must be stated by way of supplementary note to *Form 12* [Code 1205], as the case may be –

- (a) the amount of such difference; and
- (b) an explanation for such difference.

11 [deleted]

Actuarial health insurance

12 “Actuarial health insurance” refers to health insurance business that meets the conditions of set out in Insurance Company – Capital Resources Requirements 13.1(3) or for *class IV insurance business* those conditions as modified by Insurance Company – Capital Resources Requirements Rule 16.3.

13 The reference period in line 11 is specified in the Insurance Company – Capital Resources Requirements 9.4.

14 Statistical methods may be used to allocate the *claims*, provisions and recoveries in respect of *classes 11, 12* and *13* in line 27.

15 Line 31 represents the *gross adjusted claims amount* calculated in accordance with the Insurance Company – Capital Resources Requirements 9.2.

Line 43 represents the *general insurance capital requirement* that relates to the following *financial year*: that is the year commencing on the day after the year end to which the *returns* relate.

Form 13 - Analysis of admissible assets

Instructions for completion of Form 13

- 1 Form 13 must be completed for the total *long-term insurance business assets* of the *insurer* and for each fund or group of funds for which separate assets are appropriated. The words "total *long-term insurance business assets*" or the name of the fund must be shown against the heading "Category of assets". The corresponding code box must contain "10" for the total assets and, in the case of separate funds, code numbers allocated sequentially beginning with code "11".
- 2 Form 13 must be completed in respect of the total assets of the *insurer* other than any *long-term insurance business assets*. The words "total other than *long-term insurance business assets*" must be shown against the heading "Category of assets", and the corresponding code box must contain "1".
- 3 [deleted]
- 4 In lines 11 to 86 –
 - (a) for the purpose of classifying (but not valuing) assets, headings and descriptions used above, wherever they also occur in the balance sheet format in Schedule 9A to the Companies Act 1985, where applicable, otherwise Schedule 3 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), must have the same meaning as in those Schedules,
 - (b) an affiliated company must be valued in accordance with the Insurance Company – Overall Resources and Valuation 8.1 and 8.2 unless, it is an affiliate company that does not meet the criteria in the Insurance Company - Overall Resources and Valuation 3. 4(1), (2) or (3), which must instead be valued in accordance with the Insurance Company – Overall Resources and Valuation 3.3.
 - (c) other assets must be valued in accordance with the Insurance Company – Overall Resources and Valuation 3.1,
 - (d) assets of any particular description must be shown after deduction of assets of that description which (for any reason) fall to be left out of account under the Insurance Company – Exposure Limits 7.4 (1)(2)(3)(7) and (8) Negative amounts should not be shown at lines 11 to 86. If a deduction is more than the value of the assets to which it relates, the excess element of the deduction should be shown at line 87; and
 - (e) deduction in respect of *market risk* and *counterparty* risk are to be shown in line 87, to the extent that (d) does not require them to be recognised in other lines.
- 5 The aggregate value of those investments which are:
 - (a) *unlisted* investments falling within any of lines 41, 42, 46 or 48

- which have been valued in accordance with the *rules* in the Insurance Company – Overall Resources and Valuation, Part 3;
- (b) *listed* investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the *rules* in the Insurance Company – Overall Resources and Valuation, Part 3 and which are not *readily realisable*;
 - (c) units or other beneficial interests in *collective investment schemes* that:
 - (i) are not schemes falling within the *UCITS Directive*;
 - (ii) are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the *Act*;
 - (iii) do not employ *derivative contracts* unless they meet the criteria in the Insurance Company – Risk Management 6.2;
 - (iv) do not employ contracts or assets having the effect of *derivative contracts* unless they have the effect of *derivative contracts* that meet the criteria in the Insurance Company – Risk Management 6.2; and
 - (v) do not include assets other than *admissible assets* among their property; or
 - (d) reversionary interests or remainders in property other than land or buildings, must be stated by way of a supplementary note [Code 1301] for other than *long-term insurance business* and [Code 1308] for *long-term insurance business*) to this Form, together with a description of such investments.
- 6 The aggregate value of those investments falling within lines 46 or 48 which are *hybrid securities* are to be stated by way of a supplementary note [Code 1302] for other than *long-term insurance business* and [Code 1309] for *long-term insurance business*) to this Form.
- 7 Amounts in respect of salvage or subrogation included above other than at line 73 are to be stated by way of a supplementary note [Code 1303] to this Form.
- 8 The entry at line 85 must be gross of any related reinsurance commission.
- 9 The amount to be shown in line 94 must equal the total of the relevant proportions in accordance with the Insurance Company – Overall Resources and Valuation 8.1, of the *individual capital resources requirements* of the affiliated companies.
- 10 The amount to be shown in line 95 must equal the total of the restricted assets of any affiliate company that is an *insurance undertaking* that are deducted in accordance with the Insurance Company – Overall Resources and Valuation 8.1.
- 11 Lines 60 to 63 and 85 relate only to *general insurance business*. The amount in lines 60-62 recoverable from *Insurance Special Purpose Vehicles* must be disclosed in a supplementary note [Code 1320].
- 12 Lines 60 to 63 and 85 must be left blank for “Category of assets” code “2”.
- 13 Since the *technical provisions* for *claims* outstanding shown in *Form 15* may only be discounted or reduced to take account of investment income in

limited circumstances, the amount shown at line 12 of *Form 15* may need to be increased (see instruction 4 to *Form 15*). In such cases, the reinsurers' share shown at line 61 must be adjusted to be consistent with the amount shown in line 12.

- 14 The amount of any tangible leased asset included at line 80 must be disclosed by way of a supplementary note [Code 1314] for other than *long-term insurance business* and [Code 1316] for *long-term insurance business* to this Form.
- 15 Particulars of any other assets included at line 83 must be stated by way of a supplementary note [Code 1315] for other than *long-term insurance business* and [Code 1317] for *long-term insurance business* to this Form.
- 16 Lines 99-102 must be completed in accordance with the *insurance account rules* or *international accounting standards* as applicable to the *firm* for the purpose of its external financial reporting if the *firm* is required to produce such accounts. Otherwise these lines must be left blank. Line 100 includes the discounting adjustment for the *reinsurers'* share of claims outstanding – see instruction 4 of *Form 15*. Details of amounts in line 101 must be disclosed in a supplementary note [Code 1318].
- 17 If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 1311] to Form 13 (the Insurance Company – Reporting 6.13).
- 18 Except to the extent permitted by (1), amounts due to or from the insurer must be shown gross.
- (1) In calculating amounts due to or from the *insurer* –
- (a) amounts due from any person may, unless expressly provided otherwise, be included net of amounts which are due to that person, provided that such amounts may be set off against each other under generally accepted accounting practice; and
- (b) amounts due to any person may, unless expressly provided otherwise, be included net of amounts which are due from that person, provided that such amounts may be set off against each other under generally accepted accounting practice.
- (2) If amounts shown include amounts calculated on the basis set out in (1), a supplementary note to *Form 13* [Code 1304] for other than *long term insurance business* and [Code 1310] for *long-term insurance business*) to that effect must be provided.
- 18A The amount of any debt of reinsurer to the insurer in respect of general insurance business ceded under reinsurance treaties and/or facultative reinsurance must be included at line 75 of Form 13.
- 18B The amount of any deposit received from each reinsurer under reinsurance treaties and or facultative reinsurance must be included at line 31 of Form 13.

- 18C The amount of any anticipated recoveries from reinsurer under reinsurance treaties and/or facultative reinsurance to the extent that such recoveries have been taken into account by the insurer in determining the reinsurer's share of technical provisions in respect of claims outstanding are to be shown at line 61 of Form 13.
- 18D The amount of any debt of each cedant in respect of general insurance business accepted under reinsurance treaties must be included at line 74 of Form 13.

Counterparty exposure

- 19 There must be given by way of a supplementary note to *Form 13* [Code 1305] for other than *long-term insurance business* and [Code 1319] for *long-term insurance business*:
- (a) the maximum extent to which, in accordance with any investment guidelines operated by the *insurer*, it was permitted to be exposed to any one *counterparty* during the *financial year in question*;
 - (b) the maximum extent to which, in accordance with such guidelines, it was permitted to be exposed to any one *counterparty*, other than by way of exposure to an *approved counterparty*, during the *financial year in question*; and
 - (c) an account of any occasions during the *financial year* on which either of those amounts was exceeded.
- 20 In each case, where a *counterparty exposure* of the *insurer* which is subject to any of the limits set out in the Insurance Company – Exposure Limits 7.4(1) exceeds at the end of the *financial year in question*:
- (a) 5% of the sum of its *base capital resources requirement* and its *long-term insurance liabilities*, excluding *property linked liabilities* and net of *reinsurance ceded*, or
 - (b) the sum of £20,000 and 5% of its liabilities arising from its *general insurance business*, net of *reinsurance ceded*, as appropriate –
 - (a) the amount of that *exposure*; and
 - (b) the nature of the assets held which give rise to that *exposure*, must be stated by way of a supplementary note to *Form 13* [Code 1306] for other than *long-term insurance business* and [Code 1312] for *long term insurance business*.
- 21 There must be stated by way of supplementary note to *Form 13* [Code 1307] for other than *long-term insurance business* and [Code 1313] for *Long-term insurance business*) the aggregate value of any rights to which the Insurance Company – Exposure Limits 9.3, 9.4 and 9.5 relates.

Form 14 - Long term insurance business liabilities and margins

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* and for each fund or group of funds for which separate assets are appropriated and each *with-profits fund*.
- 2 The entry at line 11 must equal the sum of lines 21, 43, 44 and 45 of the appropriate Form or Forms 58.
- 3 The entry at line 12 must equal line 42 of the appropriate Form or Forms 58.
- 4 The entry at line 13 must equal line 49 of the appropriate Form or Forms 58.
- 5 The entry at line 14 must equal line 59 of the appropriate Form or Forms 40.
- 6 Where the provision required by the Insurance Company – Risk Management 7.5(3) is implicit (i.e. the obligation to pay the monetary amount is recognised under the Insurance Company – Overall Resources and Valuation), *insurers* must state the amount of the provision, in a supplementary note [Code 1404].
- 7 The entry at line 51 must be:
 - (a) the value of the *admissible assets* (as included in line 89 of the appropriate Form 13) representing the *long-term insurance funds*, fund or group of funds to which the Form relates, less
 - (b) the amount of those funds, fund or group of funds, being the sum of the amounts shown at lines 14 and 49.
- 8 Lines 72-76 must be completed in accordance with the *insurance accounts rules* or *international accounting standards* as applicable to the *insurer* for the purpose of its external financial reporting if the *insurer* is required to produce such accounts. Otherwise, and for *Forms 14* at sub-fund level, these lines must be left blank. The amount of DAC in line 72 must be adjusted for any associated deferred tax. Details of amounts in line 74 must be disclosed in a supplementary note [Code 1405].
- 9 The amount of each provision, included in line 22, in respect of a deficit in a *regulated related undertaking* and the identity of the *undertaking* must be disclosed in a supplementary note [Code 1403] to this Form.

Provision for reasonably foreseeable adverse variations

- 10 There must be stated by way of supplementary note to *Form 14* [Code 1401] the methods and assumptions used to determine the amount of any adjustment or provision made pursuant to the Insurance Company – Overall Resources and Valuation 7.1 to 7.6 or the Insurance Company Risk Management 7.5 to 7.6 or, if there is no such adjustment or provision, the methods and assumptions used to determine that no adjustment or provision is required.

Liabilities

- 11 Subject to Instruction 14, the following information must be given by way of a supplementary note to *Form 14* [Code 1402]:
- (a) in the case of any ‘charge’ over assets of the *insurer*, the particulars specified in Instruction 13 or a statement that there are no such ‘charges’;
 - (b) the total potential liability, and the amount provided for that liability, to taxation on capital gains which might arise if the *insurer* disposed of its assets, or a statement that there is no such potential liability;
 - (c) a brief description of any other liabilities being contingent liabilities not included in *Form 14* (other than liabilities arising under an inwards *contract of insurance* or *reinsurance*) including, where practicable, the amounts or estimated amounts of those liabilities, or a statement that there are no such contingent liabilities;
 - (d) a brief description of any guarantee, indemnity or other contractual commitment, effected by the *insurer* other than in the ordinary course of its *insurance business*, in respect of the existing or future liabilities of any *related companies*, including
 - (i) the maximum liability of the *company* specified in such guarantee, indemnity or contractual commitment or, where no such amount is specified, a statement to that effect,
 - (ii) the amount of any provision made in respect of such liability, and
 - (iii) the amount reported under (c) in respect of such liability, or a statement that there are no such guarantees, indemnities or contractual commitments; and
 - (e) a description of any other uncertainty where such a description is, in the opinion of the directors, necessary for a proper understanding of the financial position of the *insurer*.
- 12 The particulars referred to in instruction 12(a) are:
- (a) the nature of the ‘charge’, including a brief description of the terms which are relevant to securing the prior claim of any person to assets which are subject to the ‘charge’;
 - (b) for each line in *Form 13*, the amount included in respect of assets which are subject to the ‘charge’; and
 - (c) for each line in *Form 14* the amount included in respect of liabilities which are secured by the ‘charge’.
- 13 Instruction 12)(a) and (c) may be disregarded by an *insurer* in the case of –

- a) one or more 'charges' over assets which are attributable to either the *long-term insurance assets* or the 'other assets' and whose aggregate value (as shown on *Form 13*) does not exceed 2.5% of the *long-term insurance assets* (other than reinsurance recoveries and assets required to match *property linked liabilities*) or the 'other assets' (other than *reinsurance recoveries*), as the case may be; or
- (b) one or more contingent liabilities whose aggregate value does not exceed 2.5% of the *long-term insurance assets* (other than *reinsurance recoveries* and assets required to match *property linked liabilities*) or the 'other assets' (other than *reinsurance recoveries*), as the case may be.
- 14 Instruction 12(d) may be disregarded by an *insurer* in respect of one or more guarantees, indemnities or contractual commitments where the aggregate of the maximum liabilities specified in such guarantees, indemnities or contractual commitments does not exceed 2.5% of the *long-term insurance assets* (other than *reinsurance recoveries* and assets required to match *property linked liabilities*) or the 'other assets' (other than *reinsurance recoveries*), as the case may be.
- 15 For the purposes of this paragraph, *charge* includes any arrangement whatsoever, whether contractual or otherwise, which operates to secure the prior claim of any person over general creditors to any assets on a winding up of the *insurer*, and other assets means assets that are not *long-term insurance assets*.
- 16 If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due to solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 1411] to Form 14 (the Insurance Company – Reporting 6.13).

