

SCHEDULE 3

INSURANCE COMPANIES: COMPANIES ACT INDIVIDUAL ACCOUNTS

PART 1

GENERAL RULES AND FORMATS

SECTION B

THE REQUIRED FORMATS(1)

Special rules for balance sheet format

Additional items

11.—(1) Every balance sheet of a company which carries on long-term business must show separately as an additional item the aggregate of any amounts included in liabilities item A (capital and reserves) which are required not to be treated as realised profits under section 843 of the 2006 Act.

(2) A company which carries on long-term business must show separately, in the balance sheet or in the notes to the accounts, the total amount of assets representing the long-term fund valued in accordance with the provisions of this Schedule.

Managed funds

12.—(1) For the purposes of this paragraph “managed funds” are funds of a group pension fund—

- (a) the management of which constitutes long-term insurance business, and
- (b) which the company administers in its own name but on behalf of others, and
- (c) to which it has legal title.

(2) The company must, in any case where assets and liabilities arising in respect of managed funds fall to be treated as assets and liabilities of the company, adopt the following accounting treatment: assets and liabilities representing managed funds are to be included in the company’s balance sheet, with the notes to the accounts disclosing the total amount included with respect to such assets and liabilities in the balance sheet and showing the amount included under each relevant balance sheet item in respect of such assets or (as the case may be) liabilities.

Deferred acquisition costs

13. The costs of acquiring insurance policies which are incurred during a financial year but which relate to a subsequent financial year must be deferred in a manner specified in Note (17) on the balance sheet format.

Profit and loss account format

I. Technical account — General business

(1) A number in brackets following any item is a reference to the note of that number in the notes following the formats.

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1. Earned premiums, net of reinsurance
 - (a) gross premiums written (1)
 - (b) outward reinsurance premiums (2)
 - (c) change in the gross provision for unearned premiums
 - (d) change in the provision for unearned premiums, reinsurers' share

2. Allocated investment return transferred from the non-technical account (item III.6) (10)
 - 2a. Investment income (8) (10)
 - (a) income from participating interests, with a separate indication of that derived from group undertakings
 - (b) income from other investments, with a separate indication of that derived from group undertakings
 - (aa) income from land and buildings
 - (bb) income from other investments
 - (c) value re-adjustments on investments
 - (d) gains on the realisation of investments

3. Other technical income, net of reinsurance

4. Claims incurred, net of reinsurance (4)
 - (a) claims paid
 - (aa) gross amount
 - (bb) reinsurers' share
 - (b) change in the provision for claims
 - (aa) gross amount
 - (bb) reinsurers' share

5. Changes in other technical provisions, net of reinsurance, not shown under other headings

6. Bonuses and rebates, net of reinsurance (5)

7. Net operating expenses
 - (a) acquisition costs (6)

- (b) change in deferred acquisition costs
- (c) administrative expenses (7)
- (d) reinsurance commissions and profit participation

8. Other technical charges, net of reinsurance

8a. Investment expenses and charges (8)

- (a) investment management expenses, including interest
- (b) value adjustments on investments
- (c) losses on the realisation of investments

9. Change in the equalisation provision

10. Sub-total (balance on the technical account for general business) (item III.1)

II. Technical account — Long-term business

1. Earned premiums, net of reinsurance

- (a) gross premiums written (1)
- (b) outward reinsurance premiums (2)
- (c) change in the provision for unearned premiums, net of reinsurance (3)

2. Investment income (8) (10)

- (a) income from participating interests, with a separate indication of that derived from group undertakings
- (b) income from other investments, with a separate indication of that derived from group undertakings
 - (aa) income from land and buildings
 - (bb) income from other investments
- (c) value re-adjustments on investments
- (d) gains on the realisation of investments

3. Unrealised gains on investments (9)

4. Other technical income, net of reinsurance

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5. Claims incurred, net of reinsurance (4)
 - (a) claims paid
 - (aa) gross amount
 - (bb) reinsurers' share
 - (b) change in the provision for claims
 - (aa) gross amount
 - (bb) reinsurers' share

