



FINANCIAL REGULATOR
Rialtóir Airgeadais

**Guidance Notes for the
Completion of
Non-Life Annual
Returns**

January 2008

Insurance Supervision Department

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GUIDANCE NOTES TO THE COMPLETION OF STATUTORY RETURNS
in Accordance with
S.I. No. 359 of 1994, S.I. No. 202 of 1995, S.I. No. 23 of 1996
&
Directive 2002/13/EC of The European Parliament and of The Council
of 5 March 2002

Context

This document is a reformatted and updated version of the original guidance document issued previously by the Department of Enterprise, Trade & Employment.

General

- 1.1 These Guidance notes represent a revision of the guidance notes previously issued. They are intended to assist in the completion of the Statutory Returns required to be deposited with the Irish Financial Services Regulatory Authority (Financial Regulator), which enable it to discharge the responsibilities in the area of the supervision of authorised insurers. In the event that an insurer finds itself unclear on a particular item then the Financial Regulator should be contacted.
- 1.2 Arising out of the Third Non-Life Framework Directive (92/49/EEC) the Supervisory Authority of each Member State, (which in the case of Ireland is the Financial Regulator), is responsible for the global solvency of companies having their head offices within its territory. The Supervisory Authority is also responsible for the branch solvency of those insurers operating in Ireland whose head offices are located outside the EU.
- 1.3 The Statutory Instruments are made by the Minister in accordance with the powers vested by the European Communities Act, 1972, due

to the fact that the Third Non-Life Directive at Article 11 requires Member States to take steps to ensure that accounts necessary to enable the supervisory Authorities to discharge their duties are made available.

1.4 As with the accounts submitted in the format laid down in the schedules to the Insurance Acts, certain of the completed Forms specified in Statutory Instrument No. 202 of 1995 will be laid before the Houses of the Oireachtas and made available for public inspection in the Companies Registration Office. Those Forms which will not be laid before the House of the Oireachtas or made available for public inspection are specified in Regulation 5(3), as being Forms 1, 3, 5, 6, 7, 14, 15 and 16. **IT SHOULD BE NOTED THAT THE FORMAT LAID DOWN IN S.I. 202 OF 1995 SHOULD NOT BE ALTERED IN ANY WAY.**

1.5 Entries on the Forms will be to the nearest €1,000. Amounts equal to or less than €500 should be entered as zero.

1.6 Statutory Instrument, S.I. 202 of 1995, also requires insurers to forward to the Financial Regulator, within one month of an Annual General Meeting, two copies of the Accounts and Returns which it had laid before its Annual General Meeting for that year. Although an AGM must be held within nine months after the year-end, the Annual Return must be filed within six months of the year-end.

However, to facilitate the publication of the Insurance Statistical Review before the fourth quarter of each year, the Financial Regulator has asked the insurance undertakings to submit their Accounts and Returns within 4 months after year-end.

1.7 The submission of the Returns is the responsibility of the company and its Board of Directors. **IT SHOULD ALSO BE NOTED THAT THERE**

ARE PROVISIONS IN THE VARIOUS INSURANCE REGULATIONS FOR A COURT TO IMPOSE FINES AND/OR IMPRISONMENT UPON SUMMARY CONVICTION FOR FAILURE TO COMPLY WITH THE REGULATIONS.

1.8 Portfolio Transfers

No general treatment for the entry of Portfolio Transfer is proposed. It is the Financial Regulator's view that these are best dealt with on a case-by-case basis. Companies should provide adequate notice before completion of the Annual Returns to enable discussion to take place with the Financial Regulator.

2. CLASSIFICATION OF INSURANCE BUSINESS FOR THE PURPOSE OF THE FORMS OF ACCOUNT SPECIFIED IN THE STATUTORY INSTRUMENT

Classification of Business into the Statutory Categories

The Forms of account require business to be grouped under seven main headings - to be known as statutory categories. Appendix 1 attached specifies which risks are appropriate to each authorisation class. Appendix 2 attached shows which classes used for the purpose of issuing authorisations have been grouped to make up the statutory reporting classes. The authorisation classes are laid down in the European Communities (Non-Life Insurance) Framework Regulations, 1994 (Statutory Instrument No. 359 of 1994). The combined effect of both Appendices 1 and 2 is that it should be possible to categorise any risk into the statutory categories.

Classification of Business

Cover issued and written in Ireland should be differentiated as between Irish and non-Irish risks. A risk is an Irish risk if it is situated in Ireland, as defined in Article 13(10) of the European Communities

(Non-Life Insurance) Framework Regulations, 1994 (S.I. 359 of 1994).
Cover issued and written outside Ireland i.e., by a branch/agency of an
Irish Head Office is to be classified as business written outside Ireland.

EXPLANATION OF FORMS

The following Forms should be submitted by each category of insurer.

Head Offices located in Ireland

Forms 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16 and 17.

Branches of Insurers with Head Offices located within the EU

Forms 1, 8 and 13.

Branches of Insurers with Head Offices located outside the EU

Forms 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16 and 17.

Branches of Insurers with Head Offices located in Switzerland

Forms 1, 2, 3, 4, 6, 7, 8, 9, 12, 13, 15, 16 and 17

Form 1 - Underwriting Account - One Year Business - Gross And Net Figures

This Form will not be made available for public inspection.

Form 1 represents the gross and net underwriting revenue account of a direct writing insurance company for a particular year-end. This Form should be completed in respect of the various classifications of business as indicated on Appendix 2.

The gross underwriting account calculates the profit or loss for each category of business before deducting ceded risk.

A FORM 1 FOR TOTAL BUSINESS SHOULD ALWAYS BE SUBMITTED EVEN IF A COMPANY ONLY WRITES ONE PARTICULAR TYPE OF RISK E.G. WRITTEN IN IRELAND IN RESPECT OF IRISH RISKS ETC. ACCORDINGLY THE MINIMUM NUMBER OF FORM 1'S TO BE SUBMITTED IN ANY RETURN IS TWO.

In the case of any company that has more than one agency writing business in the same jurisdiction e.g. two agencies in another Member State of the EU, a Form 1 combining all the agencies should be submitted as "Written outside Ireland – Name of Member State".

Insofar as this Form is concerned the interpretation below should be used for the following terms: -

Gross: All direct business together with facultative acceptances prior to cessions.

Net: Direct business together with facultative acceptances after all cessions.

If facultative acceptances are greater than 10% of premium income, in any class of business, details should be provided in a note to the Form.

Clearly identified at the top of the Form are boxes that indicate the classification of the business. The Form is divided into the eight accounting classes of risk: Accident and Health; Motor Vehicle; Marine, Aviation and Transit; Fire and Other Damage to Property; Liability; Credit and Suretyship; Other Classes and Treaty Reinsurance accepted.

- Included in the Accident and Sickness accounting class would be classes **1** and **2** of the EU classes of business.
- Included in the Motor Vehicle accounting class are classes **3, 7** and **10**.
- Included in Marine, Aviation and Transit are classes **4, 5, 6, 7, 11** and **12**.
- Included in Fire and Other Damage to Property are classes **8** and **9**.
- Included in Liability is class **13**.
- Included in Credit and Suretyship are classes **14** and **15**.
- Included in Other Classes are classes **16, 17** and **18**.
- Included under Treaty R/I Accepted is all reinsurance business accepted by way of a treaty. All entries relating to Treaty Reinsurance Acceptances are not to be entered under the Statutory Categories in Column 2 – 8 but should be entered under Column 9.
IT SHOULD BE NOTED THAT TREATY REINSURANCE CAN ONLY BE WRITTEN FOR THE CLASSES OF BUSINESS FOR WHICH THE COMPANY HAS AUTHORISATION.

Form 1 should be completed as follows: -

1. → "Opening provision
- Unearned premium reserves
- Additional reserve for unexpired risks"

This includes a company's unearned premium reserve as per the € equivalent of the final financial statements at the end of the previous financial year. Any reserves established at the time for unexpired risks should be shown separately. The opening provision should always equal the closing provision of the previous year; foreign exchange differences arising from retranslation must be shown under Line 17, 'Foreign Exchange Gain/Loss'.

2. "Premium Income" includes: -
- All direct business written and facultative reinsurance accepted. Treaty reinsurance accepted should be included under column 9.

3. → "Closing provision
- Unearned premium reserve
- Additional reserve for unexpired risks"

This includes a company's unearned premium reserve as per the € equivalent of the final financial statements at the end of the financial year. Any reserve established at that time for unexpired risks should be shown separately.

