STATUTORY INSTRUMENTS

1996 No. 943

The Insurance Companies (Accounts and Statements) Regulations 1996

Citation and commencement

1.—(1) These Regulations may be cited as the Insurance Companies (Accounts and Statements) Regulations 1996.

(2) Regulation 34 below shall come into force on 30th April 1996 and all other regulations shall come into force on 23rd December 1996.

Application

2.—(1) These Regulations, other than regulation 34, apply to the accounts and statements (as hereinafter specified) of every company to which Part II of the Act applies in respect of any financial year ending on or after 23rd December 1996.

(2) Where the Secretary of State has directed, pursuant to paragraph 7(2) of Part I of Schedule 2F to the Act (recognition in the United Kingdom of EC and EFTA companies)(**1**), that Part II of the Act shall apply to an EC company, these Regulations shall apply to that company as they apply to a company with its head office in an EFTA State.

(3) These Regulations do not apply to—

(a) an EEA deposit company or an EFTA company, in relation to long term business or general business carried on by it outside the United Kingdom; or

(b) a Swiss general insurance company, in relation to general business carried on by it outside the United Kingdom.

Interpretation

3.—(1) In these Regulations, unless the context requires otherwise—

"the 1983 Regulations" means the Insurance Companies (Accounts and Statements) Regulations 1983(**2**);

"the 1985 Act" means the Companies Act 1985(**3**);

"the 1986 Order" means the Companies (Northern Ireland) Order 1986(**4**);

"accounting class" means an accounting class set out in the following table—

(**1**) Schedule 2F was inserted by S.I.1994/1696, reg. 45(2) and Schedule 6.
(**2**) S.I. 1983/1811; amended by S.I. 1987/2130; S.I. 1988/672; S.I. 1989/1952; S.I. 1990/1181; S.I. 1990/1333; S.I. 1991/2736; S.I. 1992/2890; S.I. 1993/946; S.I. 1993/3127; S.I. 1994/1515; S.I. 1994/3133 and S.I. 1996/944; and by the European Economic Area Act 1993 (1993 c. 51).
(**3**) 1985 c. 6.
(**4**) S.I. 1986/1032 (N.I.6.).

Accounting class	*Corresponding groups of classes under paragraph 75(3) of the shareholder accounts rules*	*Corresponding general business classes*
1 Accident and health	accident and health	1 (other than 1(p)), 2
2 Motor	motor (third party liability)	1(p), 10
	motor (other classes)	3
3 Aviation	marine, aviation and transport	1(p), 5, 11
4 Marine		1(p), 6, 12
5 Transport		7
6 Property	fire and other damage to property	4, 8, 9
7 Third party liability	third party liability	13
8 Miscellaneous and pecuniary loss	credit and suretyship, legal expenses, assistance, miscellaneous	14, 15, 16, 17, 18
9 Non-proportional treaty		
10 Proportional treaty		
11 Marine, aviation and transport treaty		

"the Act" means the Insurance Companies Act 1982;

"accumulating with-profits policy" means a with-profits policy which has a readily identifiable current benefit, whether or not this benefit is currently realisable, which is adjusted by an amount explicitly related to the amount of any premium payment and to which additional benefits are added in respect of participation in profits by additions directly related to the current benefit;

"admissible asset" means an asset which is not required by regulation 45(3) of the Insurance Companies Regulations to be left out of account for the purposes specified in regulation 45(1) of those Regulations;

"available assets" means the excess of a company's assets (other than implicit items) over its liabilities, in each case valued in accordance with the rules contained in Parts VIII and IX and regulation 23 of the Insurance Companies Regulations;

"appointed actuary" means the person appointed as actuary to a company under section 19 of the Act or under any corresponding enactment previously in force;

"charges for management" means amounts chargeable in respect of the management of an internal linked fund in accordance with the conditions of those contracts of insurance under which property linked benefits are linked to the value of the fund or units of the fund;

"claim" means a claim against a company under a contract of insurance;

"claims-made policy" means a contract of liability insurance which provides that no liability is incurred by the company in respect of an incident unless—

(a) the incident is notified to the company (or its agent or representative); and

(b) such notification is received by the company (or its agent or representative) before the end of a specified period which is no longer than three years following the final date for which cover is provided under the contract;

"claims management costs" refers to those claims management costs required by the shareholder accounts rules (note (4) to the profit and loss account format) to be included in claims incurred other than those which, whether or not incurred through the employment of the company's own staff, are directly attributable to particular claims;

"commission payable", in relation to long term business, means the amounts recorded during a financial year of the company as due to intermediaries and cedants in respect of the inception, amendment or renewal of contracts of insurance, whether or not paid during that year;

"company" means an insurance company;

"contract of insurance" includes a contract of reinsurance;

"direct and facultative" refers to direct insurance business and inwards facultative reinsurance business;

"discounting" refers to discounting or deductions to take account of investment income within the meaning of paragraph 48 of the shareholder accounts rules;

"EEA deposit company" means a company (other than a pure reinsurer) whose head office is not in an EEA State and which has made a deposit in an EEA State other than the United Kingdom in accordance with section 9(2)(b) of the Act;

"established surplus" has the same meaning as in section 30(4) of the Act;

"external company" means a company whose head office is outside the United Kingdom, other than an EC company, an EFTA company, a Swiss general insurance company or a company to which section 9(2) of the Act applies;

"the financial year in question" means the financial year which last ended before the date on which accounts and statements (as hereinafter specified) of the company relating to that financial year are required to be deposited with the Secretary of State pursuant to section 22 of the Act; and the "preceding financial year" and "previous financial years" shall be construed accordingly;

"general business class" means a class of general business specified in Part I of Schedule 2 to the Act except that "general business class 1(p)" means the effecting and carrying out of contracts of insurance against risks of death of or injury to passengers which normally fall within general business class 1, to the extent that a company has elected to attribute such risks to accounting class 2, 3 or 4, as appropriate;

"guarantee fund" has the same meaning as in the Insurance Companies Regulations;

"home foreign business" means general business written in the United Kingdom primarily relating to risks situated outside the United Kingdom, but excluding business in accounting classes 3, 4 and 5 and business where the risk commences in the United Kingdom;

"hybrid linked contract" means a contract of insurance the effecting of which constitutes the carrying on of long term business and which contains an option or options such that at some future time the contract may, according to how such option or options are exercised, constitute either a linked contract or a non-linked contract;

"incepted" has the same meaning as in Part IV of the Insurance Companies Regulations; and "incepting" and "inception" shall be construed accordingly;

"index linked benefits" means benefits—

(a) provided for under any contract the effecting of which constitutes the carrying on of ordinary long term insurance business; and

(b) determined by reference to fluctuations in any index of the value of property (whether specified in the contract or not);

"index linked contract" means a linked contract conferring index linked benefits;

"industrial assurance company" means an insurance company to which Part II of the Act applies and which carries on industrial assurance business;

"Insurance Companies Regulations" means the Insurance Companies Regulations 1994(**5**) as from time to time in force;

"intermediary" means a person who in the course of any business or profession invites other persons to make offers or proposals or to take other steps with a view to entering into contracts of insurance with a company, other than a person who only publishes such invitations on behalf of, or to the order of, some other person;

"internal linked fund" means an account to which a company appropriates certain linked assets and which may be sub-divided into units the value of each of which is determined by the company by reference to the value of those linked assets;

