

## REVENUE ACCOUNT

### Income

1. **Balance of revenue account brought forward** refers to revenue surplus/deficiency brought forward from preceding calendar year. This item is only applicable to quarterly returns.
2. **Opening reserves** refers to the technical reserves that are brought forward from the preceding financial/calendar year. It comprises items below:-
  - 2.1. **Unexpired risks** refers to the amount required to be set aside at the end of a financial/calendar year out of net premiums in respect of risks which will continue to be in force after the end of that financial /calendar year for contracts of insurance/reinsurance entered into on or before the end of that financial /calendar year. This item represents the reserves at the beginning of the financial /calendar year. It should correspond with the "Reserves for unexpired risks" at the end of the preceding year.
  - 2.2. **Additional reserves** refer to the amount of additional reserves for unexpired risks including any reserves for premium deficiency. It should correspond with the figure "Additional reserves" at the end of the preceding financial/calendar year.
  - 2.3. **Provision for outstanding claims** refers to the total reserves for outstanding claims including provision for IBNR claims, at the beginning of the financial/calendar year. It should correspond with the figure "Provision for outstanding claims" at the end of the preceding financial/calendar year.
3. **Net premium income (Schedule 8)** is the premium accounted during the period to which the statement relates in respect of direct business and reinsurance accepted business after deducting reinsurances ceded/retrocession. In respect of treaties accepted and treaties ceded, portfolio premium transfer entries should also be included under this item.
4. **Net investment income (Schedule 1)** refers to the amount of interest, dividends, rents and other net investment income earned after deduction of investment expenses.
  - 4.1. **Interest** includes items below:-
    - 4.1.1. **Fixed deposits/money market** refers to interest earned from deposits/money market instruments placed with any financial institution.
    - 4.1.2. **Debentures, bonds and loan stocks** refers to interest earned arising from the holdings of debt securities
    - 4.1.3. **Loans** refer to interest earned on loans granted by the insurer/reinsurer.

# General Business Guidance Notes

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- 4.1.4. **Others (interest)** refer to other interest earned on any type of investment other than those listed under items 4.1.1 to 4.1.3 above.
- 4.2. **Gross dividends** refer to dividends before taxation derived from items below.
  - 4.2.1. **Quoted shares** refer to gross dividends received and receivable arising from investment in shares quoted on any stock exchange.
  - 4.2.2. **Unquoted shares** refer to gross dividends received and receivable arising from investment in shares which are not quoted on any stock exchange.
  - 4.2.3. **Others (dividend)** refer to gross dividend received and receivable arising from any type of investment other than those listed under items 4.2.1 and 4.2.2.
- 4.3. **Rent (less rates and maintenance)** refers to rent received and receivable on immovable properties less assessments and dues relating to the properties paid to the municipal councils or the local authorities and amount charged to expenditure on maintenance of the properties.
- 4.4. **Others (income)** refer to income earned which cannot be appropriately classified under items 4.1 to 4.3 above.
- 4.5. **Investment expenses** refer to the direct expenses incurred in the generation of investment income.
- 5. **Transfer from P&L/Head office account** refers to the amount transferred from the P&L account of a company or head office account of a foreign company to rectify any deficiency in the insurance fund.
- 6. **Bad debts recovery**
  - 6.1. **Recovery of written off** refers to the amount of bad debts recovered from accounts written off net of recovery expenses
  - 6.2. **Write back of provision** refers to accounts for which provisions for bad and doubtful debts were made but are no longer required
- 7. **Exchange differences** refer to any realised/unrealised net foreign exchange gain.
- 8. **Other income (Schedule 2)** refers to income other than those shown under items 3 to 7 above. Particulars of the nature of income should be provided in Schedule 2 if it exceeds 10% of total income.
- 9. **Net claims paid (Schedule 9)** refer to claims paid on direct business and reinsurance accepted business after deducting recoveries on reinsurances ceded/retrocessions. Claims paid include all payments made to claimant/ceding companies under insurance/reinsurance contracts and all

# General Business Guidance Notes

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expenses directly related to investigation, assessment and defence of claims such as assessors' and lawyers' fees.