Form 15 - Liabilities (other than long term insurance business)***Instructions for completion of Form 15***

- 1 Amounts in lines 11 to 13 and 16 must be stated gross of *reinsurers' share*.
- 2 The aggregate amount of any accrued dividend in respect of cumulative *preference shares* issued by the *insurer* must be shown by way of a supplementary note [Code 1503].
- 3 [deleted]
- 4 The amount shown in line 12 may only be discounted or reduced to take account of investment income:
 - (a) for *Class 1* or *2* business; or
 - (b) in respect of annuities;

So, if the *technical provisions* for *claims* outstanding for other business are discounted or reduced to take account of investment income, then they must be increased by the difference between the undiscounted and the discounted provisions. If the *technical provisions* are increased the amount of the increase must be shown in line 82 and the corresponding increase in the *reinsurers' share* must be included as a negative item in line 99 of *Form 13*.
- 5 The amount of each provision, included in line 22, in respect of a deficit in a *regulated related undertaking* and the identity of the *undertaking* must be disclosed in a supplementary note [Code 1504].
- 6 Where the provision required by the Insurance Company Risk Management 7.5(3) is implicit (i.e. the obligation to pay the monetary amount is recognised under the *rules* in the Insurance Company – Overall Resources and Valuation), the amount of the provision must be stated in a supplementary note [Code 1506].
- 7 The amount shown in line 51 must include reinsurance commissions related to *deferred acquisition costs* corresponding to the allowance included in *Form 13* line 85.
- 8 Lines 82-85 must be completed in accordance with the *insurance accounts rules* or *international accounting standards* as applicable to the *insurer* for the purpose of its external financial reporting if the *insurer* is required to produce such accounts. Otherwise these lines must be left blank. Details of amounts in line 83 must be disclosed in a supplementary note [Code 1507].
- 9 The amount at line 48 column 1 is dividends which are foreseeable.
- 10 If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due to solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 1511] to Form 15 (Insurance Company – Reporting 6.13).

Provision for reasonably foreseeable adverse variations

- 11 There must be stated by way of supplementary note to *Form 15* [Code 1501] the methods and assumptions used to determine the amount of any adjustment or provision made pursuant to the Insurance Company – Overall Resources and Valuation 7.1 to 7.6 or the Insurance Company - Risk Management 7.5 to 7.6, if there is no such adjustment or provision, the methods and assumptions used to determine that no adjustment or provision is required.

Liabilities

- 12 Subject to Instruction 14, the following information must be given by way of a supplementary note to *Form 15* [Code 1502] –
- (a) in the case of any ‘charge’ over assets of the *insurer*, the particulars specified in (instruction 13) or a statement that there are no such ‘charges’;
 - (b) the total potential liability, and the amount provided for that liability, to taxation on capital gains which might arise if the *insurer* disposed of its assets, or a statement that there is no such potential liability;
 - (c) a brief description of any other liabilities being contingent liabilities not included in *Form 15* (other than liabilities arising under an inwards *contract of insurance* or *reinsurance*) including, where practicable, the amounts or estimated amounts of those liabilities, or a statement that there are no such contingent liabilities;
 - (d) a brief description of any guarantee, indemnity or other contractual commitment, effected by the *insurer* other than in the ordinary course of its *insurance business*, in respect of the existing or future liabilities of any *related companies*, including –
 - (i) the maximum liability of the *company* specified in such guarantee, indemnity or contractual commitment or, where no such amount is specified, a statement to that effect,
 - (ii) the amount of any provision made in respect of such liability, and
 - (iii) the amount reported under (c) in respect of such liability, or a statement that there are no such guarantees, indemnities or contractual commitments; and
 - (e) a description of any other uncertainty where such a description is, in the opinion of the directors, necessary for a proper understanding of the financial position of the *insurer*.

- 13 The particulars referred to in Instruction 12(a) are:

- (a) the nature of the 'charge', including a brief description of the terms which are relevant to securing the prior claim of any person to assets which are subject to the 'charge';
 - (b) for each line in *Form 13*, the amount included in respect of assets which are subject to the 'charge'; and
 - (c) for each line in *Form 15*, the amount included in respect of liabilities which are secured by the 'charge'.
- 14 Instruction 12)(a) and (c) may be disregarded by an *insurer* in the case of:
 - (a) one or more 'charges' over assets which are attributable to either the *long-term insurance assets* or the 'other assets' and whose aggregate value (as shown on *Form 13*) does not exceed 2.5% of the *long-term insurance assets* (other than reinsurance recoveries and assets required to match *property linked liabilities*) or the 'other assets' (other than *reinsurance recoveries*), as the case may be; or
 - (b) one or more contingent liabilities whose aggregate value does not exceed 2.5% of the *long-term insurance assets* (other than *reinsurance recoveries* and assets required to match *property linked liabilities*) or the 'other assets' (other than *reinsurance recoveries*), as the case may be.
- 15 Instruction 12(d) may be disregarded by an *insurer* in respect of one or more guarantees, indemnities or contractual commitments where the aggregate of the maximum liabilities specified in such guarantees, indemnities or contractual commitments does not exceed 2.5% of the *long-term insurance assets* (other than *reinsurance recoveries* and assets required to match *property linked liabilities*) or the 'other assets' (other than *reinsurance recoveries*), as the case may be.
- 16 For the purposes of this paragraph, *charge* includes any arrangement whatsoever, whether contractual or otherwise, which operates to secure the prior claim of any person over general creditors to any assets on a winding up of the *insurer*, and other assets means assets that are not *long-term insurance assets*.

Form 16 - Profit and loss account (non-technical account)***Instructions for completion of Form 16***

- 1 The bases of conversions adopted must be stated by way of supplementary note [Code 1601]. Where any brought forward amounts are restated due to currency reconversion, this fact should be stated in a supplementary note [Code 1602] to this Form.
- 1a Unrealised gains and losses on investments (other than for investments in the long term fund) must be included in their entirety at lines 15 and 18, even if a different accounting treatment is adopted in the Companies Act accounts. Unrealised gains and losses must be measured by reference to the value included for the investment at line 102 on Form 13, i.e. the Companies Act accounts value.
- 2 Particulars of any amounts included at lines 21 must be stated by way of a supplementary note ([Code 1603] to this Form.
- 3 Particulars of any amounts included at lines 41 must be stated by way of a supplementary note [Code 1604] to this Form.
- 4 The amount at line 51 column 1 includes dividends which are foreseeable..
- 5 If any of comparative amounts differs from the corresponding amount shown in the previous year return and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 1611] to Form 16 (the Insurance Company – Reporting 6.13).

Form 17 - Analysis of derivative contracts

Instructions for completion of Form 17

- 1 Where the year - end total notional amount (line 51.3 + line 51.4) exceeds the lesser of £100m and 5% of assets not held to match linked liabilities (Form 13 line 89.1 – Form 13 line 58.1 – Form 13 line 59.1) for the total *long-term insurance business* assets or the total assets other than *long-term insurance business assets*, Form 17 must be completed in respect of that total category of assets of the *insurer* or branch. Form 17 must also be completed for each fund or group of funds referred to in instruction 1 to Form 13 if Form 17 must be completed in respect of the total *long-term insurance business assets*.
- 2 The codes specified in instructions 1 to 3 to Form 13 must be used as appropriate.
- 3 *Derivative contracts* must be analysed according to the description of assets shown in the second column of Form 17 which represents the principal subject of the contract. Credit derivatives include credit default swaps *and total returns swaps*. An *option* is in the money (and conversely out of the money) if it could be exercised based on market conditions as at the end of the *financial year*.
- 4 *Derivative contracts* must be reported as assets in column 1 of Form 17 if their value to the *insurer* (gross of *variation margin*) is positive and as liabilities in column 2 of Form 17 if their value (gross of *variation margin*) to the *insurer* is negative.
- 5 All amounts included at lines 11 to 51 columns 1 and 2 of Form 17 in respect of *derivative contracts* must be determined without making any allowance for *variation margin*.
- 6 Amounts in respect of a derivative contract may only be included net of amounts in respect of any other derivative contract if -
 - (a) obligations of the *insurer* under the contracts may be set off against each other under generally accepted accounting practice; and
 - (b) such other contract has the effect (in whole or in part) of closing out the obligations of the *insurer* under the first mentioned contract.
- 7 The effect of any *variation margin* upon amounts included at lines 11 to 51 of Form 17 and columns 1 and 2 must be shown at line 52 columns 1 and 2.
- 8 The entry at 17.53.1 must be included at 13.44.1.
- 9 The entry at 17.53.2 must be included at 14.38.1 or 15.49.1. as appropriate.
- 10 Rights to recover assets transferred by way of *initial margin* must not be shown on Form 17.
- 11 In columns 3 and 4, the notional amount is:
 - (a) For interest rate and inflation *swaps*, the cash amount on which

the *swap* is based.

- (b) For *credit default swaps*, the nominal value of the bonds on which the *swap* is based.
- (c) For *mortality swaps*, the market value of the fixed future payments.
- (d) For *swaptions*, the nominal amount on which conversion to a fixed interest rate will be applied.
- (e) For *options* other than *swaptions*, the market value of the assets subject to the *option*.
- (f) For *futures*, the market value of the asset that is contracted to be bought /sold.
- (g) For other *contracts for differences*, the nominal value of the property, index or other value referenced by the contract.

12 For the purposes of columns 3 and 4, a contract is bought / long (and conversely sold / short) if it is:

- (a) For currency *futures* and *contracts for differences*, a contract where the *insurer* pays sterling. Currency contracts not involving sterling must be replicated as a contract into sterling and a contract out of sterling. For example, a *future* to buy a currency other than sterling at a price expressed in another non-sterling currency must be replicated by a long *future* to buy the first currency with sterling and a short *future* to sell the second currency for sterling.
- (b) For interest rate and inflation *swaps*, a contract where the *insurer* receives a fixed rate in exchange for paying a variable (short term deposit) rate. A *swap* between a short term deposit rate and inflation must be replicated as a deposit / fixed and a fixed / inflation *swap*.
- (c) For *credit default swaps*, a contract where the *insurer* receives a fixed payment in exchange for taking on credit risk.
- (d) For *mortality swaps*, a contract where the *insurer* receives a fixed payment in exchange for taking on mortality risk.
- (e) For *options*, a contract where the *insurer* has the option to buy the underlying or has provided the option to a counterparty to sell the underlying.

Derivative contracts

13 Any *derivative contract* entered into by an *insurer*:

- (a) the value of which is taken into account for the purposes of calculating benefits payable to *policy holders* under *property linked contracts*; or

(b) in order to match its liabilities in respect of the payment of *index linked benefits*, must be excluded from *Form 17*.

14 Where, in respect of any *derivative contract* included in *Form 17*, assets have been transferred to or for the benefit of the *insurer* by way of *variation margin* there must be stated by way of supplementary note [Code 1701] to *Form 17*:

- (a) the aggregate amount of any liability to repay such assets or equivalent assets;
- (b) for each line in *Form 13*, the amount included in respect of such assets;
- (c) to what extent any amounts included in *Form 13* have taken account of any requirement to repay such assets or equivalent assets.

15 If –

- (a) the aggregate value of rights under contracts or in respect of assets, either of which have the effect of derivative contracts, exceeds 2.5% of the aggregate value of assets shown at line 89 of *Form 13*; or
- (b) the aggregate amount of liabilities under contracts or in respect of assets, either of which have the effect of derivative contracts, exceeds 2.5% of the aggregate of the amounts shown in lines 17 to 39 of *Form 14* or lines 31 to 51 of *Form 15*, as appropriate, the corresponding value, if not zero, must be stated (by way of supplementary note [Code 1702] to *Form 17*) for each line in *Form 13*, *14* or *15* and the Instruction 14 above applies to the insurer as if such contracts or assets had been included in *Form 17*.

