The following text has been elaborated by the CAA for information purposes. The French version of this Circular letter is the only authentic version.

Coordinated text of the Appendix to Circular Letter 03/2 as of March 4, 2014

I. General Points

The provisions which follow provide instructions and relevant explanations in order to correctly complete the annual return of life and non-life insurance undertakings to the Commissariat aux Assurances. It will be used not only for the financial year 2002, but also for subsequent financial years. If it is found necessary to make changes to the annual return, it will be done by way of Circular Letters amending this Circular Letter.

The annual return to the Commissariat aux Assurances comprises:

1. Accounting Return
2. Solvency Margin Sheet
3. Annual Return on the Assets Underlying the Technical Provisions
4. Annual Accounts, along with the directors' report and the minutes of the Ordinary Annual General Meeting of Shareholders dealing with the approval of the accounts and with the appropriation of the profit and loss
5. Deposit Agreements Sheet
6. Sundry Statistics
7. Information Sheet
8. Actuarial Report
9. Special Report ("rapport distinct")
10. Report on governance

The information relating to points 1 to 6 and that in parts I of points 8 to 10 must be provided both on electronic support and on paper. In that respect, the instructions attached to this Circular Letter will provide the necessary technical explanations.

The information contained in the Information Sheet under point 7 must be provided only on paper, as well as parts II of the reports under points 8 to 10.

The reports referred to in points 8 and 9 are subject to separate Circular Letters.

II. The Accounting Return

1. <u>General points</u>

1.1 The annual Accounting Return to the Commissariat aux Assurances comprises:

a) Technical Profit & Loss Accounts in respect of business written, gross of reinsurance;
b) An Outward Reinsurance Account;
c) A Non-Technical Profit and Loss Account;
d) A series of thirteen Appendixes for life insurance and eleven Appendixes for non-life insurance.

1.2 All amounts in the Accounting Return must be expressed in the currency used for the annual accounts.

The exchange rates applicable to currencies other than the one used in the annual accounts must be chosen according to generally accepted accounting principles and must be the same as those used for the general accounting of the undertaking.

1.3 Within the context of this explanatory instruction, reference to "the law" shall mean the law of 8 December 1994 on:

- the annual accounts and consolidated accounts of Luxembourg insurance and reinsurance undertakings;
- the obligations in respect of the drawing up and publication of accounting documentation by branches of foreign insurance undertakings.

1.4 As a general rule, in the following text all reference to CRV Returns shall be deemed to refer to the life insurance annual return and all reference to CRD Returns shall be deemed to refer to the non-life insurance annual return.

2. Provisions Covering the Technical Profit and Loss Accounts (returns CRV1 and CRV4 for Life Insurance and returns CRD 1 and CRD 4 for Non-Life Insurance)

2.1 General Points

2.1.1 The section of the annual Accounting Return covering the Technical Profit and Loss Accounts comprises:

- a series of three Technical Profit and Loss Accounts "Summary tables" for all contracts written, the first grouping the figures by class of insurance, gross of reinsurance, regardless of the country in which the commitment was undertaken or the risk was situated, the second providing the same figures net of reinsurance and the third summarising the figures by country grouping all classes of insurance. The data in these tables is not to be filled in, but is generated automatically from the information given in the "Country tables".

- a Technical Profit and Loss Account "country table" by country of commitment or country in which the risk is situated respectively. Insurance undertakings must complete this return for each Member State of the European Economic Area (EEA) in which commitments are taken or risks are situated. In addition, a Technical Profit and Loss Account "country table" must be completed in respect of the total business written outside of the EEA.

In accordance with letter e) of Article 2 of the Second Council Directive of 8 November 1990 (90/619/EEC) on the co-ordination of laws, regulations and administrative provisions relating to direct life insurance, laying down provisions to faciliate the effective exercise of freedom to provide services and amending Directive 79/267/EEC, the country of the commitment is defined as being the country where the policyholder has his habitual residence or, if the policyholder is a legal person, the Member State where the latter's establishement, to which the contract relates, is situated.

In accordance with letter d) of Article 2 of the Second Council Directive of 22 June 1988 on the coordination of laws, regulations and administrative provisions relating to direct non-life insurance, laying down provisions to facilitate the effective exercise of freedom to provide services and amending Directive 73/239/EEC, the country in which the risk is situated is defined as follows:

- the country in which the property is situated, where the insurance relates either to buildings or to buildings and their contents, in so far as the contents are covered in the same insurance policy;

- the country of registration, where the insurance relates to vehicles of any type;

- the country where the policyholder took out the policy in the case of policies of a duration of four months or less covering travel or holiday risks, whatever the class concerned;

- the country where the policyholder has his habitual residence or, if the policyholder is a legal person, the country where the latter's establishment, to which the contract relates, is situated, in all cases not explicitly covered by the foregoing sub-paragraphs.

The country of the commitment of the contract or in which the risk is situated is determined at the moment the contract is concluded and cannot be modified thereafter, notwithstanding a subsequent change of address of the policyholder.

The new summary table by countries should allow undertakings to identify any potential unexplained and often unjustified differences in profitability between countries, and to take the necessary corrective measures. In reality, in most cases these differences result from the use of inadequate allocation keys or from the reclassification of provisions from one country to another during the course of the year. In the absence of corrective measures, significant differences must be justified in the accompanying letter.

2.1.2 The data given in the Technical Profit and Loss Accounts "summary tables" and "country tables" must be broken down by the following classes and sub-classes of insurance:

a) for life insurance

– life insurance not linked to investment funds	individual or group life insurance of a contractual nature for which the insured event is dependent solely on the duration of human life and for which the undertaking assumes an investment risk;
– non-linked marriage or birth insurance	
– life insurance linked to investment funds	individual or group life insurance of a contractual nature, other than those related to the management of group pension funds, for which the undertaking assumes no investment risk;
– permanent health insurance	
– tontines	
– capital redemption operations	operations based on an actuarial technique whereby single or regular premiums, fixed in advance, are exchanged for a pre-determined commitment according to the contract duration and amount for which the undertaking assumes an investment risk;
– management of group pension funds;	

– reinsurance accepted.

It is important to note that capital redemption operations in units of account are to be included under the class “life insurance linked to investment funds”.