4. "Earned Premium Income"
- This line must be totalled and must represent the total of 1 plus 2, less 3 above.

5. "Other Income" should be described fully and includes receipts in respect of:
- Commission received / receivable from reinsurers
- Profit sharing commissions
- Retrospective rebates of reinsurance

- Other ancillary underwriting income

NETTING OFF OF COMMISSIONS IS NOT PERMITTED.

6. "Total Income" is the Total of lines 4 and 5
7. "Claims Paid" includes:
 - cost of claims paid
 - claims handling expenses
 - loss adjusters' fees etc.
 - legal fees
8. Closing provision for outstanding claims includes claims:
 - reported
 - not reported

NB. Penalty Technical Reserves –

Where less than 10% of net premium income is retained in an individual class, the net technical reserves for that class must amount to at least 10% of GPI or 10% of gross technical reserves for the class, whichever is the greater. Where it is necessary to increase the technical reserves for the class in order to comply with this requirement, the figure calculated should be added to line 8.

9. Opening provision for outstanding claims include claims:
 - reported
 - not reported

The opening provision should always equal the closing provision of the previous year; foreign exchange differences arising from retranslation must be shown under Line 17, 'Foreign Exchange Gain/Loss'.

10. Cost of claims incurred is the total of lines 7 plus 8, less 9.

11. Movement in equalisation reserve includes:

- any movement on any loss equalisation reserves for the current period

12. Commission includes:

- payments/amounts payable to brokers
- payments/amounts payable to reinsurance brokers, as well as
- any other sundry commissions paid (including fronting fees)

If payments for reinsurance accepted are material this should be disclosed in a separate note.

13. Management Expenses:

- Management expenses should include all general and administrative expenditure except Directors fees, which should be included in the Profit and Loss Account (Form 11)
- Management expenses for captive management should be prorated across the eight classes of business based on the level of premium written

14. Movement in Deferred Acquisition Costs includes:

- any movement on deferral of acquisition costs, costs which would normally be deferred over the period of the relevant insurance contract

15. Other expenditure to be described would include:

- Federal / State excise tax
- Loss prevention fees
- Risk analysis /consulting fees (unrelated to reported claims)

16. Total Expenditure:

- Total of lines, 10, 11, 12, 13, 14 and 15.

17. Foreign Exchange Gain/(Loss):

- All foreign exchange differences arising from the opening UPR and Opening Claims Provisions balances in Forms 1 and 2 should be included on line 17

18. Underwriting Profit/(Loss):

→ Total of line 6 less 16 plus 17

This should equal Form 11, line 1.

19. Investment Income Attributable to Underwriting Account includes:

→ All investment income earned on assets held to meet technical liabilities. It includes capital gains both realised and unrealised.

20. Result on Technical Account:

→ Total of lines 18 and 19

NOTE: In a footnote to Form 1, it is necessary to state the gross premium income and the result on the net technical account for credit business – Class 14.

Items on Form 1 that have caused problems in the past are: -

Investment Income Attributable to Underwriting Account

Under this heading it must be shown the investment income earned on assets held to meet technical liabilities only, as opposed to the total Investment Income (as shown on Form 11).

Management Expenses

Foreign exchange gains or losses classified as management expenses in Technical Profit and Loss Account of the company's annual accounts should be included in Line 13 of Form 1.

On the other hand, Foreign exchange gains or losses shown in the Non-Technical Profit and Loss Account of the company's annual accounts should be included in Form 11.

A minimum of two Form 1's must be submitted, including Total Business.

Form 2 - Underwriting Account - One Year Business - Net Figures

This Form will be made available for public inspection.

Form 2 represents the net underwriting revenue account of a direct writing insurance company for a particular year-end.

This Form is the net figures of the corresponding Form 1 and as such there should be no difference from the net amounts shown in Form 1.

A FORM 2 FOR TOTAL BUSINESS SHOULD ALWAYS BE SUBMITTED EVEN IF A COMPANY ONLY WRITES ONE PARTICULAR TYPE OF RISK. E.G. WRITTEN IN IRELAND IN RESPECT OF IRISH RISKS ETC. ACCORDINGLY THE MINIMUM NUMBER OF FORM 2'S TO BE SUBMITTED IN ANY RETURN IS TWO.

In the case of any company that has more than one agency writing business in the same jurisdiction e.g. two agencies in another Member State, a Form 2 combining all the agencies should be submitted as "Written outside Ireland – Name of Member State".

Form 3 - Underwriting Revenue Account For Marine, Aviation And Transit – Three Years Business

This Form will be made available for public inspection.

This is the three-year underwriting revenue account only required for **Marine, Aviation and Transit** business conducted on a three year accounting basis.

If **MAT** is accounted for on an annual basis, this Form is not required, as the figures should be included on the Form 1 and on Form 2 for the net figures. It should be clearly indicated at the top of the Form whether the business is written in Ireland in respect of Irish risks, in Ireland in respect of non-Irish risks, or outside of Ireland.

Supplying the total expenditure at Column 9 for the year of the annual return is not sufficient; all columns must be completed giving the breakdown of business transacted in the three years concerned. This applies to all of the Form 3s submitted.

Opening Fund Figures

- ➔ The total at Column 4, Line 1 should be the figure included at Column 1, Line 1 and not the total of Columns 1, 2 and 3 as indicated on the Form.
- ➔ The total at Column 7, Line 1 is not required as this is not the total of Columns 5 and 6 as indicated on the Form.

Total Income

- ➔ The total at Column 4, Line 4 is not the total of Columns 1, 2 and 3 but is in fact the total of Column 4, Lines 1, 2 and 3.

- ➔ The total of Column 7, Line 4 is not the total of Columns 5 and 6 but is in fact the total of Column 7, Lines 2 and 3.

Closing Fund

- ➔ The total at Column 4, Line 9 should be the figure included at Column 3, Line 9 and not the total of Columns 1, 2 and 3 as indicated on the Form.
- ➔ The total at Column 7, Line 9 should be the figure included at Column 6, Line 9 and not the total of Columns 5 and 6 as indicated on the Form.

Total Expenditure

- ➔ The total at Column 4, Line 11 should be in fact the total of lines 5-10 and not the total of Columns 1, 2 and 3 as indicated on the Form.
- ➔ The total at Column 7, Line 11 should be in fact the total of lines 5-10 and not the total of Columns 1, 2 and 3 as indicated on the Form.

Form 4 - Underwriting Account – Three Years Business - Net Figures

This Form will be made available for public inspection.

Similar to Form 3 except that gross figures are excluded.

This is the three-year underwriting revenue account only required for **Marine, Aviation and Transit** business conducted on a three year accounting basis.

If **MAT** is accounted for on an annual basis, this Form is not required as the figures should be included in Forms 1 and 2.

This Form is the net figures of the corresponding Form 3 and as such there should be no differences from the net amounts shown in Form 3.

It should be clearly indicated at the top of the Form whether the business is written in Ireland in respect of Irish risks, in Ireland in respect on non-Irish risks, or outside of Ireland.

Supplying the total expenditure at Column 9 for the year of the annual return is not sufficient; all columns must be completed giving the breakdown of business transacted in the three years concerned. This applies to all of the Form 4s submitted.

Insofar as this Form is concerned the interpretation below should be used for the following term:

Net: Total premiums written after deduction of all cessions.

Form 5 – Summary Details of EU Business

Information required under Article 40 of the EC (Non-Life Insurance) Framework Regulations 1994.

This Form will not be made available for public inspection.

This Form must be filled out with the name of each Member State for which business is written.

The type of business throughout the EU, being services business (Type of Business: Services) or establishment business (Type of Business: Branch), must be delineated. Included in this Form are details of gross premiums, gross claims incurred and gross commission and in relation to motor liability the number of claims incurred in the year of account and the average incurred cost of such claims in the year of account.

In relation to global policies covering a variety of Member States, the Member State of the policyholder is the country to which the business should be attributed. Where a number of different classes of business are covered in the one policy, the basis on which the business has been apportioned between classes of business should be clearly documented on a footnote to the Form.

It is recommended that if there were any doubts as to how the business is apportioned between classes, this would be agreed in advance with the officials at the Insurance Supervision Section of the Financial Regulator.

It should be noted that:

- (a) it is a requirement for a separate Form to be completed in respect of each Member State, and

(b)the figures contained in this Form should be rounded to the nearest €1,000. Amounts equal to or less than €500 should be entered as zero.

Errors identified in the past are: -

Figures on Form 5 should be entered in €000's

If business was undertaken by way of freedom to provide services, the "Type of Business" must read Services, not Branch.

