

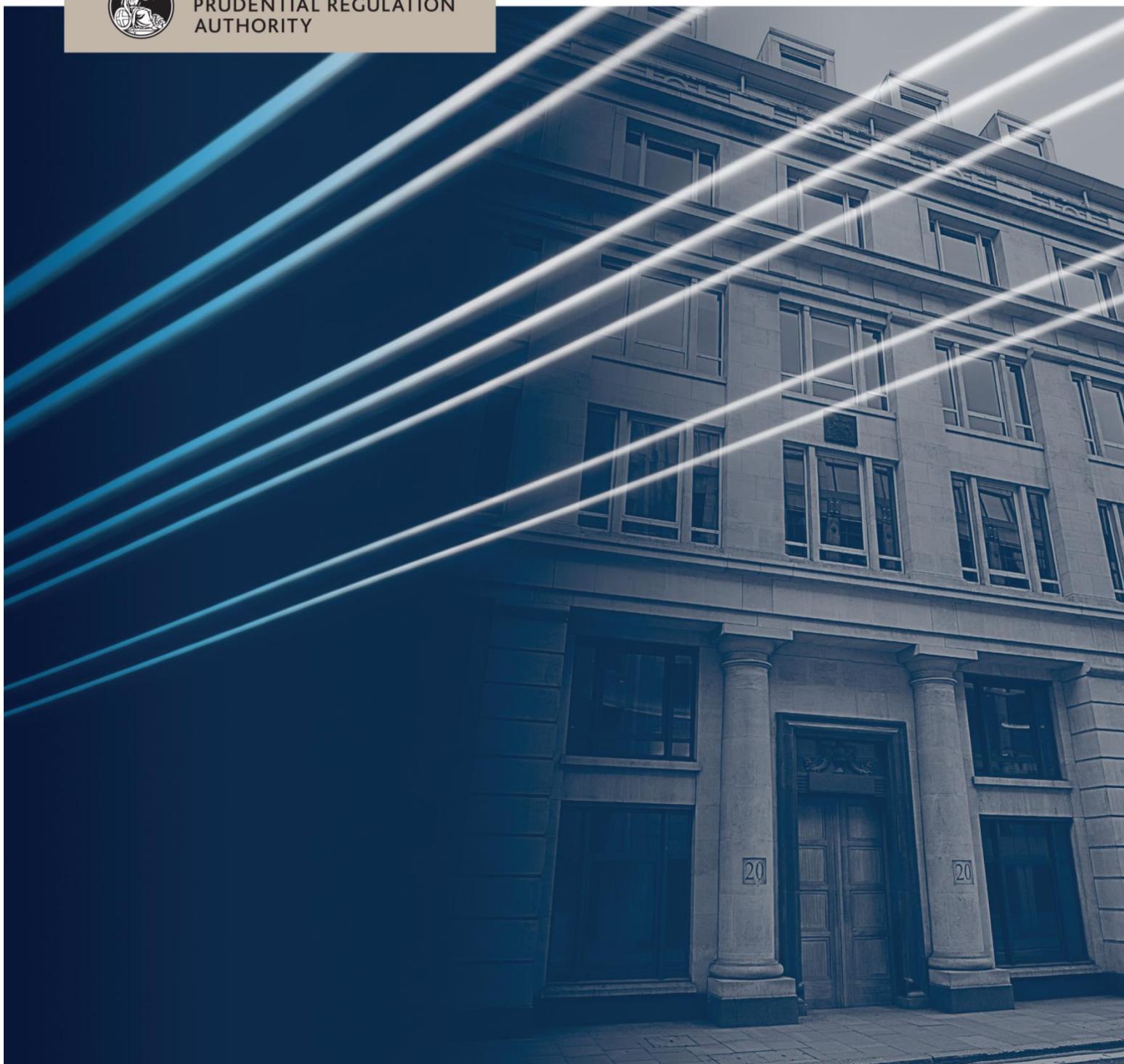
Supervisory Statement | SS14/16

# Reporting instructions for non-Solvency II firms (except friendly societies)

October 2016



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



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## **1 Introduction**

1.1 This supervisory statement sets out the Prudential Regulation Authority's (PRA) expectations regarding the completion of the regulatory reporting requirements detailed in the Insurance Company – Reporting Part of the PRA Rulebook. This statement is applicable to insurance firms that are outside the scope of Solvency II and are not friendly societies (these firms are described as non-directive insurance firms).

1.2 This statement will ensure a consistent reporting framework to enable the PRA to use the information efficiently and effectively. It allows the PRA to meet its objectives for promoting the safety and soundness of 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 regime.

1.3 This statement expands on the PRA's general approach by clearly and consistently explaining its expectations of firms in relation to the particular areas addressed. In this way, the PRA seeks to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and contributing to securing an appropriate degree of protection for policyholders. The PRA has considered matters to which it is required to have regard, and it considers that this statement is compatible with the regulatory principles and relevant provisions of the Legislative and Regulatory Reform Act 2006.

## **2 Completing data items**

2.1 The guidance on completing data items is set out in a series of appendices to this supervisory statement.

2.2 The PRA's expectation is that firms will submit supplementary notes to a form, as a separate statement. Supplementary notes should include all applicable codes and be provided to the PRA in accordance with the appendices.

2.3 For firms' ease of reference, please note that certain reporting requirements which are rules contained in the Insurance Company – Reporting Part of the PRA Rulebook, are referenced throughout the appendices to this supervisory statement.

2.4 This supervisory statement should be read in conjunction with the Insurance Company – Reporting Part of the PRA Rulebook, any other applicable PRA rules contained in the PRA Rulebook and any applicable international accounting standards' where stated in the appendices.

2.5 References to 'the Act' in the appendices refer to the Financial Services and Markets Act 2000.

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## Appendix 1: Instructions for completion of Form 1 - Statement of solvency – general insurance business

- 1 Firms should complete Form 1 in respect of its entire general insurance business.
- 2 A firm must show amounts to the nearest £1,000, in accordance with Insurance Company – Reporting 6.14.
- 3 The entry at line 13 should be equal to the total capital resources after deductions at line 79, column 1 on Form 3. The entry at line 11 also includes 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.
- 4 For a firm carrying on long-term insurance business the entry at line 12 on Form 1 should 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.
- 5 The general insurance capital requirement at line 31 should 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.
- 6 The base capital resources requirement at line 33 should be taken from Insurance Company – Capital Resources Requirements 6.1.
- 7 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.
- 8 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.
- 9 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.
- 10 The CR Requirement at line 41 is equal to line 36.
- 11 The entry at line 51 should not include provision for any liability to tax on capital gains. Amounts in affiliated companies should not be included.
- 12 Where a direction under section 138A of the Financial Services and Markets Act 2000 (the Act) has been issued dis-applying or modifying any of the provisions the Insurance Company – Reporting Part of the Rulebook, a supplementary note to Form 1 explaining the effect of the order should be added to the form, using Code 0101.
- 13 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 should be stated in a supplementary note to Form 1, using Code 0111.

## Appendix 2: Instructions for completion of Form 2 - Statement of solvency – long-term insurance business

- 1 Form 2 should be completed in respect of the firm's entire long-term insurance business.
- 2 The entry at line 13 should 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.
- 3 The long-term insurance capital requirement at line 31 should be equal to the amount shown at line 51 of Form 60.
- 4 The base capital resources requirement at line 33 should be taken from the Insurance Company – Capital Resources Requirements 6.1.
- 5 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.
- 6 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.
- 7 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.
- 8 The CR Requirement at line 41 is equal to line 36.
- 9 The entry at line 51 should not include provision for any liability to tax on capital gains. Amounts in affiliated companies should not be included.
- 10 Where a direction under section 138A of the Act has been issued dis-applying or modifying any of the provisions of the Insurance Company – Reporting Part of the Rulebook, a note to Form 2 explaining the effect of the direction should be provided as specified in the direction itself - Code 0201 is relevant in this instance.
- 11 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 should be stated in a supplementary note to Form 2, using Code 0211.

