

SCHEDULE 3

INSURANCE COMPANIES: COMPANIES ACT INDIVIDUAL ACCOUNTS

PART 1

GENERAL RULES AND FORMATS

SECTION B

THE REQUIRED FORMATS(1)

Preliminary

10.—(1) In the profit and loss account format set out below—

- (a) the heading “Technical account — General business” is for business which consists of effecting or carrying out contracts of general business; and
- (b) the heading “Technical account — Long-term business” is for business which consists of effecting or carrying out contracts of long-term insurance.

(2) In sub-paragraph (1), references to—

- (a) contracts of general or long-term insurance, and
- (b) the effecting or carrying out of such contracts,

must be read with section 22 of the Financial Services and Markets Act 2000, the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and Schedule 2 to that Act.

Balance sheet format

ASSETS

A. Called up share capital not paid (1)

B. Intangible assets

- 1. Development costs
- 2. Concessions, patents, licences, trade marks and similar rights and assets (2)
- 3. Goodwill (3)
- 4. Payments on account

C. Investments

I. Land and buildings (4)

II. Investments in group undertakings and participating interests

- 1. Shares in group undertakings

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

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

2. Debt securities issued by, and loans to, group undertakings
3. Participating interests
4. Debt securities issued by, and loans to, undertakings in which the company has a participating interest

III. Other financial investments

1. Shares and other variable-yield securities and units in unit trusts
2. Debt securities and other fixed-income securities (5)
3. Participation in investment pools (6)
4. Loans secured by mortgages (7)
5. Other loans (7)
6. Deposits with credit institutions (8)
7. Other (9)

IV. Deposits with ceding undertakings (10)

D. Assets held to cover linked liabilities (11)

Da. Reinsurers' share of technical provisions (12)

1. Provision for unearned premiums
2. Long-term business provision
3. Claims outstanding
4. Provisions for bonuses and rebates
5. Other technical provisions
6. Technical provisions for unit-linked liabilities

E. Debtors (13)

I. Debtors arising out of direct insurance operations

1. Policyholders
2. Intermediaries

II. Debtors arising out of reinsurance operations

III. Other debtors

IV. Called up share capital not paid (1)

F. Other assets

I. Tangible assets

1. Plant and machinery

2. Fixtures, fittings, tools and equipment
3. Payments on account (other than deposits paid on land and buildings) and assets (other than buildings) in course of construction

II. Stocks

1. Raw materials and consumables
2. Work in progress
3. Finished goods and goods for resale
4. Payments on account

III. Cash at bank and in hand

IV. Own shares (14)

V. Other (15)

G. Prepayments and accrued income

- I. Accrued interest and rent (16)
- II. Deferred acquisition costs (17)
- III. Other prepayments and accrued income

LIABILITIES

A. Capital and reserves

- I. Called up share capital or equivalent funds
- II. Share premium account
- III. Revaluation reserve
- IV. Reserves
 1. Capital redemption reserve
 2. Reserve for own shares
 3. Reserves provided for by the articles of association
 4. Other reserves
- V. Profit and loss account

B. Subordinated liabilities (18)

Ba. Fund for future appropriations (19)

C. Technical provisions

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

1. Provision for unearned premiums (20)
 - (a) gross amount
 - (b) reinsurance amount (12)
 2. Long-term business provision (20) (21) (26)
 - (a) gross amount
 - (b) reinsurance amount (12)
 3. Claims outstanding (22)
 - (a) gross amount
 - (b) reinsurance amount (12)
 4. Provision for bonuses and rebates (23)
 - (a) gross amount
 - (b) reinsurance amount (12)
 5. Equalisation provision (24)
 6. Other technical provisions (25)
 - (a) gross amount
 - (b) reinsurance amount (12)
- D. Technical provisions for linked liabilities (26)
 - (a) gross amount
 - (b) reinsurance amount (12)
- E. Provisions for other risks
 1. Provisions for pensions and similar obligations
 2. Provisions for taxation
 3. Other provisions
- F. Deposits received from reinsurers (27)
- G. Creditors (28)
 - I. Creditors arising out of direct insurance operations
 - II. Creditors arising out of reinsurance operations
 - III. Debenture loans (29)
 - IV. Amounts owed to credit institutions
 - V. Other creditors including taxation and social security

H. Accruals and deferred income

Notes on the balance sheet format

(1) *Called up share capital not paid*

(Assets items A and E.IV.)

This item may be shown in either of the positions given in the format.

(2) *Concessions, patents, licences, trade marks and similar rights and assets*

(Assets item B.2.)