Amounts relating to multi-support contracts comprising, in part, a link to funds providing a guaranteed return, are to be broken down between the class “life insurance not linked to investment funds” or “capital redemption operations” for the part providing a guaranteed return, and the class “life insurance linked to investment funds” for the part of the contract for which the policyholder bears the investment risk. In the absence of any insurance undertakings authorised for the classes of insurance “permanent health insurance” and “tontines”, the relevant cells in the annual return are not currently accessible.

b) for non-life insurance

Reporting Class	Class according to Annex I of the Solvency 2 Directive
– accident	– accident
– health	– sickness
– motor insurance: - theft - hull	– land vehicles: - theft - other risks
– railway insurance (hull)	– railway rolling stock
– aviation insurance (hull)	– aircraft
– maritime insurance (hull)	– ships
– goods in transport	– goods in transit
– fire insurance: - residential property - agricultural property - commercial and industrial property	– fire and natural forces: - simple housing risks - agricultural risks - commercial and industrial risks
– other risks to property	– other damage to property
– motor liability	– motor vehicle liability
– aviation liability	– aircraft liability
– maritime liability	– liability for ships
– general domestic liability – general liability other than domestic	– general liability: - household liability - other liability
– credit insurance	– credit
– surety insurance	– suretyship
– miscellaneous loss insurance	– miscellaneous financial loss
– legal protection	– legal expenses
– assistance	– assistance
– inward reinsurance	– reinsurance accepted

2.1.3 Insurance undertakings must include both direct insurance and inward reinsurance in the Technical Profit and Loss Accounts. However, retrocession of reinsured risks included on the Outward Reinsurance Account must be excluded. Consequently, income and expenses included in each of the Technical Profit and Loss Accounts must consider all business, gross of reinsurance ceded.

2.2 Headings

Important Preliminary Comments

a) The accounting plan for insurance undertakings foreseen by the law requires a breakdown of overhead expenses according to their purpose.

   Similarly, the item “Claims Paid” no longer comprises only the amount of the claims per se, but also the settlement charges related thereto. Equally, the internal administrative costs relating to investment management are not included under the heading of overhead expenses, but must be included under the heading “Net Financial Income” in the Technical Account. Finally, the column “Acquisition Costs” comprises, in addition to commissions, those overhead expenses incurred in the contract acquisition, such as advertising costs, the cost of drawing up the insurance document etc.

   Nevertheless, as much for reasons of prudential order as for statistical continuity, a table comprising total overhead expenses paid during the course of the financial year in question is attached to the Technical Profit and Loss Accounts (Appendixes CRV - Appendix 3 and CRD – Appendix 3).

   In other respects, the additional tables CRV – Appendix 4 and CRD – Appendix 4 request a breakdown of these overhead expenses in the different headings as “Acquisition Costs”, “Claims Paid”, “Administrative Expenses” etc. according to the principles of the accounting plan as laid down in the law.

b) The headings in the Technical Profit and Loss Account “summary tables” correspond exactly to the items in the Technical Profit and Loss Accounts as published by the undertaking in accordance with the provisions of the law. Consequently, the amounts shown in the corresponding headings of the two documents must be identical.

   Equally, the difference between the amounts shown in the different headings of the technical provisions at the end of the financial year and those relating to the beginning of the financial year must correspond to the variation of these provisions as shown in the Profit and Loss Account published by the undertaking.

   In the event that there is a divergence in the figures indicated in the two documents, the undertaking must attach to the Accounting Return a written explanatory note detailing the reasons underlying this difference.

2.2.1 Income

Column 1 - Premiums Written

Premiums written shall comprise all amounts due during the financial year in respect of insurance contracts, regardless of the fact that such amounts may relate in whole or in part to a later financial year, and shall include notably:

a) premiums yet to be written, where the premium calculation can be done only at the end of the year;

b) single premiums, including annuity premiums;

c) additional premiums in the case of half-yearly, quarterly or monthly payments and additional payments from policyholders for expenses borne by the insurance undertaking;

d) in the case of co-insurance, the undertaking’s portion of total premiums;

e) reinsurance premiums from ceding and retroceding insurance undertakings, including portfolio entries in respect of unearned premiums and unexpired risks,

after deduction of:

– portfolio withdrawals in respect of unearned premiums and unexpired risks credited to ceding and retroceding insurance undertakings,

and

– cancellations.

The above amounts shall not include taxes or charges levied with premiums.

This item corresponds to item II 1) a) of article 46 of the law for life insurance and to item I 1) a) of article 46 of the law for non-life insurance.

<u>Column 2 (life insurance only) - Inward Transfers</u>

Insofar as certain life insurance contracts may fall into different classes of insurance, notably multisupport contracts, the figures in the Accounting Return are to be split across the relevant classes.

Moreover, the split between these classes may not be pre-determined in view of the fact that transfers may be made between underlying funds providing a guaranteed return and those where the investment risk is borne by the policyholder, these transfers being possible at the initiative of either the insurer or the policyholder.

Column 2 shows the amounts transferred to a specific class of insurance from another class, i.e. inward transfers. Column 10 details outward transfers. Transfers within the same class of insurance should not be included in the figures in columns 2 and 10.

<u>Column 3 (life insurance) and Column 2 (non-life insurance) - Net Financial Income</u>

This heading covers all financial income generated from the assets underlying the technical provisions, net of any corresponding costs and expenses, but gross of any corresponding reinsurance amounts. This is a major change compared with the annual returns in previous years where the insurance undertaking's total assets had to be taken into consideration.

Financial income generated by the assets not underlying the technical provisions, of which, notably, that resulting from the investment of own funds, is only to be detailed in returns CRV – Appendix 2 and CRD – Appendix 2, next to financial income derived by the assets underlying the technical provisions.

Thus only the returns CRV – Appendix 2 and CRD – Appendix 2 and CRV – Appendix 1 and CRD – Appendix 1 show total financial income, which must correspond to the cumulative total of the amounts shown in items II 2), II 3), II 9), II 10) and III 7a) of the published Profit and Loss Accounts for life insurance and to the cumulative total of the amounts shown in items III 3), III 5) and III 7a) of the published Profit and Loss Account for non-life insurance.

Financial income must comprise the realised gains and losses on the financial and other admissible underlying assets – such as property – held by the undertaking.

Unrealised gains and losses must be included to the extent that they have been accounted for in the insurance undertaking's commercial Profit and Loss Account. It is important to keep in mind that, for life insurance, unrealised gains and losses on assets representing the technical provisions pertaining to insurance contracts in which the sum assured is determined by the relationship to the underlying securities ('Unit Linked and Dedicated Fund products') must always be included.

Although the income generated from the assets underlying the technical provisions is subject to a breakdown by class of insurance and country of commitment or in which the risk is situated in the Technical Profit and Loss Accounts "by Country", total investment income, including income from own funds, must be broken down in two ways:

a) by nature in accordance with Appendixes CRV - Appendix 1 and CRD Appendix 1

   For life insurance undertakings, the investment income included in this Appendix corresponds to point II, 2 *(of article 46)* of the law, whereas the investment charges correspond to point II, 9 *(of article 46)* of the law.
   For non-life insurance undertakings, the investment income included in this Appendix corresponds to point III, 3 (*of article 46)* of the law, whereas the investment charges correspond to point III, 5 (*of article 46)* of the law.

   In accordance with the principle of booking overhead expenses by purpose, the heading investment charges also comprises the internal administrative expenses of investment management.