Form 6 – Asset Analysis

This Form will not be made available for public inspection.

Form 6 gives the Financial Regulator an overview of the spread of assets, in which an insurance company has invested. Many of the terms referred to on this Form are elaborated upon in Annex III of the European Communities (Non-Life Insurance) Framework Regulations 1994 (S.I. No. 359 of 1994) which deals with the valuation of assets and the matching of assets representing the Technical Reserves of non-life insurance undertakings.

COLUMN 1: CATEGORY OF ASSET:

Most are self explanatory, but those that may need further explanation are: -

1. Property

This category includes land, buildings and other immovable property rights held for investment purposes. The relevant valuation article is Article 6. In accordance with the Accounts Regulations (S.I. 23 of 1996) separate valuations of land and buildings should be carried out at least every five years.

3. Secured Debts

An obligation to pay an amount of money where there is an unconditional guarantee (usually by a third party) that the amount will be paid.

4. Unsecured Debts

An obligation to pay an amount of money but where there is no guarantee as to its payment. This category would thereby encompass company debentures, bonds etc., which are not listed on a recognised stock exchange (as defined in Annex III, Article 1 of S.I. 359 of 1994). For technical reserves purposes the limitations of Schedule 2 point 4 apply.

7. Derivative Instruments

A futures Contract, an option, or a contract for differences (the object of which is to secure a profit or avoid a loss by reference to fluctuations in the value or price of a financial asset or in an index of such assets).

16. Debts due from intermediaries and policyholders

It should be noted that 'advance commissions' should be recorded as a nil value.

19/20. Shares in dependent companies /Debts due from dependent companies

The valuation of these categories is described in Articles 3 and 4 of Annex III of S.I. 359 of 1994. It is worth noting that in valuing dependent companies full consideration must be given to ensure that the overall amounts of assets held within the group do not breach the technical reserve limits established in Schedule 2, i.e., land in the group can only be 15% of technical reserves.

A company is a dependent of another company if it is a subsidiary undertaking of that other company and (a) "subsidiary undertaking" shall be construed in accordance with Article 4 of the European Communities (Company: Group Accounts) Regulations, 1992 (S.I. 201 of 1992), (b) that other company, either alone or with any associate or associates, is entitled to exercise, or control the exercise of 20 per cent or more of the equity voting rights at any general meeting of the first mentioned company, or (c) the first mentioned company is a dependant of any company which is that other company's dependant. *[Section 1.2 of Annex III of S.I. 359 of 1994.]*

If the dependant company is a reinsurance company a solvency margin, calculated in accordance with Form 14, should be deducted from the net value of the reinsurance company.

Items that may require further explanation include:

Loans to Group Companies

Should be classified appropriately as secured debt, unsecured debt or due from dependants. It should be noted that for loans to head office companies and sister companies, the valuation of the debt should be in accordance with Annex III, Article 5 of S.I. 359 of 1994. **THE MAIN IMPLICATION IS THAT INTER-GROUP MEDIUM/ LONG TERM DEBT WHICH DOES NOT HAVE AN APPROPRIATE COMMERCIAL RATE OF INTEREST AND A REPAYMENT DATE CANNOT BE ACCORDED FULL VALUE. IT IS ALSO WORTH NOTING THAT UNLESS THE INTER-GROUP DEBT, BY VIRTUE OF ITS INTEREST RATE ETC., CAN BE CLASSIFIED AS AN INVESTMENT IT CANNOT BE USED AS AN ASSET TO MEET TECHNICAL RESERVES.**

Debts

A debt owed to an Irish company by a company located abroad is classified as localised in that other country.

THE COLUMN HEADINGS FOR FORM 6 ARE: -

1. Book Value:

- The amount at which the asset is valued in the statutory financial statements of the company.
- The Total Book Value should be the same as the Total Assets shown in Form 10.

2. Value per Valuation of Assets Rules:

- The value of the asset in accordance with S.I. 359 of 1994 (Annex III).
- The difference between the Total Book Value (Column 1) and the Total Value per valuation of assets rules (Column 2) should be included in Free Reserves, in Form 14.

3. Assets admissible as representing Technical Reserves on Total Business:

- As defined in Schedule 2 to S.I. 359 of 1994.
- All assets (including those for solvency purposes) of an Insurer must be valued in accordance with the Valuation Rules in Annex III to S.I. 359 of 1994. An asset for the value of which no provision is made in Annex III shall be left out of account.

Schedule 2 to the Regulations lists those assets, which may be taken into account for Technical Reserve purposes only to a specified extent.

- The percentage calculation is by reference to the total of column 3, which shows the amount of Net Technical Reserves on total business. The total percentage must equal 100%.

NOTE: Accrued interest can be included in cash balances.

4. Assets in 3 localised in the EU:

- You must state the amount of the assets (under each Heading), which are localised in the EU.
- The percentage calculation is by reference to the total of column 4. The total percentage must equal 100%.

5. Assets in 3 not localised in the EU:

- You must state the amount of the assets (under each Heading), which are not localised in the EU.

6. Assets in 2 localised in Ireland:

- This is required by the Financial Regulator for information purposes only
- Net Technical Reserves in respect of EU risks.
- You must state the amount of Net Technical Reserves in respect of EU Risks. This should be included in the appropriate line at the foot of the table.
- Net Technical Reserves in respect of total business.
- You must state the amount of Net Technical Reserves in respect of Total Risks. This should be included in the appropriate line at the foot of the table.

Problems identified in the past are: -

Penalty Technical Reserve

If the penalty technical reserve applies, this figure should be added to the technical reserves (as shown in Form 1), to arrive to the 'Net technical reserves on total business' figure shown at the bottom of Form 6.

Total Book Value

The Total Book Value figure (Line 23, Column 1) must be the same as the 'Total Assets' figure on Form 10.

Other

All columns must be filled in. Figures must be entered in €000's.

Amounts due in respect of premiums are admissible for an amount equal to a maximum of 30% of net premium income.

If the company chooses to represent its technical reserves exclusively with loans to, or deposits with, credit institutions, then it must hold an account with three different credit institutions and place, as a minimum, one-third of the technical reserves in each. A COMPANY MAY NOT HOLD ASSETS IN A RELATED CREDIT INSTITUTION WITHOUT THE APPROVAL OF THE FINANCIAL REGULATOR.

A majority of the Board of Directors must sign Form 6.

Form 7 – Currency Matching Analysis – Net Figures

This Form will not be made available for public inspection.

The Form indicates the matching on a per currency basis of a company's insurance commitments to Technical Reserves.

Whilst this Form is largely self explanatory, it is worth noting that it is the currency in which the liability payment is denominated, as opposed to the currency in which the premium is paid, the basis for the matching of assets.

Column (a) Currency in which Insurance Commitments are payable (specify):

You must give details of all insurance commitments. Insurance commitments are defined as being unearned premium reserve plus actual claims plus IBNRs, net of any reinsurance recoveries. This means that the total liabilities must be broken down into the liability in each currency.

The information must be given on a currency-by-currency basis, although it must be expressed in 000's. The information only has to be given on a currency basis, not on a Class of Business basis.

Please note that if you have an IBNR for a total class of business then the IBNR must be apportioned over the various currencies. The method of apportionment is left to the discretion of each Company, but any changes in the methods used for the apportionment must be notified to the Financial Regulator and agreed with them.

Column (b) Currency in which Technical Reserves are held (specify):

You must state the currencies in which the Technical Reserves are held and the amount (expressed in 000's) per each currency.

Note that the sum of the amounts in the 'Total' Column of Column (b) must equal the Net technical reserves on total business, shown in Form 6.

NOTE: If a company wishes to take advantage of paragraph 9 of ANNEX IV of the European Communities (Non-Life Insurance) Framework Regulations, S.I. 359 of 1994, (matching of Technical Reserves by Euros rather than by each particular currency) then the % of Technical Reserves that are represented by Euros **must be stated** at the bottom of this Form. Up to 50% of the assets may be expressed in Euros.

For the treatment of:

Global Policies: If you only have one insured, one payment, and one currency then you simply give that currency. If however, risks in a number of countries are covered, you have to give an apportionment over the various currencies. Normally as stated above, the claims outstanding are the basis for matching. However, in certain circumstances, it may be appropriate to apportion on the basis of premium received per insured per currency. Any changes to the method of apportionment should be notified to the Financial Regulator and would have to be maintained on a year-to-year basis.

Hedged Instruments: These are acceptable from the Financial Regulator's point of view and are to be included in the above analysis under the currency involved. A note should be given explaining the terms of the hedging.