## Appendix 3: Instructions for completion of Form 3 - Components of capital resources

- 1 Form 3 should be completed in respect of a firm's 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, should include a supplementary note analysing those instruments, using Code 0302.
- 3 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 the way capital items are allocated from one year to the next, the firm should explain the change in a supplementary note using Code 0303.
- 4 Column 3 is the sum of columns 1 and 2.
- 5 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.
- 6 The entry at line 15.2 should be the funds for future appropriations 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 should be blank.
- 7 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 should state in a supplementary note to this form, using Code 0310:
  - (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.

- 8 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.
- 9 The entries at lines 25 and 27 should 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.
- 10 The entries at line 32 for investments in own shares should, in the majority of cases, be zero.
- 11 For the purpose of completing line 33, the firm should refer to the Insurance Company – Capital Resources 8.1.
- 12 The amounts in line 34 should be calculated in accordance with Insurance Company – Capital Resources 5.8 and 5.9.
- 13 The entries at lines 45 and 46 for perpetual cumulative preference shares, subordinated debt and securities should 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.
- 14 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.

- 15 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.
- 16 Line 71 should show positive adjustments for affiliated companies that are regulated undertakings (other than insurance undertakings) required by the Insurance Company – Capital Resources 12.3.
- 17 Line 73 should show the deductions for assets that are not admissible assets required by the Insurance Company – Capital resources 12.1.
- 18 Line 74 should show the assets in excess of market risk and counterparty limits in Insurance Company – Exposure Limits 7.2 to 7.4.
- 19 Line 75 should show negative adjustments for affiliated company that are ancillary services undertakings required by the Insurance Company – Capital Resources 12.2.
- 20 Line 76 should show negative adjustments for affiliated companies that are regulated undertakings (other than insurance undertakings) required by the Insurance Company – Capital Resources 12.3.
- 21 The entries at line 77 should be nil.
- 22 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 should be either:
- (a) line 79; or
  - (b) (if less) the sum of lines 19, 24, 25 and 42 less line 37.
- 23 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 should be either:
- (a) line 79; or
  - (b) (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.
- 24 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,<sup>1</sup> should be disclosed in a supplementary note to this Form, using the Code 0305.

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<sup>1</sup> As defined in rule 1.3 of the Insurance Company – Reporting Part of the PRA Rulebook, [www.prarulebook.co.uk/rulebook/Content/Part/320949/29-09-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/320949/29-09-2016).

- 25 The entry at line 91 (implicit items) should 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.
- 26 The entry at line 92 should 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.
- 27 The entry at line 93 should equal the amount of any contingent asset receivable from a cedant not already recognised in Form 13 or 14. The firm should, using Code 0307, provide in a supplementary note to this Form the following information on each material outgoing reinsurance arrangement:
- (a) 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);
  - (b) the amount of the contingent asset for payments from cedants; and
  - (c) the commutation value at the end of the financial year in question of the reinsurance arrangement.
- 28 The amount to be shown for contingent loans at line 94 should 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.
- 29 Line 95 should 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.
- 30 The firm should provide an explanation of the nature of the adjustments in line 94 and 95 in a supplementary note to this Form using Code 0308, 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, should be disclosed.
- 31 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, should be provided in a supplementary note to this Form using Code 0309.
- 32 A reconciliation of net admissible assets to total capital resources after deductions (line 79) should be provided as a supplementary note using Code 0301. The reconciliation should contain the following items:
- (a) 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).
  - (b) 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.

- (c) Any components of capital resources, not included in (b), 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).
- (d) 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 (a) plus or minus the additions and deductions in items (b) to (d), should equal line 79 (Total capital resources after deductions).

- 33 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 should be included as a note to Form 3, using Code 0312.
- 34 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) should be provided as a supplementary note, using Code 0313.
- 35 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 should be stated in a supplementary note to Form 3, using Code 0311.

## **Appendix 4: Instructions for completion of Form 10 - Statement of net assets**

- 1 Swiss general insurers completing Form 10 as per Insurance Company – Reporting 3.2 should complete this form in respect of business carried on through a branch in the United Kingdom.
- 2 Line 64 should be Form 15.61.2 less 15.61.1.
- 3 Line 65 should include transfers from or to head office and the particulars of movement at Line 65 should be stated in a supplementary note using Code 1002.
- 4 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 should be stated in a supplementary note to Form 10, using Code 1011.

## Appendix 5: Instructions for completion of Form 11 - Calculation of general insurance capital requirement – premiums amount and brought forward amount – long-term insurance business

### Long-term insurance business

- 1 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, 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, should be given in a supplementary note, using Code 6001.
- 2 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.

### Prior year figures

- 3 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 using Code 1102.
- 4 The Form 11 line 53 column 1 is determined as follows:
  - (a) 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.
  - (b) 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).
  - (c) 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.
  - (d) 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).
- 5 The amounts to be shown in column 2 should be the amounts shown in column 1 for the previous financial year, unless Form 11 was not completed for the previous financial year. In that event column 2 should be left blank,

apart from the amounts in 11.51.2 and 11.52.2. The amounts in 11.51.2 should be calculated in accordance with the rules in force at the date to which they relate.

- 6 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 should be stated in a supplementary note to Form 11 using Code 1111.

#### Premiums and claims

- 7 Premiums and claims are defined by references to contracts of insurance and these, themselves, are defined by the Financial Services and Market Act 2000 (Regulated Activities) Order 2001 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 should 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, should be ignored, i.e. an adjustment should 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.

- 8 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,

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

- 9 Where any amount included in Form 11 pursuant to instruction 8 differs from the aggregate of the corresponding amounts included in Forms 21,22, 24 and 25, there should be stated by way of supplementary note to Form 11 (using Code 1105), as the case may be:
- (a) the amount of such difference; and
  - (b) an explanation for such difference.

#### Actuarial health insurance

- 10 ‘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.
- 11 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.

- 12 In accordance with Insurance Company – Capital Resources Requirements 11.1, the reinsurance ratio calculated at line 49 should be:
- (a) 1.00 if sub-total C is zero;
  - (b) 1.00 if sub-total D / sub-total C exceeds 1.00;
  - (c) 0.50 if sub-total D / sub-total C is less than 0.50; and
  - (d) sub-total D / sub-total C, otherwise.
- 13 The ratio at line 49 must be shown to two decimal places, but the unrounded ratio should be used for calculating Form 11 line 50 and Form 12 line 41 in accordance with Insurance Company – Reporting 6.15.
- 14 The provisions in line 51 should be net of reinsurance and should not be discounted or reduced to take account of investment income, except for:
- (a) risks in classes 1 or 2; and
  - (b) reductions to reflect the discounting of annuities.
- 15 For these exceptions at instruction 14, the discount should 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 should describe the items that are discounted, using Code 1104.

## Appendix 6: Instructions for completion of Form 12 - Calculation of general insurance capital requirement – claims amount and result

### Long-term insurance business

- 1 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, 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, should be given in a supplementary note using Code 6001.
- 2 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.

### Prior year figures

- 3 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 using Code 1202.
- 4 The amounts to be shown in column 2 should 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 should be left blank, apart from the amount in 12.43.2. The amount in 12.43.2 should be calculated in accordance with the rules in force at the date to which they relate.
- 5 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 should be stated in a supplementary note Code 1211 to Form 12 using Code 1211.