   It is important to note that the amortisation of discounts is included in the heading of unrealised gains and must therefore not be included in interest earned.

b) by origin in accordance with Appendixes CRV - Appendix 2 and CRD – Appendix 2

   This breakdown keeps account of the sum pertaining to those assets generating financial income. It distinguishes between the financial income generated by the assets underlying the technical provisions and that generated by the insurance undertaking's other assets.

   Insofar as, for life insurance, insurance undertakings may choose to transfer part of the financial income to the Non-Technical Account, this amount must, in principle, be equal to the financial income generated by the insurance undertaking's assets not underlying the technical provisions. Equally, for non-life insurance, the amount of financial income transferred to the Technical Account must correspond, in principle, to the investment income generated by the underlying assets and shown in the "Country tables".

<u>Column 3 (non-life insurance only) - Provision for Unearned Premiums</u>

This heading covers the provision for unearned premiums, at the beginning of the financial year as defined in article 35 of the law and described in more detail under the heading "Column 10 – (non-life insurance)".

<u>Column 4 - Claims Outstanding</u>

This heading includes the claims outstanding, gross of reinsurance, at the beginning of the financial year as defined in article 37 of the law and described in more detail under the heading "Column 11" hereafter.

Column 5 (life insurance only) - Life Insurance Provision

This heading includes the life insurance provision, gross of reinsurance, at the beginning of the financial year as defined in article 36 of the law and described in more detail under the heading “Column 12 (life insurance)” hereafter.

Column 5 (non-life insurance only) - Other Provisions

This heading comprises the technical provisions at the beginning of the financial year as described in more detail under the heading “Column 12 (non-life insurance)”.

Column 6 - Other Technical Income

Other technical income, gross of reinsurance, as included under item II 4) of article 46 of the law and item I 3) of article 46 of the law respectively, must be accounted for under this heading.

For non-life insurance, income for the financial year, received or receivable, arising out of the acquisition of rights by policyholders with respect to third parties (subrogation) or of the legal ownership of insured property (salvage) shall, in particular, be included under this heading.

This heading does not include, for either life insurance or non-life insurance, income not directly attributable to insurance activities, which must be accounted for in the Non-Technical Account. It does not include extraordinary income resulting from a portfolio transfer, such extraordinary income should be included in the Non-Technical Account.

The breakdown of other technical income according to country of commitment or country in which the risk is situated and class of insurance must be carried out contract by contract or by default, on an allocation key to be determined by the undertaking.

2.2.2 Expenses

Column 7 – Acquisition costs

This heading corresponds to the total of items II 8 a) and b) of article 46 of the law for life insurance undertakings and to the total of items I 7 a) and b) of article 46 of the law for non-life insurance undertakings.

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

Acquisition costs shall also include policy renewal commissions.

It should be stressed that the acquisition costs included under this heading are not those actually paid during the course of the financial year, but those chargeable to the current financial year. It is therefore essential to take into account the variation of any eventual acquisition costs brought forward. It is important to keep in mind that the authorisation of the Commissariat is required in order to defer acquisition costs for life insurance.

The breakdown by class of insurance and by country of subscription must be carried out contract by contract. Nevertheless, for acquisition costs not directly chargeable to insurance contracts, a breakdown according to an allocation key to be established by the insurance undertaking may be carried out.

The movement of acquisition costs charged in the financial year to those actually paid, and the breakdown between commissions, other acquisition costs and variations in the amount of acquisition costs brought forward must be indicated in the first (four) columns of Appendixes CRV 4 and CRD 4.

Column 8 – Management costs

This heading corresponds to item II 8 c) of article 46 of the law for life insurance undertakings and to item I 7 c) of article 46 of the law for non-life insurance undertakings.

Management costs shall include the costs arising from premium collection, portfolio administration, handling of bonuses and rebates and inward and outward reinsurance. They shall in particular include staff costs and depreciation provisions in respect of office furniture and equipment, insofar as this expenditure need not be shown under acquisition costs, claims incurred or investment charges.

This heading is therefore a residual heading that shall summarise all general expenses - such as general management expenses - not directly related to acquisition costs, claims settlement or investment management.

The breakdowns by class of insurance and country of commitment or country in which the risk is situated are to be carried according to an allocation key to be determined by the insurance undertaking.

Column 9 - Claims Paid

This heading corresponds to item II 5 a) aa) of article 46 of the law for life insurance undertakings and to item I 4 a) aa) of article 46 of the law for non-life insurance undertakings.

This heading shows the amounts paid by the insurance undertaking in respect of commitments deriving from insurance contracts.

Internal and external management charges linked to the payment of claims must also be included under this heading.

Column 10 (life insurance only) - Outward Transfers

Please refer to the explanations relating to Column 2 – Inward Transfers

Column 10 (non-life insurance only) - Provision for Unearned Premiums

This heading shows the provision for unearned premiums at the end of the financial year, as indicated in item C I under liabilities in the balance sheet, prescribed in article 7 of the law and defined in article 35 of the law.

The provision for unearned premiums comprises the portion of gross premiums that are to be allocated to the next or subsequent financial years.

The provision for unearned premiums shall be calculated separately for each insurance contract. However, statistical methods may be used, and in particular proportional or flat-rate methods, where they may be expected to give approximately the same results as individual calculations. The use of such methods for classes of insurance other than reinsurance shall be subject to authorisation by the Commissariat aux Assurances.

For insurance classes in which the risk cycle does not allow the use of a pro-rata temporis method, calculation methods shall be applied that take account of the differing pattern of risk over time.

The provision for unexpired risks is not to be included under this heading, but shall be accounted for under the heading “Other provisions”.

Column 11 - Claims Provision

This heading shows the claims outstanding at the end of the financial year as laid down in item C III under liabilities in the balance sheet, as shown in article 7 of the law and defined in article 37 of the law.

For life insurance, the following rules must be respected:

- The amount of the claims outstanding shall be equal to the sums due to beneficiaries, plus the costs of settling claims. It shall include the provision for claims incurred but not reported.

- The amounts making up the claims outstanding, as referred to above, may equally be included in whole or in part in the amount shown under the heading “Life Insurance Provision”. Whatever the option chosen, an identical approach to that used in the preparation of the annual accounts should be adopted.

For non-life insurance, the following rules must be respected:

- 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 the amounts already paid in respect of such claims.

- As a consequence, both internal and external claim settlement expenses should be included in the claims outstanding provision, whatever the origin of these expenses.

- A provision shall be calculated separately for each claim on the basis of the costs still expected to arise. Statistical methods may however be used, either to supplement or to replace a provision calculated on a case by case basis. If a statistical method is used instead of a case by case method, the provision calculated must result in an adequate provision, having regard to the nature of the risks, and, in all such instances the use of such methods is subject to authorisation by the Commissariat aux Assurances.