Form 8 – Claims Settlement Analysis

This Form will be made available for public inspection.

This Form excludes Treaty Reinsurance business. However, if Treaty Reinsurance amounts to in excess of 10% of GPI of a class then a separate Form 8 in respect of that business should be provided. This additional Form 8 is for the Financial Regulator use only and will not be available for public inspection. As such this information should be supplied in addition to the Returns and does not form part of the proposed electronic transfer process.

This Form is only for Motor Vehicle Liability, Employers Liability and Public Liability Insurance Business: Separate Forms should be prepared for each of these classes of business for each of the Company's establishments i.e., head office and branches/agencies. This Form shows the claims settlement pattern of companies. Specifically Form 8 indicates the total number of claims reported in respect of a specified Year of Origin. It shows the years during which claims were reported, the amounts paid during those years in the run-off in respect of claims settled and the provisions at the end of those years for Year of Origin claims still outstanding. The Form must be completed for each year of origin.

The entries under Gross Claims Payments and Gross Claims Outstanding should be the same as those entered in the appropriate gross columns on Form 1. The only exception is for Motor business where MIBI or equivalent payments and provisions are shown separately as a footnote to Form 8 for the year of account in question. As such the total of the gross provisions plus the MIBI provision should equal the Form 1 figure. All entries will be in respect of incidents that are attributable to the year of origin.

Figures supplied in the current annual returns cannot include amendments in respect of figures filed with annual returns for previous years **WITHOUT PRIOR NOTIFICATION AND APPROVAL BY THE FINANCIAL REGULATOR.**

MAIN HEADINGS:

These notes relate to the entries in each individual column on Form 8.

Year of Origin:

The Year of Account in which the claim was incurred i.e., the year in which the incident occurred, as a result of which the claim was made.

Insurance Class:

State the class of business for which this Form is being completed.

Total number of Claims:

The total of both reported claims plus the year's IBNR's for the initial year. This should correspond with the figure shown in Column 4 for the year of origin in question. This figure does not change in the run-offs and the amount to be shown should correspond in every Year of Account with the entry in Column 4 in the original year.

Total Estimated Value of Claims as of Year of Origin:

Equals the figure included in Column 18 (line 1), for the year of origin in question. This figure does not change in the run-offs and the amount to be shown should correspond in every Year of Account with the entry in Column 18 in the original year.

COLUMN HEADINGS:

Column 1 - Year of Account:

→ The Company's financial year

Column 2 - Reported Claims

→ In the year of Origin Statement: the number of claims notified during the Year of Origin, which relate to incidents during that Year of Account.

- In any subsequent Year of Account statement: the number of Year of Origin claims notified during that particular year.

Column 3 - IBNR Claims

- In Year of Origin statement: at the close of the year, the number of claims the company anticipates remains to be reported in respect of the Year of Origin.
- In any subsequent Year of Account statement: at the close of the particular year, the number of Year of Origin claims the company anticipates will still be reported.

It is important to note that as IBNR claims become notified they switch classification to reported claims and are entered into the "Reported" column in the Year of Account in which they were reported. This results eventually in the IBNR Column being left blank. All Year of Origin claims notified during a particular year in the run-off are entered into the "Reported" column.

Column 4 - Total Number of Claims

- In Year of Origin statement: the sum of the entries in Columns 2 and 3.
- In any subsequent Year of Account statement: the total will be the sum of all the Column 2 entries plus the entry (if any) for the particular year of account in Column 3.

Column 5, 6, 7 and 8 - Number of Claims Settled

- Claim settlements are recorded in the Year of Account where settlement was made. A total of the number settled during any year is entered in Column 7, Column 8 should show a running total i.e., the total of the Column 7 entries.

Column 9 - Claims Settled to Date Percentage

- For each Year of Account in the run-off this entry is arrived at by expressing the figure in Column 8 as a percentage of the figure in Column 4.

Column 10 and 11 - Gross Claim Payments

- Column 10 should indicate the amount paid during the Year of Account in respect of claims settled during that year. Payments on account or part payments should also be included.
- Column 11 shows a running total of claim payments i.e., total of column 10s to date.

Column 12 - Claim Payments to Date as a Percentage of Total Estimated Liability

- This is arrived at by expressing the entry in Column 11 as a percentage of the entry in Column 18.

Column 13 - Number of Claims Outstanding

- This figure is calculated for any Year of Account by deducting the number of claims settled to date (Column 8) from the total number of claims (Column 4).

Column 14 - Payments on Account

- This amount should be included with claim payments made during any Year of Account - i.e., Column 10. The claims, however on which payments on account have been made are still regarded as outstanding.

Columns 15, 16 and 17 - Provisioning for Outstanding Claims

- It is required that the provision in respect of reported claims outstanding and IBNR claims are accounted for separately. The provision for reported claims outstanding is shown in Column 15. IBNR claims anticipated in any Year of Account in the run-off are automatically considered as outstanding in the Year of Account to which they relate, the logic here being that claims, not reported to the company, cannot be settled by them. Therefore, in any Year of Account, if IBNR claims are anticipated and shown in Column 3, a corresponding provision must be entered for these claims and shown in Column 16. In the same way, when no IBNRs are expected, no provision should be shown in Column 16.
- Column 17 shows the total estimated liability for outstanding claims at the end of each year. It is the total of the entry at Columns 15 and 16 for that year of account. It is not a running total.

Column 18 - Latest Estimate of Gross Liability

- For any Year of Account in the run-off, this figure is made up of the sum of the entries in Columns 11 and 17 for that year of account.

GENERAL

This final note is to explain what would be entered into the Section at the top of the Form. The figure contained in the box 'Total Estimated Value of Claims as at Year of Origin' does not change in the run-offs and the amount to be shown should correspond in every Year of Account with the entry into Column 18 in the year of origin.

N.B. For Motor Vehicle Business additional information is required. You must state the mount of the "Provision for share of Liabilities to Motor Insurance Bureaux" and also the actual amount of "Payments to Motor Insurance Bureaux", as a footnote to Form 8 for the latest year of account. Provisions for and payments to MIB should not be included in the amounts entered in Form 8.

N.B. In regard to foreign exchange variations each year of account should take only the foreign exchange movements into account during that year. Entries for previous years of account should not be changed. FX movement (i.e., retranslation of opening reserves and foreign currency differences on loss payments) should be included under Column 10. Where the FX impact is significant a note should accompany the Forms explaining the impact.

Form 9 – Statement of Method Used to Calculate UPR

This Form will be made available for public inspection.

It indicates the basis on which a company has calculated its Unearned Premium Reserve in the Returns. This would normally be the same basis as that used in the preparation of the company's annual accounts.

The method that has been used should be stated; generally the repetition of the Accounting Policy, which would normally be stated in your Statutory Accounts, will suffice.

As such the detail provided in the notes to the company's annual accounts will be sufficient for the completion of this Form.

If the company does not have a UPR requirement, a statement as to why it is not necessary should be provided.

This Form must show the date and signature of the responsible officer of the company.

Form 10 – Balance Sheet

This Form will be made available for public inspection.

Companies in completing this Form must ensure that the entries comply with the declaration at the foot of the Balance Sheet.

This Form restates the Company's Balance Sheet in the format required by the Financial Regulator.

The *Total Assets* figure on Form 10 should correspond to the *Totals Book Value* figure on Form 6.

All headings should be self explanatory with the exception of the following: -

Share Capital:

If share capital is issued in a currency other than Euro, then the rate of exchange used for translation should be the rate on the day the capital was issued. This figure must never change from year to year i.e., as a result of foreign exchange (Forex) retranslation. The difference arising from the retranslation of Issued Share Capital must be shown under Exchange Reserve on this Form.

General Reserve:

Any reserve which a company has set up but is not specifically defined as any other heading.

Exchange Reserve:

A reserve set up for exchange differences arising from the retranslation of the value of certain Liabilities and Assets of the company at rates of exchange changed from previous balance sheet rates.

Share Premium Account:

If shares were issued at a premium, the premium element must be set aside into this Account.

Long Term Loans:

This means Debenture and Loan Stock. Other Long Term Loans should be included either under "Bank Loans and Overdrafts" or "Other Loans". Long Term Loans due to the company should be included under "Other Debtors".

Subordinated Loan Capital:

Preferential share capital should be included under this category.

Technical Reserves:

The Technical Reserve figure on Form 10 should correspond to the total of Technical Reserves on Form 1 with the following exception. For companies writing MAT three-year business, the Technical Reserve figure on Form 10 should correspond to the sum of the Technical Reserves on Form 1 plus the Closing Fund on Form 3 for the year of account in question. It is also required that the Gross figures should be produced on Form 10 for information purposes only, using the criteria outlined above.