"linked assets" means, in relation to an insurance company, long term business assets of the company which are, for the time being, identified in the records of the company as being assets by reference to the value of which property linked benefits are to be determined;

"linked contract" means a contract of insurance—

(a) the effecting of which constitutes the carrying on of long term business; and

(b) under which linked benefits (as defined by section 35A(4) of the Act) are payable to the policy holder;

and "non-linked contract" shall be construed accordingly;

"long term business assets" means assets of an insurance company which are, for the time being, identified as representing the long term fund or funds maintained by the company in respect of its long term business;

"management expenses", in relation to long term business, means all expenses, other than commission, incurred in the administration of a company or its business;

"mathematical reserves" has the same meaning as in the Insurance Companies Regulations;

"minimum guarantee fund" has the same meaning as in the Insurance Companies Regulations;

"parent undertaking" shall be construed in accordance with section 258 of the 1985 Act(**6**) and article 266 of the 1986 Order(**7**);

"period of risk" means the period for which a contract of insurance provides cover;

"permanent health contract" means a contract falling within class IV of long term business as specified in Schedule 1 to the Act;

"profit and loss account", in relation to a company not trading for profit, means an income and expenditure account;

"property linked benefits" means benefits other than index linked benefits—

(a) provided for under any contract, the effecting of which constitutes the carrying on of ordinary long term insurance business; and

(b) determined by reference to the value of, or the income from, property of any description (whether specified in the contract or not);

"property linked contract" means a linked contract conferring property linked benefits;

(**5**) S.I. 1994/1516, as amended by S.I. 1994/3133, S.I. 1995/3248 and S.I. 1996/942.
(**6**) Section 258 was substituted by the Companies Act 1989 (1989 c. 40), section 21.
(**7**) Article 266 was substituted by the Companies (Northern Ireland) Order 1990 (S.I. 1990/593 (N.I.5)), article 23.

"proportional reinsurance treaty" means a reinsurance treaty under which a pre-determined proportion of each claim payment by the cedant under policies subject to the treaty is recoverable from the reinsurer; and "non-proportional reinsurance treaty" shall be construed accordingly;

"pure re-insurer" means—

(a) an insurance company whose head office is in the United Kingdom and whose business is restricted to reinsurance business; or

(b) an insurance company whose head office is not in the United Kingdom and whose business in the United Kingdom is restricted to reinsurance business;

"receivable", in relation to a company, a financial year and a premium means due to the company in respect of contracts of insurance incepted during that financial year, whether or not the premium is received during that financial year;

"reinsurance" and "reinsurer" include retrocession and retrocessionaire respectively;

"reinsurance recoveries" means amounts in respect of claims receivable by an insurance company from a reinsurer under a contract of reinsurance;

"required margin of solvency" has the same meaning as in Part IV of the Insurance Companies Regulations;

"required minimum margin" means the greater of the appropriate required margin of solvency and the amount of the appropriate minimum guarantee fund; and "required EEA minimum margin" and "required United Kingdom minimum margin" shall be construed accordingly;

"return" includes every document required by sections 17 and 18 of the Act and prepared in accordance with these Regulations;

"the shareholder accounts rules" means the rules contained in Schedule 9A to the 1985 Act(**8**) and Schedule 9A to the 1986 Order(**9**) for the preparation of accounts by insurance companies, as from time to time in force;

"subsidiary" shall be construed in accordance with section 736 of the 1985 Act(**10**) and article 4 of the 1986 Order(**11**);

"subsidiary undertaking" shall be construed in accordance with section 258 of the 1985 Act and article 266 of the 1986 Order;

"United Kingdom deposit company" means a company (other than a pure reinsurer) whose head office is not in an EEA State and which has made a deposit in the United Kingdom in accordance with section 9(2)(b) of the Act; and

"with-profits policy" means a contract falling within a class of long term business as specified in Schedule 1 to the Act which is eligible to participate in any part of any established surplus; and "non-profit policy" shall be construed accordingly.

(2) In regulations 19 to 21, 23, 24 and 26 below, and in the Schedules to these Regulations, unless the context otherwise requires—

(a) words and expressions which are also used in Parts IV, VIII and IX of, and Schedules 3, 10 and 12 to, the Insurance Companies Regulations shall have the same meanings as in those Regulations; and

(b) subject to sub-paragraph (a) above, words and expressions which are also used in the shareholder accounts rules shall have the same meanings as in those rules.

(3) In these Regulations—

(**8**) Schedule 9A was substituted by S.I. 1993/3246, reg. 4.
(**9**) Schedule 9A was substituted by S.R. (N.I.) 1994 No. 428, reg. 4.
(**10**) Section 736 was substituted by the Companies Act 1989, section 144.
(**11**) Article 4 was substituted by the Companies (No.2) (Northern Ireland) Order 1990 (S.I. 1990/1504 (N.I.10)), article 62.

(a) any reference to long term business or general business shall, in relation to an EEA deposit company or an EFTA company, be taken to refer to long term business or general business carried on by it through a branch in the United Kingdom; and

(b) any reference to general business shall, in relation to a Swiss general insurance company, be taken to refer to general business carried on by it through a branch in the United Kingdom;

and accordingly, any reference to, or requirement imposed in respect of, the accounts and balance sheet (including any notes, statements, reports and certificates annexed thereto) shall be taken as referring to, or imposing the requirement in respect of, business carried on through that branch.

(4) In these Regulations, any reference to long term business or to general business shall—

(a) in relation to an external company (other than a pure reinsurer), be taken to refer to its entire long term business or to its entire general business and to any long term business or general business carried on by it through a branch in the United Kingdom;

(b) in relation to a United Kingdom deposit company, be taken to refer to its entire long term business or to its entire general busines and to any long term business or general business carried on by it through a branch in any EEA State;

and accordingly, any reference to, or requirement imposed in respect of, the accounts and balance sheet (including any notes, statements, reports and certificates annexed thereto) relevant to long term business or to general business shall be taken as referring to or, as the case may be, imposing the requirement in respect of—

(i) accounts prepared in respect of its entire long term business or entire general business; and

(ii) accounts prepared in respect of the long term business or the general business carried on, in the case of an external company, by the branch in the United Kingdom and, in the case of a United Kingdom deposit company, by the branches in question in the EEA States taken together.

(5) In these Regulations—

(a) any reference to a numbered Form is a reference to the Form so numbered in Schedules 1, 2, 3 and 4 below; and

(b) references to a numbered class of general business are references to the class so numbered in Part I of Schedule 2 to the Act.

Value of assets and amount of liabilities

4. Unless otherwise provided in these Regulations, in the documents which a company is required to prepare in accordance with these Regulations—

(a) the value or amount given for an asset (other than a linked asset) or a liability of the company shall be the value or amount of that asset or liability as determined in accordance with Parts VIII and IX of the Insurance Companies Regulations as they apply for the purposes specified in regulations 45 and 59 of those Regulations at the end of the financial year in question; and

(b) in the case of a linked asset of the company, the value given shall be the value of that asset as determined in accordance with generally accepted accounting concepts, bases and policies or other generally accepted methods appropriate for insurance companies.

Content and form of accounts

5. Every account, balance sheet, note, statement, report and certificate required to be prepared by a company pursuant to section 17(1), (2) and (3) of the Act (annual accounts and balance sheets) shall be prepared in the manner hereinafter specified and shall fairly state the information provided on the basis required by these Regulations.

