

Council Directive of 19 December 1991 on the annual accounts
and consolidated accounts of insurance undertakings (91/674/EEC)

SECTION 4

Special provisions relating to certain balance-sheet items

Article 8

Article 15 (3) of Directive 78/660/EEC shall apply only to assets items B and C (I) and (II) as defined in Article 6 of this Directive. Any movements in these items shall be shown on the basis of the balance-sheet value at the beginning of the financial year.

Article 9

Assets: *item C (III) (2)* Debt securities and other fixed-income securities

1 This item shall comprise negotiable debt securities and other fixed-income securities issued by credit institutions, by other undertakings or by public bodies, in so far as they are not covered by item C (II) (2) or (4).

2 Securities bearing interest the rate of which varies in line with specific factors, for example the interest rate on the inter-bank market or on the Euromarket, shall also be regarded as debt securities and other fixed-income securities.

Article 10

Assets: *item C (III) (3)* Participation in investment pools

This item shall comprise shares held by an undertaking 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.

Article 11

Assets: *items C (III) (4) and (5)* Loans guaranteed by mortgages and other loans

Loans to policyholders for which the policy is the main security shall be included under 'Other loans' and their amount shall be disclosed in the notes on the accounts. Loans guaranteed by mortgage shall 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 shall be given in the notes on the accounts.

Article 12

Assets: *item C (III) (6)* Deposits with credit institutions

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

Article 13

Assets: *item C (III) (7)* Other

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

Article 14

Assets: *item C (IV)* Deposits with ceding undertakings

In the balance sheet of an undertaking which accepts reinsurance this item shall 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 undertaking accepting reinsurance shall be entered in the latter's accounts as an investment, under the appropriate item.

Article 15

Assets: *item D* Investments for the benefit of life assurance policyholders who bear the investment risk.

In respect of life assurance this item shall comprise, on the one hand, investments the value of which is used to determine the value of or the return on policies relating to an investment fund and, on the other hand, investments serving as cover for liabilities which are determined by reference to an index. This item shall also comprise investments which are held on behalf of the members of a tontine and are intended for distribution among them.

Article 16

Assets: *item F (IV)* Other

This item shall comprise those assets which are not covered by items F (I), (II) and (III). Where such assets are material, they must be disclosed in the notes on the accounts.

Article 17

Assets: *item G (I)*Accrued interest and rent

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

Article 18

Assets: *item G (II)*Deferred acquisition costs

1 The costs of acquiring insurance policies shall be deferred in accordance with Article 18 of Directive 78/660/EEC in so far as such deferral is not prohibited by Member States.

2 Member States may, however, permit the deduction of acquisition costs from unearned premiums in non-life-insurance business and their deduction by an actuarial method from mathematical reserves in life-assurance business. Where this method is used, the amounts deducted from the provisions must be indicated in the notes on the accounts.

Article 19

Liabilities: *item A (I)*Subscribed capital or equivalent funds

This item shall comprise all amounts, irrespective of their actual designations, which, in accordance with the legal structure of an insurance undertaking, are regarded under the national law of the Member State concerned as equity capital subscribed by the shareholders or other persons.

Article 20

Liabilities: *item A (IV)*Reserves

This item shall comprise all the types of reserves listed in Article 9 of Directive 78/660/EEC under liabilities item A (IV), as defined therein. The Member States may also require other types of reserves if necessary for insurance undertakings the legal structures of which are not covered by Directive 78/660/EEC.

Reserves shall be shown separately, as sub-items of liabilities item A (IV), in the balance sheets of the insurance undertakings concerned, except for the revaluation reserve, which shall be shown as a liability under A (III).

Article 21

Liabilities: *item B*Subordinated liabilities

Where it has been contractually agreed that, in the event of winding up or of bankruptcy, liabilities, whether or not represented by certificates, are to be repaid only after the claims of all other creditors have been met, the liabilities in question shall be shown under this item.

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Article 22

Where a Member State permits an undertaking's balance sheet to include funds the allocation of which either to policyholders or to shareholders has not been determined by the close of the financial year, those amounts shall be shown as liabilities under an item Ba (Fund for future appropriations).

Variations in this item shall derive from an item II (12a) (Transfers to or from the fund for future appropriations) in the profit and loss account.

