

## REVENUE ACCOUNT

### Income

1. **Policyholders' fund brought forward** refers to policyholders' fund and investment linked fund brought forward from the preceding financial/calendar year. It should correspond with the "Policyholders' fund carried forward" at the end of the preceding financial year. For company whose financial year does not end on 31 December, the policyholders' fund brought forward for the quarterly returns would be the amount as at the beginning of the calendar year.
2. **Reinsurance reserve fund brought forward** refers to reinsurance reserve fund that is brought forward from the preceding financial/calendar year. It should correspond with the "Reinsurance reserve fund carried forward" at the end of the preceding financial year. For company whose financial year does not end on 31 December, the reinsurance reserve fund brought forward for the quarterly returns would be the amount as at the beginning of the calendar year.
3. **Net premium income (Schedule 7)** includes the following items :
  - 3.1.1. **First year premiums** refer to premiums receivable for the first policy year, where the premium payment term is two or more years.
  - 3.1.2. **Renewal year premiums** refer to premiums receivable subsequent to the first policy year, where the premium payment term is two or more years.
  - 3.1.3. **Single premiums** refers to premiums due under life policies where the entire premium for the contract is payable at inception. Thus all policies of 12 months or lesser duration should be classified as single premium contracts. In the case where the single premium is made payable by installments, all such installment premium should be treated as single premium. Where a 12-month life policy is renewed, the renewal premium should be treated as single premium.
  - 3.1.4. **Gross direct premiums** refers to the premiums receivable on insurance policies net of discounts to the policy owner written by an insurer, adjusted for additional or return premiums, but before deducting commissions, brokerage or other expenses.
  - 3.1.5. **Reinsurance premiums accepted** refers to premiums in respect of reinsurances accepted.
  - 3.1.6. **Reinsurance premiums ceded** refers to premiums ceded to licensed insurers. Reinsurance ceded premium should be recognized simultaneously with recognition of gross direct or reinsurance accepted premium to which it relates.
  - 3.1.7. **Net premiums** refer to premiums receivable less any reinsurance premiums ceded.

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.
    - 4.1.4. **Others (interest income)** 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 income)** refers 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 above.
  - 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 (investment 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 shareholders' or working fund/head office account to rectify any deficiency in the insurance fund.
6. **Bad debt recovery** refers to the amount of bad debts recovered from accounts written off net of recovery expenses and 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 1 to 7 above. Particulars of the nature of income should be provided in Schedule 2 if it exceeds 10% of total income.

## OUTGO

9. **Net policy benefits (Schedule 8)** refers to all benefits payable under gross direct business plus reinsurance accepted less benefits recoverable from reinsurance ceded. For investment-linked business, net policy benefits refers to net cancellation of units arising from surrenders, withdrawals etc. and outgo by way of death and disability benefits.
  - 9.1. **Gross direct policy benefits** refers to all benefits payable under direct insurance policies written by the insurer, including all attached bonuses, regardless of the nature of policy benefits.
  - 9.2. **Reinsurance accepted** refers to all benefits payable under policies accepted as reinsurance from other insurers.
  - 9.3. **Reinsurance ceded** refers to all benefits recoverable from the licensed/insurers.
  - 9.4. **Net policy benefits** should be split into different types of policy benefits net of reinsurance recoveries as follows :
    - 9.4.1. **Death benefits** refer to the amount paid inclusive of all bonuses in respect of claims relating to death including accidental death.
    - 9.4.2. **Disability benefits** refer to the payments, net of reinsurance recoveries, made on the occurrence of any disability insured under the policy or by way of rider on the policy.
    - 9.4.3. **Maturity benefits** refer to the amount payable on maturity of the policy, inclusive of all bonuses.
    - 9.4.4. **Surrender benefits** refers to payments on premature termination of the insurance policy by surrender.
    - 9.4.5. **Medical benefits** refer to payments of medical benefits provided by the life policy or riders on the policy.