### Premiums and claims

- 6 Premiums and claims are defined by references to contracts of insurance and these, themselves, are defined by the Financial Services and Market Act 2000 (Regulated Activities) Order 2001 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 should 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, should be ignored, i.e. an adjustment should 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.

- 7 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,

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

- 8 Where any amount included in Form 12 pursuant to instruction 7 differs from the aggregate of the corresponding amounts included in Forms 21, 22, 24 and 25, there should be stated by way of supplementary note to Form 12 (using Code 1205), as the case may be –
- (a) the amount of such difference; and
  - (b) an explanation for such difference.

#### Actuarial health insurance

- 9 ‘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.
- 10 The reference period in line 11 is specified in the Insurance Company – Capital Resources Requirements 9.4.
- 11 Statistical methods may be used to allocate the claims, provisions and recoveries in respect of classes 11, 12 and 13 in line 27.
- 12 Line 31 represents the gross adjusted claims amount calculated in accordance with the Insurance Company – Capital Resources Requirements 9.2.
- 13 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.

## Appendix 7: Instructions for completion of Form 13 - Analysis of admissible assets

- 1 The words 'total long-term insurance business assets' or the name of the fund should be shown against the heading 'Category of assets'. The corresponding code box should contain '10' for the total assets and, in the case of separate funds, code numbers allocated sequentially beginning with code '11'.
- 2 In Form 13, the words 'total other than long-term insurance business assets' should be shown against the heading 'Category of assets', and the corresponding code box should contain '1'.
- 3 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), should have the same meaning as in those Schedules;
  - (b) an affiliated company should 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 should instead be valued in accordance with the Insurance Company – Overall Resources and Valuation 3.3;
  - (c) other assets should be valued in accordance with the Insurance Company – Overall Resources and Valuation 3.1;
  - (d) assets of any particular description should 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.
- 4 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 European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No 2009/65/EC) as amended;
    - (ii) are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Financial Services and Markets Act 2000;
    - (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, should be stated by way of a supplementary note to this Form (using Code 1301 for other than long-term insurance business and Code 1308 for long-term insurance business), together with a description of such investments.
- 5 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 to this Form (using Code 1302 for other than long-term insurance business and Code 1309 for long-term insurance business).
- 6 Amounts in respect of salvage or subrogation included above other than at line 73 are to be stated by way of a supplementary note to this Form, using Code 1303.
- 7 The entry at line 85 should be gross of any related reinsurance commission.
- 8 The amount to be shown in line 94 should 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.
- 9 The amount to be shown in line 95 should 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.
- 10 Lines 60 to 63 and 85 relate only to general insurance business. The amount in lines 60-62 recoverable from Insurance Special Purpose Vehicles should be disclosed in a supplementary note using Code 1320.
- 11 Lines 60 to 63 and 85 should be left blank for 'Category of assets' code '2'.

- 12 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 3 to Form 15). In such cases, the reinsurers' share shown at line 61 should be adjusted to be consistent with the amount shown in line 12.
- 13 The amount of any tangible leased asset included at line 80 should be disclosed by way of a supplementary note to this Form (using Code 1314 for other than long-term insurance business and Code 1316 for long-term insurance business).
- 14 Particulars of any other assets included at line 83 should be stated by way of a supplementary note to this Form (using Code 1315 for other than long-term insurance business and Code 1317 for long-term insurance business).
- 15 Lines 99-102 should be completed in accordance with the insurance accounts rules (as defined in the PRA Rulebook glossary) 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 should be left blank. Line 100 includes the discounting adjustment for the reinsurers' share of claims outstanding – see instruction 3 of Form 15. Details of amounts in line 101 should be stated in a supplementary note using Code 1318.
- 16 If any of the 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 should be stated in a supplementary note to Form 13 using Code 1311.
- 17 (1) Except to the extent permitted by (2), amounts due to or from the insurer should be shown gross.
- (2) 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.
- (3) If amounts shown include amounts calculated on the basis set out in (2), a supplementary note to Form 13 to that effect should be provided (using Code 1304 for other than long term insurance business and Code 1310 for long-term insurance business).
- 18 The amount of any debt of reinsurer to the insurer in respect of general insurance business ceded under reinsurance treaties and/or facultative reinsurance should be included at line 75 of Form 13.

- 19 The amount of any deposit received from each reinsurer under reinsurance treaties and or facultative reinsurance should be included at line 31 of Form 13.
- 20 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.
- 21 The amount of any debt of each cedant in respect of general insurance business accepted under reinsurance treaties should be included at line 74 of Form 13.

#### Counterparty exposure

- 22 There should be given by way of a supplementary note to Form 13 (using 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.
- 23 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, should be stated by way of a supplementary note to Form 13 (using Code 1306 for other than long-term insurance business and Code 1312 for long term insurance business).
- 24 There should be stated by way of supplementary note to Form 13 the aggregate value of any rights to which the Insurance Company – Exposure Limits 9.3, 9.4 and 9.5 relates (using Code 1307 for other than long-term insurance business and Code 1313 for Long-term insurance business).

## Appendix 8: Instructions for completion of Form 14 - Long term insurance business liabilities and margins

- 1 As per Insurance Company – Reporting 5.5, 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 should equal the sum of lines 21, 43, 44 and 45 of Form 58.
- 3 The entry at line 12 should equal line 42 of Form 58.
- 4 The entry at line 13 should equal line 49 of Form 58.
- 5 The entry at line 14 should equal line 59 of Form 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 should state the amount of the provision, in a supplementary note using Code 1404.
- 7 The entry at line 51 should 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 should 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 should be left blank. The amount of deferred acquisition cost in line 72 should be adjusted for any associated deferred tax. Details of amounts in line 74 should be disclosed in a supplementary note using 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 should be disclosed in a supplementary note to this Form using Code 1403.

### Provision for reasonably foreseeable adverse variations

- 10 There should be stated by way of supplementary note to Form 14 (using 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 paragraph 13, the following information should be given by way of a supplementary note to Form 14, using 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 11(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 11(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 11(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 instructions 11 to 14, 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 solely to the use of a different rate to express other currencies in sterling then the reason should be stated in a supplementary note to Form 14, using Code).

## Appendix 9: Instructions for completion of Form 15 - Liabilities (other than long term insurance business)

- 1 Amounts in lines 11 to 13 and 16 should be stated gross of reinsurers' share.
- 2 The aggregate amount of any accrued dividend in respect of cumulative preference shares issued by the insurer should be shown by way of a supplementary note using Code 1503.
- 3 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 should be increased by the difference between the undiscounted and the discounted provisions. If the technical provisions are increased the amount of the increase should be shown in line 82 and the corresponding increase in the reinsurers' share should be included as a negative item in line 99 of Form 13.
- 4 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 should be disclosed in a supplementary note using Code 1504.
- 5 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 should be stated in a supplementary note using Code 1506.
- 6 The amount shown in line 51 should include reinsurance commissions related to deferred acquisition costs corresponding to the allowance included in Form 13 line 85.
- 7 Lines 82-85 should 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 should be left blank. Details of amounts in line 83 should be disclosed in a supplementary note using Code 1507.
- 8 The amount at line 48 column 1 is dividends which are foreseeable.
- 9 If any of the 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 should be stated in a supplementary note to Form 15 using Code 1511.

### Provision for reasonably foreseeable adverse variations

- 10 There should be stated by way of supplementary note to Form 15 (using 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

- 11 Subject to Instruction 13, the following information should be given by way of a supplementary note to Form 15 (using Code 1502) –

- (a) in the case of any ‘charge’ over assets of the insurer, the particulars specified in (instruction 12) 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.

- 12 The particulars referred to in Instruction 11(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'.
- 13 Instruction 11(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 11(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 instructions 11 to 14, 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.