10. **Net commissions (Schedule 10)** refers to the reinsurance commissions and profit commissions and brokerages paid or payable on direct business and reinsurance accepted business less reinsurance commissions and profit commissions earned on reinsurances ceded/retrocessions.
11. **Management expenses (Schedule 3)** refers to all expenses relating to reinsurance business other than claims and commissions.
  - 11.1. **Staff costs and benefits** refer to salaries, bonus and staff benefits paid to the employees and executive directors of the insurer/reinsurer. Fixed allowances such as housing or entertainment or petrol allowances should also be included under this item.
  - 11.2. **Directors' remuneration and related expenses** refer to fees, allowances including meeting allowances, travelling and accommodation expenses, entertainment expenses, provision of vehicle and other payments to non-executive directors of the insurer/reinsurer.
  - 11.3. **Training expenses** refer to expenses incurred on the training of staff. It may include incidental expenses on training facilities and rental of premises used for conducting training
  - 11.4. **Professional fees** refer to auditors' fees, legal fees and management fees. Fees paid to professional fund managers or to any consultant for services related to the operation of the insurer/reinsurer including actuarial and IT services should also be shown under this item.
  - 11.5. **Rent and rates** refers to the rent and rates incurred on premises occupied by the insurer/reinsurer.
  - 11.6. **Head office expenses** refer to payments for services rendered by the Head Office (HO) and include travelling expenses incurred by the executives of the HO which are paid by insurer/reinsurer.
  - 11.7. **Depreciation** refers to depreciation charged on all fixed assets of the insurer/reinsurer.
  - 11.8. **Miscellaneous expenses** refer to expenses other than stipulated in items 11.1 to 11.7 above.
12. **Bad and doubtful debts** refer to the amounts provided for bad and doubtful debts as well as bad debts written off.
13. **Other outgo (Schedule 4)** refers to all other outgo which cannot be appropriately classified under items 9 to 12 above. Particulars of the nature of outgo should be provided in Schedule 4 if such outgo exceeds 10% of total outgo.

14. **Closing reserves** comprises the following items :
  - 14.1. **Unexpired risks** for definition refer to item 2.1 above.
  - 14.2. **Additional reserves** for definition refer to item 2.2 above.
  - 14.3. **Provision for outstanding claims** refers to the total reserves for outstanding claims including provision for IBNR claims as at the end of the period/financial year. The claim amounts should relate to direct and reinsurance accepted business net of amounts recoverable under reinsurance cessations/retrocessions.
15. **Exchange differences** refer to any realised/unrealised net foreign exchange losses.
16. **Transfer to P&L / Head office account** refers to the revenue surplus/deficiency determined as transferable to the P&L account of HO account of the insurer/reinsurer.
17. **Balance of revenue account carried forward** refers to revenue surplus/deficiency carried forward at the end of the period/calendar year. This item is only applicable to quarterly returns.

## PROFIT AND LOSS ACCOUNT

18. This statement relates to the company's Profit and Loss (P&L) account as a whole.
19. **Surplus/(deficit) transferred from**
  - 19.1. **General business** refers to the amount shown as "Transfer to P&L Account" in the general business revenue account net of "Transfer from Shareholders'/Head Office Account".
  - 19.2. **Life business** relates only to life insurance/reinsurance business.
20. **Management expenses** refers to all expenses relating to shareholders and corporate affairs such as filing fees, expenses incurred for holding general meetings and for engaging corporate secretary services, but excluding expenses relating to insurance/reinsurance business.
21. **Investment income** refers to the amount of interest, dividends and rents earned arising from investment of the assets of shareholders'/working fund. It also includes profit/(loss) on realisation of such investments.
22. **Other income/ (expenditure)** refers to net income/ (expenditure) relating only to shareholders' fund. Any income or expenditure other than those classified under items 21 should be shown under this item.
23. **Taxation** refers to tax on assessable income relating to shareholders'/working fund. Tax on profit of general insurance/reinsurance business should be shown under the revenue account.

24. **Extraordinary items** refers to income or expenditure which are "extraordinary" as defined in generally accepted accounting standards and approved by Labuan FSA.
25. **Prior Year Adjustment** refers to and adjustment made to accounts for previous years, because of changes in accounting policies or because of errors.
26. **Retained profit brought forward** refers to retained profit brought forward from the last financial year. For company whose financial year does not fall on 31 December, the retained profit brought forward for the quarterly returns would be the amount as at the beginning of the calendar year. The figure shown here should correspond with the "Retained profit carried forward" as at 31 December of the preceding year.
27. **Transfer to Reserves/Head Office** refers to any amount transferred to reserves/head office from profits.
28. **Dividends** refer to the amount of dividend paid or payable in respect of the financial year.
29. **Other Payments** refer to any other amount transferred out of profits.

## BALANCE SHEET

### Liabilities

30. **Insurance funds and reserves** includes the following items:-
  - 30.1. **Reserves for unexpired risk** refer to the amount set aside at the end of the period/ year. For definition, refer to item 2.1. The figure shown here should correspond with the "Reserves for unexpired risks" at the end of the period/ year as shown in Form GIR/GRR (Revenue Account).
  - 30.2. **Additional reserves** for definition refer to item 2.2 above. The figure shown here should correspond with "Additional reserves" at the end of the period/year as shown in Form GIR/GRR (Revenue Account).
  - 30.3. **Other reserves** refer to any reserve other than those classified under items 30.1 and 30.2 should be shown under this item.
31. **Other liabilities** include items below:-
  - 31.1. **Provision for outstanding claims** refers to provisions made for claims incurred but not paid. In the case of general business, this item should also include provisions for incurred but not reported (IBNR) claims and it should correspond with the amount shown as

# General Business Guidance Notes

provision for outstanding claims at the end of the period/ year in Form GIR/GRR (Revenue Account).