- This provision should also allow for claims incurred but not reported by the balance sheet date; its amount shall be determined having regard to past experience as to the number and amounts of claims reported after the balance sheet date.

- Appendix CRD – Appendix 7 provides for the breakdown of the claims outstanding under the following headings:
  - claims provisions, on a case by case basis;
  - provision for external settlement expenses, on a case by case basis;
  - IBNR provisions;
  - other global provisions;
  - provision for internal settlement expenses.

- Recoverable amounts arising out of the acquisition of the rights by policyholders with respect to third parties (subrogation) or of the legal ownership of insured property (salvage) shall not be deducted from the claims outstanding provision.

- Where the settlement resulting from a claim must be paid in the form of an annuity, the amounts to be set aside for that purpose shall be calculated by recognised actuarial methods.

- Any deduction or discount, explicit or implicit, whether resulting from the valuation of the provision for a claim to be settled at a present value lower than the foreseeable amount of the settlement to be made subsequently or otherwise, is prohibited.

<u>Column 12 (life insurance only) - Life Insurance Provision</u>

This heading shows the total amounts at the end of the financial year of:

- the life insurance provision as laid down in items C I, C II and D under liabilities in the balance sheet, as shown in article 7 of the law and defined in articles 35, 36 and 41 of the law;

- the provision for bonuses and rebates as shown in item C IV under liabilities in the balance sheet and defined in article 38 of the law;

  and

- the other technical provisions as shown in item C VI under liabilities in the balance sheet, as shown in article 7 of the law and defined in article 40 of the law.

The life insurance provision must be calculated in accordance with the rules in article 72 of the law, as supplemented by the Commissariat aux Assurances' instructions - and in particular those laid down in Circular Letter 95/3 - and in accordance with the technical notes filed with the Commissariat.

The life insurance technical provisions shall be calculated according to a sufficiently prudent actuarial method, taking into account all future liabilities as mentioned in the policy conditions for each unexpired contract. They need to include in particular an appropriate amount in order to meet any future management costs linked to the contracts. It is reminded that life insurance provisions cannot be reduced by non-amortised acquisition costs, either by zillmerisation or by any other method. Subject to an authorisation by the Commissariat, not yet amortised acquisition costs can be included in on the asset side of the balance sheet (see explanations relating to column 7).

Where the technical bases shown in the technical notes communicated to the Commissariat prove to be insufficient with regard to the general principle of prudence, the technical provisions resulting from a pure and simple application of these bases must be increased appropriately. This increase is to be mentioned in Appendix 7 which provides for a breakdown of the life insurance provision into four categories:

- *mathematical provisions, in accordance with the technical notes:*

  This heading shows the amount of the mathematical provisions calculated contract by contract, in accordance with the content in the corresponding technical note. It includes not only the main benefits of insurance contracts, but also supplementary benefits, if applicable, and bonuses and rebates which have already been individually assigned.

– *additional provisions for management expenses*

This heading shows the amount of management costs which the undertaking will require in excess of the amounts taken into account by way of the management charges laid down in the technical notes, in order to be able to effectively carry out the management of life insurance contracts.

– *other additional provisions*

This heading must include all provisions – other than those shown in the second indent above – reserved on top of to the provisions resulting from the application of the contents of the technical notes. The additional provisions under this heading should not be confused with the provisions in respect of supplementary benefits, which need to be included in the mathematical provisions in accordance with the technical notes.
For example, this could include provisions constituted in the event of the chosen mortality tables adopted in the technical note being insufficient, provisions set up in the event of a decrease in the return on the assets which consequently fall short of covering the rates of return guaranteed to policyholders, or for the provision of the risk of AIDS.

– *provisions for bonuses not individually assigned*

This heading recaptures the amounts of item C IV of the balance sheet of the law. It is important to note that this item does not include bonuses and rebates which have already been individually assigned to policyholders.

<u>Column 12 (non-life insurance only) - Other Technical Provisions</u>

This heading shall comprise of:

- <u>the provision for unexpired risks</u>, as defined by article 40 of the law.

  This item shall comprise the amount set aside on top of the 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 ongoing insurance contracts in excess of the unearned premiums and any premiums receivable on those contracts.

  The provision for unexpired risks shall be computed on the basis of claims and administrative expenses likely to incur after the end of the financial year arising from contracts concluded before that date to the extent that their estimated value exceeds the provision for unearned premiums and any premiums receivable under those contracts.

- <u>ageing provisions set up</u> by undertakings underwriting health insurance according to the technical principles of life insurance.

- <u>equalisation provisions</u> as defined in article 39 of the law.

  Included under this heading is the equalisation provision for class 14 "Credit", as defined by article 21 of the Grand Ducal Regulation of 14 December 1994 *(see Book 1, Section I, Tab 3)*, implementing the law of 6 December 1991, as amended, on the insurance sector and detailing the terms under which direct insurance undertakings are authorised and carry-on business and as included under heading C V of the liabilities of the balance sheet defined by article 7 of the law.

  Also included herewith is any other equalisation provision which must be set up in accordance with any legal, regulatory or administrative provision. In this respect, it is important to note that no equalisation provision can be set-up in the absence of such legal, regulatory or administrative provisions.

This heading shows the amount of these provisions at the end of the financial year.

A breakdown of the heading “Other provisions” must be provided on paper together with the cover letter to the Annual Return.

Column 13 - Other Technical Expenditure

To be accounted for under this heading are other technical charges, gross of reinsurance, as shown under item II 11) of article 46 of the law for life insurance and under item I 8) of article 46 of the law for non-life insurance.

This heading is a residual heading that shall only be used in exceptional circumstances. Under no circumstances is it permitted to include under this heading the entire overhead expenses not directly related to individual insurance policies - such as general management costs.

This heading does not include the charges not directly linked to the insurance activity, which must be accounted for in the Non-Technical Account. Nor does it include extraordinary charges arising from a portfolio acquisition, as such charges are to be included in the non-technical account.

The breakdown of other technical charges according to the country of commitment or country in which the risk is situated and classes of insurance must be carried out contract by contract, or by default, on an allocation key to be established by the undertaking.

3. The Outward Reinsurance Account (Returns CRV 2 and CRD 2)

3.1. Introduction

In addition to the Technical Profit and Loss Accounts, which provide information on the activities of the insurance undertaking gross of reinsurance, the Outward Reinsurance Account provides information on the undertaking’s ceded reinsurance.

The Reinsurance Account must be completed by class of insurance. However, for non-proportional treaties (e.g. excess claims, excess of loss …) and for facultative reinsurance covers with guarantees covering several classes of insurance, insurance undertakings shall operate the allocation of the corresponding reinsurance cash-flows based on an allocation key established by themselves.