Equalisation Reserve:

This is applicable to Credit Business or any other class of business where a company has set up an equalisation reserve.

Items that have caused problems in the past are: -

Amounts due to Policyholders: This should be included under "Other Creditors".

The Treatment of Foreign Exchange:

The Balance Sheet is always to be retranslated at the year-end rate. The Profit and Loss Account is also to be retranslated at the year-end rate. This gives rise to a Foreign Exchange retranslation difference that is treated as follows:

1. In the Balance Sheet the Forex difference on the retranslation of the Share Capital would be shown under "Exchange Reserve".

2. On the Profit and Loss Account (Form 11), there is a separate heading for the Forex difference on the retranslation of Retained Earnings.

Land and Buildings:

All Land and Buildings held by the company should be included in the property category whether held for investment purposes or otherwise.

A majority of the Board of Directors must sign this Form.

Form 11 – Profit and Loss Account

This Form will be made available for public inspection.

This Form restates the Company's Profit and Loss Account in the format required by the Financial Regulator. Where the Profit and Loss account is prepared in a currency other than Euros it is to be translated at the year-end rate of exchange. It should be noted that this is not the same presentation as would appear in the company's annual accounts.

All headings should be self explanatory with the exception of the following:

Underwriting Profit

- ➔ This is the underwriting profit before attributed investment income. It should be the same as the total at line 18 of Form 1.

Investment Income

- ➔ The amount to be recorded should include all investment income prior to transfer to the revenue account of the investment income attributable to the holding of technical reserves. It should include the total at line 19 of Form 1. If three-year MAT business is written any investment income included in Form 3 should also be included.

Management Expenses not Charged to Underwriting Accounts

- ➔ An example of possible expenses to be entered here would be Directors fees, or
- ➔ Foreign exchange gains or losses related to investments other than those attributable to the underwriting account.

Profit and Loss on Sale of Investments

- ➔ This amount should include the total amount of realised and unrealised gains/losses on investments.

Extraordinary Items

- ➔ An entry should only arise following agreement with the company's auditors.

Transfer To and From Reserves

- ➔ Whilst the heading is largely self-explanatory it should be noted that if there is a change in accounting policy that results in a prior year adjustment, this is the appropriate line for such entries.

Opening Retained Profits

- ➔ It should be noted that this should always be the same as the closing retained profits of the previous years. The difference arising from the retranslation of Opening Retained Profits must be shown under the following line on this Form: "Foreign exchange retranslation".

A majority of the Board of Directors must sign this Form.

Form 12– Assets/ Liabilities Summary

This Form will be made available for public inspection.

This Form is only applicable to undertakings that have their Head Office in a Third Country (e.g. Switzerland).

This Form shows the surplus or deficit of assets (valued at current market value) over technical reserves and other liabilities.

Form 13 – Employment Statistics

This Form will be made available for public inspection.

The purpose of this Form is to show the number of full-time people employed by undertakings with their Head Offices in Ireland and also the number of full-time people employed in Ireland by undertakings with their Head Office outside Ireland.

Each undertaking is required to state: -

→ In respect of an Undertaking with its Head Office in Ireland:

The number of people employed

- In Ireland
- Outside Ireland

→ In respect of an Undertaking with its Head Office outside Ireland:

- The number of people employed in Ireland only

N.B. This Form must be submitted even if the undertaking has no employees. This must be indicated by entering 0's.

Form 14 – Calculation of Solvency Margin

This Form will not be made available for public inspection

A Non-Life insurance undertaking whose Head Office is situated in the State must establish an adequate solvency margin in respect of its entire business. The first part of the Form, Schedules 1 and 2, is used to calculate the assets available to meet the solvency margin. The second part of the Form, the First Result and the Second Result, is used to calculate the solvency margin itself.

The summary section is used to compare the assets available with the solvency margin required in order to determine whether the undertaking meets its solvency margin requirement.

Details of the source of figures appearing on this Form are shown at Appendix II attached.

Part 1 - Schedules 1 and 2 - Calculation of Available Assets

Schedule 1 and **Schedule 2** are used to calculate the value of all assets available to cover the solvency margin.

- 1.** The solvency margin shall correspond to the assets of the undertaking, free of all foreseeable liabilities, less any intangible items, and in calculating the amount of the solvency margin the following shall be considered: -
 - 1.1** the paid up share capital or in the case of a mutual concern the effective initial fund,
 - 1.2** one-half of the share capital or the initial fund which is not yet paid up, once the paid-up part reaches 25 per cent of this capital or fund,

1.3 reserves (including capital contribution, statutory reserves and free reserves) not corresponding to underwriting liabilities. It should be noted that credit equalisation reserves (voluntary or otherwise) are not available to meet solvency margin requirements.

1.3.1 Statutory reserves must include the Forex retranslation of Capital (shown under 'Exchange Reserve' on Form 10), Capital Contributions, as well as any other capital reserves.

1.3.2 The difference between the total book value (Column 1) and the total administrative rules value of Assets (Column 2) on the Form 6 should be included in Free Reserves.

1.4 any carry forward of profits,

1.5 in the case of a mutual or mutual-type association with variable contributions, any claim which it has against its members by way of a call for supplementary contribution, within the financial year, up to one-half of the difference between the maximum contributions and the contributions actually called in, and subject to an over-riding limit of 50 per cent of the margin,

1.6 with the consent of the Financial Regulator preferential share capital and subordinated loan capital, securities of unspecified term up to a maximum of 50% of the margin including 25% for securities with a specified term (subject to certain criteria specified in S.I. 359 of 1994),

1.7 other assets to be specified. This item includes the foreign exchange retranslation difference of opening retained profits, i.e. "Foreign Exchange Retranslation" figure on the Form 11,

- 1.8** deduct any intangible items appearing on the balance sheet which have been included in the calculation of items 1.3 - 1.7.

The sum of items 1.1 to 1.7 as reduced by 1.8; represent the Total of Schedule 1.

- 2.** Schedule 2 comprises hidden reserves resulting from under-estimation of assets.

These reserves can only be included in the calculation of assets available to cover the solvency margin provided agreement of the supervisory authority (Financial Regulator) has been received. A request by the Undertaking with supporting proof to the Financial Regulator should be made for this approval. An entry in this Schedule would be considered unusual where assets are valued at market value.

The total of Schedules 1 and 2 represents the total amount of assets available to meet the minimum solvency margin.

As a separate calculation, items under Schedule 2 must be expressed as a percentage of the Solvency Margin.

Part 2 - First Result And Second Result - Calculation of Solvency Margin

Subject to the exceptions below, the solvency margin shall be determined on the basis either of the annual amount of premiums or contributions, or of the average burden of claims for the preceding *three financial years*.

- 1) In the case of an undertaking which substantially underwrites only one or more of the risks of credit, storm, hail, frost, the preceding *seven financial years* shall be taken as the period of reference for the average burden of claims.

2) If the required solvency margin for an insurance undertaking calculated in accordance with directive 2002/13/EC (Solvency I Directive) is less than the required solvency margin for the immediately preceding year, the required solvency margin must be at least equal to that for that preceding year, multiplied by whichever is the lesser of 1 or the ratio of—

(a) the amount of the technical provisions for claims outstanding at the end of that preceding financial year,

and

(b) the amount of the technical provisions for claims outstanding at the beginning of that year.

Solvency I

Insurance undertakings must be compliant with directive 2002/13/EC of the European parliament and of the Council, of 20 March 2002, known as the Solvency I Directive. In order to do so Insurance undertakings must increase Premiums or contributions by 50% in respect of the liability classes (11, 12 and 13) listed in point A of the Annex. Similarly, the claims basis shall be calculated, using in respect of the liability classes (11, 12 and 13) listed in point A of the Annex, claims, provisions and recoveries increased by 50%.

Under Solvency I, the ratio of net incurred claims as a percentage of gross incurred claims shall be calculated in respect of sum of the last three financial years. The premium basis shall be calculated using the higher of gross written premiums or contributions and gross earned premiums or contributions.

See Solvency I example over.