- 31.2. **Amount due to ceding companies/brokers** refers to amount due whether directly or through brokers, in respect of premiums, brokerage or commission.
  - 31.3. **Amount due to retrocessionnaires** refers to the amount due in respect of retrocessions whether directly or through brokers.
  - 31.4. **Retrocession deposits refer to the** amount retained from retrocessionnaires as deposits in respect of retrocessions where the deposits are not yet due for repayment.
  - 31.5. **Pre-paid premiums** refer to the amount received by the reinsurer towards premiums not yet due from ceding companies/brokers.
  - 31.6. **Provision for taxation** refers to the amount set aside for estimated income tax liabilities.
  - 31.7. **Sundry creditors** refer to companies or individuals to which money is owed.
  - 31.8. **Others (Schedule 5)** refer to any liabilities other than those listed under items 31.1 to 31.7 above. Particulars of the nature of other liabilities should be provided in Schedule 5 if such liabilities exceed 10% of total liabilities.
32. **Balance of Revenue Account** refers to revenue surplus/deficiency for the period/calendar year. This item is only applicable to quarterly returns.
33. **Amount due to P&L / Head Office Account** includes the following:-
- 33.1. **Interfund transactions - insurance fund** refers to the expenses incurred by shareholders' / working fund on behalf of an insurance fund or vice versa and amount already determined as transferable to P&L / HO account.
  - 33.2. **Interfund transactions – shareholders' fund/working fund** refer to amount transferred from shareholders' / working fund to the insurance fund to rectify a deficiency in the insurance fund. Expenses incurred by shareholders'/working fund on behalf of the insurance fund or vice versa, should also be reported under this item.
  - 33.3. **Loan from head office/parent/related party** refer to amount granted is a loan by nature and expected to be repaid with or without tenure of repayment.

This item shall exclude the additional working funds injected by HO subject to evidence of board resolution or any legal documentation indicated that the fund is not repayable. The item shall be included as the liabilities of the company in computation of margin of solvency in Form APP 1.

34. **Shareholders' Funds** includes the following:-

34.1. **Paid-up capital/working funds** refer to the issued and paid-up capital and should include

# General Business Guidance Notes

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both the ordinary and preference shares for an Labuan insurer/reinsurer. The working fund for a licensed foreign insurer/reinsurer should be the surplus of assets over liabilities required by the Act.

This item shall include the additional working funds injected by HO subject to evidence of board resolution or any legal documentation indicated that the fund is not repayable.

- 34.2. **Share premium account** refers to the amount of premium realised in respect of the shares subscribed.
- 34.3. **Reserves** refer to reserves other than item 34.2 above. It should include general reserves, capital reserves and other free reserves.
- 34.4. **Retained profit/(loss)** refers to the unappropriated profit or the accumulated losses carried forward in respect of the shareholders'/working fund column. The amount should correspond with the corresponding amount under "retained profit carried forward" in Form GP/GRP.

## Assets

35. **Fixed assets** include items below:-

- 35.1. **Self-occupied properties** refer to investments in properties from the general insurance fund or shareholders'/working fund where the properties are owned and substantially occupied by the insurer/reinsurer.
- 35.2. **Investment properties** refer to investments in properties from the general insurance fund or shareholders'/working fund which are substantially rent out. Investment in land should be shown under this item.
- 35.3. **Other fixed assets** refers to construction work-in-progress, office renovation, computer hardware and software (including internally developed systems and software which are capitalised in accordance with generally accepted accounting standards, office equipment, motor vehicles and furniture, fixtures and fittings.

36. **Loans** include items below:-

- 36.1. **Secured loans** refer to loans which are fully secured.
- 36.2. **Unsecured loans** refer to loans granted to persons that are not secured.

37. **Investments**

- 37.1. **Corporate/debt securities** include investments in debentures, bonds and loan stocks, warrants, redeemable and irredeemable convertible loan stocks and investment in shares.