3.2 Headings

Column 1 - Outward Reinsurance Premiums

Outward reinsurance premiums shall include all premiums paid or payable in respect of outward reinsurance contracts entered into by the insurance undertaking. Portfolio entries in respect of unearned premiums and unexpired risks payable on the conclusion or amendment of outward reinsurance contracts shall be added; portfolio withdrawals in respect of unearned premiums and unexpired risks receivable must be deducted.

This heading corresponds to item II 1 b) of article 46 of the law for life insurance and to item I 1 b) of article 46 of the law for non-life insurance.

Column 2 - Inward Transfers - Reinsurers' Share (life insurance only)

This heading shows the reinsurers' share of inward transfers. Given that so-called "multi-support" contracts are rarely reinsured, except for the risk premium, transfers between classes of insurance will generally not have any impact on reinsurers' liabilities and this column will remain empty.

Column 3 - Net Financial Income - Reinsurers' Share (life insurance) and Column 2 - Net Financial Income - Reinsurers' Share (non-life insurance)

This heading shows the amounts paid to the reinsurer, offset against the financial charges sustained by the latter, as a result of assets put at the disposal of, or deposited by, the reinsurer with the ceding insurance undertaking. These amounts are only to be indicated where they are included in the accounting of the ceding insurance undertaking itself.

This heading is not defined as such in the layout of article 46 of the law. Where the insurance undertaking accounts for investment charges and income, net of reinsurance in the published accounts, the breakdown between the gross amounts and those relating to outward reinsurance is to be carried out in the Annual Accounting Return. On the other hand, on the assumption that the financial income ceded to the reinsurer appears to be included in the other reinsurance charges, the amount to be included in column 6 must take into account the amounts which have already been accounted for in this column.

Column 3 - Unearned Premium Provision - Reinsurers' Share (non-life insurance only)

This heading shows the reinsurers' share of unearned premiums at the beginning of the financial year.

Column 4 - Claims Outstanding Provision- Reinsurers' Share

This heading shows the reinsurers' share of claims outstanding at the beginning of the financial year.

Column 5 - Life Insurance Provision - Reinsurers' Share (life insurance only)

This heading shows the reinsurers' share of the life insurance provision at the beginning of the financial year.

Column 5 - Other Technical Provisions - Reinsurers' Share (non-life insurance only)

This heading shows the reinsurer's share of other technical provisions at the beginning of the financial year.

Column 6 - Other Reinsurance Charges

This heading shows the residual charges borne by the insurer as a result of the reinsurance contracts entered into and corresponds to item II 4) of article 46 of the law for life insurance and to item I 3) of article 46 of the law for non-life insurance.

Column 7 - Reinsurance Commissions and Profit Participations

This heading comprises all the commissions received from reinsurers, as well as all amounts relating to profit participations received under reinsurance contracts.

It corresponds to item II 8 d) of article 46 of the law for life insurance and to item I 7 d) of article 46 of the law for non-life insurance.

Column 8 - Claims Paid - Reinsurers' Share

This heading includes the reinsurers' share of claims paid by the insurance undertaking; it corresponds to item II 5 a) bb) of article 46 of the law for life insurance and to item I 4 a) bb) of article 46 of the law for non-life insurance.

Column 9 - Outward Transfers - Reinsurers' Share (life insurance only)

This heading shows the reinsurers' share of outgoing transfers. It will rarely be completed for the reasons laid down in "Column 2 (life insurance)".

Column 9 - Unearned Premium Provision - Reinsurers' Share (non-life insurance only)

This heading shows the reinsurers' share of the provision for unearned premiums at the end of the financial year.

It corresponds to item E I of the asset side of the balance sheet for which the layout is defined in article 7 of the law. The difference between Columns 9 and 3 corresponds to the amount shown in item I 1 d) of article 46 of the law.

Column 10 - Claims Provision - Reinsurers' Share

This heading shows the reinsurers' share of claims outstanding at the end of the financial year; it corresponds to item E III of the asset side of the balance sheet for which the layout is defined in article 7 of the law. The difference between Columns 10 and 4 corresponds to the amount shown in item II 5 b) bb) of article 46 of the law for life insurance and in item I 4 b) bb) of article 46 of the law for non-life insurance.

Column 11 - Life Insurance Provision - Reinsurers' Share (life insurance only)

This heading shows the reinsurers' share of the life insurance provision at the end of the financial year; it corresponds to item E II of the asset side of the balance sheet for which the layout is defined in article 7 of the law. The difference between the Columns 11 and 5 corresponds to the amount shown in item II 6 a) bb) increased by the reinsurers' share for which the amount is defined in item II 6) b) of article 46 of the law.

Column 11 - Other Technical Provisions - Reinsurers' Share (non-life insurance only)

This heading shows the reinsurer's share of other technical provisions at the end of the financial year.

It corresponds to item E V of the asset side of the balance sheet for which the layout is defined in article 7 of the law.

Column 12 - Other Reinsurance Income

This heading provides information on the residual income received by the insurer as a result of the reinsurance contracts entered into by it.

It corresponds to item II 11) of article 46 of the law for life insurance and to item I 8) of article 46 of the law for non-life insurance.

4. The Non-technical account (returns CRV 3 and CRD 3)

The Non-Technical Account largely corresponds to the outline of item III of article 46 of the law.

Amounts related to tax of any nature due by the insurance undertaking must be shown in the Non-Technical Account. In accordance with the accounting rule on the distinction of financial years, this obviously means the taxes chargeable to the financial year in question and not taxes actually paid during the course of the year.

Where taxes have been paid abroad, with the exception of any taxes on insurance premiums, these also need to be included in the Non-Technical Account.

Moreover, all income and charges of the insurance undertaking which are not directly linked to insurance activities of the undertaking must be shown in the Non-Technical Account, indicating their nature.

Finally, the result of the financial year shown at the bottom of the Non-Technical Account must correspond to the result shown in the undertaking's published accounts and drawn up in accordance with the principles laid down in the law.

5. The Appendixes

The Annual Accounting Return comprises twelve appendixes numbered from CRV - Appendix 1 to CRV – Appendix 12 for life insurance and ten appendixes numbered from CRD - Appendix 1 to CRD - Appendix 10 for non-life insurance.

5.1 Appendixes Common to Life and Non-Life Insurance

5.1.1. The Appendixes Relating to Net Investment Income (CRV - Appendix 1 and CRV - Appendix 2 for life insurance) (CRD - Appendix 1 and CRD - Appendix 2 for non-life insurance)

The explanations relating to these two Appendixes have already been given in Point 2.2.1 Column 3 (life insurance) and Column 2 (non-life insurance) above. The two Appendixes must show the same total.

It is remembered that the management charges relating to asset management are to be charged to the Net Investment Income.