Balance sheet

6.—(1) The balance sheet required to be prepared by every company under section 17(1) of the Act shall comply with the requirements of Schedule 1 below and shall be in Forms 9 to 15 and 17 completed (as may be appropriate) as specified in paragraphs (2) to (8) below.

(2) Form 9 shall be completed by every company, other than an EFTA company, a Swiss general insurance company or an EEA deposit company.

(3) Form 10 shall be completed by every company.

(4) Forms 11 and 12 shall be completed by every company which carries on general business, other than an EFTA company, a Swiss general insurance company or an EEA deposit company.

(5) Form 13 shall be completed (as appropriate)—

(a) by every company which carries on long term business in respect of—

(i) its total long term business assets; and

(ii) the long term business assets appropriated by it in respect of each separate long term business fund or group of funds for which separate assets have been appropriated;

(b) by every company in respect of its total assets other than long term business assets;

(c) by every external company (other than a pure reinsurer) in respect of long term or general business carried on by it through a branch in the United Kingdom in respect of those assets which are—

(i) deposited with the Accountant General;

(ii) maintained in the United Kingdom; and

(iii) maintained in the United Kingdom and the other EEA States; and

(d) by every United Kingdom deposit company in respect of long term or general business carried on by it through branches in the EEA States concerned in respect of those assets which are—

(i) deposited with the Accountant General;

(ii) maintained in the United Kingdom and such other EEA States where business is carried on; and

(iii) maintained in the United Kingdom and the other EEA States.

(6) Form 14 shall be completed by every company which carries on long term business.

(7) Form 15 shall be completed by every company except a company not trading for profit which carries on only long term business.

(8) For each Form 13 which a company is required to complete under paragraph (5)(a) or (b) above, it shall complete Form 17 in respect of the same business; except that where in respect of that Form all amounts required to be shown would be zero and no supplementary note would be required, Form 13 may instead be accompanied by a supplementary note to that effect and Form 17 may be returned in blank.

Profit and loss account

7. The profit and loss account required to be prepared by every company under section 17(1) of the Act shall comply with the requirements of Schedule 1 below and shall be in Form 16.

Revenue account

8. The revenue account to be prepared by every company under section 17(1) of the Act—

(a) in the case of a company carrying on general business, shall comply with the requirements of Schedule 2 below and shall be in Form 20 so, however, that every such company shall prepare a separate account in Form 20 in respect of each accounting class and a summary account in that Form in respect of the whole of the general business carried on by it; and

(b) in the case of a company carrying on long term business, shall comply with the requirements of Schedule 3 below and shall be in Form 40 so, however, that—

(i) every such company shall prepare a separate account in Form 40 in respect of each long term business fund maintained by it; and

(ii) where there is more than one fund for ordinary long term insurance business or for industrial assurance business, the company shall also prepare a summary Form 40 for ordinary long term insurance business or for industrial assurance business, as the case may require.

Additional information on general business (accounting classes and discounting)

9.—(1) Every company which carries on general business shall, in accordance with the requirements of Schedule 2 below, prepare in respect of each accounting class—

(a) Forms 21, 22 and 23 for business accounted for on an accident year basis; and

(b) Forms 24 and 25 for business accounted for on an underwriting year basis.

(2) For the purposes of paragraph (1) above, business shall be taken to be accounted for on an underwriting year basis where it relates to risks—

(a) which have been reported previously under these Regulations on Forms 24 and 25;

(b) in respect of which the claims outstanding for such business is set using the method described in paragraph 52 of the shareholder acounts rules; or

(c) which have not previously been reported on any Form under these Regulations and which the company accounts for on an underwriting year basis,

and business not accounted for on an underwriting year basis shall be taken to be accounted for on an accident year basis.

(3) Every company which, in respect of any financial year, includes in Form 22 or 25 amounts relating to adjustments for discounting shall prepare Form 30 in accordance with the requirements of Schedule 2 below.

Business categories for general business (reinsurance treaties accepted)

10.—(1) Every company which carries on general business shall, for the purposes of this regulation, allocate its business falling within accounting classes 9, 10 and 11 to separate business categories, that is to say—

(a) accident and health (corresponding general business classes 1 (other than 1(p)) and 2);

(b) motor (corresponding general business classes 1(p), 3 and 10);

(c) aviation (corresponding general business classes 1(p), 5 and 11);

(d) marine (corresponding general business classes 1(p), 6 and 12);

(e) transport (corresponding general business class 7);

(f) property (corresponding general business classes 4, 8 and 9);

(g) third party liability (corresponding general business class 13); and

(h) miscellaneous and pecuniary loss (corresponding general business classes 14, 15, 16, 17 and 18).

(2) A company may allocate its business falling within general business class 7 (goods in transit) to the aviation and marine business categories and not to the transport business category and where such allocation is made the aviation and marine business categories shall be referred to as "aviation and transport" and "marine and transport" respectively.

(3) Instead of allocating all business falling within the classes of general business specified in any of sub-paragraphs (a) to (h) of paragraph (1) above to the business category stated in that sub-paragraph, a company may allocate such business to two or more separate business categories, each of which shall consist only of business which would otherwise fall in the first-mentioned business category.

(4) Where business is allocated to business categories pursuant to paragraph (3) above, the company shall, in the Forms to be prepared in accordance with the requirements of Schedule 2 below, refer to each business category so created by a name which—

(a) describes the general nature of the business included; and

(b) distinguishes that category from other business categories.

Additional information on general business (reinsurance treaties accepted)

11.—(1) Every company which carries on general business shall, in relation to each business category to which business has been allocated for the purposes of regulation 10 above, in accordance with the requirements of Schedule 2 below prepare—

(a) Forms 26 and 27 for business reported on Forms 21, 22 and 23; and

(b) Forms 28 and 29 for business reported on Forms 24 and 25.

(2) Information relating to reinsurance treaties accepted which fall within more than one business category for the purpose of paragraph (1) above shall be shown—

(a) in the Forms prepared for each such business category (amounts being apportioned as necessary); or

(b) in the Forms prepared for the business category within which the greater part of the business to which the treaty relates falls,

and an explanation shall be given in a supplementary note annexed to the relevant Form of the method used in any such apportionment or of the business included in a Form which falls outside the business category to which that Form relates, as the case may require.

(3) Unless an explanation is given in a supplementary note annexed to Form 26 or 28 (as appropriate) for the allocation of the information in question to a different business category—

(a) where information relating to a reinsurance treaty accepted has been given in respect of any financial year, information relating to that treaty shall be included in the same business category in the return prepared in respect of each later financial year; and

(b) where a reinsurance treaty accepted relates to risks which are of a similar description to those to which an earlier treaty (in relation to which information has been given in respect of an earlier financial year) related and covers those risks in similar proportions, information relating to the first-mentioned reinsurance treaty shall be included in the same business category as information relating to the earlier treaty.

Risk groups for general business

12.—(1) Every company which carries on general business shall, in the manner provided in this regulation and for the purpose of the forms specified in regulation 13 below, classify the direct and facultative business carried on by it in each country into risk groups by reference to accounting classes 1 to 8 as appropriate.

(2) Each risk group classified for the purposes of this regulation shall comprise risks within an accounting class insured by the company in each country which, in the opinion of the directors, are not significantly dissimilar, either by reference to the nature of the objects exposed to such risks or by reference to the nature of the cover against such risks provided by the company.

