

**BUSINESS PLAN**

**12. (a) General Business and Restricted Long-Term Business**

In deciding whether an applicant has adequate financial resources to support the general business proposed, the Insurance Supervisor will require to examine a 3 year Business Plan indicating –

- (A) for each class of general business (including individual classes within Class 12)
  - (i) maximum net retention per risk or event and in aggregate after all reinsurance ceded based on –
    - (a) policy limits, or
    - (b) estimated maximum loss (if applicable and less than 65% of policy limits)
  - (ii) reinsurance programme stating
    - (a) type of reinsurance contract(s)
    - (b) threshold and limit any one risk/event and in aggregate
    - (c) basis of premium payable and commission receivable
    - (d) names of reinsurers writing individually (or together with associated companies) 10% or more of any contract and their percentage lines
  - (iii) projected annual premium, gross and net of reinsurance
  - (iv) projected claims, gross and net of reinsurance, showing net amounts
    - (a) paid in year
    - (b) outstanding at each year end (reported claims)
    - (c) IBNR provisions at each year end
- (B) projected Cash Flow stating interest rate and other assumptions used including the claims "run off" pattern by class of insurance
- (C) projected Revenue or Fund Account(s)
- (D) projected Profit & Loss Account (or Income and Expenditure Account for a company not trading for profit) } giving the details required in the prescribed formats to the extent they are relevant
- (E) projected Balance Sheet
- (F) A statement of the principal assumptions on which the Business Plan has been prepared

**12. (b) Long Term Business (Other Than Restricted)**

In deciding whether an applicant has adequate financial resources to support the long-term business proposed the Insurance Supervisor will require to examine a 3 year Business Plan which should be updated and re-presented each year with the annual returns, indicating -

- (A) for each type of product within each class of long-term business (excluding such business within Class 12) which the applicant intends to sell within the period of the plan, estimated new business premium volumes and a profit profile showing -
  - (i) emerging cash strains and surpluses, monthly for at least the first two years and annually for the rest of the lifetime of the product. It should be assumed that initial and renewal expenses are equal to the corresponding expense loadings
  - (ii) the breakdown of any initial strains between indemnity commission, valuation strain and solvency margin requirement
  - (iii) a discounted present value
  - (iv) the assumptions made
- (B) For each class of long-term business, details of reinsurance arranged or to be arranged, including names of reinsurers
- (C) Projected cash flow showing -
  - (i) the consolidation of the individual product profit profiles and the estimated new business premium volumes, with initial and renewal expenses being shown separately
  - (ii) if initial expenses are expected to exceed the corresponding expense loadings, the expected excess
  - (iii) if renewal expenses are expected to exceed the corresponding expense loadings, the expected excess
  - (iv) fixed expenses
  - (v) other adjustments, including any allowances for reinsurance
  - (vi) the assumptions made
- (D) Projected long-term Business Fund } giving the details required in the prescribed formats to the extent they are relevant
- (E) Projected Profit and Loss Account
- (F) Projected long-term Balance Sheet
- (G) Projected Balance Sheet
- (H) A statement of the principal assumptions on which the Business Plan has been prepared.

13. Authorisation will be restricted to those classes for which a projected Revenue or Fund Account has been submitted.

14. The appointed auditors are required to confirm that they consider the information provided in the Business Plan to have been properly prepared on the basis of the assumptions stated. If the company is to carry on long-term business, the appointed actuary is required to confirm that he considers the financing of the company to be sufficient to cover both technical reserves and the required margin of solvency and that he agrees with the information provided in the Business Plan in so far as it relates to long-term business.

15. When the projected claims experience for a class is more favourable than the ratio to net premium income normally expected on the basis of U.K. market experience, supporting justification, such as actual claims statistics for the risks to be insured, should be provided.