Form 20A - General insurance business - summary of business carried on***Instructions for completion of Form 20A***

- 1 The amount to be shown under *gross written premiums* for a *PRA general insurance business reporting category* must equate to F21(11+12+13+14+15).
(1+2) plus F24.11.12 as if Forms 21 or 24 were required for that *PRA general insurance business reporting category*.
- 2 The amount to be shown under provision for gross unearned premium for a *PRA general insurance business reporting category* must equate to F21.19.2 + F25.22.12 as if *Forms 21 or 25* were required for that *PRA general insurance business reporting category*, plus the *reinsurers' share* of provision for gross unearned premiums for business in the *PRA general insurance business reporting category* accounted for on an underwriting year basis.
- 3 The amounts to be shown under provisions for gross claims outstanding/reported for a *PRA general insurance business reporting category* must equate to the sum of (F27.29.5 + F29.11.12, converted to sterling if appropriate) over all currencies or the sum of (F31 or F32.30.5 + F34.30.3) over all the currencies and territories, for that *PRA general insurance business reporting category* as if *Forms 27, 29, 31, 32 or 34* were required for all business in that *PRA general insurance business reporting category*.
- 4 The amounts to be shown under provisions for gross claims outstanding/incurred but not reported for a *PRA general insurance business reporting category* must equate to the sum of (F27.29.6 + F29.13.12, converted to sterling if appropriate) over all currencies or the sum of (F31 or F32.30.6 + F34.30.4) over all the currencies and territories, for that *PRA general insurance business reporting category* as if *Forms 27, 29, 31, 32 or 34* were required for all business in that *PRA general insurance business reporting category*.
- 5 Where the unrounded value for one of the columns is zero for a particular *PRA general insurance business reporting category*, the relevant cell should be left blank.
- 6 Lines 1, 20 and 111 should all be the same and equal to the total *insurance business*.
- 7 If the entry at line 1 column 1 does not equal the amount shown at line 11 column 1 of Form 11, or the entry at line 1 column 4 does not equal the amount shown at line 11 column 1 of Form 15, the *insurer* must provide an explanation for the difference in a supplementary note [Code 20A1].
- 8 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 Insurance Company – Reporting 4.14:
 - i. the name of the *risk category*,

- ii. a description of the *general insurance business* allocated to the relevant *risk category*,
 - iii. the rationale for the allocation decision made,
 - iv. the amounts included in *Form 20A* under the risk category in respect of *general insurance business* allocated to the *risk category* the Insurance Company – Reporting 4.14 , and
 - v. in the case of an allocation made under the Insurance Company – Reporting 4.14, a description of the method used to make that allocation;
- (b) [Code 20Ab] the *risk categories* to which any *contracts of insurance* against risks of death of, or injury to, passengers has been allocated;
- (c) [Code 20Ac] a detailed explanation of business allocated to each of *category numbers* 187, 223, 400 and 700 ('Other personal financial loss', 'motor other', 'miscellaneous direct' and 'miscellaneous reinsurance' categories);
- (d) [Code 20Ad] in respect of each *risk category* (other than *risk categories* 510 to 590, 610 to 690 and 700) for which the amounts reported in *Form 20A* contain both *claims-made policies* and policies which are not *claims-made*:
- i. the name of the risk category,
 - ii. the amounts reported in *Form 20A* under the *risk category* that have arisen from *claims-made policies*, and
 - iii. the amounts reported in *Form 20A* under the *risk category* that have arisen from policies which are not *claims-made*;
- (e) (code 20Ae) the amounts reported in *Form 20A* under *category number* 002 ("Total primary (direct) and facultative business") that is *facultative business*;
- (f) (code 20Af) the amounts reported in *Form 20A* under each of *category numbers* 113 (Travel), 274 (Mixed commercial package) and 343 (Energy) that has arisen from business falling within
- i. each group of classes in the Insurance Company – Reporting 12.7 , and
 - ii. *classes* 16, 17 and 18 combined (miscellaneous financial loss, legal expenses and assistance).

The insurer may make reasonable estimates of the amounts required under (d) to (f).

UK and overseas business

9 For each *risk category* there must be stated by way of supplementary note [Code 20Ag] to *Form 20A* –

- (a) if any of the *gross written premiums* reported in *Form 20A* under the *risk category* is attributable to *home foreign business* or overseas business,

the amount of the *gross written premiums* in the *risk category* attributable to overseas business, *home*

- i. *foreign business*, and other UK business;
- (b) If the risk category is not 510 to 590, 610 to 690 or 700, and any of the business reported in *Form 20A* under the *risk category* is attributable to overseas business, the countries in which the business in the *risk category* is carried on; and
- (c) the name of the *risk category*.

For the purposes of general insurance business revenue account information, and (a) in particular, *gross written premiums* must be shown or included as UK premiums if, in the case of *direct and facultative insurance business* the *contract of insurance* was effected in the United Kingdom or if, in the case of a *reinsurance* treaty, the cedant was an *insurer* having its head office in the United Kingdom or was a member of the *Society*; and overseas premiums must be construed accordingly.

Transfers of general insurance business

- 10 If, during the *financial year*, *policies* already effected by another *insurer* have been transferred to the *insurer*, an *insurer* must state, in respect of each *risk category*, the following by way of supplementary note to *Form 20A* [Code 20Ah] –
- a. the date of the transfer;
 - b. whether the transfer was approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive* or was effected by novation;
 - c. any amounts included in columns 1, 2, 3 and 4 on *Form 20A* in respect of consideration for the transfer;
 - d. the earliest and latest dates upon which the relevant *policies* *incept*; and
 - e. whether or not any of the *policies* has a duration of longer than 12 months and, if so, the date by which all those *policies* will have expired.

The above instruction does not apply in respect of any transfer by way of novation unless the amounts mentioned in (c) exceed in aggregate 2.5% of the insurer's gross premium income for the financial year in question.

- 11 For each *risk category* that contains *general insurance business* for which an *insurer* is required, the Insurance Company – Reporting 4.9 to 4.12 to prepare a *Form 26 to 29, 31, 32 or 34* in the *return* for the *financial year in question*, the *insurer* must, subject to Instruction 11A, state the amount included in columns 2 plus 3 and the amount included in column 4 on *Form 20A* that arise from *policies* already effected by another *insurer* that have been transferred to the *insurer*, by way of supplementary note to *Form 20A* [Code 20Ai].

- 11A For each *risk* category in the Instruction 11 only applies if the amount included in columns 2 plus 3 plus 4 on Form 20A that arises from transferred *policies* exceeds £10m or the higher of £1m and 10% of the amount shown in columns 2 plus 3 plus 4 on *Form 20A* for that *risk* category.

Cessation of business

- 12 If the *insurer* has effected no ‘new *contracts of insurance*’ of any one or more *classes of general insurance business* during the *financial year*, the date on which the last ‘new contract’ of each such *class* was effected must be stated by way of supplementary note [code 20Aj] to *Form 20A*. A “new contract of *insurance*” is any contract of *insurance* effected by the *insurer* other than in fulfilment of its obligations under subsisting *contracts of insurance*.

Application of accounting practice

- 13 Amounts in respect of inward and outward *contracts of insurance* must be classified for inclusion in *Forms 20A, 20 to 39* according to their economic substance and in accordance with generally accepted accounting practice.
- 14 Where amounts in respect of an inwards or outwards *contract of insurance* have been excluded from the revenue account, the following must be shown by way of supplementary note [Code 20Ak] to *Form 20A*:
- (a) a description of the terms of that contract;
 - (b) a description of the accounting treatment adopted and an explanation for adopting that treatment;
 - (c) a statement of the amounts paid and received during the *financial year* under that contract; and
 - (d) a statement of the amounts in respect of that contract included in each of relevant Form prepared under the Insurance Company – Reporting. .
- 15 A *insurer* may elect to show the information required by Instruction 13 in respect of groups of contracts which were effected in the same *financial year* with substantially the same contract terms and in respect of which the same accounting treatment has been adopted.

Form 20 - General insurance business: Technical account

Instructions for completion of Form 20

1. Particulars of any amounts included at lines 16, 25 or 32 ('other technical income or charges') are required to be stated by way of a supplementary note [Code 2005] to the Form.
2. If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 2011].

Material connected- party transactions

- 3 If during the financial year in during the *financial year* in question, a *firm* has agreed to, or carried out, a *material connected-party transaction*, it must provide a brief description of that transaction by way of a supplementary note to Form 20 [Code 2007]. This description must state:
 - (1) the names of the transacting parties;
 - (2) a description of the relationship between the parties;
 - (3) a description of the transaction;
 - (4) the amounts involved;
 - (5) any other elements of the transaction necessary for understanding of its effect upon the financial position or performance of the *firm*; and
 - (6) amounts written off in the period in respect of *debts* due to or from *connected parties*.
- 4 Where the disclosure made in accordance with instruction 3 relates to transactions with the same *connected party*, the *firm* may make the required disclosure on an aggregated basis unless separate disclosure is needed for a proper understanding of the effect of the transactions upon the financial position or performance of the *firm*.
- 5 For the purpose of material connected party disclosure, *material connected-party transaction* means a *connected party transaction* for which (together with any similar transactions):
 - (a) the price actually paid or received for the transfer of assets or liabilities or the performance of services; or
 - (b) the price which would have been paid or received had that transaction been negotiated at arm's length between unconnected parties, exceeds,
 - (c) in the case of an *insurer* that carries on *long-term insurance business* but not *general insurance business*, 5% of the *insurer's* liabilities arising from its *long-term insurance business*, excluding *property-linked liabilities* and net of *reinsurance ceded*; or
 - (d) in the case of an *insurer* that carries on *general insurance business*, but not *long-term insurance business*, the sum of £ 20,000 and 5%

of the *insurer's* liabilities arising from its *general insurance business*, net of *reinsurance ceded*; or

(e) in the case of an *insurer* that carries on both types of business either:

- a. 5% of the *insurer's* liabilities arising from its *long-term insurance business*, excluding property linked liabilities, net of *reinsurance ceded* where the transaction is in connection with the *insurer's long-term insurance business*; or
- b. in other cases, the sum of £ 20,000 and 5% of the *insurer's* liabilities arising from *general insurance business* net of *reinsurance ceded*.

Form 21 - General insurance business (accident year accounting): Analysis of premiums

Instructions for completion of Form 21

- 1 Lines 13 to 15 of *Form 21* should include *premiums* actually received prior to the *financial year*, but relating to risks incepted in the *financial year* and exclude *premiums* received during the *financial year*, but relating to risks incepting after the end of the *financial year*. In *Forms 13* and *15* the accounting treatment adopted for *premiums* received in respect of risks incepting in future *financial years* should be the same as that adopted in the shareholder accounts, or, if there are no shareholder accounts, should be in accordance with generally accepted accounting practice. If this results in different amounts for the provision of unearned premium (either gross or the *reinsurers'* share) being shown in *Forms 13* or *15* as compared to *Form 21*, it would be appropriate to identify, and provide an explanation, of the difference in a supplementary note [Code 2103] to the form.
- 2 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 2101].
- 3 The basis on which unearned premiums are calculated and the reason for adopting this basis must be stated by way of supplementary note [Code 2102].

Form 22 - General insurance business (accident year accounting): Analysis of claims, expenses and technical provisions

Instructions for completion of Form 22

- 1 Amounts included at lines 11 to 18 must be shown undiscounted and related adjustments for discounting must be shown at lines 31 to 39.
- 2 The values in column 4 are calculated as follows:
 - for lines 11 to 18 values in columns 2+31;
 - for lines 21 to 29 and lines 41 to 42 values in columns 1+23;
 - for line 19, lines 31 to 39 and lines 51 to 52 values in columns 31.
- 3 Amounts shown at lines 11 to 13, lines 15 to 17 and lines 31 and 32 must exclude amounts in respect of *claims management costs*.
- 4 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 2201].

Provision for unexpired risks

5. The amount included for the provision for unexpired risk in Form 22 prepared in respect of a *PRA general insurance business reporting category* must be determined without taking into account surplus expected to arise on the unexpired risks falling within other *PRA general insurance business reporting category*.
- 6 Where in determining the amount of the overall provision for unexpired risks (line 13 in Form 15 less line 62 in Form 13) credit has been taken for any aggregated surplus expected to arise on the unexpired risks falling in any *PRA general insurance business reporting category*, the amount of that credit must be included as a negative amount at line 19 of Form 22, for that category.
- 7 Where the amount included at column 3 line 19 (provision for unexpired risks) has been determined after taking into account expected investment return, the following must be stated by way of supplementary note [Code 2205] -
 - (a) the provision for unexpired risks before taking such investment return into account;
 - (b) the rates of investment return assumed; and
 - (c) the average interval between the end of the *financial year in question* and the date at which *claims* are expected to be settled in cash.

Claims management costs

- 8 The basis used for the determination of amounts for *claims management costs* payable in the *financial year in question* and carried forward to the following *financial year* must be stated by way of supplementary note [Code

2202]. If, in respect of any *PRA general insurance business reporting category*

- (a) no amount for *claims management costs* is shown as being carried forward to the following *financial year*; and
- (b) an amount for net claims is shown as being carried forward to that year, the reason for anticipating that there will be no *claims management costs* incurred during the following *financial years* must be included in the note [Code 2202].

- 9 If, within a *PRA general insurance business reporting category*, an insurer has ceased to effect ‘*new contracts of insurance*’ during the *financial year in question*, the basis upon which any additional costs arising as a result of such cessation have been determined or the reason for anticipating that no such additional costs will be incurred must be included in the supplementary note [Code 2202]. A “*new contract of insurance*” is *any contract of insurance* effected by the *insurer* other than in fulfilment of its obligations under subsisting *contracts of insurance*.
- 10 Where the amount in respect of *claims management costs* carried forward and included in any Form 22 has been determined after taking into account expected investment return, there must be stated by way of supplementary note to *Form 22* [Code 2203] –
- (a) the rates of investment return assumed; and
 - (b) the average interval between the end of the *financial year in question* and the date by which the *claims management costs* are expected to be expended.

Acquisition costs

- 11 The basis used for the determination of amounts for acquisition costs (other than commission) payable in the *financial year in question* and carried forward to the next *financial year*, as shown at line 22 of *Form 22*, must be stated by way of a supplementary note [Code 2204].

Reinsurance

- 12 Where the *reinsurers’* share of *claims* incurred (as stated in *Form 22*) includes amounts expected to be recovered from *reinsurers* more than 12 months after the payment of the underlying gross *claims* by the *insurer*, the following must be stated by way of supplementary note to *Form 22* [Code 2206]–
- (a) the amount of such recoveries; and
 - (b) the accounting treatment which has been adopted in respect of discounting such recoveries.

Form 23 - General insurance business (accident year accounting): Analysis of net claims and premiums

Instructions for completion of Form 23

- 1 All figures are to be shown net of the *reinsurers'* share.
- 2 The accident years shown at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.
- 3 Columns 1 to 9 must be shown before deduction for discounting.
- 4 All amounts shown must exclude *claims management costs*.
- 5 The percentage shown at column 12 must be the ratio of the columns 3+4+5+6 to column 2.
- 6 The percentage shown at column 13 must be the ratio of columns 1+3+4+5+6 to column 11.
- 7 $23.29.5 + 23.29.6 = 22.13.3 + 22.17.3$; $23.29.7 + 23.29.8 = 22.13.1$; $23.29.10 = 22.31.3 + 22.32.3$; and $23.29.4 = 22.13.2 + 22.17.2$.
- 8 [deleted]
- 9 [deleted]
- 10 The percentages shown at columns 12 and 13 must be expressed as percentages to one place of decimals.
- 11 Line 22 is to be left blank.
- 12 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 2301].