- 9.4.6. **Bonuses paid in cash** refer to the payments of bonus/dividend in cash or cash dividend payment in lieu of reversionary bonus as provided in the policy contract.
  - 9.4.7. **Others** refer to any benefits payable under the policy or rider on the policy other than those classified under items 9.4.1 to 9.4.6 above.
  - 9.4.8. **Annuities** refer to the amounts payable to the annuitants net of reinsurance recoveries, if any.
10. **Net Commissions (Schedule 9)** comprise the following items:
- 10.1. **Gross commission on direct insurance** refers to amount payable as commission and profit commission to the intermediary who actually sold the life insurance policy.
  - 10.2. **Commission on reinsurances accepted** refers to any commissions and profit commissions paid in respect of reinsurances accepted business.
  - 10.3. **Commission on reinsurances ceded** refers to any commissions and profit commissions received in respect of reinsurance ceded business.
  - 10.4. **Commission on retrocession** refers to any commissions and profit commissions received in respect of retrocession business.
11. **Management expenses (Schedule 3)** refer to all expenses relating to life insurance business other than net policy benefits 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** refers 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** refers 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. **Exchange differences** refer to any realised/unrealised net foreign exchange losses.
- 15. **Policyholders' fund carried forward** refers to the policyholders' fund at the end of the period/financial year.
- 16. **Transfer to P&L / Head office account** refers to the revenue surplus/deficiency determined as transferable to the P&L account of Head Office account of the insurer/reinsurer.

## PROFIT AND LOSS ACCOUNT

This statement relates to the company's Profit and Loss (P&L) account as a whole.

- 17. **Surplus/(Deficit) transferred from**
  - 17.1. **Life business** relates only to life insurance/reinsurance business.
- 18. **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.
- 19. **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.

20. **Other income/ (Expenditure)** refers to net income/(expenditure) relating only to shareholders' fund. Any income or expenditure other than those classified under item 19 should be shown under this item.
21. **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.
22. **Extraordinary items** refers to income or expenditure which are "extraordinary" as defined in generally accepted accounting standards and approved by LOFSA.
23. **Prior Year Adjustment** refers to and adjustment made to accounts for previous years, because of changes in accounting policies or because of errors.
24. **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.
25. **Transfer to Reserves/Head Office** refers to any amount transferred to reserves/head office from profits.
26. **Dividends** refer to the amount of dividend paid or payable in respect of the financial year.
27. **Other payments** refer to any other amount transferred out of profits.

## BALANCE SHEET

### Liabilities

28. **Policyholders' fund** refers to policyholders' fund at the end of the period/year. The figure shown here should correspond with the "Policyholders' fund" at the end of the period/year as shown in revenue account.
29. **Investment-linked fund** refers to investment-linked fund at the end of the period/year.
30. **Other liabilities** includes the following items:-
  - 30.1. **Provision for outstanding claims** refers to provisions made for claims intimated 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 provision for outstanding claims at the end of the period/ year in Form L1/LR1 (Revenue Account).

- 30.2. **Amount due to clients/intermediaries** refers to amount due whether directly or through intermediaries, in respect of premiums, brokerage or commission or coinsurer's charges.
  - 30.3. **Amounts due to 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.
  - 30.4. **Amount due to ceding companies/brokers** refers to amount due whether directly or through brokers, in respect of premiums, brokerage or commission.
  - 30.5. **Amount due to retrocessionnaires** refers to the amount due in respect of retrocessions whether directly or through brokers.
  - 30.6. **Reinsurance deposits** refers to the amount retained from reinsurers as deposits in respect of reinsurances ceded where the deposits are not yet due for repayment.
  - 30.7. **Retrocession deposits** refer to the amount retained from retrocessionnaires as deposits in respect of retrocessions where the deposits are not yet due for repayment.
  - 30.8. **Deposit premiums** refer to the amount received by the insurer towards premiums not yet due. This item should include premium received in advance.
  - 30.9. **Provision for taxation** refers to the amount set aside for estimated income tax liabilities.
  - 30.10. **Sundry creditors** refer to companies or individuals to which money is owed.
  - 30.11. **Other liabilities (Schedule 5)** refer to any liabilities other than those listed under items 30.1 to 30.10 above. Particulars of the nature of other liabilities should be provided in Schedule 5 if such liabilities exceed 10% of total liabilities.
31. **Amount due to P&L / Head Office account** includes:-
- 31.1. **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.
  - 31.2. **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.
  - 31.3. **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.

