

SECOND SUPPLEMENT TO THE GIBRALTAR GAZETTE

No. 3390 of 5 February, 2004

LEGAL NOTICE NO. 20 OF 2004

INSURANCE COMPANIES ORDINANCE

INSURANCE COMPANIES (ACCOUNTS AND STATEMENTS) (AMENDMENT) REGULATIONS 2004

In exercise of the powers conferred on it by section 118 of the Insurance Companies Ordinance, and all other enabling powers, and for the purposes of transposing into the law of Gibraltar Council Directives 2002/12/EC and 2002/13/EC, the Government has made the following regulations—

Title and commencement.

1. These regulations may be cited as the Insurance Companies (Accounts and Statements) (Amendment) Regulations 2004 and are deemed to have come into operation on 1st January 2004 and apply to periods commencing on or after that date.

Amendment to Schedule 1.

2. Schedule 1 to the Insurance Companies (Accounts and Statements) Regulations 1998 is amended as follows—

- (a) for Forms INS 3 and INS 4 including Instructions for completion of Form INS 4 substitute new Form INS 3 including Instructions for completion of Form INS 3 and new Form INS 4 including Instructions for completion of Form INS 4;
- (b) in the Instructions for completion of Form INS 5 insert after instruction 12—

“13. Since the technical provisions for claims outstanding shown in Form INS 7 may only be discounted or reduced to take account of investment income in limited circumstances, the amount shown at line 12 of Form INS 7 may need to be increased (see instruction 3 to Form INS 7). In such cases, the

reinsurers' share shown at line 61 must be adjusted to be consistent with the amount shown in line 12.”;

- (c) in the Instructions for completion of Form INS 7, insert after instruction 2–

“3. The amount shown in line 12 may only be discounted or reduced to take account of investment income:

- (a) for class 1 or 2 business; or
- (b) in respect of annuities.

So, if the technical provisions for claims outstanding for other business are discounted or reduced to take account of investment income, then they must be increased by the difference between the undiscounted and the discounted provisions. If technical provisions are increased the amount of the increase must be shown by way of a supplementary note to this form, together with the corresponding increase in the reinsurer's share shown in line 61 of Form INS 5.”.

Amendment to Schedule 4.

3. Schedule 4 to the Insurance Companies (Accounts and Statements) Regulations 1998 is amended as follows–

- “(a) for (Forms INS 46 to INS 61)” substitute “(Forms INS 46 to INS 60)”;
- (b) for “(Forms INS 46 to INS 49, INS 51 to INS 58, INS 60 and INS 61)” substitute “(Forms INS 46 to INS 49, INS 51 to INS 58 and INS 60)”;
- (c) for paragraph 23 substitute–

“23.(1) A statement of the required minimum margin of long term business in the form set out in Form INS 60 and of the required margin of solvency for Class IV business and supplementary accident and sickness

insurance in the form set out in Form INS 3 and INS 4, in accordance with instruction 8 for completion of Form INS 60. When completing Forms INS 3 and INS 4, the accounting conventions appropriate for general business should be followed but reasonable approximations may be used if they are unlikely to result in an underestimate of the required margin of solvency.

- (2) If the gross annual office premiums for Class IV business and supplementary accident and sickness insurance in force on the valuation date do not exceed 1 per cent. of the gross annual office premiums in force on that date for all long term business, Forms INS 3 and INS 4 need not be completed provided it can be stated that the entry in line 10 of Form INS 60 exceeds the amount that would be obtained if Forms INS 3 and INS 4 were to be completed. In this circumstance, the method of estimating the entry in line 10 of Form INS 60, together with a statement of the gross annual office premiums in force at the valuation date in respect of Class IV business and supplementary accident and sickness insurance, shall be given.”;
- (d) in instruction 8 of the Instructions for completion of Form INS 51, INS 52, INS 53 and INS 54 delete “– see Form INS 61”;
- (e) for Form INS 60 including Instructions for completion of Form INS 60 substitute new Form INS 60 including Instructions for completion of Form INS 60;
- (f) Form INS 61 and Instructions for completion of Form INS 61 are deleted.

Instructions for completion of Form INS 60.

1. The appropriate factors specified in paragraphs 1(2)(a), 2(3), 2(4) and 2(5) of Schedule 3 to the Insurance Companies (Solvency Margins and Guarantee Funds) Regulations 2004.
2. For a pure reinsurer, the factor of 0.85 shall be replaced by 0.50.

3. Capital at risk shall be shown after distribution of surplus.
4. Line 39 equals line 32 x [line 21 x 0.1% + line 22 x 0.15% + line 23 x 0.3%] for Classes I, II and IX or line 32 x line 29 x 0.3% for Class III, VII and VIII.
5. Any additional mathematical reserves shown in Form INS 6 line 63 (made in accordance with instruction 7 for the completion of that Form) shall be included at columns 11 or 12, as appropriate.
6. For Class V business, the amount of the required margin of solvency shall be stated in a supplementary note to the Form and shall be included in line 51.
7. For business of classes III, VII and VIII, as specified in paragraph 2(4) of the Insurance Companies (Solvency Margin and Guarantee Funds) Regulations 2004, the entry at line 20 is 25% of the financial year's net administrative expenses pertaining to business for which the insurer bears no investment risk and the allocation to cover management expenses is not fixed for a period exceeding five years.
8. For supplementary accident and sickness insurance and class IV business taken together, Forms INS 3 and INS 4 shall be completed and appended to Form INS 60 (unless the Forms would be blank or paragraph 23(2) of Schedule 4 permits the insurer not to complete the Forms). Lines 44 and 49 of Form INS 4 should be left blank. For the purposes of these Forms "health insurance" is health insurance based on actuarial principles that meets the conditions set out in paragraph 9 of Schedule 1 to the Insurance Companies (Solvency Margin and Guarantee Funds) Regulations 2004. The entry at line 51 of Form INS 60 must equal the entry at line 43 of Form INS 4 plus the amount to be included for class V business (see instruction 6).

Dated the 5th day of February, 2004.

P R CARUANA Q.C.,
Chief Minister,
for the Government.