Amounts in respect of assets are only to be included in a company's balance sheet under this item if either—

- (a) the assets were acquired for valuable consideration and are not required to be shown under goodwill, or
- (b) the assets in question were created by the company itself.

(3) *Goodwill*

(Assets item B.3.)

Amounts representing goodwill are only to be included to the extent that the goodwill was acquired for valuable consideration.

(4) *Land and buildings*

(Assets item C.I.)

The amount of any land and buildings occupied by the company for its own activities must be shown separately in the notes to the accounts.

(5) *Debt securities and other fixed-income securities*

(Assets item C.III.2.)

This item is to comprise transferable debt securities and any other transferable fixed-income securities issued by credit institutions, other undertakings or public bodies, in so far as they are not covered by assets item C.II.2 or C.II.4.

Securities bearing interest rates that vary in accordance with specific factors, for example the interest rate on the inter-bank market or on the Euromarket, are also to be regarded as debt securities and other fixed-income securities and so be included under this item.

(6) *Participation in investment pools*

(Assets item C.III.3.)

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

This item is to comprise shares held by the company in joint investments constituted by several undertakings or pension funds, the management of which has been entrusted to one of those undertakings or to one of those pension funds.

(7) Loans secured by mortgages and other loans

(Assets items C.III.4 and C.III.5.)

Loans to policyholders for which the policy is the main security are to be included under “Other loans” and their amount must be disclosed in the notes to the accounts. Loans secured by mortgage are to be shown as such even where they are also secured by insurance policies. Where the amount of “Other loans” not secured by policies is material, an appropriate breakdown must be given in the notes to the accounts.

(8) Deposits with credit institutions

(Assets item C.III.6.)

This item is to comprise sums the withdrawal of which is subject to a time restriction. Sums deposited with no such restriction must be shown under assets item F.III even if they bear interest.

(9) Other

(Assets item C.III.7.)

This item is to comprise those investments which are not covered by assets items C.III.1 to 6. Where the amount of such investments is significant, they must be disclosed in the notes to the accounts.

(10) Deposits with ceding undertakings

(Assets item C.IV.)

Where the company accepts reinsurance this item is to comprise amounts, owed by the ceding undertakings and corresponding to guarantees, which are deposited with those ceding undertakings or with third parties or which are retained by those undertakings.

These amounts may not be combined with other amounts owed by the ceding insurer to the reinsurer or set off against amounts owed by the reinsurer to the ceding insurer.

Securities deposited with ceding undertakings or third parties which remain the property of the company must be entered in the company’s accounts as an investment, under the appropriate item.

(11) Assets held to cover linked liabilities

(Assets item D.)

In respect of long-term business, this item is to comprise investments made pursuant to long-term policies under which the benefits payable to the policyholder are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

This item is also to comprise investments which are held on behalf of the members of a tontine and are intended for distribution among them.

(12) Reinsurance amounts

(Assets item Da: liabilities items C.1.(b), 2.(b), 3.(b), 4.(b) and 6.(b) and D.(b).)

The reinsurance amounts may be shown either under assets item Da or under liabilities items C.1.(b), 2.(b), 3.(b), 4.(b) and 6.(b) and D.(b).

The reinsurance amounts are to comprise the actual or estimated amounts which, under contractual reinsurance arrangements, are deducted from the gross amounts of technical provisions.

As regards the provision for unearned premiums, the reinsurance amounts must be calculated according to the methods referred to in paragraph 50 below or in accordance with the terms of the reinsurance policy.

(13) Debtors

(Assets item E.)

Amounts owed by group undertakings and undertakings in which the company has a participating interest must be shown separately as sub-items of assets items E.I, II and III.

(14) Own shares

(Assets item F.IV.)

The nominal value of the shares must be shown separately under this item.

(15) Other

(Assets item F.V.)

This item is to comprise those assets which are not covered by assets items F.I to IV. Where such assets are material they must be disclosed in the notes to the accounts.

(16) Accrued interest and rent

(Assets item G.I.)

This item is to comprise those items that represent interest and rent that have been earned up to the balance-sheet date but have not yet become receivable.

(17) Deferred acquisition costs

(Assets item G.II.)

This item is to comprise the costs of acquiring insurance policies which are incurred during a financial year but relate to a subsequent financial year (“deferred acquisition costs”), except in so far as—

- (a) allowance has been made in the computation of the long-term business provision made under paragraph 52 below and shown under liabilities item C2 or D in the balance sheet, for—
 - (i) the explicit recognition of such costs, or

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

- (ii) the implicit recognition of such costs by virtue of the anticipation of future income from which such costs may prudently be expected to be recovered, or
- (b) allowance has been made for such costs in respect of general business policies by a deduction from the provision for unearned premiums made under paragraph 50 below and shown under liabilities item C.I in the balance sheet.