The amount of the solvency margin shall be equal to the higher of the following two results: -

1. First result (premium basis):

- 1.1 Line 1 is the aggregate of the premiums or contributions (inclusive of charges ancillary to premiums or contributions) due in respect of all direct business in the last financial year for all underwriting years. This is before deducting premiums ceded and excludes all reinsurance premiums accepted
- 1.1 Portion of 1.1(above) in respect of Classes 11, 12 and 13 x 50%
- 1.2 At Line 2 add the amount of premiums accepted for all reinsurance in the last financial year
- 1.2 Portion of 1.2(above) in respect of Classes 11, 12 and 13 x 50%
- 1.3 At Line 3 deduct the total amount of premiums or contributions cancelled in the last financial year, as well as the total amount of taxes and or levies included in the premiums or contributions at lines 1 and 2
- 1.3 Portion of 1.3(above) in respect of Classes 11, 12 and 13 x 50%
- 1.4 The amount so obtained (**Total 1**) shall be divided into two portions, the first portion extending up to 53.1 million Euros if undertaking is to be Solvency I compliant, the second comprising the excess: 18% and 16% of the portions respectively shall be calculated and added together (**Total 2**)
- 1.5 The **First Result** shall be obtained by multiplying the sum calculated as Total 2 by the claims ratio (Line 4) as defined below. However, if this ratio is less than 50%, the multiplier (Line 5) to be used is 50%.

DEFINITION:

Claims Ratio: The ratio is calculated as the greater of 50% or the percentage of net incurred claims over gross incurred claims as follows: -

*The sum of the last three financial year's **Net Incurred Claims:***

Claims arising on direct business, plus, Claims arising on reinsurance assumed, less, Claims arising on reinsurance ceded.

Divided by

*The sum of the last three financial year's **Gross Incurred Claims:***

Claims arising on direct business, plus, Claims arising on reinsurance assumed.

2. Second Result (Claims Basis)

This calculation should be based upon the average claims of the preceding three financial years. However, where an undertaking substantially underwrites only one or more of the risks of credit, storm, hail or frost, then the average claim burden is based on the preceding seven, not three, financial years, as follows:

- 2.1 Line 1 represents the aggregate amount of claims paid in respect of direct business (excluding claims recoverable from reinsurers and retrocessionaires) in the relevant periods;
- 2.1 Portion of 2.1(above) in respect of Classes 11, 12 and 13 x 50%
- 2.2 Line 2 represents the amount of claims paid in respect of reinsurance or retrocessions accepted during the same periods;
- 2.2 Portion of 2.2(above) in respect of Classes 11, 12 and 13 x 50%

- 2.3 Line 3 is the amount of provisions or reserves for outstanding claims established at the end of the reference period both for direct business and for reinsurance acceptances;
- 2.3 Portion of 2.3(above) in respect of Classes 11, 12 and 13 x 50%
- 2.4 Line 4 is the total amount of recoveries (including salvages) effected;
- 2.4 Portion of 2.4(above) in respect of Classes 11, 12 and 13 x 50%
- 2.5 Line 5 is the amount of provisions or reserves for outstanding claims established at the commencement of the reference period, both for direct business and for reinsurance acceptances;
- 2.5 Portion of 2.5(above) in respect of Classes 11, 12 and 13 x 50%
- 2.6 Line 6 is self explanatory;
- 2.7 One-third or one-seventh (of the amount at line 6) according to the period of reference shall be divided into two portions, the first extending up to 37.2 million Euros if undertaking is to be Solvency I compliant and the second comprising the excess: 26% and 23% of these portions respectively shall be calculated and added together. This amount represents **Total 1**;
- 2.8 The **Second Result** shall be obtained by multiplying the sum calculated at 2.7 (**Total 1**) by the ratio calculated at 1.5 above. If this ratio is less than 50 per cent then a figure of 50% must be used.

The fractions applicable to the portions referred to in paragraph 4 of Part A, Annex 2 of S.I. 359 of 1994 shall each be reduced to a third in the case of health insurance practised on a similar technical basis to that of life assurance, if:

- (a) the premiums paid are calculated on the basis of sickness tables according to the mathematical method applied in life insurance;
- (b) a reserve is set-up for increasing age;
- (c) an additional premium is collected in order to set up a safety margin of an appropriate amount;
- (d) the insurer may only cancel the contract before the end of the third year of insurance at the latest;
- (e) the contract provides for the possibility of increasing premiums or reducing payments even for current contracts

SUMMARY

The solvency margin to be established is the greater of the First Result and the Second Result. The assets available to meet this solvency margin are the totals of Schedules 1 and 2. A comparison of these results is made to test whether the undertaking meets its solvency margin requirements.

NOTE : Where the solvency margin of an undertaking which is the holder of an authorisation and which has its head office in the State falls below the amount required by the Regulations, the Financial Regulator shall require a business plan to be submitted to it by the undertaking for its approval for the restoration of a sound financial position.

EXAMPLE OF THE CALCULATION OF SOLVENCY MARGIN UNDER EC (NON-LIFE) INSURANCE FRAMEWORK REGULATIONS 1994 (As amended by SI 728 of 2004 & SI 354 of 2007)

The Solvency Margin is determined on the basis of either the annual amount of premiums (premium basis) or the average burden of claims for the preceding three/seven years (claims basis). The actual Solvency Margin to be established will be the higher of the results from both bases.

PREMIUM BASIS (Solvency I)

| | | €'000 | |
|--|-------|--------------|---------------------|
| The higher of Total Gross Written Premiums and Total Gross Earned Premiums: | | | |
| | | 11,000 | |
| Liability Gross Premiums | 5,000 | | |
| (+) One half of liability Gross Premiums | | <u>2,500</u> | 13,500 |
| | | | |
| Portion less or equal to 50 million Euros | | 13,500 x 18% | 2,430 |
| (+) Portion greater than 50 million Euros | | 0 x 16% | - |
| | | | <u>2,430</u> |
| | | | |
| Net Incurred Claims (3 years) as a percentage of Gross Incurred Claims (3 years) (minimum 50%) | | x | <u>70%</u> |
| Solvency Margin Required on Premium Basis | | | <u><u>1,701</u></u> |

CLAIMS BASIS (Solvency I)

| | | €'000 | |
|--|---|--------------|--------------|
| Claims paid (2002-2004 period) - uplifted: | | | |
| 2002 | Return (Total Claims paid) | | 7,000 |
| | (Claims paid re Liability) | 3,150 | |
| | One half of claims paid re Liability | | 1,575 |
| 2003 | Return (Total Claims paid) | | 7,500 |
| | (Claims paid re Liability) | 3,375 | |
| | One half of claims paid re Liability | | 1,688 |
| 2004 | Return (Total Claims paid) | | 8,000 |
| | (Claims paid re Liability) | 3,600 | |
| | One half of claims paid re Liability | | <u>1,800</u> |
| | | | 27,563 |
| | | | |
| (+ Closing claims provision (2004 Return) - uplifted: | | | |
| | Total Closing claims provision | | 5,000 |
| | Closing claims provision re Liability | 2,250 | |
| | One half of closing claims provision re Liability | | <u>1,125</u> |
| | | | 6,125 |
| | | | |
| (-) Opening claims provision (2002 Return) - uplifted | | | |
| | Total Opening claims provision | | 500 |
| | Opening claims provision re Liability | 225 | |
| | One half of opening claims provision re Liability | | <u>113</u> |
| | | | 613 |
| | | | |
| Cost of claims (2002-2004 period) | | | 33,075 |
| Annual Average (2002-2004= 3 years) | | = 33,075/3 | 11,025 |
| | | | |
| Portion less or equal to 35 million Euros | | 11,025 x 26% | 2,867 |
| Portion greater than 35 million Euros | | 0 x 23% | - |
| | | | <u>2,867</u> |
| | | | |
| Net Incurred Claims (3 years) as a percentage of Gross Incurred Claims (3 years) (minimum 50%) | | x | 70% |

Form 15 – Details of Reinsurance Treaties

This Form will not be made available for public inspection.

General Business - Summary of Treaty Reinsurance Business Ceded

The purpose of Part 1 of Form 15 is to provide a summary of treaty reinsurance business ceded by Accounting Class or Risk Group where reinsurance has been arranged separately for risk groups within an Accounting Class or across Accounting Classes.

The Reinsurance Returns cover Treaty and Facultative Reinsurance and are required to be submitted retrospectively by reference to the previous financial year at the same time as the annual returns under the European Communities (Non-Life Insurance Accounts) Regulations, 1995 (S.I. 202 of 1995).

Attention is drawn to the note to Form 15, which deals with reporting requirements for removal of reinsurers and the requirements for details of financial reinsurance.

PART 1

Column 1

→ In this column enter a description of the appropriate treaty.

Column 2

→ Enter in this column the period covered by the treaty. Both risk period and policy period, if different.

