

SCHEDULE 3

INSURANCE COMPANIES: COMPANIES ACT INDIVIDUAL ACCOUNTS

PART 1

GENERAL RULES AND FORMATS

SECTION B

THE REQUIRED FORMATS(1)

Preliminary

9.—(1) Where in respect of any item to which an Arabic number is assigned in the balance sheet or profit and loss account format, the gross amount and reinsurance amount or reinsurers' share are required to be shown, a sub-total of those amounts must also be given.

(2) Where in respect of any item to which an Arabic number is assigned in the profit and loss account format, separate items are required to be shown, then a separate sub-total of those items must also be given in addition to any sub-total required by sub-paragraph (1).

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

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

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

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

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

Balance sheet format

ASSETS

A. Called up share capital not paid (1)

B. Intangible assets

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

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

C. Investments

I. Land and buildings (4)

II. Investments in group undertakings and participating interests

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

III. Other financial investments

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

IV. Deposits with ceding undertakings (10)

D. Assets held to cover linked liabilities (11)

Da. Reinsurers' share of technical provisions (12)

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

E. Debtors (13)

I. Debtors arising out of direct insurance operations

1. Policyholders
2. Intermediaries

II. Debtors arising out of reinsurance operations

III. Other debtors

IV. Called up share capital not paid (1)

F. Other assets

I. Tangible assets

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

II. Stocks

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

III. Cash at bank and in hand

IV. Own shares (14)

V. Other (15)

G. Prepayments and accrued income

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

LIABILITIES

A. Capital and reserves

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

- B. Subordinated liabilities (18)

- Ba. Fund for future appropriations (19)

- C. Technical provisions
 - 1. Provision for unearned premiums (20)
 - (a) gross amount
 - (b) reinsurance amount (12)
 - 2. Long-term business provision (20) (21) (26)
 - (a) gross amount
 - (b) reinsurance amount (12)
 - 3. Claims outstanding (22)
 - (a) gross amount
 - (b) reinsurance amount (12)
 - 4. Provision for bonuses and rebates (23)
 - (a) gross amount
 - (b) reinsurance amount (12)
 - 5. Equalisation provision (24)
 - 6. Other technical provisions (25)
 - (a) gross amount
 - (b) reinsurance amount (12)

- D. Technical provisions for linked liabilities (26)
 - (a) gross amount
 - (b) reinsurance amount (12)

- E. Provisions for other risks
 - 1. Provisions for pensions and similar obligations
 - 2. Provisions for taxation
 - 3. Other provisions

- F. Deposits received from reinsurers (27)

- G. Creditors (28)
 - I. Creditors arising out of direct insurance operations

- II. Creditors arising out of reinsurance operations
- III. Debenture loans (29)
- IV. Amounts owed to credit institutions
- V. Other creditors including taxation and social security

H. Accruals and deferred income

Notes on the balance sheet format

(1) Called up share capital not paid

(Assets items A and E.IV.)

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

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

(Assets item B.2.)

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

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

(3) Goodwill

(Assets item B.3.)

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

(4) Land and buildings

(Assets item C.I.)

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

(5) Debt securities and other fixed-income securities

(Assets item C.III.2.)

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

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

(6) *Participation in investment pools*

(Assets item C.III.3.)

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

(7) *Loans secured by mortgages and other loans*

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

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

(8) *Deposits with credit institutions*

(Assets item C.III.6.)

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

(9) *Other*

(Assets item C.III.7.)

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

(10) *Deposits with ceding undertakings*

(Assets item C.IV.)

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

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

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

(11) *Assets held to cover linked liabilities*

(Assets item D.)

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

in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

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

(12) Reinsurance amounts

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

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

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

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

(13) Debtors

(Assets item E.)

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

(14) Own shares

(Assets item F.IV.)

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

(15) Other

(Assets item F.V.)

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

(16) Accrued interest and rent

(Assets item G.I.)

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

(17) Deferred acquisition costs

(Assets item G.II.)

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

- (a) allowance has been made in the computation of the long-term business provision made under paragraph 52 below and shown under liabilities item C2 or D in the balance sheet, for—
 - (i) the explicit recognition of such costs, or
 - (ii) the implicit recognition of such costs by virtue of the anticipation of future income from which such costs may prudently be expected to be recovered, or
- (b) allowance has been made for such costs in respect of general business policies by a deduction from the provision for unearned premiums made under paragraph 50 below and shown under liabilities item C.I in the balance sheet.

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

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

There must be disclosed in the notes to the accounts—

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

(18) Subordinated liabilities

(Liabilities item B.)

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

(19) Fund for future appropriations

(Liabilities item Ba.)

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

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

(20) Provision for unearned premiums

(Liabilities item C.1.)

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

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

(21) Long-term business provision

(Liabilities item C.2.)

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

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

(22) Claims outstanding

(Liabilities item C.3.)

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

(23) Provision for bonuses and rebates

(Liabilities item C.4.)

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

(24) Equalisation provision

(Liabilities item C.5.)

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

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

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

(25) Other technical provisions

(Liabilities item C.6.)

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

⁽²⁾ FSA 2006/42.

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

(26) Technical provisions for linked liabilities

(Liabilities item D.)

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

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

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

(27) Deposits received from reinsurers

(Liabilities item F.)

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

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

(28) Creditors

(Liabilities item G.)

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

(29) Debenture loans

(Liabilities item G.III.)