## **Appendix 10: Instructions for completion of Form 16 - Profit and loss account (non-technical account)**

- 1 The bases of conversions adopted should be stated by way of supplementary note using Code 1601. Where any brought forward amounts on are restated due to currency reconversion, this fact should be stated in a supplementary note to this Form using Code 1602.
- 2 Unrealised gains and losses on investments (other than for investments in the long term fund) should 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 should be measured by reference to the value included for the investment at line 102 on Form 13, i.e. the Companies Act accounts value.
- 3 Particulars of any amounts included at lines 21 should be stated by way of a supplementary note to this Form using Code 1603.
- 4 Particulars of any amounts included at lines 41 should be stated by way of a supplementary note to this Form using Code 1604.
- 5 The amount at line 51 column 1 includes dividends which are foreseeable.
- 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 should be stated in a supplementary note to Form 16, using Code 1611.

## Appendix 11: Instructions for completion of Form 17 - Analysis of derivative contracts

- 1 Form 17 should also be completed for each fund or group of funds referred to in instruction 1 to Form 13 if Form 17 should be completed in respect of the total long-term insurance business assets.
- 2 The codes specified in instructions 1 and 2 to Form 13 should be used as appropriate.
- 3 Derivative contracts should 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 should 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 should 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 should be shown at line 52 columns 1 and 2.
- 8 The entry at 17.53.1 should be included at 13.44.1.
- 9 The entry at 17.53.2 should be included at 14.38.1 or 15.49.1. as appropriate.
- 10 Rights to recover assets transferred by way of initial margin should 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; and
- (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 should 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 should 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 should 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; and
- (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, should 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 should be stated by way of supplementary note to Form 17 (using Code 1701):
- (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; and
  - (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, should be stated (by way of supplementary note to Form 17 using Code 1702) 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.

## Appendix 12: Instructions for completion of Form 20A - Profit and loss account (non-technical account)

- 1 The amount to be shown under gross written premiums for a PRA general insurance business reporting category should 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 should 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 should 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 should 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 should provide an explanation for the difference in a supplementary note using Code 20A1.
- 8 The following information should be stated by way of supplementary notes to Form 20A (using Codes 20Aa to 20Af):
  - (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 under Insurance Company – Reporting 4.14; and
  - v. in the case of an allocation made under 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 should be stated by way of supplementary note to Form 20A (using Code 20Ag) –
- (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 should 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 should 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 should state, in respect of each risk category, the following by way of supplementary note to Form 20A (using Code 20Ah):–
- (a) the date of the transfer;
  - (b) whether the transfer was approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation 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
- 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, as per 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 should, subject to Instruction 12, 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 (using Code 20Ai).
- 12 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

- 13 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 should be stated by way of supplementary note to Form 20A (using Code 20Aj). 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

- 14 Amounts in respect of inward and outward contracts of insurance should be classified for inclusion in Forms 20A, 20 to 39 according to their economic substance and in accordance with generally accepted accounting practice.
- 15 Where amounts in respect of an inwards or outwards contract of insurance have been excluded from the revenue account, the following should be shown by way of supplementary note to Form 20A using Code 20Ak:
- (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.
- 16 A insurer may elect to show the information required by Instruction 14 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.

## Appendix 13: Instructions for completion of Form 20 - General insurance business: Technical account

1. Particulars of any amounts included at lines 16, 25 or 32 ('other technical income or charges') should be stated by way of a supplementary note to the Form, using Code 2005.
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 should be stated in a supplementary note using Code 2011.

### Material connected - party transactions

3. If during the financial year in question, a firm has agreed to, or carried out, a material connected-party transaction, it should provide a brief description of that transaction by way of a supplementary note to Form 20 using Code 2007. This description should 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;
  - (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;

- (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.

## **Appendix 14: Instructions for completion of Form 21 - Components of capital - General insurance business (accident year accounting): Analysis of premiums**

- 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 to the form, using Code 2103.
- 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 should be stated in a supplementary note using Code 2101.
- 3 The basis on which unearned premiums are calculated and the reason for adopting this basis should be stated by way of supplementary note using Code 2102.

## Appendix 15: Instructions for completion of Form 22 - General insurance business (accident year accounting): Analysis of claims, expenses and technical provisions

- 1 Amounts included at lines 11 to 18 should be shown undiscounted and related adjustments for discounting should 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 should 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 should be stated in a supplementary note using 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 should 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 should 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 should be stated by way of supplementary note using 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 should be stated by way of supplementary note using Code 2202.
- 9 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 should be included in the note (using Code 2202).
- 10 If, within a PRA general insurance business reporting category, an insurer has ceased to effect 'new contracts of insurance' (see below) 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 should be included in the supplementary note using Code 2202. A "new contract of insurance" is any contract of insurance affected by the insurer other than in fulfilment of its obligations under subsisting contracts of insurance.
- 11 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 should be stated by way of supplementary note to Form 22, using 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

- 12 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, should be stated by way of a supplementary note using Code 2204.

### Reinsurance

- 13 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 should be stated by way of supplementary note to Form 22, using Code 2206:
- (a) the amount of such recoveries; and

- (b) the accounting treatment which has been adopted in respect of discounting such recoveries.

## Appendix 16: Instructions for completion of Form 23 - General insurance business (accident year accounting): Analysis of net claims and premiums

- 1 All figures are to be shown net of the reinsurers' share.
- 2 The accident years shown at lines 11 to 20 should correspond to the financial year in question and the nine previous financial years respectively.
- 3 Columns 1 to 9 should be shown before deduction for discounting.
- 4 All amounts shown should exclude claims management costs.
- 5 The percentage shown at column 12 should be the ratio of the columns 3+4+5+6 to column 2.
- 6 The percentage shown at column 13 should be the ratio of columns 1+3+4+5+6 to column 11.
- 7 The entry at:
  - (a) 23.29.5 + 23.29.6 should equal 22.13.3 + 22.17.3;
  - (b) 23.29.7 + 23.29.8 should equal 22.13.1;
  - (c) 23.29.10 should equal 22.31.3 + 22.32.3; and
  - (d) 23.29.4 should equal 22.13.2 + 22.17.2.
- 8 The percentages shown at columns 12 and 13 should be expressed as percentages to one place of decimals.
- 9 Line 22 should be left blank.
- 10 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 should be stated in a supplementary note using Code 2301.

### Premiums

- 11 Gross premiums earned in respect of an accident year should 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 should 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.
- 12 The amounts required to be shown in respect of premiums should be shown before deduction for commissions.
- 13 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA

State under Article 39 of the Solvency II Directive or its predecessor legislation the policies transferred to the insurer should be taken to have incepted on the date of such transfer.

## Claims

- 14 Where an amount or number is required to be shown for claims in respect of an accident year, that amount or number should be determined on the basis of claims arising from incidents occurring during that accident year.
- 15 For the purposes of Instruction 14 above, 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.
- 16 For the purposes of Instruction 14 above, 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.
- 17 In the application of Instruction 16, 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 approved by the competent authority of another EEA State under Article 39 of Solvency II or its predecessor legislation; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.
- 18 Amounts required to be shown for claims should not include amounts in respect of claims management costs.

## Appendix 17: Instructions for completion of Form 24 - General insurance business (underwriting year accounting): Analysis of premiums, claims and expenses

- 1 The underwriting years shown between the columns headed "29 29" and "9999" should 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 should exclude claims management costs.
- 3 The amounts shown at lines 51 to 54 should exclude equalisation provisions.
- 4 The amounts shown at lines 11 to 49 should 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 should be stated in a supplementary note using 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 should be stated by way of supplementary note, using Code 2404.
- 7 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 should be included in the note (Code 2404).
- 8 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 should be included in the supplementary note, using 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.
- 9 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, using 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

- 10 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, should be stated by way of a supplementary note using Code 2406.