Article 23

Liabilities: item C Technical provisions

Article 20 of Directive 78/660/EEC shall apply to technical provisions, subject to Articles 24 to 30 of this Directive.

Article 24

Liabilities: items C (1) (b), (2) (b), (3) (b), (4) (b) and (6) (b) and D (b) Reinsurance amounts

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

2 As regards the provision for unearned premiums, the reinsurance amounts shall be calculated according to the methods referred to in Article 57 or in accordance with the terms of the reinsurance policy.

3 Member States may require or permit the reinsurance amounts to be shown as assets. Where this option is exercised, those amounts shall be shown as assets under an item Da (Reinsurers' share of technical provisions), subdivided as follows:

1. Provision for unearned premiums
2. Life assurance provision
3. Claims outstanding
4. Provisions for bonuses and rebates (unless shown under 2)
5. Other technical provisions
6. Technical provisions for life-assurance policies where the investment risk is borne by the policyholders.

Notwithstanding Article 5, these items shall not be combined.

Article 25

Liabilities: item C (1) Provision for unearned premiums

The provision for unearned premiums shall comprise the amount representing that part of gross premiums written which is to be allocated to the following financial year or to

subsequent financial years. In the case of life assurance Member States may, pending further harmonization, require or permit the provision for unearned premiums to be included in item C (2).

If, pursuant to Article 26, item C (1) also includes the amount of the provision for unexpired risks, the description of the item shall be 'Provision for unearned premiums and unexpired risks'. Where the amount for unexpired risks is material, it shall be disclosed separately either in the balance sheet or in the notes on the accounts.

Article 26

Liabilities: item C (6) Other technical provisions

This item shall comprise, *inter alia*, the provision for unexpired risks, i.e. the amount set aside in addition to unearned premiums in respect of risks to be borne by the insurance undertaking after the end of the financial year, in order to provide for all claims and expenses in connection with insurance contracts in force in excess of the related unearned premiums and any premiums receivable on those contracts. However, if national legislation so provides, the provision for unexpired risks may be added to the provision for unearned premiums, as defined in Article 25, and included in the amount shown under item C (1).

Where the amount of unexpired risks is significant, it shall be disclosed separately either in the balance sheet or in the notes on the accounts.

Where the option provided for in the second paragraph of Article 3 is not exercised, this item shall also include the ageing reserves.

Article 27

Liabilities: item C (2) Life assurance provision

The life assurance provision shall comprise the actuarially estimated value of an insurance undertaking's liabilities including bonuses already declared and after deducting the actuarial value of future premiums.

Article 28

Liabilities: item C (3) Claims outstanding

The provision for claims outstanding shall be the total estimated ultimate cost to an insurance undertaking of settling all claims arising from events which have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims.

Article 29

Liabilities: item C (4) Provision for bonuses and rebates

The provision for bonuses and rebates shall comprise amounts intended for policyholders or contract beneficiaries by way of bonuses and rebates as defined in Article 39 to the extent that such amounts have not been credited to policyholders or

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contract beneficiaries or included in an item Ba (Fund for future appropriations), as provided for in Article 22, first paragraph, or in item C (2).

Article 30

Liabilities: *item C (5)* Equalization provision

1 The equalization provision shall comprise any amounts set aside in compliance with legal or administrative requirements to equalize fluctuations in loss ratios in future years or to provide for special risks.

2 Where, in the absence of any such legislative or administrative requirements, reserves within the meaning of Article 20 have been constituted for the same purpose, this shall be disclosed in the notes on the accounts.

Article 31

Liabilities: *item D* Technical provisions for life-assurance policies where the investment risk is borne by the policyholders.

This item shall comprise technical provisions constituted to cover liabilities relating to investment in the context of life assurance policies the value of or the return on which is determined by reference to investments for which the policyholder bears the risk, or by reference to an index.

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) shall be shown under item C (2).

Item D shall also comprise technical provisions representing the obligations of a tontine's organizer *vis-à-vis* its members.

Article 32

Liabilities: *item F* Deposits received from reinsurers

In the balance sheet of an undertaking ceding reinsurance this item shall 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 the other undertakings in question.

Where an undertaking ceding reinsurance has received as a deposit securities which have been transferred to its ownership, this item shall comprise the amount owed by the ceding undertaking by virtue of the deposit.