(3) Subject to paragraph (4) below, the company shall classify its risks so that—

(a) risks are not included in the same risk group where, having regard to the patterns of risk, claims incurrence and settlement patterns, it is necessary to group them separately for the purposes of applying statistical methods (within the meaning of paragraph 47(1) of the shareholder accounts rules) in calculating the provision for claims outstanding in accordance with generally accepted accounting practice;

(b) claims-made policies are not included in the same risk group as policies which are not claims-made policies;

(c) policies falling within general business class 14, 15, 16, 17 or 18 are not included in the same risk group as policies falling within any other of those general business classes, except that policies falling within general business class 14 may be included in the same risk group as policies falling within general business class 15;

(d) policies in respect of private motor car risks are not included in the same risk group as policies in respect of other risks falling within accounting class 2;

(e) policies in respect of comprehensive private motor car risks are not included in the same risk group as policies in respect of non-comprehensive private motor car risks; and

(f) policies transferred to the company by way of a transfer approved by the Secretary of State pursuant to Schedule 2C of the Act(**12**) are not included in the same risk group as other policies.

(4) Paragraph (3) above shall not apply in relation to the risk group mentioned in any sub-paragraph of that paragraph where, in the case of any financial year—

(a) the gross premiums written for that year in respect of that risk group are less than 2½ per cent. of the world-wide gross premiums written for all accounting classes for that year, or £500,000; or

(b) the gross premiums written for that year in respect of the risk groups in which policies would in accordance with that sub-paragrpah be included (except the largest) are less than ½ per cent. of the world-wide gross premiums written for all accounting classes for that year, or £100,000.

(5) Subject to paragraphs (2) to (4) above, a company may in respect of any accounting class include all business carried on by it in any country in any financial year as a single risk group.

(6) Notwithstanding the provisions of paragraphs (2) to (4) above, a company may classify all business carried on by it in any country in respect of any accounting class in any financial year as a single risk group, provided that gross premiums written for that year in respect of that business are less than—

(a) 5 per cent. of the world-wide gross premiums written for all accounting classes for that year; or

(b) £500,000.

(7) Notwithstanding the provisions of paragraphs (1) to (4), no risk groups need be classified by a company in respect of a country if the gross premiums written in respect of business falling within accounting classes 1 to 8 and carried on in that country are—

(a) in the case of any financial year ending before 23rd December 1997, less than—

(**12**) Schedule 2C was inserted by S.I. 1994/1696, reg. 28 and amended by S.I. 1994/3123, reg. 7.

(i) 2½ per cent. of the world-wide gross premiums written for all accounting classes for that year; or

(ii) £100,000.

(b) in the case of any financial year ending on or after that date, less than—

(i) 1 per cent. of the world-wide gross premiums written for all accounting classes for that year; or

(ii) £100,000;

(8) For the purposes of this regulation and regulation 13 below, home foreign business shall be treated as though it were carried on in a different country from other business carried on in the United Kingdom.

Additional information on general business (direct and facultative business)

13.—(1) Every company which carries on general business shall, with respect to the financial year in question and in relation to each country and each risk group (as classified by it under regulation 12 above), prepare in accordance with the requirements of Schedule 2 below—

(a) Form 31 for direct and facultative business, other than business falling within accounting class 2, reported on Forms 21, 22 and 23;

(b) Form 32 for direct and facultative business falling within accounting class 2 reported on Forms 21, 22 and 23; and

(c) Form 34 for direct and facultative business reported on Forms 24 and 25.

(2) Where a company has reported business with respect to any previous financial year and relating to a country and a risk group in Form 31, 32 or 34 pursuant to paragraph (1) above, it shall continue to report that business for that financial year for the same country and risk group in Form 31, 32 or 34 (as appropriate).

(3) Where any of Forms 31, 32 or 34 has been prepared in respect of the entire business of a company, no separate forms need be prepared—

(a) in the case of an external company, in respect of business carried on by it through a branch in the United Kingdom; and

(b) in the case of a United Kingdom deposit company, in respect of business carried on by it through a branch in any EEA State where business is carried on.

Additional information on general business (direct and facultative reconciliation business)

14.—(1) Every company which carries on general business shall, with respect to the financial year in question and in accordance with the requirements of Schedule 2 below, prepare—

(a) Form 33 for business reported on Forms 21, 22 and 23 but not reported on Form 31 or 32; and

(b) Form 35 for business reported on Forms 24 and 25 but not reported on Form 34.

(2) No separate Form 33 or 35 need be prepared where, in the cases referred to in regulation 13(3) (a) or (b) above, no separate Forms 31, 32 or 34 need be prepared.

Currencies other than sterling

15. Every company which, in respect of a financial year, prepares a Form under regulation 11 or 13 above containing figures in a currency other than sterling shall prepare Form 36 in accordance with the requirements of Schedule 2 below.

Additional information on prescribed general business

16.—(1) This regulation applies to general business prescribed for the purposes of section 34A of the Act(**13**).

(2) Every company to which section 34A of the Act applies which carries on general business to which this regulation applies shall, in accordance with the requirements of Schedule 2 below, prepare—

(a) Form 37;

(b) Form 38 for business reported on Forms 21, 22 and 23; and

(c) Form 39 for business reported on Forms 24 and 25.

(3) In Forms 37 to 39, words and expressions which are also used in the Insurance Companies (Reserves) Regulations 1996 (as from time to time in force) shall have the same meaning as in those Regulations.

Additional information on long term business

17. Every company which carries on long term business shall, in respect of the financial year in question and in accordance with the requirements of Schedule 3 below, prepare—

(a) Forms 41 to 45 in respect of each revenue account prepared separately under regulation 8(b)(i) above; and

(b) summary Forms 41 to 44 in respect of each summary Form 40 prepared under regulation 8(b)(ii) above.

Forms prepared pursuant to regulations 9, 11 and 13 to 17

18. The Forms prepared pursuant to regulations 9, 11 and 13 to 17 above shall be annexed to the documents referred to in regulations 6, 7 and 8 above.

Additional information on general business: major treaty reinsurers

19.—(1) Subject to the provisions of regulation 22 below, a company which carries on general business shall annex to the documents referred to in regulations 6, 7 and 8 above, and relating to the financial year in question, a statement of—

(a) the full name of each of its major treaty reinsurers and the address of the registered office or of the principal office in the country where it is incorporated (or, in the case of an unincorporated body, of the principal office) of each such reinsurer;

(b) whether (and, if so, how) the company was at any time in the financial year connected with any such reinsurer;

(c) the amount of the reinsurance premiums payable in the financial year to each such reinsurer in respect of—

(i) general business ceded under proportional reinsurance treaties; and

(ii) general business ceded under non-proportional reinsurance treaties;

(d) the amount of any debt of each such reinsurer to the company in respect of general business ceded under reinsurance treaties, included at line 75 of Form 13;

(e) the amount of any deposit received from each such reinsurer under reinsurance treaties as included at line 31 of Form 15; and

(**13**) Section 34A was inserted by the Insurance Companies (Reserves) Act 1995 (1995 c. 29), section 1(1). The Insurance Companies (Reserves) Regulations 1996 (S.I. 1996/946), reg. 3(2) and (3) and prescribes for the purposes of section 34A business to which Parts II and III of those Regulations apply.