#### Underwriting year accounting

- 11 With reference to the financial year in question and in respect of each PRA general insurance business reporting category, the following information should be stated by way of supplementary note to Form 24, using Code 2402 –
- (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.
- 12 Where the provision for claims outstanding is set in respect of any business using the 'non-annual method', the supplementary note (using Code 2402) should 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

- 13 Gross premiums written in an underwriting year should 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 should be attributed to the same underwriting years as the corresponding gross premiums written.
- 14 The amounts required to be shown in respect of premiums should be shown before deduction for commissions.
- 15 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation, the policies transferred to the insurer should 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 should be determined on the basis of claims arising under contracts of insurance incepted during that year.
- 17 Amounts required to be shown for claims should 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.

## Appendix 18: Instructions for completion of Form 25 - General insurance business (underwriting year accounting): Analysis of technical provisions

- 1 The underwriting years shown between the columns headed "29 29" and "9999" should 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 should be completed for open years and lines 11 to 18 and 21 to 29 for closed years.
- 3 Line 29 should equal line 53 less 54 on Form 24.
- 4 Lines 11 to 15 should be shown before adjustment for discounting.
- 5 Lines 11 to 14, 16 and 17 should exclude claims management costs.
- 6 Amounts should 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 instruction 12 below.
- 7 Particulars of any amounts included at line 25 should be stated in a supplementary note to the form, using Code 2505.

### Unearned premiums

- 8 The basis on which unearned premiums are calculated and the reason for adopting this basis should be stated by way of supplementary note using Code 2501.

### Provision for unexpired risks

- 9 The amount included for the provision for unexpired risk in Form 25 prepared in respect of a PRA general insurance business reporting category should be determined without taking into account surplus expected to arise on the unexpired risks falling within other PRA general insurance business reporting category.
- 10 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 should be included as a negative amount at line 23 of Form 25, for that category.
- 11 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 should be stated by way of supplementary note using 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

- 12 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.
- 13 Where any amount is shown on Form 25 for the transfer of anticipated surplus, the following should be stated by way of supplementary note using 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

- 14 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 should be stated by way of supplementary note to Form 25, using Code 2503:
  - (a) the amount of such recoveries; and
  - (b) the accounting treatment which has been adopted in respect of discounting such recoveries.

#### Premiums

- 15 Gross premiums written in an underwriting year should 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 should be attributed to the same underwriting years as the corresponding gross premiums written.
- 16 The amounts required to be shown in respect of premiums should be shown before deduction for commissions.
- 17 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation, the policies transferred to the insurer should be taken to have incepted on the date of such transfer.

## Claims

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

## **Appendix 19: Instructions for completion of Form 26 - General insurance business (accident year accounting): Analysis of net claims and premiums by risk category for treaty reinsurance**

- 1 All figures are to be shown net of the reinsurers' share.
- 2 The accident years shown at lines 11 to 20 should correspond to the financial year in question and the nine previous financial years respectively.
- 3 Columns 1 to 9 should be shown before deduction for discounting.
- 4 All amounts shown should exclude claims management costs.
- 5 The percentage shown at column 12 should be the ratio of the columns 3+4+5+6 to column 2.
- 6 The percentage shown at column 13 should be the ratio of columns 1+3+4+5+6 to column 11.
- 7 The percentages shown at columns 12 and 13 should be expressed as percentages to one place of decimals.
- 8 The amounts shown in line 21 should be analysed on continuation sheets by accident year subject to instructions 9, 10 and 11 below.
- 9 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.
- 10 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.
- 11 On the continuation sheet, for category numbers other than those listed in 9 and 10 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.
- 12 The box marked "category number" should be completed by inserting the 3 digit category number to which the PRA general insurance business reporting category relates.
- 13 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.
- 14 Line 22 should be left blank.
- 15 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 using Code 2601.

## Currency

- 16 Amounts on Form 26 submitted in accordance with Insurance Company – Reporting 4.9 and 4.17 to 4.19 should be shown in the currency in which the business on the Form is denominated, except that figures should 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 26, an entry should 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 above all amounts included in columns 1, 2, 3, and 11 of Form 26 for category number 700 should be expressed in sterling, and as per Insurance Company – Reporting 6.11, 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 An insurer needs not apply Instruction 19 to amounts shown in any line of any of the form 26 representing an accident year ending before 23 December 1996.
- 21 Amounts in any other currency than sterling should 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 should be shown to the nearer 1,000,000 principal monetary units and '000,000' should be inserted in the box labelled 'Monetary units'. In other cases, this box should be completed by inserting '000'.

## Premiums

- 22 Gross premiums earned in respect of an accident year should 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 should 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 should be shown before deduction for commissions.
- 24 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation, the policies transferred to the insurer should be taken to have inception 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 should 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 27, 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 approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation; 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 should not include amounts in respect of claims management costs.

## Appendix 20: Instructions for completion of Form 27 - General insurance business (accident year accounting): Analysis of gross claims and premiums by risk category for treaty reinsurance

- 1 All figures should be shown gross of the reinsurers' share.
- 2 The accident years shown at lines 11 to 20 should 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 should exclude claims management costs.
- 5 The percentage shown at column 12 should be the ratio of the columns 3+4+5+6 to column 2.
- 6 The percentage shown at column 13 should be the ratio of columns 1+3+4+5+6 to column 11.
- 7 The percentages shown at columns 12 and 13 should be expressed as percentages to one place of decimals.
- 8 The amounts shown in line 21 should be analysed on continuation sheets by accident year subject to instruction 9, 9A and 9B below.
- 9 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.
- 9A 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.
- 9B On the continuation sheet, for category numbers other than those listed in 10 and 9A 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..
- 10 The box marked 'category number' should 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 Line 22 should be left blank.
- 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 should be stated in a supplementary note using Code 2701.

## Currency

- 14 Amounts on Form 27 submitted in accordance with Insurance Company – Reporting 4.9 and 4.17 to 4.19 should be shown in the currency in which the business on the Form is denominated except that figures should 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;
  - (b) to contain figures expressed in sterling; and
  - (c) if business on the form is category number 400 or 700.
- 15 For every currency other than sterling in which amounts are shown on the Form 27, an entry should be made on Form 36 to show the rate used to convert those amounts to sterling for inclusion elsewhere in the returns.
- 16 Notwithstanding the provisions of Instruction 15 above all amounts included in columns 1, 2, 3, and 11 of Form 27 for category number 700 should be expressed in sterling, and as per Insurance Company – Reporting 6.11, 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.
- 17 For the purpose of Instruction 16, the currencies 'Converted to British pound' and 'British pound and converted to British pound combined' are not non sterling currencies.
- 18 An insurer needs not apply Instruction 16 to amounts shown in any line of Form 27 representing an accident year ending before 23 December 1996.
- 19 Amounts in any other currency than sterling should 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 should be shown to the nearer 1,000,000 principal monetary units and '000,000' should be inserted in the box labelled 'Monetary units'. In other cases, this box should be completed by inserting '000'.

## Premiums

- 20 Gross premiums earned in respect of an accident year should 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 should 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.
- 21 The amounts required to be shown in respect of premiums should be shown before deduction for commissions.
- 22 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation, the policies transferred to the insurer should be taken to have inception on the date of such transfer.

## Claims

- 23 Where an amount or number is required to be shown for claims in respect of an accident year, that amount or number should be determined on the basis of claims arising from incidents occurring during that accident year.
- 24 For the purposes of Instruction 23, 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.
- 25 For the purposes of Instruction 23, 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 to have occurred on the date of such contract.
- 26 In the application of Instruction 25, 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 approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.
- 27 Amounts required to be shown for claims should not include amounts in respect of claims management costs.