Premiums

- 13 *Gross premiums earned* in respect of an accident year must be such proportion of *gross premiums written* as is attributable to risks borne by the *insurer* during that accident year; and the *reinsurers'* share of premiums earned must be attributed to the same accident years as the corresponding *gross premiums earned*, so as to calculate the *net earned premiums* for each accident year.
- 14 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.
- 15 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 16 Where an amount or number is required to be shown for *claims* in respect of an accident year, that amount or number must be determined on the basis of *claims* arising from incidents occurring during that accident year.
- 17 For the purposes of Instruction 16, an incident giving rise to a claim under a *claims-made policy* is deemed to occur on the earlier of:
- a. the date on which it is notified in accordance with the terms of
 1. that *policy*; or
 - b. the date on which the period for which cover is provided under that *policy* expires.
- 18 For the purposes of Instruction 16, where an *insurer* has assumed, pursuant to a contract, responsibility (whether wholly or in part) for the payment or reimbursement of *claims* made under *policies* effected by another *insurer*, all incidents occurring prior to the date of such contract and giving rise to *claims* under those *policies* are deemed have occurred on the date of such contract.
- 19 In the application of Instruction 18, the reference to responsibility assumed by an *insurer* includes responsibility assumed as a *reinsurer* or under a transfer under Part VII of the Act or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.
- 20 Amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*.

**Form 24 - General insurance business (underwriting year accounting):
Analysis of premiums, claims and expenses**

Instruction for completion of Form 24

1 The underwriting years shown between the columns headed "29 29" and "9999" must correspond (in reverse order) to the *financial year in question* and the nine *previous financial years* respectively.

2 Amounts shown in lines 21 to 29 must exclude *claims management costs*.

3 [deleted]

4 The amounts shown at lines 51 to 54 must exclude equalisation provisions.

The amounts shown at lines 11 to 49 must be amounts payable or *receivable* during the *financial year in question*.

5 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 2401].

Claims management costs

6 The basis used for the determination of amounts for *claims management costs* payable in the *financial year in question* and carried forward to the following *financial year* must be stated by way of supplementary note [Code 2404].

If, in respect of any *PRA general insurance business reporting category*

- a. no amount for *claims management costs* is shown as being carried forward to the following *financial year*, and
- b. an amount for net claims is shown as being carried forward to that year, the reason for anticipating that there will be no *claims management costs* incurred during the following *financial years* must be included in the note [Code 2404].

7 If, within a *PRA general insurance business reporting category*, an insurer has ceased to effect 'new *contracts of insurance*' during the *financial year in question*, the basis upon which any additional costs arising as a result of such cessation have been determined or the reason for anticipating that no such additional costs will be incurred must be included in the supplementary note [Code 2404]. A "new *contract of insurance*" is any *contract of insurance* effected by the *insurer* other than in fulfilment of its obligations under subsisting *contracts of insurance*.

8 Where the amount in respect of *claims management costs* carried forward and included in any Form 24 has been determined after taking into account expected investment return, there must be stated by way of supplementary note to *Form 24* [Code 2405] –

- (a) the rates of investment return assumed; and

- (b) the average interval between the end of the *financial year in question* and the date by which the *claims management costs* are expected to be expended.

Acquisition costs

- 9 The basis used for the determination of amounts for acquisition costs (other than commission) payable in the *financial year in question* and carried forward to the next *financial year*, as shown at line 42 of *Form 24*, must be stated by way of a supplementary note [Code 2406].

Underwriting year accounting

- 10 With reference to the *financial year in question* and in respect of each *PRA general insurance business reporting category*, the following information must be stated by way of supplementary note [Code 2402] to *Form 24* –
- (a) the reason for accounting for such business on an underwriting year basis;
 - (b) the basis for distinguishing between such business and any other business falling within the same *PRA general insurance business reporting category* accounted for on an accident year basis;
 - (c) the accounting policy adopted for determining the provision for *claims* outstanding; and
 - (d) if the information provided in (a) to (c) differs in respect of risks *incepted* in the *financial year in question* from risks of a similar description *incepted* in *previous financial years*, the reason for that difference.
- 11 Where the provision for *claims* outstanding is set in respect of any business using the ‘non-annual method’, the supplementary note 2402 must include the following information:
- (a) the reason for using the ‘non-annual method’;
 - (b) the basis for distinguishing between such business and other business accounted for on an underwriting year basis falling within the same *PRA general insurance business reporting category*;
 - (c) the normal period for which an underwriting year is left ‘open’ or, if that period differs for different types of business within a *PRA general insurance business reporting category* :
 - i. the basis for distinguishing between the types of business,
 - ii. the normal period for each type, and
 - (d) where an underwriting year is left ‘open’ for longer than the normal period, the reason for not ‘closing the year’.

Premiums

- 12 *Gross premiums written* in an underwriting year must be the amount of such premiums arising in respect of *contracts of insurance incepted* during that year, whether or not they are received during that year; and the *reinsurers’* share of premiums written must be attributed to the same underwriting years as the corresponding *gross premiums written*.
- 13 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.

- 14 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 15 Where an amount is required to be shown for *claims* in respect of a *financial year*, that amount must be determined on the basis of *claims* arising under *contracts of insurance incepted* during that year.
- 16 Amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*. For the purposes of the completion of this form
- (a) *Non-annual method* refers to the method described by paragraph 52 of the *insurance accounts rules*; and
 - (b) a year is open with respect to any business *incepted* during that year if the provision for outstanding *claims* in respect of that business is set using the 'non-annual method' and if so set previously has not now been replaced in accordance with the requirements of paragraph 52(4) of the *insurance accounts rules*, and *closed year and closing a year* is construed accordingly.

**Form 25 - General insurance business (underwriting year accounting):
Analysis of technical provisions**

Instructions for the completion of Form 25

- 1 The underwriting years shown between the columns headed "29 29" and "9999" must correspond (in reverse order) to the *financial year in question* and the nine *previous financial years*, respectively.
- 2 Lines 11 to 15, 19 to 21 and 29 must be completed for open years and lines 11 to 18 and 21 to 29 for closed years.
- 3 Line 29 must equal line 53 less 54 on Form 24.
- 4 Lines 11 to 15 must be shown before adjustment for *discounting*.
- 5 Lines 11 to 14, 16 and 17 must exclude *claims management costs*.
- 6 [deleted]
- 7 Amounts may only be included at line 19 in so far as they arise from the offset of anticipated surpluses and deficits on *insurance business* managed together as defined by paragraph 25 of Appendix 9.2.
- 8 Particulars of any amounts included at line 25 on must be stated in a supplementary note [Code 2505] to the form.

Unearned premiums

- 9 The basis on which unearned premiums are calculated and the reason for adopting this basis must be stated by way of supplementary note [Code 2501].

Provision for unexpired risks

- 10 The amount included for the provision for unexpired risk in Form 25 prepared in respect of a *PRA general insurance business reporting category* must be determined without taking into account surplus expected to arise on the unexpired risks falling within other *PRA general insurance business reporting category*.
- 11 Where in determining the amount of the overall provision for unexpired risks (line 13 in Form 15 less line 62 in Form 13) credit has been taken for any aggregated surplus expected to arise on the unexpired risks falling in any *PRA general insurance business reporting category*, the amount of that credit must be included as a negative amount at line 23 of Form 25, for that category.
- 12 Where the amount included at column 9999 of line 23 (provision for unexpired risks) has been determined after taking into account expected investment return, the following must be stated by way of supplementary note [Code 2502] -
 - (a) the provision for unexpired risks before taking such investment return into account;
 - (b) the rates of investment return assumed; and

- (c) the average interval between the end of the *financial year in question* and the date at which *claims* are expected to be settled in cash.

Business managed together

- 13 For the purposes of *Forms 25*, risks may be regarded as managed together if –
 - (a) they *incept* in the same *financial year* and are accounted for using the ‘non-annual method’; and
 - (b) they may be treated as managed together under generally accepted accounting practice.

- 14 Where any amount is shown on *Form 25* for the transfer of anticipated surplus, the following must be stated by way of supplementary note [Code 2504] –
 - (a) a description of the business in respect of which the anticipated surplus arises and of the business in respect of which the deficit to be offset arises (including in the case of *Form 25* the *risk categories* into which such business falls); and
 - (b) the reason for treating the business as managed together.

Reinsurance

- 15 Where the *reinsurers’* share of *claims* incurred (as stated in *Form 25*) includes amounts expected to be recovered from *reinsurers* more than 12 months after the payment of the underlying gross *claims* by the *insurer*, the following must be stated by way of supplementary note to *Form 25* [Code 2503] –
 - (a) the amount of such recoveries; and
 - (b) the accounting treatment which has been adopted in respect of discounting such recoveries.

Premiums

- 16 *Gross premiums written* in an underwriting year must be the amount of such premiums arising in respect of *contracts of insurance incepted* during that year, whether or not they are received during that year; and the *reinsurers’* share of premiums written must be attributed to the same underwriting years as the corresponding *gross premiums written*.

- 17 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.

- 18 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 19 Where an amount is required to be shown for *claims* in respect of a *financial year*, that amount must be determined on the basis of *claims* arising under *contracts of insurance incepted* during that year.

- 20 Amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*.

Form 26 - General insurance business (accident year accounting): Analysis of net claims and premiums by risk category for treaty reinsurance

Instructions for completion of Form 26

- 1 All figures are to be shown net of the *reinsurers'* share.
- 2 The accident years shown at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.
- 3 Columns 1 to 9 must be shown before deduction for *discounting*.
- 4 All amounts shown must exclude *claims management costs*.
- 5 The percentage shown at column 12 must be the ratio of the columns 3+4+5+62 to column 2.
- 6 The percentage shown at column 13 must be the ratio of columns 1+3+4+5+6 to column 11.
- 7 [deleted]
- 8 The percentages shown at columns 12 and 13 must be expressed as percentages to one place of decimals.
- 9 The amounts shown in line 21 must be analysed on continuation sheets by accident year subject to instructions 10, 10A and 10B below.
- 10 On the continuation sheet, for *category numbers* 590 and 690, the amounts in columns 4 to 10 for accident years ending prior to 31 December 1996 may be shown in the aggregate and columns 1 to 3, 11 to 13 need not be completed for accident years ending prior to 31 December 1996.
- 10A On the continuation sheet, for *category numbers* 610, 620, 650, 660 and 680 the amounts in columns 4 to 10 for accident years ending prior to 23 December 1993 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not be completed for accident years ending prior to 23 December 1993.
- 10B On the continuation sheet, for *category numbers* other than those listed in 10 and 10A above, the amounts in columns 4 to 10 for accident years ending prior to 31 December 1983 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not be completed for accident years ending prior to 31 December 1983.
- 11 The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *PRA general insurance business reporting category* relates.
- 12 The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in Insurance Company – Reporting 11.5.31.

- 13 Line 22 is to be left blank.
- 14 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 2601].

Currency

- 15 Notwithstanding the provisions of the Insurance Company – Reporting 6.11 amounts on *Form 26* submitted in accordance with Insurance Company – Reporting 4.9 and 4.16 to 4.18 must be shown in the currency in which the business on the Form is denominated except that figures must be shown in sterling in those columns and lines which the forms indicate are always to contain figures expressed in sterling –
- (a) in those columns and lines which the forms indicate are always to contain figures expressed in sterling; and
 - (b) if business on the form is *category number* 400 or 700.
- 16 For every currency other than sterling in which amounts are shown on the Form 26, an entry must be made on *Form 36* to show the rate used to convert those amounts to sterling for inclusion elsewhere in the *returns*.
- 17 Notwithstanding the provisions of Instruction 16 above all amounts included in columns 1, 2, 3, and 11 of *Form 26* for *category number* 700 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*.
- 18 For the purpose of Instruction 17, the currencies 'Converted to British pound' and 'British pound and converted to British pound combined' are not non – sterling currencies.
- 19 An *insurer* needs not apply Instruction 18 to amounts shown in any line of any of the form 26 representing an accident year ending before 23 December 1996.
- 20 Amounts in any other currency than sterling must be shown to the nearer 1,000 principal monetary units of that currency except that, where the rate of exchange of the currency in relation to £1 sterling on the last day of the *financial year in question* exceeded 1,000 principal monetary units of that currency, the amounts must be shown to the nearer 1,000,000 principal monetary units and '000,000' must be inserted in the box labelled 'Monetary units'. In other cases, this box must be completed by inserting '000'.

Premiums

- 21 *Gross premiums earned* in respect of an accident year must be such proportion of *gross premiums written* as is attributable to risks borne by the *insurer* during that accident year; and the *reinsurers'* share of premiums earned must be attributed to the same accident years as the corresponding *gross premiums earned*, so as to calculate the *net earned premiums* for each accident year.
- 22 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.
- 23 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 24 Where an amount or number is required to be shown for *claims* in respect of an accident year, that amount or number must be determined on the basis of *claims* arising from incidents occurring during that accident year.
- 25 For the purposes of Instruction 24, an incident giving rise to a claim under a *claims-made policy* is deemed to occur on the earlier of –
- (a) the date on which it is notified in accordance with the terms of that *policy*; or
 - (b) the date on which the period for which cover is provided under that *policy* expires.
- 26 For the purposes of Instruction 24, where an *insurer* has assumed, pursuant to a contract, responsibility (whether wholly or in part) for the payment or reimbursement of *claims* made under *policies* effected by another *insurer*, all incidents occurring prior to the date of such contract and giving rise to *claims* under those *policies* are deemed have occurred on the date of such contract.
- 27 In the application of Instruction 26, the reference to responsibility assumed by an *insurer* includes responsibility assumed as a *reinsurer* or under a transfer under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.
- 28 Amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*.