5.1.2. The Appendixes Relating to Overhead Expenses (CRV - Appendix 3 and CRV - Appendix 4 for life insurance) (CRD - Appendix 3 and CRD - Appendix 4 for non-life insurance)

The table for "Overhead Expenses - Breakdown by Category" in Appendix 3 shows the total overhead expenses paid by the undertaking during the course of the financial year and included in the insurance undertaking's profit and loss account, distinguishing between expenses paid directly by the undertaking and expenses which have been recharged by a Luxembourg insurance or reinsurance undertaking, notably by virtue of a cost-sharing agreement.

In the case where expenses incurred by the undertaking and intended to be recharged to a third party are only taken into account in the balance sheet without passing through the profit and loss account, they must not appear in either expenses or income on Appendix 3.

The amount of overhead expenses should not be confused with that of administrative expenses shown in the Technical Profit and Loss Account. It should be noted that the new accounting plan introduced by the law imposes a breakdown of overhead expenses not by category but by purpose. Consequently, only the residual administrative expenses appear explicitly in the Technical Profit and Loss Account, the total overhead expenses being broken down, in addition to this item, under the headings Acquisition Costs, Investment Management Expenses and Expenses Incurred in the Payment of Claims, and in more exceptional circumstances, Sundry Technical Expenses and even Non-Technical Expenses.

The main headings of Appendix 4 – which relate to this breakdown – are as follows:

Acquisition Costs

Whereas the Technical Profit and Loss Accounts provide information only on the Acquisition Costs charged in the financial year, Appendix 4 provides a breakdown of the costs actually paid, distinguishing between commissions paid, other expenses paid and change in the deferred acquisition costs.

It should be remembered that, for life insurance, the deferral of acquisition costs may only be carried out with the prior approval of the Commissariat and in accordance with the conditions laid down in Circular Letter 95/7.

Investment Management Expenses

This heading shows the amount of internal investment management expenses of which the total is shown in point II letter h) of Appendixes CRV – Appendix 1 and CRD – Appendix 1 "Investment Income and Charges - Breakdown by Category". Given that financial income generated by the assets not underlying the technical provisions is no longer to be broken down by different classes of insurance, neither are the investment management expenses related to this income to be allocated to the different classes of insurance. It is therefore necessary to include a new line at the bottom of Appendix 4.

Expenses Incurred in the Payment of Claims

This heading shows all the expenses incurred in the payment of claims, internal as well as external, paid by the undertaking during the course of the financial year. In the Technical Account, these expenses are taken into account under the heading "Claims Paid".

Operating Expenses

This heading corresponds to the heading "Management Costs" in the Technical Account.

Overhead Expenses included in Sundry Technical Charges

The heading "Sundry Technical Charges" shall only include part of the general expenses under very exceptional circumstances, in so far as the heading "Operating Expenses" is itself a residual heading intended to include all technical general expenses not directly attributable to the acquisition of contracts, investment management or settlement of claims.

Overhead Expenses included in Non-Technical Charges

Overhead expenses may be generated by activities not directly linked to the insurance undertaking's principle activity. These overhead expenses must be accounted for in Appendix 4 under the heading "Expenses Arising from the Non-Technical Account" and shown under the heading "Other Charges" on Returns CRV 3 and CRD 3 respectively relating to the Non-Technical Account. Insofar as they flow through the profit and loss account, the costs of personnel borne by the undertaking and intended for the management of another insurance or reinsurance undertaking belonging to the same group are, for example, to be accounted for under this heading.

It is imperative that the total of the amounts paid during the financial year as shown in Appendix 4 is equal to the total of the fourth column of Appendix 3 "Overhead Expenses - Breakdown by Category".

5.1.3. The Appendix Relating to Personnel Employed (CRV - Appendix 5 for life insurance) (CRD - Appendix 5 for non-life insurance)

A double breakdown of personnel is requested, a breakdown on the basis of the nationality of the social security regime that the wage earner comes under, and a breakdown on the basis of the nationality of the wage earner.

The first table facilitates the distinction between wage earners in Luxembourg and those outside of Luxembourg. This breakdown has been occasioned by the growth of branches of Luxembourg undertakings in other Member States of the European Union.

5.1.4. The Appendix Relating to the Breakdown of Sundry Income and Charges (CRV - Appendix 8 for life insurance) (CRD - Appendix 8 for non-life insurance)

This Appendix must be completed if an amount appears in columns 6 or 13 of Returns CRV 1 or CRD 1, or in columns 6 or 12 of Returns CRV 2 or CRD 2 covering outward reinsurance, or in the headings income and other charges not directly attributable to the technical business in the Non-Technical Account.

Descriptor headings are to be chosen in such a way as to provide properly detailed information on the nature of the relevant income and charges, whilst descriptor headings such as "sundry income" or "sundry charges" are not to be used.

5.1.5. The Appendix Relating to the Breakdown of Premiums Written Outside the European Economic Area (CRV - Appendix 11 for life insurance) (CRD - Appendix 9 for non-life insurance)

This table breaks down premiums written outside the European Economic Area by class and by country. For allocating business to a specific country, the definition of the State of the commitment or the State in which the risk is situated, as given in the second paragraph of Point 2.1.1. above, applies.

5.1.6. The Appendix Relating to the Breakdown of Outward Reinsurance Premiums by Country of Head Office of the Ceding Party (CRV - Appendix 12 for life insurance) (CRD - Appendix 10 for non-life insurance)

Whereas the tables CRV 2 and CRD 2 request the breakdown of outward reinsurance premiums by class of insurance, this table distinguishes by country of the head office of the ceding parties. The total of the two tables must obviously be identical.

5.1.7. The Appendix Relating to the Number of Contracts and Insured Persons (CRV - Appendix 13 for life insurance) (CRD - Appendix 11 for non-life insurance)

These tables are to be completed on the basis that contracts providing guarantees in respect of two or more classes of insurance must be treated as if they represent as many separate contracts as there are classes of insurance concerned.

5.1.8. The Appendix Relating to Statistics on New Business by Method of Distribution (CRV Appendix 14 for life insurance) (CRD Appendix 12 for non-life insurance)

These tables only concern premiums related to new contracts concluded during the financial year. Premiums on contracts tacitly or expressly renewed should not be included.

For contracts with regular premiums (monthly, quarterly or annual), the premiums relating to an entire year should be included, notwithstanding the fact that certain installments may still be collected after the end of the financial year.

For life insurance contracts with flexible payments, the total of the initial premium (on an annual basis, not taking into account any installments) and subsequent flexible payments made during the financial year of the conclusion of the contract should be taken into account.

5.2 Appendixes Specific to Life Insurance

5.2.1. The Appendix Relating to the Breakdown by Type of Commitment (CRV - Appendix 6)

This return shows, in a simpler manner, the previous breakdown by currency, the new return only distinguishing between the Euro, currencies other than the Euro and contracts linked to investment funds. For commitments in other currencies, a new sub-category has however been introduced according to whether the contract comprises an increased technical rate or the normal technical rate.

