SCHEDULE 1

Regulation 3(1)

Methods of calculating the equalisation reserve for credit insurance business

Method No 1

1. In respect of credit insurance business the company shall maintain an equalisation reserve to which shall be charged any technical deficit arising in that business for a financial year.

2. Such reserve shall in each financial year receive 75% of any technical surplus arising on credit insurance business, subject to a limit of 12% of the net premiums or contributions until the reserve has reached 150% of the highest annual amount of net premiums or contributions received during the previous five financial years.

Method No 2

1. In respect of credit insurance business the company shall set up an equalisation reserve to which shall be charged any technical deficit arising in that business for a financial year.

2. The mimimum amount of the equalisation reserve shall be 134% of the average of the premiums or contributions received annually during the previous five financial years after subtraction of the cessions and addition of the reinsurance acceptances.

3. Such reserve shall in each of the successive financial years receive 75% of any technical surplus arising in that class until the reserve is at least equal to the minimum amount calculated in accordance with paragraph 2.

Method No 3

1. Subject to paragraph 2(g) below, an equalisation reserve shall be maintained for credit insurance business for the purpose of offsetting any above-average claims ratio for a financial year in that business.

2. The equalisation reserve shall be calculated on the basis of the method set out below.

(a) All calculations shall relate to income and expenditure for the insurer's own account.

(b) An amount in respect of any claims shortfall for each financial year shall be placed to the equalisation reserve until it has reached, or is restored to, the required amount.

(c) There shall be deemed to be a claims shortfall if the claims ratio for a financial year is lower than the average claims ratio for the reference period. The amount in respect of the claims shortfall shall be arrived at by multiplying the difference between the two ratios by the earned premiums for the financial year.

(d) The required amount shall be equal to six times the standard deviation of the claims ratios in the reference period from the average claims ratio, multiplied by the earned premiums for the financial year.

(e) Where claims for any financial year are in excess, an amount in respect thereof shall be taken from the equalisation reserve. Claims shall be deemed to be in excess if the claims ratio for the financial year is higher than the average claims ratio. The amount in respect of the excess claims shall be arrived at by multiplying the difference between the two ratios by the earned premiums for the financial year.

(f) Irrespective of claims experience, 3.5% of the required amount of the equalisation reserve shall be first placed to that reserve each financial year until its required amount has been reached or restored.

(g) The length of the reference period shall be not less than 15 years and not more than 30 years. No equalisation reserve need be maintained if no underwriting loss has been noted during the reference period.

(h) The required amount of the equalisation reserve and the amount to be taken from it may be reduced if the average claims ratio for the reference period in conjunction with the expenses ratio show that the premiums include a safety margin.

Method No 4

1. Subject to paragraph 2(g) below, an equalisation reserve shall be maintained for credit insurance business for the purpose of offsetting any above-average claims ratio for a financial year in that business.

2. The equalisation reserve shall be calculated on the basis of the method set out below.

(a) All calculations shall relate to income and expenditure for the insurer's own account.

(b) An amount in respect of any claims shortfall for each financial year shall be placed to the equalisation reserve until it has reached the maximum required amount.

(c) There shall be deemed to be a claims shortfall if the claims ratio for a financial year is lower than the average claims ratio for the reference period. The amount in respect of the claims shortfall shall be arrived at by multiplying the difference between the two ratios by the earned premiums for the financial year.

(d) The maximum required amount shall be equal to six times the standard deviation of the claims ratio in the reference period from the average claims ratio, multiplied by the earned premiums for the financial year.

(e) Where claims for any financial year are in excess, an amount in respect thereof shall be taken from the equalisation reserve until it has reached the minimum required amount. Claims shall be deemed to be in excess if the claims ratio for the financial year is higher than the average claims ratio. The amount in respect of the excess claims shall be arrived at by multiplying the difference between the two ratios by the earned premiums for the financial year.

(f) The minimum required amount shall be equal to three times the standard deviation of the claims ratio in the reference period from the average claims ratio multiplied by the earned premiums for the financial year.

(g) The length of the reference period shall be not less than 15 years and not more than 30 years. No equalisation reserve need be maintained if no underwriting loss has been noted during the reference period.