6. Change in other technical provisions, net of reinsurance, not shown under other headings
 - (a) Long-term business provision, net of reinsurance (3)
 - (aa) gross amount
 - (bb) reinsurers' share
 - (b) other technical provisions, net of reinsurance

7. Bonuses and rebates, net of reinsurance (5)

8. Net operating expenses
 - (a) acquisition costs (6)
 - (b) change in deferred acquisition costs
 - (c) administrative expenses (7)
 - (d) reinsurance commissions and profit participation

9. Investment expenses and charges (8)
 - (a) investment management expenses, including interest
 - (b) value adjustments on investments
 - (c) losses on the realisation of investments

10. Unrealised losses on investments (9)

11. Other technical charges, net of reinsurance

- 11a. Tax attributable to the long-term business

12. Allocated investment return transferred to the non-technical account (item III.4)

12a. Transfers to or from the fund for future appropriations

13. Sub-total (balance on the technical account — long-term business) (item III.2)

III. Non-technical account

1. Balance on the general business technical account (item I.10)

2. Balance on the long-term business technical account (item II.13)

2a. Tax credit attributable to balance on the long-term business technical account

3. Investment income (8)

(a) income from participating interests, with a separate indication of that derived from group undertakings

(b) income from other investments, with a separate indication of that derived from group undertakings

(aa) income from land and buildings

(bb) income from other investments

(c) value re-adjustments on investments

(d) gains on the realisation of investments

3a. Unrealised gains on investments (9)

4. Allocated investment return transferred from the long-term business technical account (item II.12) (10)

5. Investment expenses and charges (8)

(a) investment management expenses, including interest

(b) value adjustments on investments

(c) losses on the realisation of investments

5a. Unrealised losses on investments (9)

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6. Allocated investment return transferred to the general business technical account (item I.2) (10)
7. Other income
8. Other charges, including value adjustments
- 8a. Profit or loss on ordinary activities before tax
9. Tax on profit or loss on ordinary activities
10. Profit or loss on ordinary activities after tax
11. Extraordinary income
12. Extraordinary charges
13. Extraordinary profit or loss
14. Tax on extraordinary profit or loss
15. Other taxes not shown under the preceding items
16. Profit or loss for the financial year

Notes on the profit and loss account format

(1) Gross premiums written

(General business technical account: item I.1.(a).

Long-term business technical account: item II.1.(a).)

This item is to comprise all amounts due during the financial year in respect of insurance contracts entered into regardless of the fact that such amounts may relate in whole or in part to a later financial year, and must include inter alia—

- (i) premiums yet to be determined, where the premium calculation can be done only at the end of the year;
- (ii) single premiums, including annuity premiums, and, in long-term business, single premiums resulting from bonus and rebate provisions in so far as they must be considered as premiums under the terms of the contract;

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- (iii) additional premiums in the case of half-yearly, quarterly or monthly payments and additional payments from policyholders for expenses borne by the company;
- (iv) in the case of co-insurance, the company's portion of total premiums;
- (v) reinsurance premiums due from ceding and retroceding insurance undertakings, including portfolio entries,

after deduction of cancellations and portfolio withdrawals credited to ceding and retroceding insurance undertakings.

The above amounts must not include the amounts of taxes or duties levied with premiums.

(2) Outward reinsurance premiums

(General business technical account: item I.1.(b).)

Long-term business technical account: item II.1.(b).)

This item is to comprise all premiums paid or payable in respect of outward reinsurance contracts entered into by the company. Portfolio entries payable on the conclusion or amendment of outward reinsurance contracts must be added; portfolio withdrawals receivable must be deducted.

(3) Change in the provision for unearned premiums, net of reinsurance

(Long-term business technical account: items II.1.(c) and II.6.(a).)

In the case of long-term business, the change in unearned premiums may be included either in item II.1.(c) or in item II.6.(a) of the long-term business technical account.

(4) Claims incurred, net of reinsurance

(General business technical account: item I.4.)