## **Appendix 21: Instructions for completion of Form 28 - General insurance business (underwriting year accounting): Analysis of premiums, claims and expenses by risk category for treaty reinsurance**

- 1 The underwriting years shown between the columns headed "29 29" and "9999" should correspond (in reverse order) to the financial year in question and the nine previous financial years.
- 2 Amounts shown in lines 21 to 29 should exclude claims management costs.
- 3 The amounts shown at lines 51 to 54 should exclude equalisation provisions.
- 4 The amounts shown in the first column should 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).
- 5 The box marked 'category number' should be completed by inserting the 3 digit category number to which the PRA general insurance business reporting category relates.
- 6 The amounts shown at lines 11 to 49 should be amounts payable or receivable during the financial year in question.
- 7 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.
- 8 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 should be stated in a supplementary note using Code 2801.

### Currency

- 9 Amounts on Form 28 submitted in accordance with Insurance Company – Reporting 4.10 and 4.17 to 4.19 should be shown in the currency in which the business on the Form is denominated except that figures should 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.

- 10 For every currency other than sterling in which amounts are shown on the Form 28, an entry should be made on Form 36 to show the rate used to convert those amounts to sterling for inclusion elsewhere in the returns.
- 11 Amounts in any other currency than sterling should 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 should be shown to the nearer 1,000,000 principal monetary units and '000,000' should be inserted in the box labelled 'Monetary units'. In other cases, this box should be completed by inserting '000'.

#### Premiums

- 12 Gross premiums written in an underwriting year should 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 should be attributed to the same underwriting years as the corresponding gross premiums written.
- 13 The amounts required to be shown in respect of premiums should be shown before deduction for commissions.
- 14 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation, the policies transferred to the insurer should 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 should be determined on the basis of claims arising under contracts of insurance incepted during that year.
- 16 Amounts required to be shown for claims should not include amounts in respect of claims management costs.

## Appendix 22: Instructions for completion of Form 29 - General insurance business (underwriting year accounting): Analysis of technical provisions by risk category for treaty reinsurance

- 1 The underwriting years shown between the columns headed '29 29' and '9999' should 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 should 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 should be shown before adjustment for discounting.
- 5 Lines 11 to 14, 16 and 17 should exclude claims management costs.
- 6 The amounts shown in the first column should 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).
- 7 The box marked 'category number' should be completed by inserting the 3 digit category number to which the PRA general insurance business reporting category relates.
- 8 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 instruction 12 of Form 25 guidance).
- 9 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

- 10 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.
- 11 Where any amount is shown on Form 29 for the transfer of anticipated surplus, the following should be stated by way of supplementary note using 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

- 12 Amounts on Form 29 submitted in accordance with the Insurance Company – Reporting 4.10 and 4.17 to 4.19 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.
- 13 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.
- 14 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

- 15 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.
- 16 The amounts required to be shown in respect of premiums must be shown before deduction for commissions.
- 17 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation, the policies transferred to the insurer must be taken to have incepted on the date of such transfer.

#### Claims

- 18 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.
- 19 Amounts required to be shown for claims must not include amounts in respect of claims management costs.

## Appendix 23: Instructions for completion of Form 30 - General insurance business: Expected income and yield from admissible assets covering discounted provisions

- 1 The entry at:
  - (a) 30.31.1 should equal 13.11.1
  - (b) 30.32.1 should equal 13.45.1 + the appropriate part of 13.84.1
  - (c) 30.33.1 should equal 13.46.1 + the appropriate part of 13.84.1
  - (d) 30.34.1 should equal 13.47.1 + the appropriate part of 13.84.1
  - (e) 30.35.1 should equal 13.42.1 + 13.48.1 + the appropriate part of 13.84.1
  - (f) 30.36.1 should equal 13.41.1 + 13.43.1
  - (g) 30.37.1 should equal 13.50.1 + the appropriate part of 13.84.1
  - (h) 30.49.1 should 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 should 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 should be the amounts before deduction of tax which would be received in the next financial year on the assumption that:
  - (a) the assets are held throughout that year: and
  - (b) 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 should be:
  - (a) 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
  - (b) 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 should 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 should be included only to the same extent.
- 7 The treatment of expected income payments from any asset where such payment is in default should 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:
- (a) that shown at the end of the financial year in question; and
  - (b) 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 two places of decimals in accordance with Insurance Company – Reporting 6.15.
- 10 In the above instructions, income excludes capital gains or losses or value adjustments.
- 11 The discount rate in column 11 should 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 12.6. "WW" must be used for treaty reinsurance. Otherwise the code should be as defined in Instruction 13A.
- 13A In the Form 30 an insurer should 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;
    - (ii) in the United Kingdom that is not home foreign business;
    - (iii) 'Home Foreign' for home foreign business: or
    - (iv) '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) should 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.

## **Appendix 24: Instructions for completion of Form 31 - General insurance business (accident year accounting): Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance**

- 1 All figures should be shown gross of the reinsurers' share and before any deduction for discounting.
- 2 The accident years at lines 11 to 20 should correspond to the financial year in question and the nine previous financial years respectively.
- 3 All amounts shown should 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 The percentages shown at column 11 must be expressed as percentages to two places of decimals in accordance with Insurance Company – Reporting 6.15.
- 6 For risk categories 271 to 274 the amounts shown in line 21 should be analysed by accident year on continuation sheets subject to instructions 7A below.
- 7 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.
- 7A 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.
- 8 Columns 1 and 2 need not be completed in respect of risk categories 331 to 400.
- 9 The box marked 'category number' should be completed by inserting the 3 digit category number to which the PRA general insurance business reporting category relates.
- 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.
- 11 The entry alongside 'reporting territory' should be that required by 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 the Insurance Company – Reporting 12.6.
- 11A In the Form 31 an insurer should 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 should be stated in a supplementary note Code 3101.

#### Continuation sheets

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

#### Currency

- 14 Amounts on Form 31 submitted in accordance with Insurance Company – Reporting 4.11 and 4.16 to 4.18 should 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.
- 15 For every currency other than sterling in which amounts are shown on the Form 31 an entry should be made on Form 36 to show the rate used to convert those amounts to sterling for inclusion elsewhere in the returns
- 16 Notwithstanding the provisions of Instruction 15 all amounts included in columns 3 and 10 of Form 31 for category number 400 should 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.
- 17 For the purpose of Instruction 16, the currencies 'Converted to British pound' and 'British pound and converted to British pound combined' are not non sterling currencies.
- 18 An insurer need not apply Instruction 16 to amounts shown in any line of the Form 31 representing an accident year ending before 23 December 1996.
- 19 Amounts in any other currency than sterling should 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

- 20 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 should 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.
- 21 The amounts required to be shown in respect of premiums should be shown before deduction for commissions.
- 22 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation, the policies transferred to the insurer should be taken to have incepted on the date of such transfer.

#### Claims

- 23 Where an amount or number is required to be shown for claims in respect of an accident year, that amount or number should be determined on the basis of claims arising from incidents occurring during that accident year.
- 24 For the purposes of Instruction 23, 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.
- 25 For the purposes of Instruction 23, 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.
- 26 In the application of Instruction 16, 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 approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.
- 27 Amounts required to be shown for claims should not include amounts in respect of claims management costs.