Deferred acquisition costs arising in general business must be distinguished from those arising in long-term business.

In the case of general business, the amount of any deferred acquisition costs must be established on a basis compatible with that used for unearned premiums.

There must be disclosed in the notes to the accounts—

- (c) how the deferral of acquisition costs has been treated (unless otherwise expressly stated in the accounts), and
- (d) where such costs are included as a deduction from the provisions at liabilities item C.I, the amount of such deduction, or
- (e) where the actuarial method used in the calculation of the provisions at liabilities item C.2 or D has made allowance for the explicit recognition of such costs, the amount of the costs so recognised.

(18) Subordinated liabilities

(Liabilities item B.)

This item is to comprise all liabilities in respect of which there is a contractual obligation that, in the event of winding up or of bankruptcy, they are to be repaid only after the claims of all other creditors have been met (whether or not they are represented by certificates).

(19) Fund for future appropriations

(Liabilities item Ba.)

This item is to comprise all funds the allocation of which either to policyholders or to shareholders has not been determined by the end of the financial year.

Transfers to and from this item must be shown in item II.12a in the profit and loss account.

(20) Provision for unearned premiums

(Liabilities item C.1.)

In the case of long-term business the provision for unearned premiums may be included in liabilities item C.2 rather than in this item.

The provision for unearned premiums is to comprise the amount representing that part of gross premiums written which is estimated to be earned in the following financial year or to subsequent financial years.

(21) Long-term business provision

(Liabilities item C.2.)

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

This item is to comprise the actuarially estimated value of the company's liabilities (excluding technical provisions included in liabilities item D), including bonuses already declared and after deducting the actuarial value of future premiums.

This item is also to comprise claims incurred but not reported, plus the estimated costs of settling such claims.

(22) Claims outstanding

(Liabilities item C.3.)

This item is to comprise the total estimated ultimate cost to the company of settling all claims arising from events which have occurred up to the end of the financial year (including, in the case of general business, claims incurred but not reported) less amounts already paid in respect of such claims.

(23) Provision for bonuses and rebates

(Liabilities item C.4.)

This item is to comprise amounts intended for policyholders or contract beneficiaries by way of bonuses and rebates as defined in Note (5) on the profit and loss account format to the extent that such amounts have not been credited to policyholders or contract beneficiaries or included in liabilities item Ba or in liabilities item C.2.

(24) Equalisation provision

(Liabilities item C.5.)

This item is to comprise the amount of any equalisation reserve maintained in respect of general business by the company, in accordance with the rules in section 1.4 of the Prudential Sourcebook for Insurers⁽²⁾ made by the Financial Services Authority under Part 10 of the Financial Services and Markets Act 2000.

This item is also to comprise any amounts which, in accordance with Council Directive [87/343/EEC](#) of 22nd June 1987⁽³⁾, are required to be set aside by a company to equalise fluctuations in loss ratios in future years or to provide for special risks.

A company which otherwise constitutes reserves to equalise fluctuations in loss ratios in future years or to provide for special risks must disclose that fact in the notes to the accounts.

(25) Other technical provisions

(Liabilities item C.6.)

This item is to comprise, inter alia, the provision for unexpired risks as defined in paragraph 91 below. Where the amount of the provision for unexpired risks is significant, it must be disclosed separately either in the balance sheet or in the notes to the accounts.

(26) Technical provisions for linked liabilities

(Liabilities item D.)

(2) FSA 2006/42.

(3) O.J. No. L185 of 4th July 1987, p.72.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

This item is to comprise technical provisions constituted to cover liabilities relating to investment in the context of long-term policies under which the benefits payable to policyholders are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

Any additional technical provisions constituted to cover death risks, operating expenses or other risks (such as benefits payable at the maturity date or guaranteed surrender values) must be included under liabilities item C.2.

This item must also comprise technical provisions representing the obligations of a tontine's organiser in relation to its members.

(27) Deposits received from reinsurers

(Liabilities item F.)

Where the company cedes reinsurance, this item is to comprise amounts deposited by or withheld from other insurance undertakings under reinsurance contracts. These amounts may not be merged with other amounts owed to or by those other undertakings.

Where the company cedes reinsurance and has received as a deposit securities which have been transferred to its ownership, this item is to comprise the amount owed by the company by virtue of the deposit.

(28) Creditors

(Liabilities item G.)

Amounts owed to group undertakings and undertakings in which the company has a participating interest must be shown separately as sub-items.

(29) Debenture loans

(Liabilities item G.III.)

The amount of any convertible loans must be shown separately.