(f) the amount of any anticipated recoveries from each such reinsurer under reinsurance treaties to the extent that such recoveries have been taken into account by the company in determining the reinsurers' share of technical provisions in respect of claims outstanding as shown at line 61 of Form 13; except that, in respect of claims incurred but not reported, such recoveries need only be included to the extent that they are in respect of any specific occurrences for which provisions have been allocated by the company,

or a statement that it has no major treaty reinsurer.

(2) For the purposes of this regulation, a major treaty reinsurer of a company is another company—

(a) to which (whether alone or with any body corporate which is connected with such other company) the company has ceded general business under one or more reinsurance treaties—

(i) in the case of proportional reinsurance, for which the total amount of the reinsurance premiums payable is equal to not less than 2 per cent. of the gross premiums receivable by the company in respect of general business; or

(ii) in the case of non-proportional reinsurance, for which the total amount of the reinsurance premiums payable is equal to not less than 5 per cent. of the total premiums payable by the company in respect of all such non-proportional reinsurance,

in the financial year in question or in any of the five immediately preceding financial years of the company; or

(b) in relation to which (whether alone or with any body corporate which is connected with such other company) the aggregate of the amounts referred to in sub-paragraphs (1)(d) and (f) above exceeds 5 per cent. of the company's general business amount (as calculated in accordance with the Insurance Companies Regulations).

Additional information on general business: major facultative reinsurers

20.—(1) Subject to the provisions of regulation 22 below, a company which carries on general business shall annex to the documents referred to in regulations 6, 7 and 8 above, and relating to the financial year in question, for each major facultative reinsurer of—

(a) its full name and the address of the registered office or of the principal office in the country where it is incorporated (or, in the case of an unincorporated body, of the principal office);

(b) whether (and, if so, how) the company was at any time in the financial year connected with such reinsurer;

(c) the amount of the reinsurance premiums payable in the financial year;

(d) the amount of any debt to the company included at line 75 of Form 13;

(e) the amount of any deposit received as included at line 31 of Form 15; and

(f) the amount of any anticipated recoveries to the extent that such recoveries have been taken into account by the company in determining the reinsurers' share of technical provisions in respect of claims outstanding as shown at line 61 of Form 13; except that, in respect of claims incurred but not reported, such recoveries need only be included to the extent that they are in respect of any specific occurrences for which provisions have been allocated by the company,

or a statement that it has no major facultative reinsurer.

(2) For the purposes of this regulation, a major facultative reinsurance contract is a contract under which general business has been ceded by the company on a facultative basis—

(a) under which the total amount of premiums payable to any reinsurer (a "major facultative reinsurer") is equal to not less than ½ per cent. of the gross premiums receivable by the company in respect of general business; or

(b) in relation to which, in respect of any reinsurer (a "major facultative reinsurer") the aggregate of amounts in sub-paragraphs (1)(d) and (e) above exceeds one per cent. of the company's general business amount (as calculated in accordance with the Insurance Companies Regulations).

Information on major general business reinsurance cedants

21.—(1) Subject to the provisions of regulation 22 below, a company which carries on general business shall annex to the documents referred to in regulations 6, 7 and 8 above, and relating to the financial year in question, a statement of—

(a) the full name of each of its major cedants and the address of the registered office or of the principal office in the country where it is incorporated (or, in the case of an unincorporated body, of the principal office) of each such cedant;

(b) whether (and, if so, how) the company was at any time in the financial year connected with any such cedant;

(c) the amount of the total of the gross premiums receivable in the financial year from each such cedant in respect of general business accepted under reinsurance treaties;

(d) the amount of any deposit made with any such cedant as included at line 57 of Form 13; and

(e) the amount of any debt of each such cedant in respect of general business accepted under reinsurance treaties, included at line 74 of Form 13,

or a statement that it has no major cedant.

(2) For the purposes of this regulation, a major cedant of a company is another company from which (whether alone or with any body corporate which is connected with such other company) the company has accepted general business under one or more reinsurance treaties for which the gross premiums receivable exceed the greater of—

(a) 5 per cent. of the gross premiums receivable by the company in respect of general business accepted under reinsurance treaties; and

(b) 2 per cent. of the gross premiums receivable by the company in respect of general business,

in the financial year in question or in any of the three immediately preceding financial years of the company.

Provisions supplemental to regulations 19 to 21

22.—(1) Subject to the provisions of this regulation, for the purposes of regulations 19(1)(b) and (2), 20(1)(b) and 21(1)(b) and (2) above, a body corporate and another person are connected with each other if—

(a) the other person is—

(i) a subsidiary undertaking of the body corporate;

(ii) a parent undertaking of the body corporate; or

(iii) a subsidiary undertaking of the parent undertaking of the body corporate; or

(b) one of them is controlled by the other or both are controlled by the same person,

but a body corporate shall not be taken to be connected with another person if the company furnishing the statement does not know and could not upon reasonable enquiry be expected to find that it is so connected with the other person.

(2) Except as provided in paragraph (3) below, for the purposes of paragraph (1)(b) above, a person shall be taken to control a body corporate if he is a person—

(a) in accordance with whose directions or instructions the directors of the body corporate or of a body corporate of which it is a subsidiary are accustomed to act; or

(b) who, either alone or with any associate or associates, is entitled to exercise, or control the exercise of, 15 per cent. or more of the voting power at any general meeting of the body corporate or of a body corporate of which it is a subsidiary.

(3) In relation to a company—

(a) making a statement pursuant to regulation 19 or 20 above, a reinsurer shall not be taken by virtue of paragraph (2) above to be connected with another reinsurer; or

(b) making a statement pursuant to regulation 21 above, a cedant shall not be taken by virtue of paragraph (2) above to be connected with another cedant,

for the purposes of paragraph (2) of the said regulations 19, 20 or 21, as the case may be, unless it is also connected by virtue of paragraph (1) above with the company making the statement.

(4) In regulations 19, 20 and 21 above and this regulation—

(a) "full name" means—

(i) in the case of a body corporate, its corporate name, and

(ii) in the case of an individual or any unincorporated body, the name under which the individual or body lawfully carries on business; and

(b) "associate" shall be construed in accordance with section 96C(4) of the Act(**14**) as it has effect for the purpose of determining for the purposes of the Act whether any person is a controller of an insurance company other than a UK company.

(5) The following provisions of Schedule 1 below shall apply for the purposes of regulations 19, 20 and 21 above—

(a) paragraphs 4 and 5 (which relate to currencies other than sterling);

(b) sub-paragraphs (1) and (2) of paragraph 8 (which, among other things, relate to amounts due to the company); and

(c) paragraph 9 (which provides for amounts to be shown to the nearer £1,000).

(6) Regulations 19(2), 20(1)(a) to (c) and 21 above shall apply in relation to the members of Lloyd's taken together as they apply in relation to an insurance company to which Part II of the Act applies and in relation to the members of Lloyd's paragraphs (1) to (4) of this regulation shall not apply.

Additional information on derivative contracts

23.—(1) Every company shall, in respect of the financial year in question, annex to the documents referred to in regulations 6, 7 and 8 above a statement comprising a brief description of—

(a) any investment guidelines operated by the company for the use of derivative contracts;

(b) any provision made by such guidelines for the use of contracts under which the company had a right or obligation to acquire or dispose of assets which was not, at the time when the contract was entered into, reasonably likely to be exercised and, if so, the circumstances in which, pursuant to that provision, such contracts would be used;

(c) the extent to which the company was during the financial year a party to any contracts of the kind described in sub-paragraph (b) above;

(**14**) Section 96C was inserted by S.I. 1994/1696, reg. 52.