## **Appendix 25: Instructions for completion of Form 32 - General insurance business (accident year accounting): Analysis of gross claims and premiums for motor vehicle direct insurance and facultative reinsurance**

- 1 All figures should be shown gross of the reinsurers' share and before any deduction for discounting.
- 2 The accident years at lines 11 to 20 should correspond to the financial year in question and the nine previous financial years respectively.
- 3 All amounts shown should exclude claims management costs.
- 4 The percentage shown at column 11 should be the ratio of the sum of columns 3 to 6 to column 10.
- 5 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.
- 6 For accident years ended on or after 31 December 2006, the percentage shown at column 13 should 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 should 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.
- 7 The percentages shown at columns 11 and 13 must be expressed as percentages to two places of decimals in accordance with Insurance Company – Reporting 6.15
- 8 The box marked 'category number' should be completed by inserting the 3 digit category number to which the PRA general insurance business reporting category relates.
- 9 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.
- 10 The entry alongside 'reporting territory' should be that required in Instruction 10A 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.
- 10A In the Form 32 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.

- 11 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 should be stated in a supplementary note Code 3201.

#### Currency

- 12 Amounts on Form 32 submitted in accordance with the Insurance Company – Reporting 4.11, 4.16 to 4.18 should be shown in the currency in which the business on the Form is denominated except that figures should 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.
- 13 For every currency other than sterling in which amounts are shown on the Form 32 an entry should be made on Form 36 to show the rate used to convert those amounts to sterling for inclusion elsewhere in the returns.
- 14 Amounts in any other currency than sterling should 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 should be shown to the nearer 1,000,000 principal monetary units and '000,000' should be inserted in the box labelled 'Monetary units'. In other cases, this box should be completed by inserting '000'.

#### Premiums

- 15 Gross premiums earned in respect of an accident year should 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 should 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.
- 16 The amounts required to be shown in respect of premiums should be shown before deduction for commissions.
- 17 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation, the policies transferred to the insurer should be taken to have incepted on the date of such transfer.

## Claims

- 18 Where an amount or number is required to be shown for claims in respect of an accident year, that amount or number should be determined on the basis of claims arising from incidents occurring during that accident year.
- 19 For the purposes of Instruction 18, 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.
- 20 For the purposes of Instruction 18, 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.
- 21 In the application of Instruction 20, 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 approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive; and in the case of such a transfer the date of the contract is taken to be the date of the transfer.
- 22 Amounts required to be shown for claims should not include amounts in respect of claims management costs.

## Appendix 26: Instructions for completion of Form 34 - General insurance business (underwriting year accounting): Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance

- 1 All figures should be shown gross of the reinsurers' share and before any deduction for discounting.
- 2 The underwriting years at lines 11 to 20 should correspond to the financial year in question and the nine previous financial years respectively.
- 3 All amounts shown should 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 The percentages shown at column 9 must be expressed as percentages to two places of decimals in accordance with Insurance Company – Reporting 6.15.
- 6 For risk categories 271 to 274, the amounts shown in line 21 should be analysed by underwriting year on continuation sheets subject to instructions 7A below.
- 7 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.
- 7A 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.
- 8 The box marked 'category number' (as defined in Insurance Company – Reporting) should be completed by inserting the 3 digit category number to which the PRA general insurance business reporting category relates.
- 9 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.
- 10 The entry alongside 'reporting territory' should be that required by Instruction 10A 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.
- 10A In the Form 34, an insurer should 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.

- 11 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 should be stated in a supplementary note Code 3401.

#### Continuation sheets

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

#### Currency

- 13 Amounts on Form 34 submitted in accordance with Insurance Company – Reporting 4.12, 4.16 to 4.17 should be shown in the currency in which the business on the Form is denominated except that figures should 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 34 an entry should be made on Form 36 to show the rate used to convert those amounts to sterling for inclusion elsewhere in the returns.
- 15 Notwithstanding the provisions of Instruction 14 (above) all amounts included in columns 1 and 8 of any Form 34 for category number 400, should 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 as required in Insurance Company – Reporting 6.11.
- 16 For the purpose of instruction 15, the currencies 'Converted to British pound' and 'British pound and converted to British pound combined' are not non sterling currencies.
- 17 An insurer need not apply Instruction 15 to amounts shown in any line of the Form 34 mentioned in that subparagraph representing an underwriting year ending before 23 December 1996.
- 18 Amounts in any other currency than sterling should 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 should be shown to the nearer 1,000,000 principal monetary units and '000,000' should be inserted in the box labelled 'Monetary units'. In other cases, this box should be completed by inserting '000'.

#### Premiums

- 19 Gross premiums written in an underwriting year should 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 should be attributed to the same underwriting years as the corresponding gross premiums written.
- 20 The amounts required to be shown in respect of premiums should be shown before deduction for commissions.
- 21 Where an insurer has acquired policies under a transfer approved under Part VII of the Act or approved by the competent authority of another EEA State under Article 39 of the Solvency II Directive or its predecessor legislation, the policies transferred to the insurer should be taken to have incepted on the date of such transfer.

#### Claims

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

## **Appendix 27: Instructions for completion of Form 36 - Currency rates**

- 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 should 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 should be used.

## Appendix 28: Instructions for completion of Form 40 - Long-term insurance business: Revenue account

- 1 The entry at:
  - (a) 40.11.1 should be equal to 41.21.4;
  - (b) 40.21.1 should be equal to 42.46.4; and
  - (c) 40.22.1 should 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 should 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 should be entered at line 15, and similarly, any item of expenditure which cannot properly be allocated to lines 21, 22, 23 or 24 should be entered at line 25. Particulars of such items should be specified in a supplementary note Code 4002. Lines 15 and 25 should 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 should 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 should first be shown in Form 16 at lines 14 to 16, and then as a transfer at line 26 and particulars should be specified in a supplementary note Code 4003.
- 6 Interest payable should 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 should 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 should exclude value readjustments on investments and gains on the realisation of investments, which should be shown at lines 13 or 14 as appropriate.
- 10 The entry at line 11 should 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 should exclude claims management costs, which should 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 should be included at line 31 or 32, with details specified in a supplementary note using Code 4004. Where there are subfunds, inter-subfund transfer should 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 should 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 should 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 should 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 should 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 should 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 using Code 4008.

#### Material connected-party transactions

- 17 If during the financial year in question, a firm has agreed to, or carried out, a material connected-party transaction; it should provide a brief description of that transaction by way of a supplementary note to Form 40 using Code 4009. This description should state:
- (i) the names of the transacting parties;
  - (ii) a description of the relationship between the parties;
  - (iii) a description of the transaction;
  - (iv) the amounts involved;
  - (v) any other elements of the transaction necessary for understanding of its effect upon the financial position or performance of the firm; and
  - (vi) amounts written off in the period in respect of debts due to or from connected parties.

- 18 Where the disclosure made in accordance with instruction 17 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.
- 19 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.

## **Appendix 29: Instructions for completion of Form 41 - Long-term insurance business: Analysis of premiums**

- 1 Single and regular premiums should include that part of the premium which was or will be recoverable from H.M. Revenue and Customs.
- 2
  - a) The entries in line 17 should equal line 11 less the sum of lines 13 and 15.
  - b) The entries in line 18 should equal line 12 less the sum of lines 14 and 16.
  - c) The entries at line 19 should equal the sum of lines 11 and 12.
  - d) The entries at line 20 should equal the sum of lines 13 to 16.
  - e) The entries at line 21 should 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 should 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;

## **Appendix 30: Instructions for completion of Form 42 - Long-term insurance business: Analysis of claims**

- 1 In the case of industrial assurance business, claims incurred on survival in respect of periodical endowment benefits should be shown in line 13.
- 2 Maturity payments are lump sums paid to policy holders. Amounts paid to another insurer should be included in 'surrender or partial surrender'.
- 3
  - a) The entries in line 41 should equal line 11 less the sum of lines 21 and 31.
  - b) The entries in line 42 should equal line 12 less the sum of lines 22 and 32.
  - c) The entries at line 43 should equal line 13 less the sum of lines 23 and 33.
  - d) The entries at line 44 should equal line 14 less the sum of lines 24 and 34.
  - e) The entries at line 45 should equal line 15 less the sum of lines 25 and 35.
  - f) The entries at line 46 should 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 should be stated in a supplementary note Code 4211.

