



## **British Virgin Islands Financial Services Commission**

### **Guidance on Preparing and Submitting Captive Insurance Business Annual Return**

Any person required to complete and file the Captive Insurance Business Annual Return (“the Return”) following the Financial Services (Prudential and Statistical Returns) Order, 2009 (“the Order”), should note the pertinent information on the filing of the Return detailed below.

#### **1. Applicable Licenses**

A licensee holding an insurance licence in any of the following categories is required to complete and file the Return on an annual basis:

- Category C;
- Category D;
- Category E; or
- Category F.

#### **2. Completing the Return**

- (i) The Return must be completed using the electronic excel document provided on the Commission’s website. The document contains several tabs, with a series of item queries in each tab. Licensees must ensure that it responds to each item query within each tab of the Return.
- (ii) In completing the Return, licensees may be required to check boxes that apply, select from drop boxes or insert relevant data. Licensees must use the appropriate options as required.
- (iii) Where a licensee needs to provide additional information or is required to provide a report in response to a specific item, the licensee must prepare an electronic copy of the information or report, with a label that reflects the query item number to which the licensee is responding.
- (iv) Agreement to the declaration in the last tab of the Return, and the information about the person agreeing to the declaration must be provided as part of a complete Return.

#### **3. Reporting Period**

The Return must account for a licensee’s business activities for the reporting period of January to December of the previous year. Where relevant, the return may require the licensee to provide information as at the end of the reporting period (i.e. 31<sup>st</sup> December).

#### **4. Filing the Return**

The Return is considered filed, where all item queries are completed and fulfilled, and the excel document and any accompanying information and reports are submitted to the Commission via the following email address: [insurancereturns@bvifsc.vg](mailto:insurancereturns@bvifsc.vg).

#### **5. Deadline for Filing the Return**

A licensee must file a completed Return on or before 31st March each year, for the previous calendar year.

#### **6. Late Filing or Not Filing a Return**

- (i) At least seven days before the Return submission deadline, a licensee may apply for an extension for the Return filing. The Commission may grant an extension to a licensee for a period of up to 30 days.
- (ii) The Commission may levy penalties on a licensee that fails to file a Return on or before the deadline as outlined in Schedule 10 of the Order.

#### **7. Erroneous Return**

If a licensee finds or becomes aware of inaccurate information within its Return filed with the Commission, the licensee must notify the Commission of this fact within five days of becoming aware of the that fact and resubmit a corrected Return within seven days after notifying the Commission.

#### **8. Additional Information**

- (i) Where the Return is incomplete or needs further explanation, the Commission will ask that it be clarified or additional information or documentation provided, as appropriate.
- (ii) The Commission reserves the right to request additional data about information provided or not sought initially in the Return.

### **GENERAL NOTES IN COMPLETING THE RETURN**

#### **9. Accounting and Currency Information**

- (i) Accounting information in the Return must be completed using the accrual accounting method.
- (ii) All monetary amounts should be reported in US dollars with exact figures, without rounding (i.e. exact to dollars and cents).

#### **10. Date format**

Any request for a date must be inputted in the British short format (i.e. dd/mm/yyyy).

## 11. Responding to Queries that do not Apply

Where an item query does not apply to a specific licensee, the licensee must insert the term “N/A” in response or in the case of a numerical request, insert the figure “0”.

## NOTES ON SPECIFIC ITEMS IN THE RETURN

The notes below are intended to assist the licensee in completing individual sections of the Return that may require further clarification.

## 12. Financials (Item 1)

(i) The table below provides guidance on the information required for completing the Balance Sheet information:

Item	Description of Item	Guidance
1.8	<b>Secured Loans</b>	Includes all other collateralised loans (excluding mortgage loans).
1.9	<b>Mortgage Loans</b>	Includes all loans collateralised by real estate mortgage deeds and other liens on real estate.
1.10	<b>Policy Loans</b>	Includes loans to policyholders based on and secured on the cash surrender value of the Policy of loan approval.
1.12	<b>Other Investments and Advances</b>	Includes all other investments and advances which cannot be reported elsewhere.
1.16	<b>Reinsurance Balances Recoverable</b>	Includes all amounts due from reinsurers for paid and unpaid insurance claims.
1.17	<b>Funds Held by Ceding Reinsurers</b>	Includes a portion of premiums withheld by the ceding reinsurer, due as a guarantee in connection with reinsurance arrangements in order for the reinsurer to meet its loss and other obligations. Any amounts deemed uncollectable shall be deducted.
1.20	<b>Deferred Policy Acquisitions Costs</b>	Includes certain costs the insurance company incurred in the acquisition of new and renewal insurance contracts that have been deferred.
1.21	<b>Other Non-Current Assets</b>	Includes all other assets which cannot be reported in 1.14 through 1.20 above.
1.22	<b>Total Assets</b>	Represents the sum of items 1.13 to 1.21, which must equal item 1.45 (total liabilities <sup>1</sup> and shareholders' equity <sup>2</sup> ).
1.23	<b>Unearned Premium and Fees Reserves</b>	Includes the amount of unexpired premium on policies or contracts and unearned fees paid in advance as of the reporting date (the total annual premium and fees less the amount earned).