The amount of any convertible loans must be shown separately.

Special rules for balance sheet format

Additional items

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

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

Managed funds

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

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

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

Deferred acquisition costs

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

Profit and loss account format

I. Technical account — General business

1. Earned premiums, net of reinsurance

- (a) gross premiums written (1)
- (b) outward reinsurance premiums (2)
- (c) change in the gross provision for unearned premiums
- (d) change in the provision for unearned premiums, reinsurers’ share

2. Allocated investment return transferred from the non-technical account (item III.6) (10)

2a. Investment income (8) (10)

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

3. Other technical income, net of reinsurance
4. Claims incurred, net of reinsurance (4)
 - (a) claims paid
 - (aa) gross amount
 - (bb) reinsurers' share
 - (b) change in the provision for claims
 - (aa) gross amount
 - (bb) reinsurers' share
5. Changes in other technical provisions, net of reinsurance, not shown under other headings
6. Bonuses and rebates, net of reinsurance (5)
7. Net operating expenses
 - (a) acquisition costs (6)
 - (b) change in deferred acquisition costs
 - (c) administrative expenses (7)
 - (d) reinsurance commissions and profit participation
8. Other technical charges, net of reinsurance
- 8a. Investment expenses and charges (8)
 - (a) investment management expenses, including interest
 - (b) value adjustments on investments
 - (c) losses on the realisation of investments
9. Change in the equalisation provision
10. Sub-total (balance on the technical account for general business) (item III.1)

II. Technical account — Long-term business

1. Earned premiums, net of reinsurance

- (a) gross premiums written (1)
 - (b) outward reinsurance premiums (2)
 - (c) change in the provision for unearned premiums, net of reinsurance (3)
2. Investment income (8) (10)
- (a) income from participating interests, with a separate indication of that derived from group undertakings
 - (b) income from other investments, with a separate indication of that derived from group undertakings
 - (aa) income from land and buildings
 - (bb) income from other investments
 - (c) value re-adjustments on investments
 - (d) gains on the realisation of investments
3. Unrealised gains on investments (9)
4. Other technical income, net of reinsurance
5. Claims incurred, net of reinsurance (4)
- (a) claims paid
 - (aa) gross amount
 - (bb) reinsurers' share
 - (b) change in the provision for claims
 - (aa) gross amount
 - (bb) reinsurers' share
6. Change in other technical provisions, net of reinsurance, not shown under other headings
- (a) Long-term business provision, net of reinsurance (3)
 - (aa) gross amount
 - (bb) reinsurers' share
 - (b) other technical provisions, net of reinsurance
7. Bonuses and rebates, net of reinsurance (5)
8. Net operating expenses

Draft Legislation: This is a draft item of legislation. This draft has since been made as a UK Statutory Instrument:
The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 No. 410

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

9. Investment expenses and charges (8)

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

10. Unrealised losses on investments (9)

11. Other technical charges, net of reinsurance

11a. Tax attributable to the long-term business

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

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

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

III. Non-technical account

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

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

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

3. Investment income (8)

- (a) income from participating interests, with a separate indication of that derived from group undertakings
- (b) income from other investments, with a separate indication of that derived from group undertakings
 - (aa) income from land and buildings

- (bb) income from other investments
 - (c) value re-adjustments on investments
 - (d) gains on the realisation of investments
- 3a. Unrealised gains on investments (9)
- 4. Allocated investment return transferred from the long-term business technical account (item II.12) (10)
- 5. Investment expenses and charges (8)
 - (a) investment management expenses, including interest
 - (b) value adjustments on investments
 - (c) losses on the realisation of investments
- 5a. Unrealised losses on investments (9)
- 6. Allocated investment return transferred to the general business technical account (item I.2) (10)
- 7. Other income
- 8. Other charges, including value adjustments
- 8a. Profit or loss on ordinary activities before tax
- 9. Tax on profit or loss on ordinary activities
- 10. Profit or loss on ordinary activities after tax
- 11. Extraordinary income
- 12. Extraordinary charges
- 13. Extraordinary profit or loss
- 14. Tax on extraordinary profit or loss

15. Other taxes not shown under the preceding items

16. Profit or loss for the financial year

Notes on the profit and loss account format

(1) Gross premiums written

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

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

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

- (i) premiums yet to be determined, where the premium calculation can be done only at the end of the year;
- (ii) single premiums, including annuity premiums, and, in long-term business, single premiums resulting from bonus and rebate provisions in so far as they must be considered as premiums under the terms of the contract;
- (iii) additional premiums in the case of half-yearly, quarterly or monthly payments and additional payments from policyholders for expenses borne by the company;
- (iv) in the case of co-insurance, the company's portion of total premiums;
- (v) reinsurance premiums due from ceding and retroceding insurance undertakings, including portfolio entries,

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

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

(2) Outward reinsurance premiums

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

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

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

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

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

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

(4) Claims incurred, net of reinsurance

(General business technical account: item I.4.

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

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

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

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

Where the difference between—

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

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

(5) *Bonuses and rebates, net of reinsurance*

(General business technical account: item I.6.

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

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

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

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

(6) *Acquisition costs*

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

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

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

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

(7) *Administrative expenses*

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

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

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

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

(8) Investment income, expenses and charges

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

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

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

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

(9) Unrealised gains and losses on investments

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

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

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

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

(10) Allocated investment return

(General business technical account: item I.2.

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

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

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

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

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

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