(d) the extent to which any of the amounts recorded in Form 13 would be changed if assets which the company had a right or obligation to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being, in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired or disposed of;

(e) how different the information provided pursuant to sub-paragraph (d) above would have been if such options as were outstanding at the end of the year had been exercised in such a way as to change the amounts referred to in that sub-paragraph to the maximum extent;

(f) how different the information provided pursuant to sub-paragraphs (d) and (e) above would have been if, instead of applying to contracts outstanding at the end of the financial year, those sub-paragraphs had applied to derivative contracts outstanding at such other time during the financial year as would have changed the amounts referred to in those sub-paragraphs to the maximum extent;

(g) the maximum loss which would be incurred by the company on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, both under existing market conditions and in the event of other foreseeable market conditions, together with an assessment of whether such maximum loss would have been materially different at any other time during the financial year;

(h) the circumstances surrounding the use of any derivative contract held at any time during the financial year which did not fall within paragraph (2) of regulation 55 of, or (where appropriate) paragraph 15 of Schedule 10 to, the Insurance Companies Regulations(**15**); and

(i) the total value of any fixed consideration received by the company (whether in cash or otherwise) during the financial year in return for granting rights under derivative contracts and a summary of contracts under which such rights have been granted.

(2) In this regulation, "derivative contract" includes a contract or asset which has the effect of a derivative contract within the meaning of regulation 56 of the Insurance Companies Regulations and, for the purposes of paragraph (1)(h) above, such a contract or asset shall be treated as falling within paragraph (2) of regulation 55 of, or paragraph 15 of Schedule 10 to, the Insurance Companies Regulations, as appropriate, if it has the effect of a derivative contract which would fall within that paragraph.

(3) For the purposes of this regulation, a company which is a party to—

(a) a contract for differences; or

(b) any other contract which is to be, or may be, settled in cash,

shall be taken to have a right or obligation to acquire or dispose of the assets underlying the contract.

Additional information on shareholder controllers

24. Every UK company shall, in respect of the financial year in question, annex to the documents referred to in regulations 6, 7 and 8 above—

(a) a statement naming each person who, to the knowledge of the company, has been, at any time during the financial year, a shareholder controller of that company; and

(b) in the case of each person so named, a statement of—

(i) the percentage of shares which, to the knowledge of the company, he held at the end of the financial year in question in the company, or in another company of which the company is a subsidiary undertaking; and

(**15**) Regulation 55 and Schedule 10 were substituted by S.I. 1995/3248, reg. 10 and reg. 19.

(ii) the percentage of the voting power which, to the knowledge of the company, he was entitled at the end of the financial year in question to exercise, or control the exercise of, at any general meeting of the company, or another company of which it is a subsidiary undertaking,

in each case, either alone or with any associate or associates.

Periodic actuarial investigation

25. Save in relation to paragraph (b) below, for the purposes of section 18 of the Act (periodic actuarial investigation of company with long term business) ordinary long term insurance business and industrial assurance business shall be treated separately and the abstract of the report of the actuary on long term business—

(a) shall comply with the requirements of Schedule 4 below and shall contain the information (together with such of Forms 46 to 49 and 51 to 58 as may be appropriate) specified in that Schedule; and

(b) except in the case of an EFTA company and an EEA deposit company, shall also include Form 60 and, where appropriate, Form 61.

Additional information on general business ceded

26. A company which carries on general business shall annex to the documents referred to in regulations 6, 7 and 8 above, and relating to the financial year in question, a statement of the information required by Schedule 5 below.

Signature of documents

27.—(1) In respect of any document relating to the business of a company, wherever it may be carried on, the persons prescribed for the purposes of section 22(3) of the Act are—

(a) in any case—

(i) where there are more than two directors of the company, at least two of those directors and, where there are not more than two directors, all the directors; and

(ii) a chief executive, if any, of the company or (if there is no chief executive) the secretary, if any; and

(b) in the case of an abstract under section 18 of the Act, the actuary who made the investigation to which the abstract relates.

(2) In respect of any document relating to business carried on through a branch in the United Kingdom by an EFTA company, a Swiss general insurance company, an EEA deposit company or an external company or through branches in any EEA States taken together by a United Kingdom deposit company, the persons prescribed for the purposes of section 22(3) of the Act are—

(a) in any case—

(i) the representative referred to in section 8(1)(**16**) or 9(4)(**17**) of the Act or, where the representative is a body corporate, the individual representative referred to in section 10(5) of the Act(**18**); and

(**16**) Section 8(1) was amended by S.I. 1994/1696, reg. 8(1).
(**17**) Section 9(4) was amended by S.I. 1994/1696, reg. 9(1).
(**18**) Section 10(5) was amended by the Companies Consolidation (Consequential Provisions) Act 1985 (1985 c. 9), section 30 and Schedule 2 and by the Companies Consolidation (Consequential Provisions) (Northern Ireland) Order 1986 (S.I. 1986/1035), article 23 and Schedule 1, Part II.

(ii) an officer or employee of the description specified in section 8(4)(b) of the Act(**19**) or, if there is no such officer or employee or he is also the representative referred to above, an employee of the description specified in section 8(4)(c) of the Act; and

(b) in the case of an abstract under section 18 of the Act, the actuary who made the investigation to which the abstract relates.

Certificates

28. There shall be annexed to the documents referred to in regulations 6, 7 and 8 above—

(a) a certificate in accordance with the requirements of Part I of Schedule 6 below which shall be signed by the persons required by regulation 27 above to sign the documents to which the certificate relates; and

(b) in the case of a company which has at any time during the financial year in question carried on long term business, a certificate in accordance with the requirements of Part II of Schedule 6 below which shall be signed by the appointed actuary.

Audit and auditor's report

29.—(1) The documents referred to in regulations 6, 7 and 8 above, and every statement, analysis, report or certificate annexed thereto pursuant to regulations 18, 19, 20, 21, 23 and 28(a) above, shall be audited by a person of the description prescribed under regulation 32 below who shall make and annex to the documents aforesaid a report in accordance with the requirements of Part III of Schedule 6 below.

(2) For the purposes of these Regulations—

(a) section 237(1), (2) and (3)(**20**) and section 389A(1)(**21**) of the 1985 Act and article 245(1), (2) and (3)(**22**) and article 397A(1)(**23**) of the 1986 Order shall apply as if—

(i) the references to the profit and loss account contained in the definition of "individual accounts" in section 226(1)(**24**) of that Act and article 234(1)(**25**) of that Order respectively included references to the revenue account; and

(ii) the auditors of a company were not under a duty for the purposes of preparing their report to carry out any investigation into information given in Forms 31, 32 and 34 relating wholly or partly to the number of claims notified or the amount of payments made prior to the financial year of the company to which the Insurance Companies (Accounts and Statements) Regulations 1980(**26**) first applied; and

(b) section 389A(3) and (4) of the 1985 Act and article 397A(3) and (4) of the 1986 Order shall apply as if the references therein to a "parent company" were references to the insurance company.