Form 27 - General insurance business (accident year accounting): Analysis of gross claims and premiums by risk category for treaty reinsurance

Instructions for completion of Form 27

- 1 All figures must be shown gross of the *reinsurers'* share.
- 2 The accident years shown at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.
- 3 Columns 1 to 9 are to be shown before deduction for *discounting*.
- 4 All amounts shown must exclude *claims management costs*.
- 5 The percentage shown at column 12 must be the ratio of the columns 3+4+5+6 to column 2.
- 6 The percentage shown at column 13 must be the ratio of columns 1+3+4+5+6 to column 11.
- 7 [deleted]
- 8 The percentages shown at columns 12 and 13 must be expressed as percentages to one place of decimals.
- 9 The amounts shown in line 21 must be analysed on continuation sheets by accident year subject to instruction 10, 10A and 10B below.
- 10 On the continuation sheet, for *category numbers* 590 and 690, the amounts in columns 4 to 10 for accident years ending prior to 31 December 1996 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not be completed for accident years ending prior to 31 December 1996.
- 10A On the continuation sheet, for *category numbers* 610, 620, 650, 660 and 680 the amounts in columns 4 to 10 for accident years ending prior to 23 December 1993 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not be completed for accident years ending prior to 23 December 1993.
- 10B On the continuation sheet, for *category numbers* other than those listed in 10 and 10A above, the amounts in columns 4 to 10 for accident years ending prior to 31 December 1983 may be shown in the aggregate and columns 1 to 3 and 11 to 13 need not to be completed for accident years ending prior to December 1983..
- 11 The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *PRA general insurance business reporting category* relates.
- 12 The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in Insurance Company – Reporting 11.5 31.
- 13 Line 22 is to be left blank.

- 14 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 2701].

Currency

- 15 Notwithstanding the provisions of the Insurance Company – Reporting 6.11, amounts on *Form 27* submitted in accordance with Insurance Company – Reporting 4.9 and 4.16 to 4.18 must be shown in the currency in which the business on the Form is denominated except that figures must be shown in sterling in those columns and lines which the forms indicate are always to contain figures expressed in sterling –
- (a) in those columns and lines which the forms indicate are always to contain figures expressed in sterling; and
 - (b) if business on the form is *category number* 400 or 700.
- 16 For every currency other than sterling in which amounts are shown on the Form 27, an entry must be made on *Form 36* to show the rate used to convert those amounts to sterling for inclusion elsewhere in the *returns*
- 17 Notwithstanding the provisions of Instruction 15 above all amounts included in columns 1, 2, 3, and 11 of *Form 27* for *category number* 700 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*.
- 18 For the purpose of Instruction 17, the currencies 'Converted to British pound' and 'British pound and converted to British pound combined' are not non sterling currencies.
- 19 An *insurer* needs not apply Instruction 17 to amounts shown in any line of Form 27 representing an accident year ending before 23 December 1996.
- 20 Amounts in any other currency than sterling must be shown to the nearer 1,000 principal monetary units of that currency except that, where the rate of exchange of the currency in relation to £1 sterling on the last day of the *financial year in question* exceeded 1,000 principal monetary units of that currency, the amounts must be shown to the nearer 1,000,000 principal monetary units and '000,000' must be inserted in the box labelled 'Monetary units'. In other cases, this box must be completed by inserting '000'.

Premiums

- 21 *Gross premiums earned* in respect of an accident year must be such a proportion of *gross premiums written* as is attributable to risks borne by the *insurer* during that accident year; and the *reinsurers'* share of premiums earned must be attributed to the same accident years as the corresponding *gross premiums earned*, so as to calculate the *net earned premiums* for each accident year.
- 22 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.
- 23 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 24 Where an amount or number is required to be shown for *claims* in respect of an accident year, that amount or number must be determined on the basis of *claims* arising from incidents occurring during that accident year.
- 25 For the purposes of Instruction 24, an incident giving rise to a claim under a *claims-made policy* is deemed to occur on the earlier of
- (a) the date on which it is notified in accordance with the terms of that *policy*; or
 - (b) the date on which the period for which cover is provided under that *policy* expires.
- 26 For the purposes of Instruction 24, where an *insurer* has assumed, pursuant to a contract, responsibility (whether wholly or in part) for the payment or reimbursement of *claims* made under *policies* effected by another *insurer*, all incidents occurring prior to the date of such contract and giving rise to *claims* under those *policies* are deemed have occurred on the date of such contract.
- 27 In the application of Instruction 26, the reference to responsibility assumed by an *insurer* includes responsibility assumed as a *reinsurer* or under a transfer under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.
- 28 Amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*.

**Form 28 - General insurance business (underwriting year accounting):
Analysis of premiums, claims and expenses by risk category for treaty
reinsurance**

Instructions for completion of Form 28

- 1 The underwriting years shown between the columns headed "29 29" and "9999" must correspond (in reverse order) to the *financial year in question* and the nine *previous financial years*.
- 2 Amounts shown in lines 21 to 29 must exclude *claims management costs*.
- 3 The amounts shown at lines 51 to 54 must exclude equalisation provisions.
- 4 [deleted]
- 5 The amounts shown in the first column must be analysed on continuation sheets by underwriting year (although for *category numbers* 590 and 690 amounts in respect of underwriting years ended before 31 December 1996 may be shown in aggregate, for *risk categories* 610, 620, 650, 660 and 680 amounts in respect of underwriting years ended before 23 December 1993 may be shown in aggregate and for other business amounts in respect of underwriting years beginning prior to 1 January 1983 may be shown in aggregate).
- 6 The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *PRA general insurance business reporting category* relates.
- 7 The amounts shown at lines 11 to 49 must be amounts payable or *receivable* during the *financial year in question*.
- 8 The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in Insurance Company – Reporting 11.5.
- 9 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 2801].

Currency

- 10 Notwithstanding the provisions of the Insurance Company – Reporting 6.11 amounts on *Form 28* submitted in accordance with Insurance Company – Reporting 4.10 and 4.16 to 4.18 must be shown in the currency in which the business on the Form is denominated except that figures must be shown in sterling in those columns and lines which the forms indicate are always to contain figures expressed in sterling –
 - a. in those columns and lines which the forms indicate are always to contain figures expressed in sterling; and
 - b. if business on the form is *category number* 400 or 700.

- 11 For every currency other than sterling in which amounts are shown on the Form 28, an entry must be made on *Form 36* to show the rate used to convert those amounts to sterling for inclusion elsewhere in the *returns*
- 12 Amounts in any other currency than sterling must be shown to the nearer 1,000 principal monetary units of that currency except that, where the rate of exchange of the currency in relation to £1 sterling on the last day of the *financial year in question* exceeded 1,000 principal monetary units of that currency, the amounts must be shown to the nearer 1,000,000 principal monetary units and '000,000' must be inserted in the box labelled 'Monetary units'. In other cases, this box must be completed by inserting '000'.

Premiums

- 13 *Gross premiums written* in an underwriting year must be the amount of such premiums arising in respect of *contracts of insurance incepted* during that year, whether or not they are received during that year; and the *reinsurers'* share of premiums written must be attributed to the same underwriting years as the corresponding *gross premiums written*.
- 14 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.
- 15 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 16 Where an amount is required to be shown for *claims* in respect of a *financial year*, that amount must be determined on the basis of *claims* arising under *contracts of insurance incepted* during that year.
- 17 Amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*.

**Form 29 - General insurance business (underwriting year accounting):
Analysis of technical provisions by risk category for treaty
reinsurance**

Instructions for completion of Form 29

- 1 The underwriting years shown between the columns headed "29 29" and "9999" must correspond (in reverse order) to the *financial year in question* and the nine *previous financial years*, respectively.
- 2 Lines 11 to 15, 19 to 21 and 29 must be completed for open years and lines 11 to 18 and 21 to 29 for closed years.
- 3 Line 29 equals line 53 less 54 on Form 28.
- 4 Lines 11 to 15 must be shown before adjustment for *discounting*.
- 5 Lines 11 to 14, 16 and 17 must exclude *claims management costs*.
- 6 [deleted]
- 7 The amounts shown in the first column must be analysed on continuation sheets by underwriting year (although for *category numbers* 590 and 690 amounts in respect of underwriting years ended before 31 December 1996 may be shown in aggregate, for *category numbers* 610, 620, 650, 660 and 680 amounts in respect of underwriting years ended before 23 December 1993 may be shown in aggregate, and for other business amounts in respect of underwriting years beginning prior to 1 January 1983 may be shown in aggregate).
- 8 The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *PRA general insurance business reporting category* relates.
- 9 Amounts may only be included at line 19 in so far as they arise from the offset of anticipated surpluses and deficits on business managed together (as defined by paragraph 25 of Appendix 9.2).
- 10 The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in the Insurance Company – Reporting 12.5.

Business managed together

- 11 For the purposes of *Form 29*, risks may be regarded as managed together if –
 - (a) they *incept* in the same *financial year* and are accounted for using the 'non-annual method'; and
 - (b) they may be treated as managed together under generally accepted accounting practice.
- 12 Where any amount is shown on *Form 29* for the transfer of anticipated surplus, the following must be stated by way of supplementary note (code 2901) –

- (a) a description of the business in respect of which the anticipated surplus arises and of the business in respect of which the deficit to be offset arises and
- (b) the reason for treating the business as managed together.

Currency

- 13 Notwithstanding the provisions of the Insurance Company – Reporting 6.11 amounts on *Form 29* submitted in accordance with the Insurance Company – Reporting 4.10 and 4.16 to 4.18 must be shown in the currency in which the business on the Form is denominated except that figures must be shown in sterling in those columns and lines which the forms indicate are always to contain figures expressed in sterling –
- (a) in those columns and lines which the forms indicate are always to contain figures expressed in sterling; and
 - (b) if business on the form is *category number* 400 or 700.
- 14 For every currency other than sterling in which amounts are shown on the Form 29 an entry must be made on *Form 36* to show the rate used to convert those amounts to sterling for inclusion elsewhere in the *returns*.
- 15 Amounts in any other currency than sterling must be shown to the nearer 1,000 principal monetary units of that currency except that, where the rate of exchange of the currency in relation to £1 sterling on the last day of the *financial year in question* exceeded 1,000 principal monetary units of that currency, the amounts must be shown to the nearer 1,000,000 principal monetary units and '000,000' must be inserted in the box labelled 'Monetary units'. In other cases, this box must be completed by inserting '000'.

Premiums

- 16 *Gross premiums written* in an underwriting year must be the amount of such premiums arising in respect of *contracts of insurance incepted* during that year, whether or not they are received during that year; and the *reinsurers'* share of premiums written must be attributed to the same underwriting years as the corresponding *gross premiums written*.
- 17 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.
- 18 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 19 Where an amount is required to be shown for *claims* in respect of a *financial year*, that amount must be determined on the basis of *claims* arising under *contracts of insurance incepted* during that year.
- 20 Amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*.

Form 30 - General insurance business : Expected income and yield from admissible assets covering discounted provisions

Instructions for completion of Form 30

1 The entry at –

30.31.1 must equal 13.11.1

30.32.1 must equal 13.45.1 + the appropriate part of 13.84.1

30.33.1 must equal 13.46.1 + the appropriate part of 13.84.1

30.34.1 must equal 13.47.1 + the appropriate part of 13.84.1

30.35.1 must equal 13.42.1 +13.48.1 + the appropriate part of 13.84.1

30.36.1 must equal 13.41.1 +13.43.1

30.37.1 must equal 13.50.1 + the appropriate part of 13.84.1

30.49.1 must equal 13.87.1 +13.89.1 - 13.60.1 - 13.61.1 - 13.62.1 - 13.63.1 – 13.85.1.

2 The hypothecated assets shown in column 2 must not be less than (but need not equal) the provision for outstanding *claims* being discounted (column 6 less column 7 on sheet 1). Where specific assets are not hypothecated to cover the provision for outstanding *claims* being discounted, column 2 equals column 1.

3 The income in column 3 must be the amounts before deduction of tax which would be received in the next *financial year* on the assumption that –

(i) the assets are held throughout that year, and

(ii) the factors which affect income remain unchanged but account is to be taken of any changes in those factors known to have occurred.

4 The yield in column 4 must be –

(i) for *securities* with a redemption value, the rate of interest which, when used to obtain a present value of expected future income or capital payments, gives the current asset value, and

(ii) for all other assets the ratio of the income included in column 3 to the value included in column 2,

or where appropriate an average of the above weighted by reference to the values included in column 2.

5 The methods and assumptions used in determining the yield in accordance with instruction 4 must be stated by way of a supplementary note (code 3001) to this Form.

6 Where a particular asset is required to be taken into account only to a specified extent by the application of admissibility limits, the expected income and capital payments from that asset must be included only to the same extent.

7 The treatment of expected income payments from any asset where such payment is in default must be stated by way of a supplementary note (code 3002) to this Form.

- 8 In column 8 "Unwind in discount in the next *financial year*" refers to the expected reduction in the deduction for the discounting between –
- (i) that shown at the end of the *financial year in question*, and
 - (ii) that expected to be shown at the end of the next *financial year* but in respect of *claims* incurred prior to the end of the *financial year in question*.
- 9 Columns 4 and 9 to 11 must be expressed as a percentage to one place of decimals.
- 10 In the above instructions, income excludes capital gains or losses or value adjustments.
- 11 The discount rate in column 11 must be the average rate of interest at which the provisions are being discounted, weighted by the provisions contained in column 6.
- 12 The references in the Form to "outstanding claims" and "technical provisions" are to those amounts net of *reinsurance*.
- 13 The entry under the column headed 'reporting territory code' must be one of the codes listed in Insurance Company – Reporting 11.6 . "WW" must be used for treaty reinsurance. Otherwise the code must be as defined in Instruction 13A.
- 13A In the *Form 30* an *insurer* must enter in the space alongside 'reporting territory' –
- (a) 'World wide' if the business on the Form is a subset of *category numbers 330 or 340 or category number 350 or 400*; or
 - (b) one of the following if the business on the Form is otherwise
 - (i) 'United Kingdom other than home foreign' for business carried on in the *United Kingdom* that is not *home foreign business*,
 - (ii) 'Home Foreign' for home foreign business, or
 - (iii) 'Overseas' for business carried on outside the United Kingdom

Discounting

- 14 Sheet 2 of *Form 30* need only be completed if the provision for *claims* outstanding being discounted (before deduction for discounting) exceeds 25% of the total provision for *claims* outstanding (before deduction for discounting). Where in accordance with (1) no Sheet 2 is prepared –
- (a) lines 21 and 29 of Sheet 1 need not be completed; and
 - (b) lines 11 to 20 need only be completed in respect of those currencies for which the provision for *claims* outstanding being discounted (before deduction for discounting) exceeds 25% of the total provision for that currency for *claims* outstanding (before deduction for discounting).
- 15 For the purposes of *Form 30*, a *major currency* is a currency in respect of which the provision for *claims* outstanding (before deduction for discounting)

is not less than 10% of the total provision for *claims* outstanding (before deduction for discounting).

