

SCHEDULE 1

METHODS OF CALCULATING THE EQUALISATION RESERVE

PART II

Methods of calculating transfers out

4. Amounts to be transferred from the equalisation reserve at the end of a financial year shall be calculated in accordance with paragraphs 5 to 10 below.

5. For business falling within a business group which is accounted for on an accident year basis, the company shall determine the amount (the “abnormal loss”), if any, by which, taking into account any adjustments in respect of previous years' underwriting, net claims incurred in that financial year in respect of that business exceed the percentage specified in the table contained in paragraph 8 below of net premiums earned in that financial year in respect of that business.

6. For business falling within a business group which is accounted for on an underwriting year basis, the company shall determine the amount (the “abnormal loss”), if any, by which net claims paid plus the increase (or less the decrease) in the net technical provisions (exclusive of any change in claims handling expenses and any equalisation reserve) in that financial year plus adjustments in respect of all previous financial years in respect of that business exceed the percentage specified in the table contained in paragraph 8 below of net premiums written in that financial year plus adjustments in respect of all previous financial years in respect of that business.

7. For the purposes of paragraphs 5 and 6 above, if net premiums earned or net premiums written, as the case may be, in respect of any business in any financial year are negative, their value shall be deemed to be zero for the purposes of calculating the abnormal loss in respect of that business.

8. The table referred to in paragraphs 5 and 6 above is as follows.

<i>Business group</i>	<i>Percentage of net premiums earned/written</i>
A	72.5%
B	72.5%
C	95%
D	25%
E	100%

9. The abnormal loss for each business group accounted for on an accident year basis and business group accounted for on an underwriting year basis shall be aggregated and shall, subject to paragraph 10 below, be the amount to be transferred from the equalisation reserve.

10. If the abnormal loss in respect of any business group pursuant to paragraph 9 above exceeds the relevant business group maximum at that date, the loss to be aggregated in respect of that business group shall be the business group maximum.