Column 3

→ Enter the estimated maximum loss (net retained) in respect of any one risk in this column. Enter the figures in Euro '000.

Column 4

- Enter in this column the estimated maximum loss (net retained) in respect of any one event. This may require more than one entry dependant on the actual treaties in place. Enter the figures in Euro '000.

Column 5

- Enter in this column the total treaty liability per risk/per event. Enter the figures in Euro '000.

Column 6

- In this column enter the number of reinsurers carrying on business in Ireland. This refers to cessions to direct insurers authorised by the Financial Regulator as well as to pure reinsurers with a registered company in Ireland.

Column 7

- Enter in this column the premiums payable in Euro '000 to the Irish reinsurers. This refers to cessions to direct insurers authorised by the Financial Regulator as well as to pure reinsurers with a registered company in Ireland.

Column 8

- Enter in this column the number of non-Irish reinsurers. This should cover reinsurance to direct insurers as well as to pure reinsurance companies.

Column 9

- Enter into this column the premiums payable in Euro '000 to the non-Irish reinsurers. This should cover premiums paid to both direct insurers as well as to pure reinsurance companies.

Column 10

- Where an insurer has made provision in respect of doubtful recoveries or bad debts due to a reinsurer's possible refusal or inability to pay, full details should be given of the amount of the provision made, the name(s) of the reinsurer(s) concerned and the reasons for the provision. If no provision has been made a nil entry should be recorded in this column.

PART 2 - DETAILS REQUIRED IN RESPECT OF ALL REINSURERS WHOSE PARTICIPATION EXCEEDS 5% OF TOTAL GROSS PREMIUMS CEDED

Part 2 of Form 15 requires additional details in respect of significant treaty reinsurers only, i.e., those reinsurers whose participation exceeds 5% of Total Gross Premiums ceded by the reporting company. It covers both pure reinsurers and insurance companies who have accepted reinsurance.

The following are guidelines to the completion of the above Form: -

Column 11

- In this column enter the name of all the reinsurers who participation exceeds 5% of the gross premiums ceded.

Column 12

- Enter in this column the address of the registered office or principal office of the reinsurer.

Column 13

- Reporting companies are asked to state whether or not their reinsurers covered by this part of the Return are controlled, i.e., supervised by an insurance/reinsurance supervisory authority. If you do not know, then insert "not known".

Column 14

- Details should be given here in respect of reinsurers who are connected with the reporting company. For the purpose of this

entry, a reinsurer would be a connected company of the direct insurer if, for example, it is: -

- a subsidiary, dependent or associate company of the direct insurer, or
 - the holding company of the direct insurer, or
 - a subsidiary, dependent or associate company of the holding company of the direct insurer.
- ➔ Details of any other "Group" links between the reporting company and a particular reinsurer should also be given.

Column 15

- ➔ In this column enter the percentage of the treaty ceded as a percentage of the gross written premiums for the accounting class/risk group as appropriate.

Column 16

- ➔ Under this column enter in Euro '000 the reinsurance premiums payable to the reinsurer in the financial year.

Column 17

- ➔ Enter into this column the debt due to the reporting company by the reinsurer at the end of the financial year in Euro '000.

Form 16 – Details of Facultative Reinsurance

This Form will not be made available for public inspection.

General Business - Summary of Facultative Reinsurance Business Ceded

The Facultative Return covers those reinsurers whose liability is in excess of Euro 100,000 per risk or per event and, as in the case of Treaty Business, also requires additional details on the extent to which controlled and connected reinsurers are used. Accordingly, the comments above relating to Form 15 regarding controlled and connected companies and provisions for doubtful recoveries/bad debts also apply insofar as Form 16 is concerned.

This Form is completed by accounting class/risk group.

Column 1

- 1.** Details in respect of individual facultative reinsurers whose liability is in excess of Euro 100,000 per risk or per event should be provided for: -
 - (i)** all such reinsurers where there are ten or less in an accounting class/risk group, and
 - (ii)** for each such reinsurer who received premiums in respect of facultative cover which amount to more than 5% of gross premiums receivable for the accounting class / risk group.
- 2.** Where there are more than ten Facultative reinsurers (whose liability is in excess of Euro 100,000 per risk or per event) in an accounting class/risk group, a general summary should be given showing the number of such reinsurers involved and the aggregate totals for columns 6 to 9.

Column 2

- Enter in this column the address of the registered office or principal office of the reinsurer.
- If the registered office is not known enter the main contact address and in a note indicate that the address of the registered office is not known.

Column 3

- Enter the underwriting period covered where this is different from the ceding company's financial year.

Column 4

- Enter either "controlled" or "non-controlled" as appropriate. A reinsurer is controlled if it is regulated in its home country by its home insurance regulator.

If not known insert "not known".

Column 5

- Enter if appropriate whether there is any connection between the reinsurer and the reporting company.

Column 6

- In this column enter the percentage ceded to each reinsurer as a percentage of the gross written premiums. The gross written premiums relate to total premium written.

Column 7

- Under this column enter in Euro '000 the liability per risk.

Column 8

- Enter in Euro '000 the reinsurance premiums payable to the reinsurer in the financial year.

Column 9

- Enter the balances due to the ceded company at the end of the financial year in Euro '000.

NOTE: If any provisions have been made for doubtful recoveries from reinsurers, details should be set out on a separate page. If no provision has been made a nil entry should be recorded in this column.

NOTE: Details of any reinsurer removed from the reporting company's Reinsurance Security Listing during the year of account should also accompany the reinsurance returns. If no reinsurer has been delisted, a nil entry should be recorded here. Details of any reinsurer added should be notified to the Financial Regulator.

Form 17 – Directors Certificate

A statement attesting the correctness of the information provided on all Forms **SHOULD BE SIGNED BY ALL** of the Directors of the undertaking.

A suggested wording for such a certificate might be: -

(“Name of Company”) Financial Year Ended.....

We the Directors of (“the Company”) certify:

- 1.1 That for the purposes of preparing this Return proper accounts and records have been maintained and adequate information has been obtained by the Company an appropriate system of control has been established and maintained by the Company over its transactions and records
- 1.2 That the value shown for each category of asset has been determined in conformity with Article 13 and Annex III of the Regulations¹ and includes the value of only such assets or such parts thereof as are permitted to be taken into account
- 1.3 That the amount shown for each category of liability has been determined in conformity with the Insurance Undertakings Accounts Regulations², 1996
- 1.4 That the assets held throughout the financial year enabled the Company to comply with Annex IV of the Regulations.
2. Immediately following the end of the financial year the amount of the Company’s required minimum solvency margin was as shown in Form 14 of the Non-Life Insurance Accounts Regulations³, 1995.

¹ The Regulations referred to in this Certificate, unless otherwise specified, are the European Communities (Non-Life Insurance) Framework Regulations, 1994 (S.I. 359 of 1994).


² European Communities (Insurance Undertakings: Accounts) Regulations, 1996 (S.I. No. 23 of 1996).

- 3.1 That the register required by Article 13(13) of the Regulations has been maintained throughout the year and, in respect of the assets listed in the register, the value of those assets on the closing date for which the accounts and balance sheets of the head office of the Company are furnished to the competent supervisory authority, such values being those in such accounts and balance sheets.
- 3.2 That any amount payable from or receivable by the non-life insurance reserves in respect of services rendered by or to any other business carried on by the Company or by or to a connected company has been determined and, where appropriate, apportioned on items which are believed to be no less than fair to that reserve or reserves, and any exchange of assets representing such reserves for other assets of the Company has been made at fair market value.
- 3.3 That all guarantees given by the Company of the performance by a related company of a contract binding on the related company which would fall to be met by any non-life insurance reserve have been disclosed in the return, and that the reserves on which each such guarantee would fall have been identified therein.
- 3.4 The returns in respect of non-life assurance business are not distorted by agreements between the companies concerned or by any arrangements, which could affect the apportionment of expenses and income.
- 3.5 Proper accounts and records have been maintained in the State in respect of business supervised in the State.
4. In relation to the Company's reinsurance arrangements:
 - (i) Adequate information has been obtained as to the financial standing of each reinsurer concerned;

³ European Communities (Non-Life Insurance Accounts) Regulations, 1995 (S.I. 202 of 1995).