- 16 In *Form 30*, the value of an asset or liability which would be treated as an asset or liability in a particular currency for the purposes the Insurance Company – Risk Management 3.2 (notwithstanding the Insurance Company – Risk Management 3.1) must be shown in that currency.
- 17 The following must be stated by way of supplementary note (code 3003) to *Form 30*:
 - (a) the *risk categories* where adjustments for discounting have been made;
and
 - (b) in respect of each such *risk category*:
 - (i) the methods used in calculating the deduction for discounting,
 - (ii) the rate of interest used for the calculation of present values,
 - (iii) the expected average interval between the date for settlement of *claims* being discounted and the end of the *financial year in question*, and
 - (iv) the criteria adopted for estimating the period that will elapse before

Form 31 - General insurance business (accident year accounting): Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance

Instructions for completion of Form 31

- 1 All figures must be shown gross of the reinsurers' share and before any deduction for *discounting*.
- 2 The accident years at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.
- 3 All amounts shown must exclude *claims management costs*.
- 4 The percentage shown at column 11 is the ratio of the sum of columns 3 to 6 to column 10.
- 5 [deleted]
- 6 The percentages shown at column 11 must be expressed as percentages to one place of decimals.
- 7 For *risk categories 271 to 274* the amounts shown in line 21 must be analysed by accident year on continuation sheets subject to instructions 8 to 9A below.
- 8 [deleted]
- 9 On the continuation sheet, for *category number 274*, the amounts in columns 2 and 4 to 8 for accident years ending prior to 31 December 1996 may be shown in the aggregate and columns 1 and 3 need not be completed for accident years ending prior to 31 December 1996.
- 9A On the continuation sheet, for *category numbers 271 to 273*, the amounts in columns 2 and 4 to 8 for accident years ending prior to 31 December 1976 may be shown in the aggregate and columns 1 and 3 need not be completed for accident years ending prior to 31 December 1976.
- 10 Columns 1 and 2 need not be completed in respect of *risk categories 331 to 400*.
- 11 The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *PRA general insurance business reporting category* relates.
- 12 The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in the Insurance Company – Reporting 12.5.
- 13 The entry alongside "reporting territory" must be that required by Instruction 13A and the entry in the box marked "reporting territory code" must be the relevant 2 character code from the list in the Table in the Insurance Company – Reporting 12.6.

- 13A In the *Form 31* an *insurer* must enter in the space alongside 'reporting territory' –
- (a) 'World wide' if the business on the Form is a subset of *category numbers 330 or 340 or category number 350 or 400*; or
 - (b) one of the following if the business on the Form is otherwise
 - i. 'United Kingdom other than home foreign' for business carried on in the United Kingdom that is not home foreign business,
 - ii. 'Home Foreign' for home foreign business, or
 - iii. 'Overseas' for business carried on outside the United Kingdom.
- 14 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 3101].

Continuation sheets

- 15 Continuation sheets to *Form 31* need only be prepared in respect of *PRA general insurance business reporting categories 271 to 274*.

Currency

- 16 Notwithstanding the provisions of the Insurance Company – Reporting 6.11 amounts on *Form 31* submitted in accordance with Insurance Company – Reporting 4.11 and 4.16 to 4.18 must be shown in the currency in which the business on the Form is denominated except that figures must be shown in sterling in those columns and lines which the forms indicate are always to contain figures expressed in sterling –
- (a) in those columns and lines which the forms indicate are always to contain figures expressed in sterling; and
 - (b) if business on the form is *category number 400 or 700*.
- 17 For every currency other than sterling in which amounts are shown on the *Form 31* an entry must be made on *Form 36* to show the rate used to convert those amounts to sterling for inclusion elsewhere in the *returns*
- 18 Notwithstanding the provisions of Instruction 17 all amounts included in columns 3 and 10 of *Form 31* 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*.
- 19 For the purpose of Instruction 18, the currencies 'Converted to British pound' and 'British pound and converted to British pound combined' are not non sterling currencies.
- 20 A *insurer* needs not apply Instruction 18 to amounts shown in any line of the *Form 31* representing an accident year ending before 23 December 1996.

- 21 Amounts in any other currency than sterling must be shown to the nearer 1,000 principal monetary units of that currency except that, where the rate of exchange of the currency in relation to £1 sterling on the last day of the *financial year in question* exceeded 1,000 principal monetary units of that currency, the amounts must be shown to the nearer 1,000,000 principal monetary units and '000,000' must be inserted in the box labelled 'Monetary units'. In other cases, this box must be completed by inserting '000'.

Premiums

- 22 *Gross premiums earned* in respect of an accident year must be such proportion of *gross premiums written* as is attributable to risks borne by the *insurer* during that accident year; and the *reinsurers'* share of premiums earned must be attributed to the same accident years as the corresponding *gross premiums earned*, so as to calculate the *net earned premiums* for each accident year.
- 23 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.
- 24 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 25 Where an amount or number is required to be shown for *claims* in respect of an accident year, that amount or number must be determined on the basis of *claims* arising from incidents occurring during that accident year.
- 26 For the purposes of Instruction 25, an incident giving rise to a claim under a *claims-made policy* is deemed to occur on the earlier of –
- (a) the date on which it is notified in accordance with the terms of that *policy*; or
 - (b) the date on which the period for which cover is provided under that *policy* expires.
- 27 For the purposes of Instruction 25, where an *insurer* has assumed, pursuant to a contract, responsibility (whether wholly or in part) for the payment or reimbursement of *claims* made under *policies* effected by another *insurer*, all incidents occurring prior to the date of such contract and giving rise to *claims* under those *policies* are deemed have occurred on the date of such contract.
- 28 In the application of Instruction 18, the reference to responsibility assumed by an *insurer* includes responsibility assumed as a *reinsurer* or under a transfer under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.
- 29 Amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*.

Form 32 - General insurance business (accident year accounting): Analysis of gross claims and premiums for motor vehicle direct insurance and facultative reinsurance]

Instructions for completion of Form 32

- 1 All figures must be shown gross of the *reinsurers'* share and before any deduction for *discounting*.
- 2 The accident years at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.
- 3 All amounts shown must exclude *claims management costs*.
- 4 The percentage shown at column 11 must be the ratio of the sum of columns 3 to 6 to column 10.
- 5 [deleted]
- 6 The number of vehicle years insured in any accident year is the aggregate of the product for each *contract of insurance* of the period (being the period during that accident year when the contract was in force) and the number of vehicles insured under the contract. Figures are to be rounded to the nearest thousand-vehicle years only after aggregating component figures.
- 7 For accident years ended on or after 31 December 2006, the percentage shown at column 13 must be the ratio of the sum of columns 1 and 2 to unrounded number of years underpinning column 12. For accident years ended before 31 December 2006, the percentage shown at column 13 must be the ratio of the sum of columns 1 and 2 to either the unrounded number of years underpinning column 12 or the product of 1000 and column 12.
- 8 The percentages shown at columns 11 and 13 must be expressed as percentages to one place of decimals.
- 9 The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *PRA general insurance business reporting category* relates.
- 10 The entry alongside "currency code" must be the relevant 3 character currency code from the list in the Table in Insurance Company – Reporting 12.5.
- 11 The entry alongside "reporting territory" must be that required in Instruction 11A and the entry in the box marked "reporting territory code" must be the relevant 2 character code from the list in the Table in Insurance Company – Reporting 12.6.
- 11A In the Form32 an *insurer* must enter in the space alongside 'reporting territory' –
 - (a) 'World wide' if the business on the Form is a subset of *category numbers* 330 or 340 or *category number* 350 or 400; or
 - (b) one of the following if the business on the Form is otherwise
 - (i) 'United Kingdom other than home foreign' for business carried on in the *United Kingdom* that is not *home foreign business*,

- (ii) 'Home Foreign' for home foreign business, or
- (iii) 'Overseas' for business carried on outside the United Kingdom.

- 12 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 3201].

Currency

- 13 Notwithstanding the provisions of the Insurance Company – Reporting 6.11 amounts on Form 32 submitted in accordance with the Insurance Company – Reporting 4.11, 4.16 to 4.18 must be shown in the currency in which the business on the Form is denominated except that figures must be shown in sterling in those columns and lines which the forms indicate are always to contain figures expressed in sterling – in those columns and lines which the forms indicate are always to contain figures expressed in sterling; and if business on the form is *category number* 400 or 700.
- 14 For every currency other than sterling in which amounts are shown on the Form 32 an entry must be made on *Form 36* to show the rate used to convert those amounts to sterling for inclusion elsewhere in the *returns*.
- 15 Amounts in any other currency than sterling must be shown to the nearer 1,000 principal monetary units of that currency except that, where the rate of exchange of the currency in relation to £1 sterling on the last day of the *financial year in question* exceeded 1,000 principal monetary units of that currency, the amounts must be shown to the nearer 1,000,000 principal monetary units and '000,000' must be inserted in the box labelled 'Monetary units'. In other cases, this box must be completed by inserting '000'.

Premiums

- 16 *Gross premiums earned* in respect of an accident year must be such proportion of *gross premiums written* as is attributable to risks borne by the *insurer* during that accident year; and the *reinsurers'* share of premiums earned must be attributed to the same accident years as the corresponding *gross premiums earned*, so as to calculate the *net earned premiums* for each accident year.
- 17 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.
- 18 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 19 Where an amount or number is required to be shown for *claims* in respect of an accident year, that amount or number must be determined on the basis of *claims* arising from incidents occurring during that accident year.
- 20 For the purposes of Instruction 19, an incident giving rise to a claim under a *claims-made policy* is deemed to occur on the earlier of –
 - (a) the date on which it is notified in accordance with the terms of that *policy*; or
 - (b) the date on which the period for which cover is provided under that *policy* expires.
- 21 For the purposes of Instruction 19, where an *insurer* has assumed, pursuant to a contract, responsibility (whether wholly or in part) for the payment or reimbursement of *claims* made under *policies* effected by another *insurer*, all incidents occurring prior to the date of such contract and giving rise to *claims* under those *policies* are deemed have occurred on the date of such contract.
- 22 In the application of Instruction 21, the reference to responsibility assumed by an *insurer* includes responsibility assumed as a *reinsurer* or under a transfer under Part VII of the Act or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.
- 23 Amounts required to be shown for *claims* must not include amounts in respect of *claims management costs*.

**Form 34 - General insurance business (underwriting year accounting):
Analysis of gross claims and premiums by risk category for direct
insurance and facultative reinsurance**

Instructions for completion of Form 34

- 1 All figures must be shown gross of the *reinsurers'* share and before any deduction for *discounting*.
- 2 The underwriting years at lines 11 to 20 must correspond to the *financial year in question* and the nine *previous financial years* respectively.
- 3 All amounts shown must exclude *claims management costs*.
- 4 The percentage shown at column 9 must be the ratio of the sum of columns 1 to 4 to column 8.
- 5 [deleted]
- 6 The percentages shown at column 9 must be expressed as percentages to one place of decimals.
- 7 For risk categories 271 to 274, the amounts shown in line 21 must be analysed by underwriting year on continuation sheets subject to instructions 8 to 9A below.
- 8 [deleted]
- 9 On the continuation sheet, for *category number 274*, the amounts in columns 2 to 6 for underwriting years ending prior to 31 December 1996 may be shown in the aggregate and column 1 need not be completed for underwriting years ending prior to 31 December 1996.
- 9A On the continuation sheet, for *category numbers 271 to 273*, the amounts in columns 2 to 6 for underwriting years ending prior to 31 December 1976 may be shown in the aggregate and column 1 need not be completed for underwriting years ending prior to 31 December 1976.
- 10 The box marked "category number" must be completed by inserting the 3 digit *category number* to which the *PRA general insurance business reporting category* relates.
- 11 The box marked "currency code" must be completed by inserting the relevant 3 character currency code from the list in the Table in Insurance Company – Reporting 12.5.
- 12 The entry alongside "reporting territory" must be that required by Instruction 12A and the entry in the box marked "reporting territory code" must be the relevant 2 character code from the list in the Table in Insurance Company – Reporting 12.6.
- 12A In the *Form 34*, an *insurer* must enter in the space alongside 'reporting territory'

- (a) 'World wide' if the business on the Form is a subset of *category numbers* 330 or 340 or *category number* 350 or 400; or
- (b) one of the following if the business on the Form is otherwise
 - (i) 'United Kingdom other than home foreign' for business carried on in the *United Kingdom* that is not *home foreign business*,
 - (ii) 'Home Foreign' for home foreign business, or
 - (iii) 'Overseas' for business carried on outside the United Kingdom.

- 13 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 3401].

Continuation sheets

- 14 Continuation sheets to *Form 34* need only be prepared in respect of *PRA general insurance business reporting categories* 271 to 274.

Currency

- 15 Notwithstanding the provisions of Insurance Company – Reporting 6.11 amounts on *Form 34* submitted in accordance with Insurance Company – Reporting 4.12, 4.16 to 4.17 must be shown in the currency in which the business on the Form is denominated except that figures must be shown in sterling in those columns and lines which the forms indicate are always to contain figures expressed in sterling –
- (a) in those columns and lines which the forms indicate are always to contain figures expressed in sterling; and
 - (b) if business on the form is *category number* 400 or 700.
- 16 For every currency other than sterling in which amounts are shown on the *Form 34* an entry must be made on *Form 36* to show the rate used to convert those amounts to sterling for inclusion elsewhere in the *returns*.
- 17 Notwithstanding the provisions of Instruction 16 (above) all amounts included in 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*.
- 18 For the purpose of instruction 17, the currencies 'Converted to British pound' and 'British pound and converted to British pound combined' are not non sterling currencies.
- 19 An *insurer* need not apply Instruction 17 to amounts shown in any line of the *Form 34* mentioned in that subparagraph representing an underwriting year ending before 23 December 1996.

