SCHEDULE 4

Regulation 17

GENERAL BUSINESS SOLVENCY MARGIN: SECOND METHOD OF CALCULATION (CLAIMS BASIS)

1. In this Schedule "reference period", in relation to an insurance company, means either—

(a) the three last preceding financial years, or

(b) the seven last preceding financial years if more than one-half of the gross premiums receivable (as defined in Schedule 3) in that period were in respect of all or any of the following, namely, storm (as included in general business class 8), hail (as included in general business class 9), frost (as included in general business class 9) and credit (as included in general business class 14).

2. If a company has not been in existence long enough to acquire a reference period, this Schedule shall be deemed to give a lower result than that given by Schedule 3 and shall otherwise not apply to the company.

3.—(1) If the provision for claims outstanding at the end of the reference period exceeds the provision for claims outstanding at the beginning of the reference period, the amount of the excess shall be added to the amount of claims paid in the reference period.

(1) If the provision for claims outstanding at the beginning of the reference period exceeds the provision for claims outstanding at the end of the reference period, the amount of the excess shall be deducted from the amount of claims paid in the reference period.

(3) For the purposes of this paragraph, the expressions "amount of claims paid" and "provision for claims outstanding" have, in relation to a reference period, the same meaning as they have in paragraph 10 of Schedule 3 in relation to a financial year.

4. The aggregate obtained under paragraph 3(1) or (2) above shall be divided by the number of months in the reference period and multiplied by twelve.

5. If the amount arrived at under paragraph 4 above is more than 7 million units of account, it shall be divided into two portions, the former consisting of 7 million units of account and the latter comprising the excess.

6. Where there has been a division into two portions pursuant to paragraph 5 above, there shall be calculated and added together 26 per cent. and 23 per cent. of the two portions respectively; and where there has been no such division, there shall be calculated 26 per cent. of the amount arrived at under paragraph 4 above.

7. In the case of general business consisting of health insurance based on actuarial principles, paragraph 6 above shall apply with the substitution of "8 2/3 per cent." for "26 per cent." and "7 2/3 per cent." for "23 per cent.", but only if all the necessary conditions are satisfied.

8. The necessary conditions for the purposes of paragraph 7 above are the same as those set out in paragraph 8 of Schedule 3.

9. In a case of the kind mentioned in paragraph 9 of Schedule 3, that paragraph shall apply (with the necessary modifications) so as to produce separate sums under paragraphs 6 and 7 above.

10. The sum arrived at under paragraph 6 or 7 above or the aggregate of the sums arrived at under those paragraphs, as the case may be, shall be multiplied by the same percentage as is applicable for the purposes of paragraph 15 of Schedule 3.