## Appendix 31: Instructions for completion of Form 43 - Long-term insurance business: Analysis of expenses

- 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, should 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 should 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 should be reported as 'management – maintenance'.
- 2 Commission payable to employees of the insurer whose job is to sell policies should be included as 'management – acquisition' or 'management – maintenance'. Commission payable to employees who sell policies on a casual basis should be treated in the same way as that paid to intermediaries and to cedents and so should be included as 'commission – acquisition' or 'commission – other', as the case may be.
- 3 Expenses should 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 should therefore be shown in the general insurance business technical account (Form 20) or the nontechnical account (Form 16).
- 4
  - a) The entries in line 41 should equal line 11 less the sum of lines 21 and 31.
  - b) The entries in line 42 should equal line 12 less the sum of lines 22 and 32.
  - c) The entries at line 43 should equal line 13 less the sum of lines 23 and 33.
  - d) The entries at line 44 should equal line 14 less the sum of lines 24 and 34.
  - e) The entries at line 45 should equal line 15 less the sum of lines 25 and 35.
  - f) The entries at line 46 should 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 should be stated in a supplementary note Code 4311.

## Appendix 32: Instructions for completion of Form 44 - Long-term insurance business: Linked funds balance sheet

- 1 Double counting of items arising from cross investment between internal linked funds should be eliminated.
- 2 The basis on which the assets have been valued should 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) should 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 should be so stated in a supplementary note Code 4403.
- 5 The total of the net asset value at line 18 should 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 should 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 should 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 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 should be stated in a supplementary note Code 4411.

### **Appendix 33: Instructions for completion of Form 45 – Long-term insurance business: revenue account for internal linked funds**

- 1 Double counting of items arising from cross investment between internal linked funds should 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 should 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 should be stated in a supplementary note Code 4511.
- 3 Any item of income which cannot properly be allocated to lines 11, 12, or 13 should be entered at line 14, and similarly, any item of expenditure which cannot properly be allocated to lines 21, 22, 23, 24 or 25 should be entered at line 26. Particulars of such items should be specified in a supplementary note Code 4502.
- 4 The gross value of units created should be shown at line 11. The gross value of units cancelled should be shown at line 21. Each day's movements should be netted or recorded as two separate entries, one positive and one negative. The total net positive and negative movements should be recorded at lines 11 or 21 as appropriate.

## **Appendix 34: Instructions for completion of Form 46 - Long-term insurance business: Summary of new business**

- 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 should 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 should 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;

## **Appendix 35: Instructions for completion of Form 50 - Long-term insurance business: Summary of mathematical reserves**

- 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
  - a) The entries in line 41 should equal line 11 less the sum of lines 21 and 31.
  - b) The entries in line 42 should equal line 12 less the sum of lines 22 and 32.
  - c) The entries at line 43 should equal line 13 less the sum of lines 23 and 33.
  - d) The entries at line 44 should equal line 14 less the sum of lines 24 and 34.
  - e) The entries at line 45 should equal line 15 less the sum of lines 25 and 35.
  - f) The entries at line 46 should equal line 16 less the sum of lines 26 and 36.
  - g) The entries at line 47 should equal line 17 less the sum of lines 27 and 37.
  - h) The entries at line 48 should equal line 18 less the sum of lines 28 and 38.
- 5 Separate Forms should 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 should be stated in a supplementary note Code 5011.

## Appendix 36: Instructions for completion of Form 58 - Long-term insurance business: distribution of surplus

- 1 Separate Forms should be completed for the total business and each sub-fund.
- 2 The entry at line 11 should be equal to the entry at line 59 in Form 40 for the relevant sub-fund.
- 3 Where interim, mortuary 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 should 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 should be treated as amounts allocated to policy holders at the valuation in question and included at line 44, and the actual amounts paid should not appear at lines 12 and 41 at future valuations. An appropriate supplementary note Code 5801 should identify the various items where necessary.
- 4 Where policies have been transferred from one sub-fund to another, the associated transfer of reserves should not be included as a "transfer" in this Form. Where any other transfer has been made, only one block of lines should 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 should 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 should be included in Form 58 as a transfer from the non-technical account. This transfer should 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 should 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 should equal the total liabilities shown at line 48 in column 4 of Form 50.
- 10 The figure at lines 39 and 59 should equal the figure at line 29.
- 11 The figure at line 47 should 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 should be stated in a supplementary note using Code 5811.

## Appendix 37: Instructions for completion of Form 60 - Long term insurance capital requirement

- 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 should 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 should 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 using 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 should 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 should 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 should 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, which is calculated in accordance with the Insurance Company – Capital Resources Requirement 14.1.
- 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 in accordance with Insurance Company – Reporting 6.15
- 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 should be stated in a supplementary note Code 6011.

## **Appendix 38: Instructions for completion of Form M1 - Marine mutuals : Revenue account**

- 1 A firm should show amounts to the nearest £1,000.
- 2 Particulars of other income shown in line 17 should be stated in a supplementary note.
- 3 Unexpended contributions, unearned premiums, etc. shown in lines 27, 28 or 29 should be recorded net of reinsurance and deferred acquisition costs.
- 4 Particulars of other expenditure shown in line 33 should be stated in a supplementary note.

## **Appendix 39: Instructions for completion of Form M2 - Marine mutuals: Statement of assets and liabilities**

- 1 A firm should show amounts to the nearest £1,000.
- 2 The amount shown at line 21 should equal the sum of  $M1.27+M3.60+M3.62+M3.85$ .
- 3 The amount shown at line 22 should equal the sum of  $M4.29.8+M4.29.9$  for all marine classes.
- 4 Details of the amount shown in line 25 should be stated in a supplementary note.

## Appendix 40: Instructions for completion of Form M3 - Marine Mutuals: Analysis of admissible assets

- 1 A firm should show amounts to the nearest £1,000.
- 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 should be shown after deduction of assets of that description which (for any reason) fail 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 European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No 2009/65/EC) as amended;
    - (ii) are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Financial Services and Markets Act 2000;
    - (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,

should 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 should 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 should be stated by way of a supplementary note to this Form.
- 6 The amount to be shown in line 94 should 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 should 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 should 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 should be left blank. Details of amounts in line 101 should be disclosed in a supplementary note. For years ending on or before 30 December 2008, the previous year figure for line 93 should be left blank and that for line 101 should equal line 100 from the previous return.

## Appendix 41: Instructions for completion of Form M4 - Marine mutuals: Annual analysis of calls, premiums and claims

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

<u>Code</u>	<u>Description</u>
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01	Protection and Indemnity
02	Hull and Machinery
03	Freight Demurrage and Defence
04	War risks
05	Strikes
06	Other - nature of business to be detailed in a supplementary note.

- 2 Units should be the same as those used in Form M1.
- 3 The financial year in question should be stated at line 11 and preceding financial years should be listed in reverse chronological order in lines 12 to 25.

## **Appendix 42: Instructions for completion of Form M5 - Marine mutuals: Analysis of derivative contracts**

- 1 A firm should show amounts to the nearest £1,000.
- 2 Derivative contracts should 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 should 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 should be shown at line 41.
- 7 The entry at M5.49.1 should be shown at M3.44.1.
- 8 The entry at M5.49.2 should be included at M2.23.1.
- 9 Rights to recover assets transferred by way of initial margin should not be shown on Form M5.