## General Business Guidance Notes

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- 37.2. **Other investments** refer to investments which do not fall under items 37.1 above.
38. **Cash and deposits** include items below:-
- 38.1. **Fixed deposits/money market** refers to investments in fixed deposits/money market instruments issued by licensed financial institutions and deposits such as call deposits, Negotiable Instruments of Deposit (NIDs) and Bankers Acceptances (BAs), regardless of the duration for such instruments.
- 38.2. **Cash and bank balances** refer to the amount held with banks in withdrawable accounts and cash in hand.
39. **Other assets** includes items below:-
- 39.1. **Amount due from reinsurers/ceding companies** refers to the balance of premium, claims, brokerage and commission due in respect of reinsurances accepted and reinsurances ceded whether directly or through brokers. The amount should be net of provision for doubtful debts.

- 39.2. **Amount due from ceding companies/brokers** refers to transactions of the type mentioned in item 31.2 above. The amount should be net of provision for doubtful debts.
- 39.3. **Reinsurance deposits** refers to amounts retained by ceding companies under reinsurance arrangements by way of premium reserves or loss reserves which are not yet due for repayment.
- 39.4. **Sundry Debtors** refer to entities from which amounts are due for goods sold or services rendered or in respect of contractual obligations.
- 39.5. **Others (Schedule 6)** refer to any assets other than those listed under items 39.1 and 39.4 above. If this item exceeds 10% of the total assets, details should be provided in Schedule 6.

## STATEMENT OF PREMIUMS

- 40. Reinsurance arrangements are classified into two types, as follows:
  - 40.1. **Facultative** where reinsurance is offered and accepted on a case by case basis.
  - 40.2. **Treaty** where reinsurance is placed under a standing agreement for a period of time, usually one year or continuous with provision for cancellation.
- 41. **Gross premium direct business** refers to premium on Original Gross Rate (OGR) basis as charged to clients in respect of direct insurance business without any deduction for commission or brokerage. However, refund of premiums arising out of endorsements on original direct policies should be deducted.
- 42. **Gross premium reinsurance accepted** refers to gross premiums accepted from licensed insurers accounted during the period in the books of the reinsurer. Premiums should be before deduction of reinsurance commission and brokerage. Where premium is received on Original Net Rate (ONR) basis and the corresponding OGR premium cannot be obtained, the premium can be shown on ONR basis. In all other cases, premium should be shown on OGR basis. Where a reinsurance arrangement covers more than one class of business and where detailed breakdown of premiums in respect of each class of business is not available, the entire premiums may be accounted under the class to which a major portion of the reinsurance premiums relate.
- 43. **Reinsurance premiums ceded** refers to premiums on OGR basis ceded to licensed insurers. Reinsurance ceded premium should be recognised simultaneously with recognition of gross direct or reinsurance accepted premium to which it relates.
- 44. **Retrocessions premiums** refer to premiums on OGR basis ceded to licensed insurers. Premiums retroceded should be recognised simultaneously with recognition of reinsurance accepted premium to which it relates.

- 45. **Reserves for unexpired risks** For definition of "required" and "additional" reserves refer to item 2.1 and 2.2 above.
- 46. **Earned premium income** refers to net premium less increase/plus decrease in reserves for unexpired risks during the year/period.

## STATEMENT OF CLAIMS

- 47. **Gross claims paid** includes direct claims expenses such as adjuster's fees, legal expenses and investigation expenses but excludes expenses of management of the claims department. It includes also credits given by ceding companies for realisation of salvage and recoveries from carriers or third parties or their insurers.
- 48. **Claims recovery** refers to the share of licensed retrocessionnaires in claims paid which are accounted as recoveries during the relevant period regardless of whether the amounts are actually received or not.
- 49. **Net claims paid** For definition refer to item 9 above.
- 50. **Provision for outstanding claims** refers to the total reserves for outstanding claims including provision for IBNR claims. Provision for IBNR should be reviewed annually.
- 51. **Net claims incurred** refer to claims paid plus increase/less decrease in provisions for outstanding claims during the year, net of retrocession recoveries.

## STATEMENT OF COMMISSIONS

- 52. **Direct/reinsurance commission** includes all amounts paid or payable during the relevant period whether actually paid or not, in respect of brokerage or agency commission on direct insurance business or reinsurance accepted. It also includes any payment made to the leading insurer on a coinsurance policy.
- 53. **Profit commission** refers to any profit commission paid or payable to an intermediary.
- 54. **Reinsurance and profit commission paid on reinsurance accepted** include all amounts paid or payable during the relevant period whether actually paid or not, in respect of brokerage or agency commission on direct insurance business or reinsurance accepted. It also includes any payment made to the leading insurer on a co-insurance policy. Profit commission refers to any profit commission paid or payable to a ceding company in respect of reinsurance accepted.
- 55. **Reinsurance and profit commission earned on retrocession** includes commissions earned on retrocessions as well as any tax or levy recovered and recoverable from retrocessionnaires.
- 56. **Net commissions** For definition refer to item 10 above.