The nature of the technical rate, increased or normal, must be assessed at the time of taking out the contract. Thus, if at the point of taking out the contract, a rate in excess of the normal rate was applied, it must be included in the line “Contracts with an increased rate”, even if, following a subsequent increase in the technical rates, this rate *(i.e. the technical interest rate)* is now equal to, or greater than, the rate applicable to the contract. Conversely, contracts with a normal technical interest rate at the point of conclusion do not become contracts with an increased rate as a result of the lowering of the technical rate by the Commissariat after conclusion of the contract. Contracts comprising several successive rates, for example, an increased rate during the first eight years of the contract term, followed by the normal technical rate, are to be shown in the line corresponding to the relevant stage of the contract at the end of the financial year.

The currency of a contract is that in which the insurer’s commitments are payable in the sense of article 17 of the Grand Ducal Regulation of 14 December 1994 implementing the Law of 6 December 1991, as amended, on the insurance sector. If the policyholder or the beneficiary have the option to pay the premiums or to request the payment of claims in a currency different to that in which the insurer’s commitments are expressed, it is nevertheless the latter which is considered to be the currency of the contract.

A contract may be linked to several currencies, for example where the policyholder may choose to invest in different linked funds. In this case the amounts relating to the contract must be split into two provided that one of these currencies is the Euro.

The business covering life insurance or capital redemption contracts in which the sum assured is determined by the relationship to the underlying securities, is not allocated to a determined currency within the framework of a currency table, but must be accounted for in the lines “Contracts Linked to Collective Funds” and “Contracts Linked to Dedicated Funds” according to whether the products in question are contracts linked to units of account or to dedicated funds.

It must be noted that the total of the provision for claims, and the life insurance provision corresponding to any one currency, must be indicated under the headings relating to the technical provisions.

The provisions at the beginning of the financial year are to be evaluated firstly at the exchange rates in force on 1 January of the financial year and secondly at the exchange rates in force on 31 December of the financial year. The difference between the two amounts represents the exchange conversion difference relating to this currency, the difference being automatically calculated in the penultimate column of the currency table. This difference should not be confused with exchange differences on assets which are to be included in the investment income and charges.

The column “Net Financial Income” shows the financial income from the assets denominated in a determined currency and not the return on the assets underlying the technical provisions denominated in that currency.

For all business covering fund linked life insurance contracts, the column “Net Financial Income” shows the return on the assets underlying the fund or funds to which the contract is linked.

The aim of the column relating to the average return, which is automatically generated, is to alert the insurance undertaking to any potential inconsistencies and encourage them to carry out the necessary corrections.

5.2.2. The Appendix Relating to the Breakdown of the Life Insurance Provision (CRV - Appendix 7)

The explanations relating to this table have been given under point 2.2.2 Column 12 (life insurance) above.

5.2.3. The Appendix Relating to the Amortisation of Deferred Acquisition Costs in Life Insurance (CRV - Appendix 9)

This Appendix is only to be completed provided the undertaking began to defer acquisition costs after obtaining an authorisation in accordance with the conditions laid down in Circular Letter 95/7 of the Commissariat aux Assurances.

The second column shows by underwriting year the total acquisition costs that have been deferred. The undertaking may choose either to show only the deferral as at the end of the underwriting financial year or to show the total of the deferrals effected after each contract has been issued, in which case the amortisation effected in the same underwriting year must be provided in the relevant column.

In the fourth column, covering new or additional deferrals, the fields referring to underwriting years, other than the last one, should normally be blank. It is only in exceptional cases, where deferrals effected previously are subject to upward adjustments, that amounts may appear in those other years. Detailed grounds for the upwards adjustments should be attached.

5.2.4. The Appendix Relating to the Evolution of the Number of Contracts (CRV - Appendix 10)

This Appendix summarizes the evolution of the number of contracts, starting with the contracts in force at the beginning of the financial year, to which new contracts issued (net of cancellations effected under discontinuation rights) are added and from which contracts which have matured or been fully surrendered are deducted.

The data shall be broken down as to whether or not the contracts are of regular premiums – i.e. there is a legal commitment to pay future premiums at clearly defined dates as from the conclusion of the contract. Irrespective of the death of the life assured, which would normally release the benefit payment, single premium contracts or contracts with optional premiums shall be differentiated according to whether they are fixed term, that is to say that the exact date of expiry of the contract is specified, or are written for whole of life.

5.3 Appendixes Specific to Non-Life Insurance (CRD Appendix 7)

5.3.1 The Appendix Relating to the Breakdown of Claims Outstanding Provision

The explanations relating to this table have been provided above under point 2.2.2. Column 11 – “Claims Provision” relating to non-life insurance.

III. The Solvency Margin Sheet

1. General Remarks

The Solvency Margin Sheet must be completed in conformity with the provisions of Chapter 4 of the Grand Ducal Regulation of 14 December, 1994, implementing the Law of 6 December 1991 as amended, on the insurance sector, and determining the conditions of authorisation and carrying on of business of direct insurance undertakings.

The Grand Ducal Regulation of 10 January 2003 extended the list of components constituting the solvency margin subject to the authorisation by the Commissariat aux Assurances. In particular, the list includes unpaid share capital and called-in contributions for mutual non-life insurers. Each time such an authorisation is requested, would you please send to the Commissariat the corresponding request with the supporting documentation at the same time as the annual reporting return.

2. Comments related to certain headings

2.1 70% temporarily not taxable capital gains

Special items denominated as reserves are defined in article 32 of the law of 8 December, 1994 relating to annual and consolidated accounts of insurance and reinsurance undertakings established under Luxembourg law.

Their inclusion as components of the solvency margin is only authorised up to 70% of these special items because of the deferred tax liability on them.

2.2 Unrealised losses

Contrary to previous years, there can no longer be any offset between gains and losses for different categories of assets. The total losses shown in the statistical Appendix to the balance sheet must be deducted from the components constituting the solvency margin.

2.3 Difference between discounted and non- discounted claims provision (non-life insurance only)

As the discounting of claims provisions is prohibited under point 1 of article 73 of the law on the annual accounts, this heading must be zero.

2.4 Adjustment resulting from the application of Circular Letter 95/5 on the double gearing of capital

All solvency excesses or shortfalls resulting from the application of the above-mentioned Circular Letter must be accounted for under this heading. Contrary to financial years prior to 2004, potential excesses of solvency resulting from the application of the same Circular Letter are henceforth to be incorporated in and serve to cover the adjusted solvency margin of the insurance undertaking.

2.5 Unrealised gains

Unrealised gains can only be taken into account in the solvency margin if they have not been already implicitly accounted for in the technical provisions, by virtue of the provisions of Chapter 6 of Circular

Letter 00/6, as amended, setting the rules concerning the permanent inventory of assets underlying the technical provisions.