Qualification of actuary

30.—(1) For the purposes of the definition of "actuary" in section 96(1) of the Act, it is hereby prescribed that a person qualified for appointment as an actuary under section 19 of the Act shall

(**19**) Section 8(4) was amended by S.I. 1994/1696, reg. 8(3).
(**20**) Section 237 was substituted by the Companies Act 1989 (1989 c. 40), section 9.
(**21**) Section 389A was inserted by the Companies Act 1989, sections 118 and 120(1).
(**22**) Article 245 was substituted by the Companies (Northern Ireland) Order 1990 (S.I. 1990/593) (N.I.5), article 11.
(**23**) Article 397A was inserted by the Companies (No.2) (Northern Ireland) Order 1990 (S.I. 1990/1504) (N.I.10), articles 53 and 55(1).
(**24**) Section 226 was substituted by the Companies Act 1989, section 4(1).
(**25**) Article 234 was substituted by the Companies (Northern Ireland) Order 1990, article 6(1).
(**26**) S.I. 1980/6.

be a Fellow of the Institute of Actuaries or of the Faculty of Actuaries and shall have attained the age of 30 years.

(2) Any person who, immediately before 1st January 1981, held an appointment as actuary to a company by virtue of regulation 15 of the Insurance Companies (Accounts and Forms) Regulations 1968(**27**) shall, notwithstanding paragraph (1) above, be deemed for the purposes of these Regulations and for the period during which he continues to hold that appointment to be qualified to hold that appointment.

Information on appointed actuary

31.—(1) Subject to the provisions of this regulation, there shall be annexed to the documents referred to in regulations 6, 7 and 8 above, as respects every person who, at any time during the financial year in question, was the appointed actuary to the company, a statement of the following information—

(a) particulars of any shares in, or debentures of, the company in which the actuary was interested at any time during that year;

(b) particulars of any pecuniary interest of the actuary in any transaction between the actuary and the company and subsisting at any time during that year or, in the case of transactions of a minor character, a general description of such interests;

(c) the aggregate amount of—

(i) any remuneration and the value of any other benefits (other than a pension or other future or contingent benefit) under any contract of service of the actuary with, or contract for services by the actuary to, the company; and

(ii) any emoluments, pensions or compensation as director of the company which are required by Part I of Schedule 6 to the 1985 Act(**28**) or Part I of Schedule 6 to the 1986 Order(**29**) to be included in a note to the accounts of the company under section 232 of the 1985 Act(**30**) and Article 239 of the 1986 Order(**31**),

receivable by the actuary in respect of any period in that year; and

(b) a general description of any other pecuniary benefit (including any pension and other future or contingent benefit) received by the actuary from the company in that year or receivable by him from the company,

together with the statement specified in paragraph (2) below.

(2) The statement last referred to in paragraph (1) above is a statement that the company has made a request to the actuary to furnish to it the particulars specified in that paragraph and identifying any particulars furnished pursuant to that request.

(3) For the purposes of sub-paragraphs (a) to (d) of paragraph (1) above—

(a) references to the actuary include reference to—

(i) the spouse and any minor child (including step-child) of the actuary;

(ii) any person who is a partner of the actuary;

(iii) any person (other than the company) of which the actuary is an employee; and

(iv) any person (other than the company) of which the actuary is a director or which is controlled by him;

(**27**) S.I. 1968/1408.
(**28**) Part I of Schedule 6 was inserted by the Companies Act 1989, section 6(4) and Schedule 4.
(**29**) Part I of Schedule 6 was inserted by the Companies (Northern Ireland) Order 1990, article 8(4) and Schedule 4.
(**30**) Section 232 was substituted by the Companies Act 1989, section 6(3).
(**31**) Article 239 was substituted by the Companies (Northern Ireland) Order 1990, article 8(1).

(b) a person shall be deemed to be interested in shares or debentures of a body corporate if he is interested in them according to the rules set out in Part I of Schedule 13 to the 1985 Act(**32**) with the addition, in paragraph 11 of that Part of that Schedule, of a reference to a scheme under section 25 of the Charities Act (Northern Ireland) 1964(**33**); and

(c) a person shall be deemed to have any interest or benefit if he has a beneficial interest in it.

(4) For the purposes of sub-paragraphs (a) to (d) of paragraph (1) above and of paragraph (3)(a) above, references to a company include references to any body corporate which is the company's subsidiary undertaking or parent undertaking and to any other subsidiary undertaking of its parent undertaking.

(5) For the purposes of paragraph (3) above, a person shall be taken to control a body corporate if he is a person—

(a) in accordance with whose directions or instructions the directors of that body corporate or of a body corporate of which it is a subsidiary are accustomed to act; or

(b) who, either alone or with any other person falling within sub-paragraph (a) of that paragraph, is entitled to exercise, or control the exercise of, 15 per cent. or more of the voting power at any general meeting of the body corporate or of a body corporate of which it is a subsidiary.

Qualifications of auditor

32.—(1) For the purposes of section 21 of the Act(**34**) (audit of accounts), it is hereby prescribed that the description of the person qualified to audit the accounts and statements of a company under regulation 29 above shall be a person who would be eligible for appointment as a company auditor to that company under Part II of the Companies Act 1989 or Part III of the Companies (Northern Ireland) Order 1990 (eligibility for appointment) if they were the accounts prepared under section 226 of the 1985 Act or under article 234 of the 1986 Order of a company within the meaning of that Act or that Order.

(2) Notwithstanding paragraph (1) above, a person to whom section 34(1) of the Companies Act 1989 (eligibility of individuals retaining only 1967 Act authorisation) applies shall not be qualified to audit the accounts and statements of a company under regulation 29 above.

Transitional provisions

33.—(1) Every document submitted to the Secretary of State pursuant to section 22 of the Act in respect of a financial year of a company preceding that financial year of the company to which these Regulations first apply shall be in the form in which it would have been if these Regulations (other than regulation 34) had not been made; and regulation 35 below shall be construed accordingly.

(2) Any reference in any provision of these Regulations to a document submitted to the Secretary of State or prepared in respect of a financial year of a company which is a financial year of the company preceding that to which these Regulations first apply shall be construed as a reference to the document so submitted or prepared in accordance with the corresponding provisions of the Regulations hereby revoked.

(3) Business in respect of a financial year of a company preceding that financial year of the company to which these Regulations first apply which has been reported pursuant to the 1983

(**32**) Part I of Schedule 13 has been amended by the Financial Services Act 1986 (1986 c. 60), section 212(2) and Schedule 16, para. 25; the Charities Act 1992 (1992 c. 41), section 78(1) and Schedule 6, para. 11(b) and the Charities Act 1993 (1993 c. 10), section 98(1) and Schedule 6, para. 20(1) and (3).

(**33**) 1964 c. 33 (N.I.).

(**34**) Section 21 was amended by the Companies Consolidation (Consequential Provisions) Act 1985 (1985 c. 9), section 30 and Schedule 2; and by S.I. 1991/1997, reg. 2 and Schedule, paragraph 47.

Regulations in any of Forms 24 to 29 shall be deemed to be business accounted for on an underwriting year basis for the purposes of regulation 9 above.

(4) Notwithstanding regulation 12 above, business in respect of a financial year of a company preceding that financial year of the company to which these Regulations first apply shall continue to be classified into risk groups according to the requirements contained in regulation 10 of the 1983 Regulations.

Amendments of the 1983 Regulations

34.—(1) In paragraph (1) of regulation 3 of the 1983 Regulations (interpretation), for the definition of "receivable" there shall be substituted—

> ""receivable", in relation to a company, a financial year and a premium means due to the company in respect of contracts of insurance incepted during that financial year, whether or not the premium is received during that financial year;".

