

# Insurance Newsletter

Number 02 Year 1999



**Financial Services  
Commission**

## Abbreviated returns for captive insurers

Following discussions with representatives of the insurance industry, the Commissioner of Insurance (the "Commissioner") has agreed to allow a certain category of Gibraltar insurers – namely, captive insurers which do not transact a significant amount of third party business – to report their business by means of abbreviated returns. These returns are called the "CAP returns" to distinguish them from the full set of returns, the "INS returns", required under the Insurance Companies (Accounts and Statements) Regulations 1998, (the "Regulations").

The CAP returns which the Commissioner has agreed to accept, and the specific guidance that goes with them, are contained in a Guidance Note, No. 2C. Copies of the Note are being distributed to all captive managers and auditors.

Experience with reporting by the full set of INS returns required by the Regulations had shown that some of the completed INS forms were of little value for supervising the business of captive insurers. This meant that completing those forms was creating an unnecessary burden on captives. The CAP returns were designed, therefore, to lessen this burden mainly by reducing the number of forms to be completed. However, in order to continue to match UK standards, the format of the CAP returns does not depart significantly from the standard reporting format prescribed in the Regulations. The Regulations remain appropriate, therefore, to the new CAP forms as does the full guidance note, Insurance Guidance Note 2A. Persons responsible for the preparation, audit and signing, of the CAP returns will need to be familiar with both before preparing, auditing or signing them.

As the reporting of all insurer's business will continue to be governed by the Regulations, there will be no automatic right to use the CAP forms. They will be available only to captive companies, or their managers, who have applied to the Commissioner asking him to use his powers under section 113 of the Insurance Companies Ordinance 1987 to provide a dispensation allowing the company to use them. In making the application, companies should identify the circumstances which would justify the concession. Generally speaking, these will be that the company is a captive insurer which has no significant third party business. Unless he receives a request for, and agrees to provide, the necessary section 113 dispensation, the Commissioner will continue to require all returns to be made using the INS forms as prescribed by the Regulations.

Copies of Guidance Note 2C, including the forms, will be available on the Internet (as are all Insurance Guidance Notes). However, anyone also wishing a copy on diskette should contact Norman Ritchie at the address below.

## Reporting the Use of Derivatives.

Following the changes brought about by the new Insurance Companies (Accounts and Statements) Regulations 1998 which came into operation at the end of December 1998, and which replace the earlier 1996 Regulations – see Insurance Newsletter 1/1999 – a revised Guidance Note No. 9 has been prepared



for companies reporting the use of derivatives instruments. This replaces the earlier Guidance Note No. 9 which was prepared in May 1997. A copy of the Guidance Note is available in the Internet. Anyone requiring a "hard" copy should contact Norman Ritchie at the address below.

## Reference to the ECU.

You should be aware of Government Notice No. 266 which appeared in the Gibraltar Gazette on Thursday 4th March 1999. This notice read as follows:-

It is notified for general information that, by virtue of EC Council regulations No. 1103/97 of 17th June, 1997 on the introduction of the euro, from 1st January, 1999 any reference to the ECU in 'legislative and statutory provisions, acts of administration, judicial decisions, contracts, unilateral legal acts, payment instruments other than banknotes and coins, and other instruments with legal effect' is replaced with a reference to the euro.

## ABI Statement of Recommended Practice.

The ABI have recently issued a SORP on Accounting for Insurance Business. This SORP has been approved by the Accounting Standards Board. It is recommended that companies and their auditors become familiar with this publication.

Published by:

Financial Services Commission,  
Suite 943, Europort,  
PO Box 940,  
Gibraltar.

April 1999