- 20 Amounts in any other currency than sterling must be shown to the nearer 1,000 principal monetary units of that currency except that, where the rate of exchange of the currency in relation to £1 sterling on the last day of the *financial year in question* exceeded 1,000 principal monetary units of that currency, the amounts must be shown to the nearer 1,000,000 principal monetary units and '000,000' must be inserted in the box labelled 'Monetary units'. In other cases, this box must be completed by inserting '000'.

Premiums

- 21 *Gross premiums written* in an underwriting year must be the amount of such premiums arising in respect of *contracts of insurance incepted* during that year, whether or not they are received during that year; and the *reinsurers'* share of premiums written must be attributed to the same underwriting years as the corresponding *gross premiums written*.
- 22 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.
- 23 Where an *insurer* has acquired *policies* under a transfer approved under Part VII of the *Act* or its predecessor legislation or approved by the competent authority of another *EEA State* under Article 12 of the *Third Non-Life Directive*, the *policies* transferred to the *insurer* must be taken to have *incepted* on the date of such transfer.

Claims

- 24 Where an amount is required to be shown for *claims* in respect of a *financial year*, that amount must be determined on the basis of *claims* arising under *contracts of insurance incepted* during that year.

Form 36 - Currency rates

Instructions for completion of Form 36

- 1 Where any of Forms 26 to 29 or 31, 32 or 34 contains a figure in a currency other than sterling the rate of conversion of those figures into sterling must be stated in column 1 to this Form.

- 2 Where the rate of conversion differs according to whether it applies to income and expenditure items, or asset and liability items, the former rate must be used.

Form 40 - Long-term insurance business: Revenue account***Instructions for completion of Form 40***

- 1 The entry at 40.11.1 must be equal to 41.21.4, The entry at 40.21.1 must be equal to 42.46.4, and The entry at 40.22.1 must be equal to 43.46.4.
- 2 Line 13 is the amount of the increase or decrease (realised or unrealised) in the admissible value of assets (other than linked assets) or, where advantage has been taken by virtue of the Insurance Company – Reporting 6.3 to apply a different value for the purposes of the Actuarial investigation under Insurance Company – Reporting 5.8, the increase or decrease in that value.
- 3 Line 14 must include all gains and losses in respect of *linked assets*.
- 4 Any item of income which cannot properly be allocated to lines 11, 12, 13 or 14 must be entered at line 15, and similarly, any item of expenditure which cannot properly be allocated to lines 21, 22, 23 or 24 must be entered at line 25. Particulars of such items must be specified in a supplementary note [Code 4002]. Lines 15 and 25 must be used for transfers of unit management charges into or out of the fund or sub fund. Where there are sub funds, inter-sub fund other income and other expenditure must be excluded from the total Form 40.
- 5 Where an *insurer* decides to allocate to the *long-term insurance business* the whole or any part of investment income or net capital gains arising from assets not attributable to its *long-term insurance business*, the amounts in question must first be shown in Form 16 at lines 14 to 16, and then as a transfer at line 26 and particulars must be specified in a supplementary note [Code 4003].
- 6 Interest payable must be included at line 23 and not line 22.
- 7 Taxation at line 24 is that attributable to the *long-term insurance business* including payments received in consideration of surrendering losses as group relief.
- 8 Where a transfer is made to the non-technical account, the entry at line 26 must show amounts which have been included at line 47 of Form 58. However, if there is a net transfer into the fund the entry at line 26 will be negative. The sum of Form 58 lines 32 and 33 will be positive, lines 13, 14 and 47 remaining blank.
- 9 The entry at line 12 must exclude value readjustments on investments and gains on the realisation of investments, which must be shown at lines 13 or 14 as appropriate.
- 10 The entry at line 11 must exclude any change in the provision for unearned premiums, even though it may be included in statutory (e.g. Companies Acts 1985 to 2006) accounts.
- 11 The entry at line 21 must exclude *claims management costs*, which must be included at line 22, and any change in the provision for *claims*.
- 12 Transfers of contracts from or to other funds or from or to another insurer

must be included at line 31 or 32, with details specified in a supplementary note [Code 4004]. Where there are subfunds, inter-subfund transfer must be excluded from the total Form 40.

- 13 If any of the brought forward amounts differs from the corresponding carried forward amounts in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 4001].
- 13A If any of comparative amounts differs from the corresponding amount shown in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 4011].
- 14 If the bases of conversion adopted in respect of foreign currency for income and expenditure have not already been stated in a note to Form 16, the bases must be stated in a supplementary note [Code 4005].
- 15 Where an *insurer* maintains more than one *long-term insurance business fund*, the principles and methods applied to apportioning the investment income, the increase or decrease in the value of assets brought into account, expenses and taxation between the different funds must be stated in a supplementary note [Code 4006].
- 16 Where arrangements have been in force during the *financial year* for the provision either by or to the *insurer* of management services, this fact must be stated in a supplementary note together with the name of the other party (to whom or from whom such services were provided or received). This statement is only needed where a substantial part of the day today administration of an *insurer* is undertaken by another company or vice versa. [Code 4008]
- 17 [deleted]

Material connected-party transactions

- 18 If during the financial year in during the *financial year* in question, a *firm* has agreed to, or carried out, a *material connected-party transaction*, it must provide a brief description of that transaction by way of a supplementary note to Form 40 [dnote 4009]. This description must state:
- (1) the names of the transacting parties;
 - (2) a description of the relationship between the parties;
 - (3) a description of the transaction;
 - (4) the amounts involved;
 - (5) any other elements of the transaction necessary for understanding of its effect upon the financial position or performance of the *firm*; and
 - (6) amounts written off in the period in respect of *debts* due to or from *connected parties*.
- 19 Where the disclosure made in accordance with instruction 18 relates to transactions with the same *connected party*, the *firm* may make the required disclosure on an aggregated basis unless separate disclosure is needed for a proper understanding of the effect of the transactions upon the financial position or performance of the *firm*.

20 For the purpose of material connected party disclosure, *material connected-party transaction* means a *connected party transaction* for which (together with any similar transactions):

- (a) the price actually paid or received for the transfer of assets or liabilities or the performance of services; or
- (b) the price which would have been paid or received had that transaction been negotiated at arm's length between unconnected parties, exceeds,
- (c) in the case of an *insurer* that carries on *long-term insurance business* but not *general insurance business*, 5% of the *insurer's* liabilities arising from its *long-term insurance business*, excluding *property-linked liabilities* and net of *reinsurance ceded*; or
- (d) in the case of an *insurer* that carries on *general insurance business*, but not *long-term insurance business*, the sum of £ 20,000 and 5% of the *insurer's* liabilities arising from its *general insurance business*, net of *reinsurance ceded*; or
- (e) in the case of an *insurer* that carries on both types of business either:
 - a. 5% of the *insurer's* liabilities arising from its *long-term insurance business*, excluding property linked liabilities, net of *reinsurance ceded* where the transaction is in connection with the *insurer's long-term insurance business*; or
 - b. in other cases, the sum of £ 20,000 and 5% of the *insurer's* liabilities arising from *general insurance business* net of *reinsurance ceded*.

Form 41 - Long-term insurance business: Analysis of premiums

Instructions for completion of Form 41

- 1 Single and regular premiums must include that part of the premium which was or will be recoverable from H.M. Revenue and Customs.
- 2 The entries in line 17 must equal line 11 less the sum of lines 13 and 15. The entries in line 18 must equal line 12 less the sum of lines 14 and 16. The entries at line 19 must equal the sum of lines 11 and 12. The entries at line 20 must equal the sum of lines 13 to 16. The entries at line 21 must equal line 19 less line 20.
- 3 If any of comparative amounts differs from the corresponding amount shown in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 4111].
- 4 "regular premiums" means premiums under *contracts of insurance* which are payable at regular intervals during the *policy* year, including repeated or recurring single premiums where the level of premium is defined;
- 5 "single premiums" means premiums under *contracts of insurance* under which there is no expectation of continuing premiums being paid at regular intervals, additional single premiums paid in respect of existing individual contracts and National Insurance rebates received from the Department of Work and Pensions;

Form 42 - Long-term insurance business: Analysis of claims***Instruction for completion of Form 42***

- 1 In the case of *industrial assurance business*, *claims* incurred on survival in respect of periodical endowment benefits must be shown in line 13.
- 2 Maturity payments are lump sums paid to *policy holders*. Amounts paid to another *insurer* must be included in 'surrender or partial surrender'.
- 3 The entries in line 41 must equal line 11 less the sum of lines 21 and 31. The entries in line 42 must equal line 12 less the sum of lines 22 and 32. The entries at line 43 must equal line 13 less the sum of lines 23 and 33. The entries at line 44 must equal line 14 less the sum of lines 24 and 34. The entries at line 45 must equal line 15 less the sum of lines 25 and 35. The entries at line 46 must equal line 16 less the sum of lines 26 and 36.
- 4 If any of comparative amounts differs from the corresponding amount shown in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 4211].

Form 43 - Long-term insurance business: Analysis of expenses

Instructions for completion of Form 43

- 1 In allocating *management expenses* to the relevant lines:
 - (a) subject to (b), costs of a nonrecurring nature, such as those incurred in developing new systems or new premises, or the costs of corporate restructuring, must be reported as 'management – other';
 - (b) where they do not exceed 2% of the total *management expenses*, non-recurring costs may be included as 'management – acquisition' or 'management maintenance' ;
 - (c) the costs incurred in writing new business (or in obtaining incremental (but not indexed) premiums on existing business), such as underwriting, *policy* issue, setting up (or amending) records, and the maintenance and development of the sales and marketing organisation must be reported as management – acquisition'; and
 - (d) the balancing item will be expenses related to the ongoing costs throughout the year of maintaining the business in force (including any investment management costs) which must be reported as 'management – maintenance'.

- 2 Commission payable to employees of the *insurer* whose job is to sell *policies* must be included as 'management – acquisition' or 'management – maintenance'. Commission payable to employees who sell *policies* on a casual basis must be treated in the same way as that paid to *intermediaries* and to *cedents* and so must be included as 'commission – acquisition' or 'commission – other', as the case may be.

- 3 Expenses must be those which relate only to the *insurer's long-term insurance business*. Those relating to any other business of the *insurer* cannot, by virtue of Insurance Company – Internal Contagion Risk 5.1, be paid out of the *long-term insurance fund* and must therefore be shown in the *general insurance business* technical account (Form 20) or the nontechnical account (Form 16).

- 4 The entries in line 41 must equal line 11 less the sum of lines 21 and 31. The entries in line 42 must equal line 12 less the sum of lines 22 and 32. The entries at line 43 must equal line 13 less the sum of lines 23 and 33. The entries at line 44 must equal line 14 less the sum of lines 24 and 34. The entries at line 45 must equal line 15 less the sum of lines 25 and 35. The entries at line 46 must equal line 16 less the sum of lines 26 and 36.

- 5 If any of comparative amounts differs from the corresponding amount shown in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 4311].

Form 44 - Long-term insurance business: Linked funds balance sheet***Instructions for completion of Form 44***

- 1 Double counting of items arising from cross investment between *internal linked funds* must be eliminated.
- 2 The basis on which the assets have been valued must be stated in a supplementary note [Code 4401].
- 3 The aggregate value of rights (gross of *variation margin*) and the aggregate amount of liabilities (gross of *variation margin*) under *derivative contracts* (or in respect of contracts or assets which have the effect of a *derivative contract*) must each be stated in a supplementary note. The corresponding figures net of *variation margin* must also be stated [Code 4402]. For this purpose, rights and liabilities must not be set off against one another unless -
 - a. such rights and liabilities may be set off against each other in accordance with generally accepted accounting practice; and
 - b. such set off results (in whole or in part) from the closing out of obligations under a *contract of insurance*.
- 4 Where there is a liability to repay *variation margin* and there are no arrangements for netting of amounts outstanding, or the arrangements would not permit the accounting of such amounts on a net basis in accordance with generally accepted accounting practice, it must be so stated in a supplementary note [Code 4403].
- 5 The total of the net asset value at line 18 must equal line 59 of Form 45.
- 6 If the surplus units exceed 1% of the net unit liability, a statement of the purpose of the surplus units must be given in a supplementary note [Code 4404].
- 7 A supplementary note setting out the name of the fund, the net asset value and the liquidity ratio [Code 4405] must be provided for any fund –
 - (a) whose net asset value is greater than £10m, and with respect to which there is negative liquidity ratio exceeding 0.05 in magnitude; and
 - (b) whose net asset value is greater than £500,000, and with respect to which there is a negative liquidity ratio exceeding 0.5 in magnitude.

where the liquidity ratio is the sum of *approved securities*, short term deposits and cash held in the fund less the liabilities of the fund expressed as a ratio of the net asset value of the fund.
- 8 [deleted].
- 9 If any of comparative amounts differs from the corresponding amount shown in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 4411].

Form 45 – Long-term insurance business: revenue account for internal linked funds

Instructions for completion of Form 45

- 1 Double counting of items arising from cross investment between *internal linked funds* must be eliminated.
- 2 If any of the brought forward amounts differs from the corresponding carried forward amounts in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason for the difference must be stated in a supplementary note [Code 4501].
- 2A If any of comparative amounts differs from the corresponding amount shown in in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 4511].
- 3 Any item of income which cannot properly be allocated to lines 11, 12, or 13 must be entered at line 14, and similarly, any item of expenditure which cannot properly be allocated to lines 21, 22, 23, 24 or 25 must be entered at line 26. Particulars of such items must be specified in a supplementary note [Code 4502].
- 4 The gross value of units created must be shown at line 11. The gross value of units cancelled must be shown at line 21. Each day's movements must be netted or recorded as two separate entries, one positive and one negative. The total net positive and negative movements must be recorded at lines 11 or 21 as appropriate.