<sup>1</sup> Total liabilities should include all payables to related parties.

<sup>2</sup> Shareholders' equity includes share capital less treasury stock, plus retained earnings and current year's earnings (net income/(loss) and reserves.

<b>1.24</b>	<b>Claims Reserves</b>	Includes the amount of monies set aside to meet future payments associated with claims incurred but not yet settled as at the reporting date.
<b>1.25</b>	<b>Catastrophe Reserves</b>	Includes the amount of monies set aside by captives for paying neither known nor incurred but not reported (IBNR) losses.
<b>1.29</b>	<b>Other Insurance Reserves</b>	Includes all other insurance reserves set aside for policy liabilities which cannot be reported in 1.23 through 1.28 above.
<b>1.31</b>	<b>Insurance and Reinsurance Payable</b>	Includes the 'insurer's unpaid premiums and the amounts to be paid to the reinsurer which the insurer has retained as security for future claims against the 'insurer's reinsurers.
<b>1.32</b>	<b>Commissions Payable</b>	All unearned commissions shall be included here.
<b>1.35</b>	<b>Accounts Payable and Accrued Liabilities</b>	Includes those obligations due and payable that originate in the ordinary course of business with (i.e. Agents, Salesmen, Brokers and Policyholders, excluding claims under insurance contracts) and amounts accrued which remain unpaid as at the reporting date.
<b>1.39</b>	<b>Policyholders' Amounts on Deposit</b>	This consists of premiums paid in advance of the due date.
<b>1.40</b>	<b>Other Liabilities</b>	Includes all other amounts due and payable to other creditors which cannot be reported in 1.31 through 1.39.
<b>1.45</b>	<b>Total liabilities and Shareholders' Equity'</b>	Represents the sum of items 1.41 to 1.44, which must equal item 1.22 (Total Assets).

- (ii) Contingent liabilities in items 1.46 and 1.47 refer to matters such as pending litigation claims, administrative penalties, etc., that are potential liabilities to the licensee (that were not reported in the licensees last audited financial statements). In such an instance, the licensee should summarise the contingent liability and the potential losses that could be incurred in item 1.47. Where the licensee is unable to quantify a potential contingent liability it is aware of, it should nevertheless disclose this relevant information in item 1.47.

### 13. Financial Information for Property & Casualty and Life & Health (Items 3 and 5)

The table below provides guidance on the information required for completing the Details of Income Statement Sheet Information:

<b>Detail</b>	<b>Description of Item</b>	<b>Guidance</b>	
<b>1.</b>	<b>Net Written Premiums</b>	Net Written Premiums during the reporting period and disclosed severally -	
		(a)	Direct Premium Written (Gross)
		(b)	Premiums Assumed (Gross)
		(c)	Premiums Ceded

		Represents the sum of details 1(a) and 1(b) minus detail 1(c).
<b>2.</b>	<b>Premiums Ceded: Premiums Written (Ratio)</b>	Represents the division of line (c) by the sum of details 1(a) and 1(b).
<b>3.</b>	<b>Net Claims/Losses Incurred</b>	Net Claims/Losses Incurred during the reporting period and disclosed severally -
		(a) Claims/Losses Incurred (Gross)
		(b) Claims/Losses Recoverable From Reinsurance
		This shall be arrived at by subtracting the sum of detail 3(b) from the sum of item 3(a).
<b>4.</b>	<b>Net Underwriting Income</b>	This shall be arrived at by subtracting Net Claims/Losses Incurred ( <b>detail 3</b> ) and Commissions Paid on Business Written from the sum of Net Written Premiums ( <b>detail 1</b> ) and Commission Received on Business Ceded.
<b>5.</b>	<b>Net Income</b>	Represents the sum of Net Underwriting Income ( <b>detail 4</b> ) and Net Investment Income minus General Expenses.

#### **14. Fitness and Propriety (Item 12)**

Concerning item 12.10, if the answer to any of the items 12.1 through 12.9 is 'Yes', the licensee should document the name of the individual who is under investigation or in relation to whom action is taken, by category (e.g. General Partner, Director, Senior Officer, Shareholder, Ultimate Beneficial Owner), the date of commencement of the investigation, relevant jurisdiction(s), the name of the associated regulatory or law enforcement authority, nature of the investigation, status of investigation (e.g. pending, complete, etc.) and the final decision, if applicable. This information can be presented in a separate document, submitted with the Return, labelled "Item 12.10".

#### **15. Client Base (Item 16)**

Concerning item 16.1 enter the number of client business received at the end of the reporting period based on the specified class of insurance business. The originating jurisdiction relates to the residency of the underlying client of record (customer/policyholder or its related parties who in this case are the insured, the beneficiary(ies) of the insurance contract and the beneficial owner(s) of the policyholder or the beneficiary).

12<sup>th</sup> February, 2021