(h) Both required amounts of the equalisation reserve and the amount to be placed to it or the amount to be taken from it may be reduced if the average claims ratio for the reference period in conjunction with the expenses ratio show that the premiums include a safety margin and that safety margin is more than one-and-a-half times the standard deviation of the claims ratio in the reference period. In such a case the amounts in question shall be multiplied by the quotient of one-and-a-half times the standard deviation and the safety margin.

SCHEDULE 2

Form 15

Regulation 6(c)

Returns under Insurance Companies Legislation
Liabilities (other than Long Term business)
Name of Company
Global Business/UK branch business/Community branch business

Financial year ended		Company registration number	Global UK/CM	Period ended day	month	year	Units		For official use
	F15					19	£000		

			Line	As at the end of the financial year 1	As at the end of the previous year 2	Source Form	Source Line	Source Column
General business technical reserves	Unearned premiums		21			See Note below		
	Additional amount for unexpired risks		22					
	Claims outstanding (less amounts recoverable from reinsurers)	Reported claims	23					
		Claims incurred but not reported	24					
	Expenses for settling claims outstanding		25					
	Funds		26					
	Claims equalisation: other than credit business		27					
	Equalisation reserve: credit business		27(a)					
	Other		28					
	Total (21 to 28)		29					
Other insurance liabilities	Amounts due in respect of direct insurance and facultative reinsurance contracts accepted except amounts which must be included in line 29		31					
	Amounts due to ceding insurers and intermediaries under reinsurance treaties accepted except amounts which must be included in line 29		32					
	Amounts due to reinsurers and intermediaries under reinsurance contracts ceded		33					
Other liabilities	Loans secured		41					
	Loans unsecured		42					
	Subordinated loan stock		43					
	Taxation		44					
	Recommended dividend		45					
	Cumulative preference share dividend accrued		46					
	Other creditors		47					
Total (29 to 47)			59					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance			61					

Note:
The sources are as follows:
Line 21 All forms 21.29.6+21.31.6 −(22.23.3+22.24.3–22.25.3)
Line 22 Summary form 20.23
Line 23 All forms 22.31.3+22.41.3
Line 24 All forms 22.32.3+22.42.3
Line 25 All forms 22.21.3+22.22.3
Line 26 All forms 24.42.5+27.46.3

SCHEDULE 3

Form 29A

Regulation 6(d)(ii)

Returns under Insurance Companies Legislation
Credit insurance: analysis of direct business
Name of Company
Global Business/UK branch business/Community branch business
Financial year ended

Items to be shown net of outwards reinsurance			The financial year	Previous year
			£000	£000
Underwriting income	Premiums receivable	1		
	Unearned premiums brought forward	2		
	Unearned premiums carried forward	3		
	Earned premiums (1+2−3)	4		
	Additional amount for unexpired risks brought forward	5		
	Total (4+5)	6		
Underwriting expenditure	Claims paid	7		
	Claims outstanding carried forward	8		
	Claims outstanding brought forward	9		
	Claims incurred (7+8−9)	10		
	Expenses incurred	11		
	Additional amount for unexpired risks carried forward	12		
	Total (10+11+12)	13		
Investment income receivable before deduction of tax [see Instruction]		14		
Balance of financial year (6+14−13)		15		
Transfer to (from) equalisation reserve		16		

Instruction for Completion of Form 29A

Completion of line 14 is optional. Where companies do not take account of investment income in determining their underwriting result, it should be left blank.

Form 29B

Regulation 6(d)(ii)

Returns under Insurance Companies Legislation

Credit insurance (three year accounting): analysis of direct business

Name of Company

Global Business/UK branch business/Community branch business

Financial year ended

Items to be shown net of outwards reinsurance		Insurance business incepted in:				
		All years prior to the second year preceding the financial year 1 £000	Second year preceding the financial year 2 £000	First year preceding the financial year 3 £000	The financial year 4 £000	Total (1+2+3+4) 5 £000
Premiums receivable	1					
Claims paid	2					
Expenses incurred	3					
Funds: —brought forward	4				xxxxxxxxxxx xxxxxxxxxxx xxxxxxxxxxx	
—carried forward	5					
—increase (decrease) (4–5)	6					
Investment income receivable before deduction of tax [see Instruction]	7					
Balance on each under-writing year (1+7−2−3−6)	8					
Transfer to (from) equalisation reserve	9					

Instruction for Completion of Form 29B

Completion of line 7 is optional. Where companies do not take account of investment income in determining their underwriting result, it should be left blank.