

Insurance Rule 7 of 2009

Separate Management of Long Term Business and General Business

Rule pursuant to article 9 of the Act

1. (1) This Insurance Rule on the separate management of long term business and general business where a company carries on simultaneously both long term business and general business (“this Rule”) is made by the Authority pursuant to, and for the purposes of, article 9 of the Act.

(2) This Rule shall come into force on the 30th April 2009.

Application

2. This Rule applies to -

(a) a company authorised to carry on long term business desirous of applying for authorisation to carry on, simultaneously with the long term business, general business restricted to classes 1 and 2 and, on continuing basis, a company authorised as aforesaid;

(b) a company authorised to carry on general business restricted to classes 1 and 2 desirous of applying for authorisation to carry on, simultaneously with the general business, long term business and, on continuing basis, a company authorised as aforesaid;

(c) a company authorised to carry on general business desirous of applying for authorisation to carry on, simultaneously with the general business, long term business restricted to reinsurance and, on continuing basis, a company authorised as aforesaid;

(d) a company authorised to carry on long term business restricted to reinsurance desirous of applying for authorisation to carry on, simultaneously with the reinsurance of long term business, general business and, on continuing basis, a company authorised as aforesaid;

(e) on continuing basis, a company (other than a company whose business is restricted to reinsurance) authorised to carry on

simultaneously both long term business and general business by virtue of article 9(2) of the Act,

(the “company”).

Scope

3. The scope of this Rule is to determine an organised system of separate management of long term business and general business satisfying the provision of the Act in that respect so that -

(a) the respective interest of long term business policyholders and general business policyholders are not prejudiced; and

(b) the minimum financial obligations in respect of any one kind of business are not borne by the other kind of business.

Simultaneous carrying on of long term business and general business

4. Where, by virtue of article 9 of the Act, a company is lawfully simultaneously carrying on both long term business and general business, the company may continue to do so provided that each kind of business is managed separately in accordance with the requirements of articles 5 and 6 of this Rule.

Separate management of long term business and general business

5. (1) With respect to the separate management of long term business and general business required of a company by subarticle (3) of article 9 of the Act, the company shall organise the separate management of both kinds of business in such a way that the long term business and general business are distinct in order that -

(a) the respective interest of long term business policyholders and general business policyholders are not prejudiced and, in particular, that profits deriving from long term business benefit long term business policyholders as if the company only carried on long term business;

(b) the minimum financial obligations, in particular the margins of solvency, in respect of one or other of the two kinds of

business, namely the provisions relating to long term business or general business, are not borne by the other kind of business.

(2) However, as long as the minimum financial obligations are fulfilled under the conditions laid down in sub-paragraph (b) of paragraph (1) of this article and, provided the Authority is informed in advance in writing, the company may use those explicit items of the margin of solvency which are still available for one or other kind of business of insurance.

Accounts to show the sources of the results

6. (1) The accounts of the company shall be drawn up in such a manner as to show the sources of the results of each of the two kinds of business, long term business and general business. To this end, all income (in particular premiums, payments by reinsurers and investment income) and expenditure (in particular insurance settlements, additions to technical provisions, reinsurance premiums, operating expenses in respect of business of insurance) shall be broken down according to origin. Items common to both kinds of business shall be entered in the accounts in accordance with methods of apportionment acceptable to the Authority.

(2) The company shall, on the basis of the accounts, prepare a statement clearly identifying the items making up each margin of solvency in accordance with regulations governing the margins of solvency of companies made under the Act.

Repeals and Savings

7. (1) Saving the provisions of paragraph (2) of this article, Insurance Directive 7 of 1999 – Separate Management of Long Term Business and General Business is hereby repealed.

(2) Every action, directive, instruction, guideline or order whatsoever taken or commenced thereunder, shall continue to be valid and in force, as if such action, directive, instruction, guideline or order whatsoever were taken or commenced under this Rule.