As for the other implicit components of the solvency margin, taking gains into account requires the prior approval of the Commissariat; it is subject to the following conditions:

i) determination of the gain must be based on a market value; if this is not easily determinable, an expert's report must be produced;

ii) proof of the durable nature of the gain, a condition required by regulation, must be submitted;

iii) taking the gain into account must take into consideration equally unfavorable market movements and the tax implications of realizing the gain;

iv) the gain is only admissible if the asset to which it is related is not assigned to covering the technical provisions or if it is limited to excess coverage of the technical provisions.

To the extent that undertakings generally hold bonds and other fixed-income securities until they reach maturity, any gains ultimately shown under this heading as compared to the valuation in accordance with letter d) of point 1 of article 64 of the law on the annual accounts are essentially temporary in nature. These gains do not meet the criteria described in point ii) above and may not be taken into account for the solvency margin calculation.

2.6 Management expenses relating to insurance contracts linked to investment funds or management of group pension funds for which the management charges are not fixed for a period of more than five years (life insurance only)

The expenses to be taken into account are the portion of administrative expenses in the context of article 57 of the law on the annual accounts chargeable to the management of the above-referenced contracts. Neither acquisition costs relating to these contracts, nor their subsequent amortisation, are to be included.

IV. The annual Return on the Assets Underlying the Technical Provisions

The annual return on the assets underlying the technical provisions must be completed in accordance with the provisions of Circular Letter 00/6 from the Commissariat aux Assurances setting the rules concerning the permanent inventory of the assets underlying the technical provisions, as amended by Circular Letter 03/4 from the Commissariat aux Assurances relating to the quarterly return on the technical provisions. All amounts must, however, be expressed in the currency of the company's financial statements.

The annual statement of assets covering technical provisions contains a column showing the breakdown of assets not allocated to the representation of technical provisions. Only the unrestricted assets classified under item C of the balance sheet assets are to be included in this column. In the event that an asset is only partially allocated, the unallocated part must be entered in the new column.

The whole return, with the exception of the returns for internal collective funds, shall be provided on both electronic support and paper. In accordance with article 11 of Circular Letter 00/6, as amended, the returns for internal collective funds must be kept at the undertaking's headquarter and must be presented upon request by the Commissariat.

V. The Annual Accounts

1. General remarks

The annual accounts shall be drawn up in accordance with the provisions of the law of 8 December 1994, relating to the annual accounts of insurance and reinsurance undertakings established under Luxembourg law.

They must be an exact copy of the audited accounts of the insurance undertaking, with the exception of the further breakdown of certain headings as required by this annual return.

Where the final audit report has not yet been issued, the annual accounts for this return shall be completed with figures from a draft audit report or, where appropriate, with figures determined by the insurance undertaking.

Where the provisional figures differ from the final figures, the undertaking shall submit a corrected version of the Annual Accounting Return within 15 days of the date of publication of the final audit report.

2. Appropriation of the profit or loss

Insurance undertakings must attach to the Annual Accounts a copy of the minutes of the resolution of the Annual General Meeting of Shareholders covering the allocation of the profit or loss for the financial year. If the Annual General Meeting has not yet decided on the allocation at the date the Annual Accounting Return is filed, the proposed allocation as it will be submitted to the Annual General Meeting shall be indicated under the relevant headings.

If the Annual General Meeting decides on an allocation different from that proposed and shown in this Annual Return, the insurance undertaking must submit a revised Annual Return within 15 days of the Annual General Meeting which has made such a decision.

3. Appendixes and control statements

Appendixes A and B, Appendix F in non-life insurance and Appendixes C and G in life insurance concern information contained in the appendixes to the annual accounts and concern the breakdown of premiums (Appendix A in life insurance), the current value of investments (Appendixes A and B in non-life insurance and Appendixes B and C in life insurance) and the breakdown of staff costs (Appendix F in non-life insurance and Appendix G in life insurance).

Appendixes D, E and F in life insurance and Appendixes D and E in non-life insurance are reconciliation statements automatically generated from other tables in the file that cannot be completed manually. Their purpose is to facilitate the search for sources of discrepancies in the event of error messages.

VI. Sundry Statistics

This return contains only one statistic relating to the obligations in the fight against money laundering and the fight against terrorism.

This return must be completed by all life undertakings and non-life undertakings licensed for classes credit or suretyship with a permanent establishment in the Grand Duchy of Luxembourg, including branches of foreign undertakings.

VII. The Information Sheet

The Information Sheet on the Undertaking must enable the Commissariat to regularly update its files and must correspond to the situation as it stands after the holding of the statutory meetings on the Annual Accounts.

The Sheet is completed in advance by the Commissariat aux Assurances from their databases and is provided on paper only. Undertakings are requested to verify the information provided and to update manually where necessary. This information concerns the following categories of data:

- contact details of the undertaking;
- the composition of the Board of Directors;
- shareholders with a direct shareholding of more than 10%;
- ultimate parent undertakings;
- subsidiaries and equity interests;
- information on the group to which the company belongs;
- foreign branches;
- claims handlers for Motor vehicle liability insurance (only non-life undertakings);
- internal collective funds (only life insurance undertakings).

The information sheet has to be completed with a simplified organisation chart of shareholders and shareholdings.

This simplified organisation chart must include the following:

a) downstream of the insurance undertaking:

    - all direct or indirect holdings within the meaning of point 1.6. above in another company, whatever its field of activity. This point obviously covers, among other things, all the companies referred to in point 1.6.

b) upstream of the insurance company

    - all undertakings holding a direct participation of 10% or more in the insurance undertaking and listed in point 1.4 above
    - all parent companies of one of the direct shareholders, i.e. all companies directly or indirectly holding at least 50% of the capital or voting rights of one of these direct shareholders. In this respect, it is recalled that any parent company of a parent company of Company X is itself a parent company of Company X.

For all participation links in the organizational chart, the participation rate must be specified.

VIII. Report on governance

The governance report is divided into two parts:

- the first part is a self-assessment questionnaire in the form of an Excel file. Each question corresponds to an EIOPA orientation or part of an EIOPA orientation and the company is asked to indicate its degree of preparation for the topic. This part is to be sent to the Commissariat both in the form of a paper document signed by the company's manager and in the form of an encrypted computer file with the public key of the Commissariat.[1]

- the second part is the narrative report required by EIOPA's reporting guidelines to the supervisory authorities. The structure of this report is set out in Appendix 1 to this Circular Letter.

It should be noted that if an answer is to be given to each question in Part I, the narrative report should only be completed on a best efforts' basis, provided that the structure of the report is respected. For those parts of the narrative report where little or no information can be provided, the company will briefly indicate the reasons.

[1] The public key of the Commissariat is communicated annually to insurance and reinsurance companies.