32. **Shareholders' Funds** include the following items:-

32.1. **Paid-up capital/working fund** refers to the issued and paid-up capital and should include both the ordinary and preference shares for a 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.

32.2. **Share premium account** refers to the amount of premium realised in respect of the shares subscribed.

32.3. **Reserves** refer to reserves other than item 36.2 above. It should include general reserves, capital reserves and other free reserves.

32.4. **Retained profit/(loss)** refers to the un-appropriated 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 LP/LRP.

## Assets

33. **Fixed assets** include the following items:-

33.1. **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.

33.2. **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.

34. **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.

35. **Loans**

35.1. **Policy loans** relate to loans that are secured by the surrender values of the life policies and include loans extended automatically under non-forfeiture provisions.



- 35.2. **Secured loans** refer to loans which are fully secured.
- 35.3. **Unsecured loans** refer to loans granted to persons that are not secured.
36. **Investments**
- 36.1. **Corporate/debt securities** include investments in debentures, bonds and loan stocks, warrants, redeemable and irredeemable convertible loan stocks and investment in shares.
- 36.2. **Other investments** refers to investments which do not fall under items 39.1 above
37. **Cash and deposits** include items below:-
- 37.1. **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.
- 37.2. **Cash and bank balances** refer to the amount held with banks in withdrawable accounts and cash in hand.
38. **Outstanding premiums and agents' balances** refers to direct insurance premiums due from the insurers, coinsurers, brokers and agents, net of provision for doubtful debts. Please refer to item 30.2 (amount due to clients/intermediaries). If the net balance is due to the insurer, it should be shown under this item.
39. **Amount due from reinsurers/ceding companies** refers to transactions of the type mentioned in item 30.3 above (amount due to reinsurers/ceding companies). The amount should be net of provision for doubtful debts.
40. **Amount due from ceding companies/brokers** refers to transactions of the type mentioned in item 30.4 above. The amount should be net of provision for doubtful debts.
41. **Amount due from retrocessionnaires** refers to transactions of the type mentioned in item 30.5 above. The amount should be net of provision for doubtful debts.
42. **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.
43. **Sundry debtors** refer to entities from which amounts are due for goods sold or services rendered or in respect of contractual obligations.
44. **Other assets (Schedule 6)** refer to any assets other than those listed under items 33 and 43 above. If this item exceeds 10% of the total assets, details should be provided in Schedule 6.