(2) For regulation 4 of the 1983 Regulations (value of assets and amount of liabilities) there shall be substituted—

"**Value of assets and amount of liabilities**

4.—(1) Unless otherwise provided in these Regulations, in the documents which a company is required to prepare in accordance with these Regulations—

(a) the value or amount given for an asset or a liability of the company shall be the value or amount of that asset or liability as determined in accordance with any applicable valuation regulations;

(b) where there are no applicable valuation regulations, then,

(i) in the case of an asset of the company other than a linked asset, the value given shall be the value which that asset would have if valuation regulations were applicable, and

(ii) in the case of a linked asset of the company, the value given shall be the value of that asset as determined in accordance with generally accepted accounting concepts, bases and policies or other generally accepted methods appropriate for insurance companies.

(2) For the purposes of this regulation, references to applicable regulations shall be taken to be—

(a) such regulations as they apply on the date on which the documents are drawn up; or

(b) in respect of any financial year ending before 1st July 1996, at the option of the company (which must be exercised in respect of all its assets and liabilities), such regulations as they applied immediately before the Insurance Companies (Amendment) Regulations 1995(**35**) came into force."

(3) For regulation 22B of the 1983 Regulations(**36**) (additional information and derivative contracts) there shall be substituted—

"**Additional information on derivative contracts**

22B.—(1) Every company shall, in respect of the financial year in question, annex to the documents referred to in regulations 6, 7 and 8 above a statement comprising a brief description of—

(**35**) S.I. 1994/1515.
(**36**) Regulation 22B was inserted by S.I. 1994/1515, reg. 9.

(a) any investment guidelines operated by the company for the use of derivative contracts;

(b) any provision made by such guidelines for the use of contracts under which the company had a right or obligation to acquire or dispose of assets which was not, at the time when the contract was entered into, reasonably likely to be exercised and, if so, the circumstances in which, pursuant to that provision, such contracts would be used;

(c) the extent to which the company was during the financial year a party to any contracts of the kind described in sub-paragraph (b) above;

(d) the extent to which—

(i) any of the amounts recorded in Form 13; and

(ii) in the case of a company carrying on long term business, any of the amounts recorded in Form 45,

would be changed if assets which the company had a right or obligation to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being, in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired or disposed of;

(e) how different the information provided pursuant to sub-paragraph (d) above would have been if such options as were outstanding at the end of the year had been exercised in such a way as to change the amounts referred to in that sub-paragraph to the maximum extent;

(f) how different the information provided pursuant to sub-paragraph (d) above would have been if, instead of applying to contracts outstanding at the end of the financial year, that sub-paragraph had applied to derivative contracts outstanding at such other time during the financial year as would have changed the amounts referred to in that sub-paragraph to the maximum extent;

(g) the maximum loss which would be incurred by the company on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, both under existing market conditions and in the event of other foreseeable market conditions, together with an assessment of whether such maximum loss would have been materially different at any other time during the financial year;

(h) the circumstances surrounding the use of any derivative contract held at any time during the financial year which does not fall within paragraph (2) of regulation 55 of, or (where appropriate) paragraph 15 of Schedule 10 to, the Insurance Companies Regulations; and

(i) the total value of any fixed consideration received by the company (whether in cash or otherwise) during the financial year in return for granting rights under derivative contracts and a summary of contracts under which such rights have been granted.

(2) In this regulation—

(a) "derivative contract" includes a contract or asset which has the effect of a derivative contract within the meaning of regulation 56 of the Insurance Companies Regulations and, for the purposes of paragraph (1)(h) above, such a contract or asset shall be treated as falling within paragraph (2) of regulation 55 of, or paragraph 15 of Schedule 2 to, the Insurance Companies Regulations, as appropriate, if it has the effect of a derivative contract which would fall within that paragraph; and

(b) "option" has the same meaning as in regulation 44(1) of the Insurance Companies Regulations.

(3) For the purposes of this regulation, a company which is a party to—

(a) a contract for differences; or

(b) any other contract which is to be, or may be, settled in cash,

shall be taken to have a right or obligation to acquire or dispose of the assets underlying the contract."

(4) Form 11 in Schedule 1 to the 1983 Regulations (general business: calculation of required margin of solvency—first method) shall be amended by substituting, for the Note to the form, the following—

"**Note**

In respect of business not accounted for on a one year basis, the provision for claims outstanding brought forward at the beginning of the financial year in question and recorded in line 24, column 1 shall be computed as if it took account of all premiums receivable in respect of previous financial years, whether or not those premiums had been received at that date."

(5) Form 12 in that Schedule (general business: calculation of required margin of solvency—second method, and statement of required minimum margin) shall be amended by substituting, for the Note to the form, the following—

"**Notes**

1. If the company has not been in existence long enough to acquire a reference period, this shall be stated and lines 11 to 41 ignored.

2. In respect of business not accounted for on a one year basis, the provision for claims outstanding brought forward at the beginning of the reference period and recorded in line 24, column 1 shall be computed as if it took account of all premiums receivable in respect of previous financial years, whether or not those premiums had been received at that date."

(6) Form 13 in Schedule 1 to the 1983 Regulations (balance sheet and profit and loss account) shall be amended as follows—

(a) in lines 21, 22 and 23, for the entry "Other variable interest investments", there shall be substituted "Other variable yield investments";

(b) in lines 21 and 22, for the entry "Equity shares except those in dependants which must be included in lines 29, 31 or 33", there shall be substituted "Shares except those in dependants which must be included in lines 29, 31 or 33";

(c) in line 23, for the entry "Holdings in authorised unit trust schemes and recognised schemes within the meaning of the Financial Services Act 1986(**37**)" there shall be substituted "Holdings in collective investment schemes within the meaning of the Financial Services Act 1986";

(d) in Instruction 6(**38**), for the words "regulation 57(8C)(b) and (8E)" there shall be substituted "regulation 57(2)(b) or (3)"; and

(e) Instruction 7(**39**) shall be omitted.

(7) Form 13A in that Schedule(**40**) shall be amended as follows—

(a) for Instruction 6, there shall be substituted—

(**37**) 1986 c. 60; this entry was substituted by S.I. 1994/1515, reg. 15(5)(a).
(**38**) This instruction was inserted by S.I. 1994/1515, reg. 15(5)(g) and amended by S.I. 1994/3133, reg. 19.
(**39**) This instruction was inserted by S.I. 1994/1515, reg. 15(5)(g).
(**40**) Form 13A was inserted by S.I. 1994/1515, reg. 15(6).

"**6** All amounts included at lines 11 to 35 of Form 13A in respect of derivative contracts shall be determined without making any adjustment for the value of assets paid, received or transferred in pursuance of a condition in that contract or a related contract, whether by variation margin or otherwise. The aggregate effect of such assets paid, received or transferred shall be shown at line 41."; and

(b) Instructions 7 and 8 shall be omitted.

(8) In Part I of Schedule 6 to the 1983 Regulations (certificates by directors etc.), at the end of sub-paragraph (d) of paragraph 1 for the full stop there shall be substituted a semi-colon and there shall be inserted the following sub-paragraph—

"and

(e) whether the value of the company's assets and the amount of its liabilities have been determined in accordance with paragraph (2)(a) or paragraph (2)(b) of regulation 4 above."

Revocations

35. The Regulations mentioned in Schedule 7 below are hereby revoked to the extent mentioned in the third column of that Schedule.

Anthony Nelson
Minister for Trade,
Department of Trade and Industry

24th March 1996