Long-term business technical account: item II.5.)

This item is to comprise all payments made in respect of the financial year with the addition of the provision for claims (but after deducting the provision for claims for the preceding financial year).

These amounts must include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding insurance undertakings and reinsurers and external and internal claims management costs and charges for claims incurred but not reported such as are referred to in paragraphs 53(2) and 55 below.

Sums recoverable on the basis of subrogation and salvage (within the meaning of paragraph 53 below) must be deducted.

Where the difference between—

- (a) the loss provision made at the beginning of the year for outstanding claims incurred in previous years, and
- (b) the payments made during the year on account of claims incurred in previous years and the loss provision shown at the end of the year for such outstanding claims,

is material, it must be shown in the notes to the accounts, broken down by category and amount.

(5) Bonuses and rebates, net of reinsurance

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(General business technical account: item I.6.

Long-term business technical account: item II.7.)

Bonuses are to comprise all amounts chargeable for the financial year which are paid or payable to policyholders and other insured parties or provided for their benefit, including amounts used to increase technical provisions or applied to the reduction of future premiums, to the extent that such amounts represent an allocation of surplus or profit arising on business as a whole or a section of business, after deduction of amounts provided in previous years which are no longer required.

Rebates are to comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

Where material, the amount charged for bonuses and that charged for rebates must be disclosed separately in the notes to the accounts.

(6) Acquisition costs

(General business technical account: item I.7.(a).

Long-term business technical account: item II.8.(a).)

This item is to comprise the costs arising from the conclusion of insurance contracts. They must cover both direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

In the case of long-term business, policy renewal commissions must be included under item II.8.(c) in the long-term business technical account.

(7) Administrative expenses

(General business technical account: item I.7.(c).

Long-term business technical account: item II.8.(c).)

This item must include the costs arising from premium collection, portfolio administration, handling of bonuses and rebates, and inward and outward reinsurance. They must in particular include staff costs and depreciation provisions in respect of office furniture and equipment in so far as these need not be shown under acquisition costs, claims incurred or investment charges.

Item II.8.(c) must also include policy renewal commissions.

(8) Investment income, expenses and charges

(General business technical account: items I.2a and 8a.

Long-term business technical account: items II.2 and 9.

Non-technical account: items III.3 and 5.)

Investment income, expenses and charges must, to the extent that they arise in the long-term fund, be disclosed in the long-term business technical account. Other investment income, expenses and charges must either be disclosed in the non-technical account or attributed between the appropriate technical and non-technical accounts. Where the company makes such an attribution it must disclose the basis for it in the notes to the accounts.

(9) *Unrealised gains and losses on investments*

(Long-term business technical account: items II.3 and 10.

Non-technical account: items III.3a and 5a.)

In the case of investments attributed to the long-term fund, the difference between the valuation of the investments and their purchase price or, if they have previously been valued, their valuation as at the last balance sheet date, may be disclosed (in whole or in part) in item II.3 or II.10 (as the case may be) of the long-term business technical account, and in the case of investments shown as assets under assets item D (assets held to cover linked liabilities) must be so disclosed.

In the case of other investments, the difference between the valuation of the investments and their purchase price or, if they have previously been valued, their valuation as at the last balance sheet date, may be disclosed (in whole or in part) in item III.3a or III.5a (as the case may require) of the non-technical account.

(10) *Allocated investment return*

(General business technical account: item I.2.

Long-term business technical account: item II.2.

Non-technical account: items III.4 and 6.)

The allocated return may be transferred from one part of the profit and loss account to another.

Where part of the investment return is transferred to the general business technical account, the transfer from the non-technical account must be deducted from item III.6 and added to item I.2.

Where part of the investment return disclosed in the long-term business technical account is transferred to the non-technical account, the transfer to the non-technical account shall be deducted from item II.12 and added to item III.4.

The reasons for such transfers (which may consist of a reference to any relevant statutory requirement) and the bases on which they are made must be disclosed in the notes to the accounts.