## STATEMENT OF NEW POLICIES/ STATEMENT OF POLICIES IN FORCE

45. All information should be provided on a gross basis before any deduction for reinsurance cessions.
46. The columns are split into **Single** and **Annual**.
  - 46.1. **Single** refers to item 3.1.3 above.
  - 46.2. **Annual** refers to all contracts other than single premium contracts.
47. **Number of policies** refers to number of policy contracts falling within specified item of classification.
48. **Sum insured** refers to the policy sum insured.
49. **Premiums** refer to the entire single premium in respect of single premium contracts including 12 months contracts or the "annualised" premiums in other cases.
50. **Whole Life** refers to all insurance products which cover the life assured for the whole of life or up to the age of 80 years or more regardless of the period over which premium is payable and regardless of any benefit payments at different terms or ages during the currency of the policy.
51. **Endowment** refers to all insurance products which cover the life assured for a specified term and provide for payment of a maturity benefit on survival up to the end of the term regardless of how the benefits are named.
52. **Temporary** refers to term life insurance contracts covering the risk of death only and includes items below:-
  - 52.1. **Mortgage** refers to term life policies sold as security for mortgage loans and includes such policies even where the sum insured does not decrease.
  - 52.2. **Others** refer to term life contracts not related to mortgage loans. However, term life cover sold as a rider on a life policy of another category should be shown as a term assurance rider.
53. **Medical and Health** refers to a policy that provides specified benefits against risks of person becoming totally or partially incapacitated as a result of sickness or infirmity.
54. **Other plans** refer to all ordinary life insurance products which could not be classified under items 50 to 53 above.
55. **Reinsurance accepted** includes both treaty and facultative reinsurances accepted whether on risk premium basis or coinsurance basis.
56. **Immediate annuities** are those where payment of annuities commences immediately upon

conclusion of the contract.

57. **Deferred annuities** are those where payment of annuities commences at a future date specified in the contract. A deferred annuity contract where payment of annuity has commenced should be reclassified as immediate annuity.
58. **Policies in force** at the end of the year should correspond with the policies in force at the beginning of the year plus new policies less terminations in the aggregate.

## STATEMENT OF TERMINATIONS, TRANSFERS AND REVIVALS

59. **Death** refers to policies terminated by the death of the assured. In the case of group life policies, the number of policies would not reduce but only the number of lives insured would reduce in case of death of a person covered.
60. **Maturity** refers to policies terminated by payment of amount due upon maturity of the contract.
61. **Other causes** include the following items:-
  - 61.1. Reduction in sum insured such as mortgage reducing term assurance;
  - 61.2. Reduction in sum insured on conversion of policy to "paid up";
  - 61.3. Discontinuation of riders;
  - 61.4. Expiry of policy term;
  - 61.5. Expiry of policy after an extended term providing limited cover, following the discontinuation of premium payments;
  - 61.6. Conversion of policy to extended term insurance;
  - 61.7. Addition of rider;
  - 61.8. Termination of an annuity by any reason other than death, expiry of term or surrender;  
and
  - 61.9. Cancellation of a policy within the "cooling off" period
62. **Surrender** refers to the termination of contract by surrendering the benefits due in return for a cash consideration.
63. **Revivals** refer to policies which have already been forfeited that are revived by policy owners after paying premiums and other amounts due.

## Life Business Guidance Notes

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64. **Forfeiture** refers to policies which are terminated before they acquire a surrender value. Consequently, there should be no entry under this item in respect of a single premium policy.
65. **Reinsurances accepted** refer to terminations of reinsurance contracts for any reason, net of revivals.

### PREMIUM/NET CREATION OF UNITS OF INVESTMENT- LINK BUSINESS

66. **Investment-linked operating fund** refers to a contract of insurance on human life or annuity where the benefits are, wholly or partly, to be determined by reference to the value of, or the income from, property of any description or by reference to fluctuations in, or in an index of, the value of property of any description
67. **Mortality charges** refers to the amount charged by the insurer for the insurance protection upon death and to cover certain other expenses.
68. **Administrative charges** refers to fee charged by an insurer to cover expenses related to record keeping and other administrative costs.
69. **Amount in suspense yet to be allocated** refers to amounts are temporarily recorded and proper accounting treatment could not be determined at the time the transaction was recorded.
70. **Fund 1** refers to additional fund by the insurer other than item 66 until item 69.
71. **Fund 2** refers to additional fund by the insurer other than item 70.
72. **Total Premium/Net creation** refers to all premiums paid by investment-linked policyholders whether as initial payment for a new contract or subsequent payments to increase the amount of that contract. The amount for mortality and administration expenses as included in premium will be taken as part of shareholders' account and respective amounts converted to units will be shown in columns of the respective funds. Figures in the column of the funds will indicate net creation of units for the period/year.