- (ii) Adequate provision has been made where necessary (and detailed in the Annual Return) in respect of any doubtful recoveries and/or bad debts from the reinsurers concerned
- 5. In relation to the preparation of the actuarial Opinion on the technical reserves⁴:
 - (i) No relevant information that would materially affect the Company's reserves has been knowingly withheld from the certifying actuary
 - (ii) The data provided to the certifying actuary and underlying the reserves are accurate and complete and have been reconciled to the data used to in preparing the company Law accounts and supervisory returns for the period
 - (iii) The certifying actuary has been advised of all known changes in internal methods or procedures, which would materially affect the determination of reserves
 - (iv) Claims development data provided to the certifying actuary has been reconciled to the accounting information underlying the Company Law accounts
- 6. Except for instances of non-compliance of a minor or otherwise immaterial nature that may have inadvertently occurred, the Company's non-life insurance business has been carried out in accordance with applicable legislation and with the written guidelines issued by the insurance supervisory authority.

⁴ This paragraph should be omitted where a company has been granted an exemption from the actuarial certification requirement.



NOTE: Where, in the opinion of those signing the certificate, the circumstances are such that any of the above statements cannot truthfully be made, the relevant statement(s) should be appropriately qualified and an explanatory note provided indicating the respect(s) in which the statement(s) has/have not been complied with and the steps taken to remedy the position.

NOTE: The above list is not restrictive. The company may wish to comment specifically on other issues.

Auditor's Certificate

This is a Form on which the appropriate Auditors Certificate is to be entered and which will be made available for public inspection.

The wording of an unqualified auditors report might be as follows:

..... ***(Name of Company)***

Year Ended

**Auditors' Report on Returns to the
Financial Regulator**

We have audited the information contained on Form 6 and financial statements of ("Name of Company") for the year ended set out in Forms 10 and 11 in accordance with Auditing Standards, and have obtained all the information and explanations we considered necessary.

In our opinion, insofar as concerns Forms 6, 10 and 11, proper books of accounts have been kept by the company and the information and the financial statements set out on Forms 6, 10 and 11 which are in agreement therewith comply with the European Communities (Non-Life Insurance Accounts) Regulations 1995 (S.I. 202 of 1995).

Signed:

Dated:

APPENDIX 1 - CLASSIFICATION OF INSURANCE RISKS

Class 1

ACCIDENT (including industrial injury and occupational diseases)

Risks to be written in this class: -

- fixed pecuniary benefits
- benefits in the nature of indemnity
- combinations of the two
- injury as passengers

Agreement that this class should include: -

Personal insurance against accidents occurring at work, while taking part in any form of sporting or other activity and when travelling.

Agreed that "loss of earning power" should be included.

Class 2

SICKNESS

Risks constituting the class: -

- fixed pecuniary benefits
- benefits in the nature of indemnity
- combinations of the two

Agreement that this class should include: -

- Surgical expenses
- Medical expenses
- Hospitalisation
- Dental treatment

Agreed that "loss of earning power" and "guaranteed wage" should be included.

Class 3

LAND VEHICLES (other than Railway Rolling Stock)

Risks constituting the class: -

All damage to or loss of

- land motor vehicles
- land vehicles other than motor vehicles

Agreement that this class should include all damages to own property by reason of e.g. fire, theft, and breakdown.

Trolley buses to be included.

Class 4

RAILWAY ROLLING STOCK

Risks constituting the class: -

- All damage to or loss of railway rolling stock

Agreement that this class should include trams, funiculars, chair lifts, etc.

Class 5

AIRCRAFT

Risks constituting the class: -

- All damage to or loss of aircraft

Agreement that an aircraft becomes an aircraft when it is ready to fly. Prior to that it should be included under Class 8 and / or 9.

Class 6

SHIPS (sea, lake and river and canal vessels)

Risks constituting the class: -

All damage to or loss of

- river and canal vessels
- lake vessels
- sea vessels

Agreement that this class should include hovercraft, drilling platforms, floating pontoons etc.

Agreement that a ship becomes a ship when launched - for small vessels, when construction is completed. Prior to that it should be included under Class 8 and / or 9.

Class 7

GOODS IN TRANSIT (including merchandise, baggage and all other goods)

Risks constituting the class: -

All damage to or loss of goods in transit or baggage, irrespective of the form of transit.

Agreement that carrier's liability is excluded.

Class 8

FIRE AND NATURAL FORCES

Risks constituting the class: -

- All damage to or loss of property (other than property included in classes 3, 4, 5, 6 and 7) due to:
 - fire
 - explosion
 - storm
 - natural forces other than storm
 - nuclear energy
 - land subsidence

Class 9

OTHER DAMAGE TO PROPERTY

Risks constituting the class: -

All damage to or loss of property (other than property included in classes 3, 4, 5, 6 and 7) due to hail and frost, and any event such as theft, other than those mentioned under 8.

General agreement that damage caused by e.g., floods, burst water pipes, insect attacks, strikes and riots should be included.

Class also to include "death of animals" and baggage carried by the owner.

Class 10

MOTOR VEHICLE LIABILITY

Risks constituting the class: -

All liability arising out of the use of motor vehicles operating on the land including carriers' liability).

Class 11

AIRCRAFT LIABILITY

Risks constituting the class: -

All liability arising out of the use of aircraft (including carriers' liability).

Agreed that "aerodrome control towers" should be included. Agreed that some risks e.g., "aviation organisers", "aviation sports associations" and "operators of aerodromes" should be included.

Class 12

LIABILITY FOR SHIPS (sea, lake and river and canal vessels)

Risks constituting the class :-

All liability arising out of the use of ships, vessels or boats on the sea, lakes, rivers or canals (including carriers' liability).

Hovercraft to be included in this class.

Class 13

GENERAL LIABILITY

Risks constituting the class: -

All liability other than those mentioned under 10, 11 and 12.

Included under this class should be:

- Liability of manufacturers and other commercial undertakings, professional liability, product liability.

Agreed that this class should include "Railway Liability".

Class 14

CREDIT INSURANCE

Risk to insured arising from insolvency of debtors, or other failure of debtors to pay debts when due. Risks constituting the class: -

- insolvency (general)
- work in progress
- supplier default
- credit guarantee
- breach of contract
- export credit
- instalment credit*
- mortgage
- agricultural credit

* Excludes "payment protection" insurance taken out by debtors, which should be included in Classes 1, 2 and 16 as appropriate.

Class 15

SURETYSHIP

Direct: Risk of loss to insured from having to perform contracts of guarantee entered into. Risks constituting the class:

- Performance Contracts, Guarantees

Indirect: Fidelity bonds / guarantees to third parties. Risks constituting the class: -

- bid or tender bond
- performance bond
- administration bond
- bail bond
- Courts bond
- Warehouse bond

Class 16

MISCELLANEOUS FINANCIAL LOSS

Risks constituting the class: -

- employment risks
- loss of receipts (general)
- bad weather
- loss of profits
- continuing general expenses
- loss of market value
- loss of rent or revenue
- indirect trading loss other than those mentioned above
- other financial loss (non-trading)
- other types of financial loss

General agreement that included in this class are: -

Insurance for the benefit of the employer - e.g., to pay compensation for laying off personnel;

Losses on overseas investment (e.g., caused by nationalisation or expropriation);

Interruption of production (due to e.g., fire, breakdown of machinery, boycotts and strikes);

Leakage from tanks and containers;

Cost of hotel cancellations.

It has been agreed that the type of "insolvency" insurance carried on in Germany - to enable an employer to insure against losses which would make it impossible for him to continue to pay pensions to former employees - was different from that falling under Class 14 and could be included in this class.

Class 17

LEGAL EXPENSES

Risks constituting the class: -

Legal expenses and costs of litigation.

Class 18

ASSISTANCE

Assistance for persons who get into difficulty while travelling, while away from home or while from their permanent residence.

APPENDIX 2 - CLASSIFICATION OF AUTHORISED CLASSES AS REQUIRED FOR THE PURPOSES OF THE FORMS OF ANNUAL RETURN

| | | | | | | | |
|---|------------------------|---|--|--|----------------------|--------------------------|---|
| Statutory Category as per Forms of Account | Accident and Health | Motor Vehicle | Marine, Aviation and Transit | Fire and Other Damage to Property | Liability | Credit and Suretyship | Other Classes (16, 17, 18) |
| Classes used for issuing Authorisation | Accident, Sickness | Land Vehicle, Goods in Transit, Motor Vehicle | Railway rolling stock, Aircraft, Ships, Aircraft Liability, Liability for Ships | Fire and natural forces, Other damage to property | General Liability | Credit, Suretyship | Miscellaneous financial loss, Legal expenses, Touring Assistance |
| Class No. | 1, 2 | 3, 7, 10 | 4, 5, 6, 11, 12 | 8, 9 | 13 | 14, 15 | 16, 17, 18 |



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