Form 46 - Long-term insurance business: Summary of new business***Instructions for completion of Form 46***

- 1 Line 11 is the sum of column 3 of Form 47. Line 12 is the sum of column 5 of Form 47. Lines 21, 22 and 23 are the sum of column 4 of Form 47 for that business. Lines 25, 26 and 27 are the sum of column 6 of Form 47 for that business.
- 2 'New' *policy holders* or scheme members are those who have effected a new individual contract or joined the scheme during the *financial year in question*.
- 3 'New' regular premiums and 'new' single premiums are premiums from new *policy holders* and scheme members, and must also include new increments on existing *policies* accepted by the *insurer*, in the *financial year in question*.
- 4 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 4611].
- 5 "regular premiums" means premiums under *contracts of insurance* which are payable at regular intervals during the *policy year*, including repeated or recurring single premiums where the level of premium is defined;
- 6 "single premiums" means premiums under *contracts of insurance* under which there is no expectation of continuing premiums being paid at regular intervals, additional single premiums paid in respect of existing individual contracts and National Insurance rebates received from the Department of Work and Pensions;

Form 50 - Long-term insurance business: Summary of mathematical reserves

Instructions for completion of Form 50

- 1 Lines 11 to 18 are just for gross business.
- 2 Lines 21 to 28 are just for reinsurance ceded external.
- 3 Lines 31 to 38 are just for reinsurance ceded intra-group.
- 4 Line 41 = line 11 – line 21 – line 31.
Line 42 = line 12 – line 22 – line 32. Line 43 = line 13 – line 23 – line 33. Line 44 = line 14 – line 24 – line 34. Line 45 = line 15 – line 25 – line 35. Line 46 = line 16 – line 26 – line 36. Line 47 = line 17 – line 27 – line 37. Line 48 = line 18 – line 28 – line 38.
- 5 Separate Forms must be completed for the total business and each subfund.
- 6 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 5011].

Form 58 - Long-term insurance business: distribution of surplus

Instructions for completion of Form 58

- 1 Separate Forms must be completed for the total business and each sub-fund.
- 2 The entry at line 11 must be equal to the entry at line 59 in Form 40 for the relevant sub-fund.
- 3 Where interim, mortality or terminal bonuses are determined in advance of a valuation and are paid in anticipation of surplus arising at the valuation, the amounts of such bonus actually paid in the period up to the *relevant date* must be entered at lines 12 and 41. To the extent that it is the practice of the *insurer* to make special provision for the cost of such bonuses payable on future *claims* out of surplus arising at a valuation, such amounts must be treated as amounts allocated to *policy holders* at the valuation in question and included at line 44, and the actual amounts paid must not appear at lines 12 and 41 at future valuations. An appropriate supplementary note [Code 5801] must identify the various items where necessary.
- 4 Where *policies* have been transferred from one sub-fund to another, the associated transfer of reserves must not be included as a “transfer” in this Form. Where any other transfer has been made, only one block of lines must be used (lines 13 and 14 or 32 and 33, depending on the direction of the net transfer) leaving the other block blank.
- 5 When the *insurer* records a transfer to the non - technical account or to another fund or part fund in a revenue account (Form 40) for a particular period, the amount of which has been derived from a valuation completed at the end of that period, that transfer must be shown at line 13 or 14 as appropriate, so that the true surplus appears in line 29.
- 6 Where the *insurer* decides to allocate to the *long-term insurance business* the whole or any part of the investment income or net capital gains arising from assets not attributable to its *long-term insurance business*, the allocation must be included in Form 58 as a transfer from the non-technical account. This transfer must be included at lines 13 or 32, depending on whether, for the *financial year in question*, there is an overall net transfer out of, or into, the fund (or part fund).
- 7 Where the entry at line 14 or line 33 represents more than one transaction, each transfer must be separately identified in a supplementary note (code 5802).
- 8 Line 61 is line 46 expressed as a percentage of line 48.
- 9 For each fund/subfund, the entry at line 21 must equal the total liabilities shown at line 48 in column 4 of Form 50.
- 10 The figure at lines 39 and 59 must equal the figure at line 29.
- 11 The figure at line 47 must equal the sum of lines 13 and 14.
- 12 Lines 61-64 are not applicable for the total business where there is more than

one subfund.

- 13 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 5811].

Form 60 - Long term insurance capital requirement

Instructions for completion of Form 60

- 1 The *insurance death risk capital component* in lines 11-15 column 5 is based on capital at risk for those contracts where it is not negative. Capital at risk is the benefit payable as a result of death less the *mathematical reserves* after distribution of surplus. *Life protection reinsurance business* written by a *mixed insurer* is reported in line 11. Other business in classes I, II and IX must be split between lines 12, 13 and 14 in accordance with Insurance Company – Capital Resources Requirements 15.3. Line 12 is for temporary insurance on death where the original term of the contract is 3 years or less. Line 13 is for temporary insurance where the original term is 5 years or less but more than 3 years. Line 14 is for other *class I, II or IX* business
- 2 In lines 11-15 columns 2 and 3 are the gross and net capital at risk in accordance with Insurance Company – Capital Resources Requirements 15.4. For lines 12-14 the reinsurance factor is calculated in aggregate, so column 4 is the sum of lines 12-14 column 3 divided by the sum of lines 12-14 column 2, subject to a minimum of 0.5 in accordance with Insurance Company – Capital Resources Requirements 15.2 For line 15 column 4 is column 3 divided by column 2, subject to a minimum of 0.5 in accordance with Insurance Company – Capital Resources Requirements 15.2. Column 5 is column 1 x column 2 x column 4.
- 3 The *insurance health risk and life protection reinsurance capital component* in line 21 column 5 must be equal to the entry at line 43 in Form 12 for *long-term insurance business*, unless an estimate has been made in accordance with instruction 2 to Forms 11 and 12. In this case a supplementary note [Code 6001] is required as described in that instruction.
- 4 For the purpose of calculating the *insurance expense risk capital component* and the *insurance market risk capital component* linked contracts must be allocated to:
- lines 33 and 43 where the *firm* bears an investment risk,
 - lines 34 and 44 where the *firm* does not bear an investment risk but where the allocation to cover *management expenses* is fixed for a period exceeding 5 years from the commencement of the contract, and
 - lines 35 and 45, otherwise.

Life protection reinsurance business and *permanent health reinsurance business* written by a *mixed insurer* must be allocated to lines 31 and 41.

- 5 The *insurance expense risk capital component* for linked contracts where the *firm* bears no investment risk and the allocation to cover *management expenses* does not have a fixed upper limit for a period exceeding 5 years

from the commencement of the contract in line 35 is 25% of net *administrative expenses* in accordance with the Insurance Companies – Capital Resources Requirements 17.2 (1).

- 6 The insurance expense risk capital component for class V in line 37 column 5 is 1% of the assets of the tontine in accordance with the Insurance Company – Capital Resources Requirements 17.2 (2).
- 7 The insurance expense risk capital component for other business in lines 32, 33, 34, 36 and 38 column 5 is 1% of adjusted mathematical reserves after distribution of surplus in accordance with the Insurance Company – Capital Resources Requirements 17.2.(3). Column 4 is column 3 divided by column 2, subject to a minimum of 85% in accordance with the Insurance Company – Capital Resources Requirements 19.3. Column 5 is column 1 x column 2 x column 4.
- 8 The insurance market risk capital component in lines 44 and 45 column 5 for class III, VII and VIII contracts where the firm does not bear any investment risk and in line 46 for class V contracts is nil in accordance with the Insurance Company – Capital Resources Requirements 18.1.
- 9 The insurance market risk capital component in line 42, 43, 46 and 48 column 5 is 3% of adjusted mathematical reserves after distribution of surplus in accordance with the Insurance Company – Capital Resources Requirements 18.1. Column 4 is column 3 divided by column 2 subject to a minimum of 85% in accordance with the Insurance Company – Capital Resources Requirements 19.3. Column 5 is column 1 x column 2 x column 4. The amount in line 49 column 3 must equal the amount in Form 14 line 11.
- 10 The resilience capital requirement at line 32 is calculated in accordance with the Insurance Company – Capital Resources Requirements 20.
- 11 The long term insurance capital requirement in line 51 column 5 is the sum of column 5 in lines 16, 21, 39, 49 and 50.
- 12 The ratios in column 4 must be shown to 2 decimal places, but the unrounded ratios must be used for the purposes of calculating column 5.
- 13 [deleted]
- 14 If any of comparative or the brought forward amounts differs from the corresponding amount shown in/carried forward in the previous *return* and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason must be stated in a supplementary note [Code 6011].

Form M1 - Marine mutuals : Revenue account

Instructions for completion of Form M1

- 1 Units must be in £, £000, US\$, or US\$000 as appropriate.
- 2 Particulars of other income shown in line 17 must be stated in a supplementary note.
- 3 Unexpended contributions, unearned premiums, etc. shown in lines 27, 28 or 29 must be recorded net of *reinsurance* and deferred acquisition costs.
- 4 Particulars of other expenditure shown in line 33 must be stated in a supplementary note.

FORM M2 - Marine mutuals : Statement of assets and liabilities

Instructions for completion of Form M2

- 1 Units must be the same as those used in Form M1.
- 2 The amount shown at line 21 must equal the sum of $M1.27+M3.60+M3.62+M3.85$.
- 3 The amount shown at line 22 must equal the sum of $M4.29.8+M4.29.9$ for all marine *classes*.
- 4 Details of the amount shown in line 25 must be stated in a supplementary note.

Form M3 - Marine Mutuals: Analysis of admissible assets

Instructions for completion of Form M3

- 1 Units must be the same as those used in Form M1.
- 2 In lines 11 to 85 –
 - (a) for the purpose of classifying (but not valuing) assets, headings and descriptions used above, wherever they also occur in the balance sheet format in the *insurance accounts rules*, have the same meaning as in those rules,
 - (b) assets must be valued in accordance with the Insurance Company – Reporting 6.3; and
 - (c) assets of any particular description must be shown after deduction of assets of that description which (for any reason) fall to be left out of account under the Insurance Company – Exposure Limits 7.4 (1)(2)(3)(7) and (8).
- 3 The aggregate value of those investments which are:
 - (a) *unlisted* investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the rules in the Insurance Company – Overall Resources and Valuation, Part 3;
 - (b) *listed* investments falling within any of lines 41, 42, 46 or 48 which have been valued in accordance with the Insurance Company – Overall Resources and Valuation, Part 3 and which are not *readily realisable*;
 - (c) units or other beneficial interests in *collective investment schemes* that:
 - (i) are not schemes falling within the *UCITS Directive*;
 - (ii) are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the *Act*;
 - (iii) do not employ *derivative contracts* unless they meet the criteria in the Insurance Company – Risk Management 6.2,
 - iv) do not employ contracts or assets having the effect of *derivative contracts* unless they have the effect of *derivative contracts* that meet the criteria in the Insurance Company – Risk Management 6.2; and
 - (v) do not include assets other than *admissible assets* among their property; or
 - (d) reversionary interests or remainders in property other than land or buildings, must be stated by way of a supplementary note, together with a description of such investments.
- 4 The aggregate value of those investments falling within lines 46 or 48 which

are *hybrid securities* must be stated by way of a supplementary note to this Form.

- 5 Amounts in respect of salvage or subrogation included above other than at line 73 must be stated by way of a supplementary note to this Form.
- 6 The amount to be shown in line 94 must equal the total of the relevant proportions in accordance with the Insurance Company – Overall Resources and Valuation 8.1 of the *individual capital resources requirements* of the affiliated companies.
- 7 The amount to be shown in line 95 must equal the total of restricted assets of any affiliated company that is an *insurance undertaking* that are deducted in accordance the Insurance Company – Overall Resources and Valuation 8.1.
- 8 Lines 99-102 must be completed in accordance with the *insurance account rules* or *international accounting standards* as applicable to the *insurer* for the purpose of its external financial reporting if the *insurer* is required to produce such accounts. Otherwise these lines must be left blank. Details of amounts in line 101 must be disclosed in a supplementary note. For years ending on or before 30 December 2008, the previous year figure for line 93 must be left blank and that for line 101 must equal line 100 from the previous *return*.

Form M4 - Marine mutuals: Annual analysis of calls, premiums and claims

Instructions for completion of Form M4

- 1 Separate Forms must be completed for each *class of insurance business*. The relevant description below must be entered against the 'Marine class' heading and the corresponding *class code* entered in the M4 box.

<u>Code</u>	<u>Description</u>
-------------	--------------------

01	Protection and Indemnity
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02	Hull and Machinery
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03	Freight Demurrage and Defence
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04	War risks
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05	Strikes
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06	Other - nature of business to be detailed in a supplementary note.
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- 2 Units must be the same as those used in Form M1.

- 3 The *financial year in question* must be stated at line 11 and *preceding financial years* must be listed in reverse chronological order in lines 12 to 25.

Form M5 - Marine mutuals: Analysis of derivative contracts***Instructions for completion of Form M5***

- 1 Units must be the same as those used in Form M1.
- 2 *Derivative contracts* must be analysed according to the description of assets shown in the second column of Form M5 which represents the principal subject of the contract.
- 3 *Derivative contracts* must be reported as assets in column 1 of Form M5 if their value to the *marine mutual* (gross of *variation margin*) is positive and as liabilities in column 2 of Form M5 if their value to the *marine mutual* (gross of *variation margin*) is negative.
- 4 All amounts included at lines 11 to 35 of Form M5 in respect of *derivative contracts* are to be determined without making any allowance for *variation margin*.
- 5 Amounts in respect of a *derivative contract* may only be included net of amounts in respect of any other *derivative contract* if
 - a. obligations of the *marine mutual* under the contracts may be set off against each other under generally accepted accounting practice; and
 - b. such other contract has the effect (in whole or in part) of closing out the obligations of the *marine mutual* under the first mentioned contract.
- 6 The effect of any *variation margin* upon amounts included at lines 11 to 35 of Form M5 must be shown at line 41.
- 7 The entry at M5.49.1 must be shown at M3.44.1.
- 8 The entry at M5.49.2 must be included at M2.23.1.
- 9 Rights to recover assets transferred by way of *initial margin* must not be shown on Form M5.